North Carolina Retirement Systems

MEMORANDUM

TO: Local Governmental Employees' Retirement System Board of Trustees

FROM: Firefighters' and Rescue Squad Workers' Pension Fund Advisory Panel

DATE: July 31, 2025

SUBJECT: 2025 Status and Needs Report for the Firefighters' and Rescue Squad Workers' Pension Fund

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This annual report, required by N.C. Gen. Stat. § 58-86-11, informs the Local Governmental Employees' Retirement System (LGERS) Board of Trustees of the status and needs of the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF or "the plan").

The Status and Needs Report is provided to the LGERS Board of Trustees (Board) by the FRSWPF Advisory Panel. The policy recommendations below are its own. Because the FRSWPF Advisory Panel's responsibility is to consider the status and needs of the FRSWPF alone, it is possible that recommendations to the Board may at times diverge from the needs of other pension plans, the requirements of state or federal law, or the policy goals of other stakeholders. The staff of the North Carolina Department of State Treasurer (DST) support, inform and advise the FRSWPF Advisory Panel when it meets annually pursuant to N.C. Gen. Stat. § 58-86-11. The staff also assist with preparing the annual report.

I. STATUS OF THE FRSWPF

Summary of Most Recent Actuarial Valuation of the FRSWPF

Prepared by Retirement Systems Division Staff for 2025 FRSWPF Advisory Panel

An actuarial valuation is performed for the FRSWPF each year by the Board of Trustees' (Board's) consulting actuary, Gallagher. The valuation monitors and adjusts the plan's progress toward its funding goals. The primary purpose of the valuation is to measure the value of accrued pension obligations to be paid in the future, and compare them to the assets in the FRSWPF trust.

Funding Progress of the FRSWPF

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio
12/31/2023	$541,506,390	$523,078,443	103.5%
12/31/2022	$522,126,681	$501,766,052	104.1%
12/31/2021	$508,510,376	$496,483,247	102.4%
12/31/2020	$475,032,285	$496,012,307	95.8%
12/31/2019	$445,876,956	$482,816,865	92.3%

The main reason the funded ratio declined in the most recent valuation was that the benefit amount was increased by the legislature from $170 to $175 per month. Without that change, the funded ratio would have been about 106% as of 12/31/2023. The legislative change allowed some of the funding in excess of 100% of accrued liabilities to be used toward an increase in future benefits, lowering the funded ratio to 103.5%.

The funded ratio has steadily increased, from about 84% in 2011 to more than 100% at present. This has been for several reasons, most importantly the development of a funding policy known as the State Contribution Rate Stabilization Policy ("SCRSP"), and faithful adherence to the SCRSP by both the General Assembly and the Board.

The Board adopted the SCRSP in January 2017, and in April 2021 extended it through June 30, 2027. The SCRSP says that the Board will request each year that the legislature make a State contribution $350,000 greater than the prior year's contribution, or (if greater) the actuarially determined contribution.

Actuarially Determined Contributions & Appropriations

Fiscal Year	Actuarially Determined Contribution (ADEC)	Final Appropriation	% of ADEC Contributed
6/30/2026	$1,843,962	$20,752,208*	1,125.4%*
6/30/2025	$2,350,959	$20,402,208	867.8%
6/30/2024	$3,253,378	$20,052,208	616.4%
6/30/2023	$13,086,519	$19,702,208	150.6%
6/30/2022	$15,182,523	$19,352,208	127.5%

*** The final appropriation for FYE 2026 has not yet been established. The amount shown here was recommended by the Board of Trustees and has also been included in both the Senate Budget (SB 257 v.3) and House Budget (SB 257 v.6).**

Benefit Improvements

The SCRSP also describes the conditions under which the Board could recommend a change in benefit or contribution levels to the General Assembly. Only the General Assembly can enact a change in benefits or contributions. Following the guidance of the SCRSP and a recommendation by the Board, the benefit was increased from $170 to $175 per month and the member contribution rate was increased from $10 to $15 per month effective January 1, 2025 (S.L. 2024-29 and S.L. 2024-42).

The Board has recommended that the legislature further increase the benefit amount to $180 per month effective January 1, 2026. Under the SCRSP, this benefit change would not require an increase to the member contribution rate, nor would it require an additional State contribution. This is possible because of the relatively well-funded position of the FRSWPF, after years of adherence to the SCRSP.

Experience Study

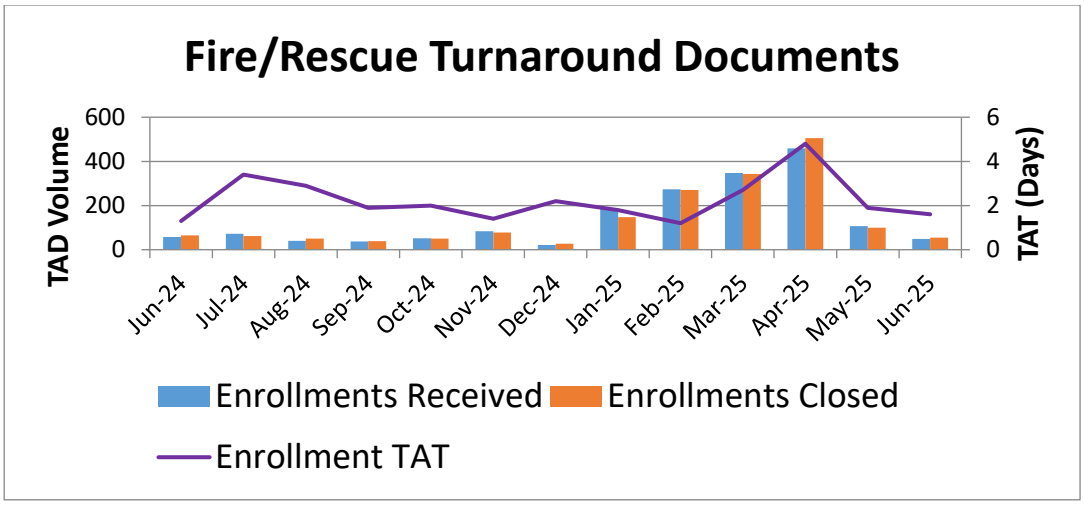
Later in 2025, Gallagher will present to the Board an actuarial experience study, which is conducted once every five years. The study will review the actuaries' methods, as well as the assumptions they make about future events, such as life expectancies, separations from service, and investment returns on the FRSWPF trust. These assumptions can have a significant effect on future actuarial valuations. RSD anticipates that the experience study will be presented in October 2025, and new assumptions and methods may be approved by the Board in January 2026.

FRSWPF Operational Activities

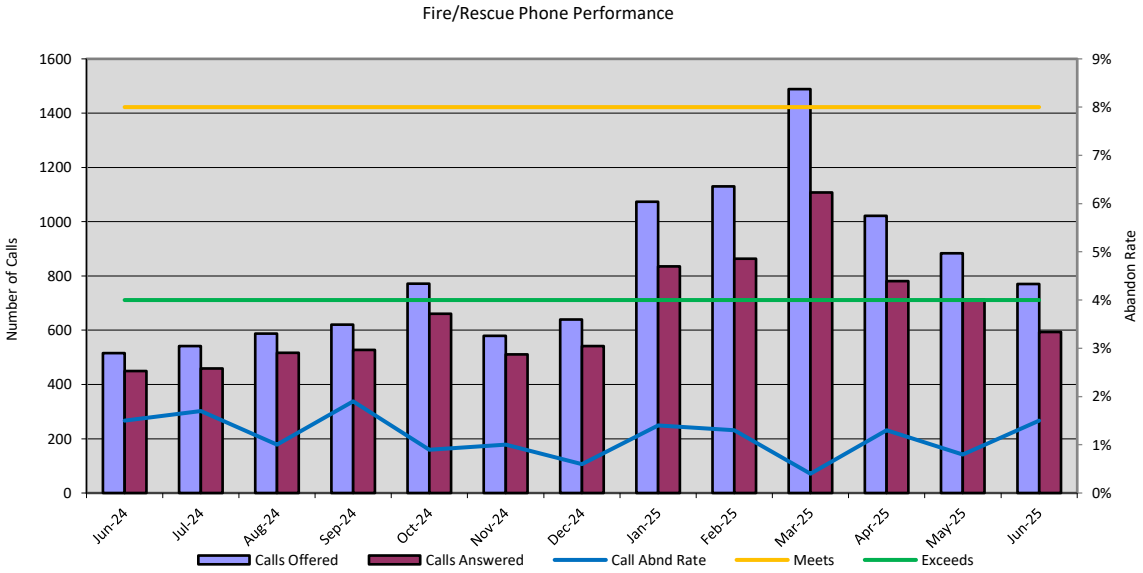
The following charts demonstrate the volume of member inquiries and requests, indicating operational workload, as well as various metrics relating to staff performance in responding to inquiries and processing member requests. Member retirements, service purchases, refunds of contributions and member phone calls received by the call center are among the principal services provided. As the charts below indicate, the Retirement Systems Division (RSD) staff routinely meet or exceed operational goals.

Operational Metrics and Goals

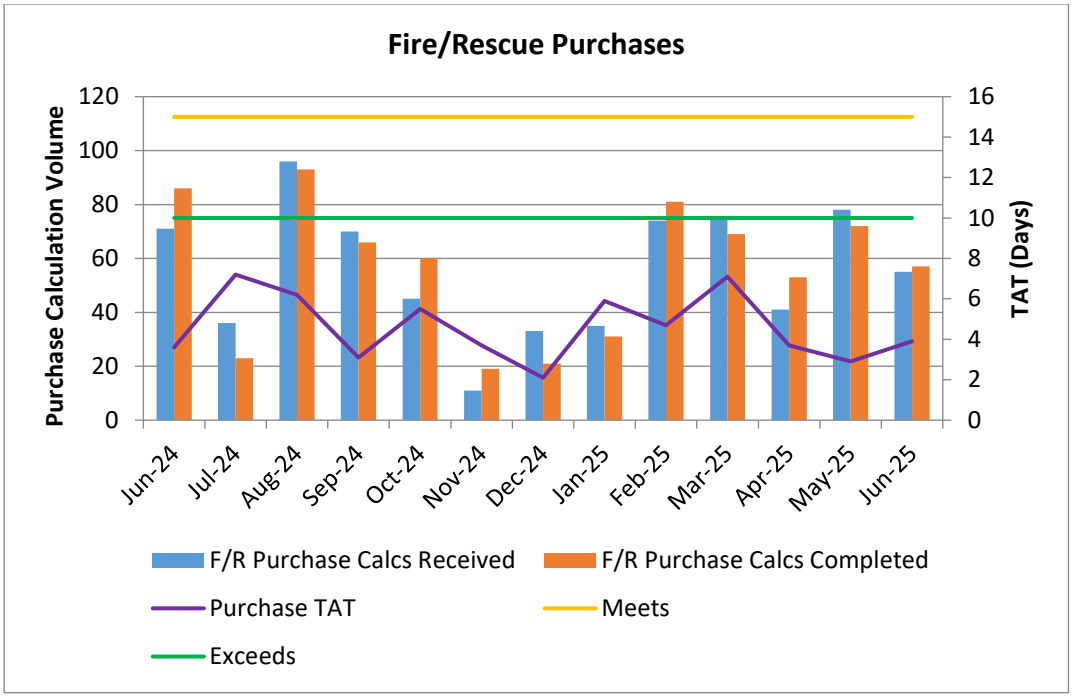
The following charts demonstrate the volume of member inquiries and requests, indicating operational workload, as well as various metrics relating to staff performance in responding to inquiries and processing member requests. Member retirement, service purchases, refunds of contributions and member phone calls received by the staff are among the principal services provided. As the charts below indicate, the Specialty Plans staff routinely meet or exceed operational goals.



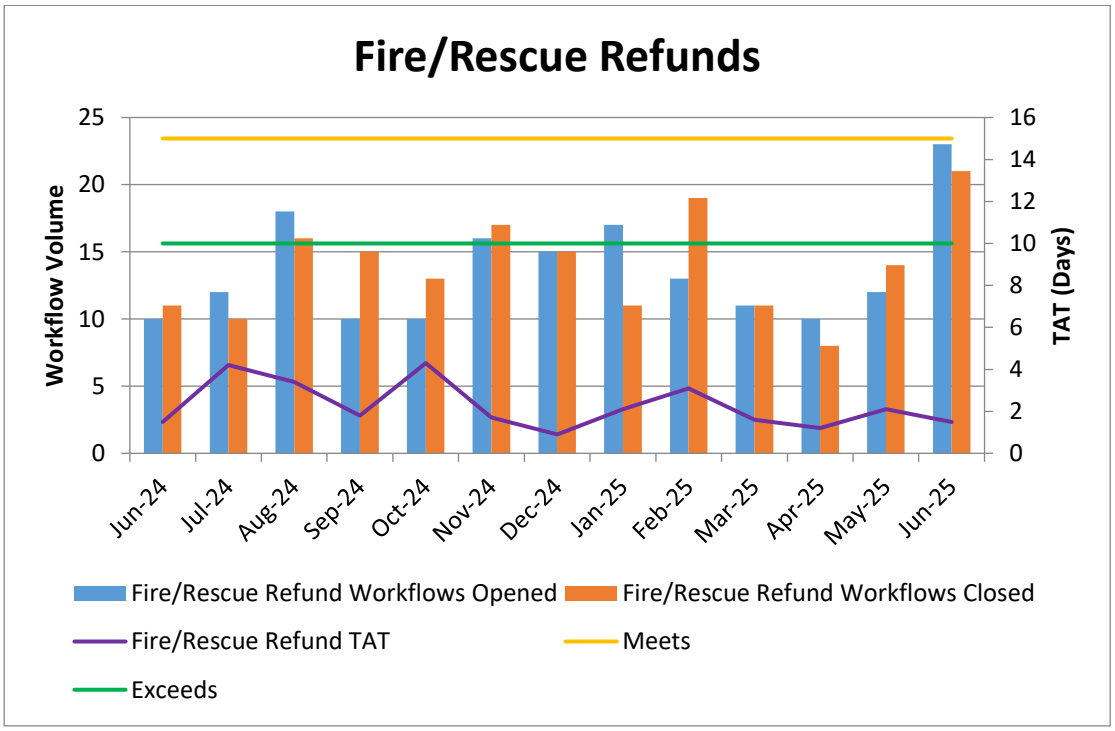
In the month of June, the team processed 54 Turnaround documents (TAD)'s which is typical for this time of the year in comparison to the same time last year.



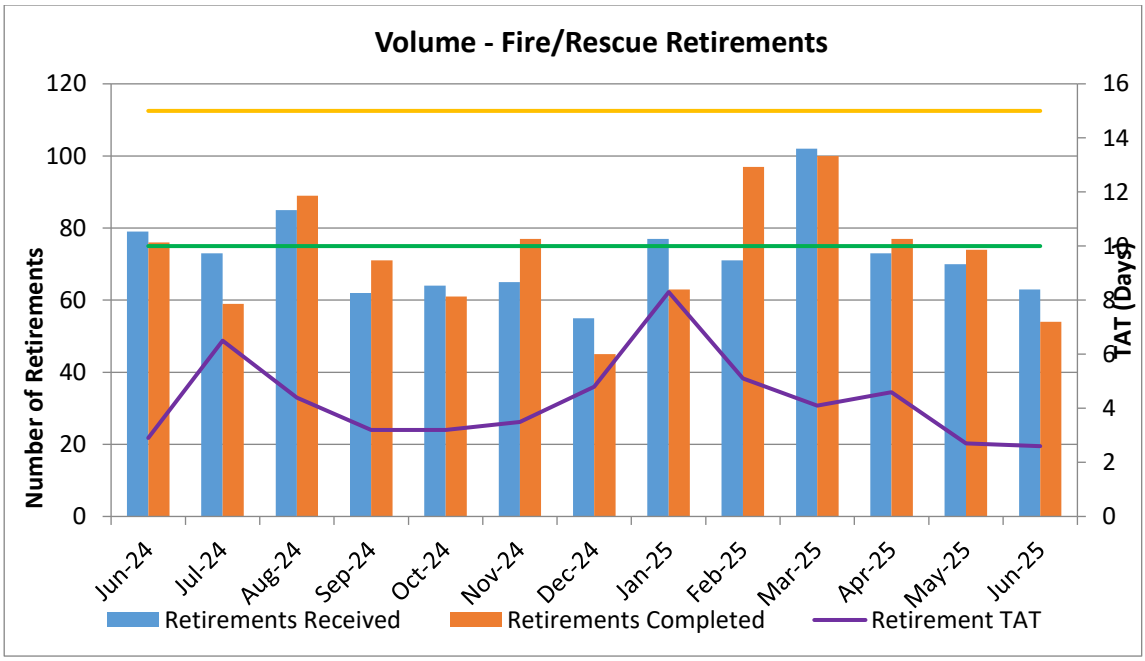
We received over a little over **700** calls with an average answer speed of **00:08:44** seconds and an abandonment rate of **5.06%** which exceeded the goal of 8%. In comparison to the same time last year call volume has certainly increased, in average of about 200 more calls in comparison to the same time as last year.

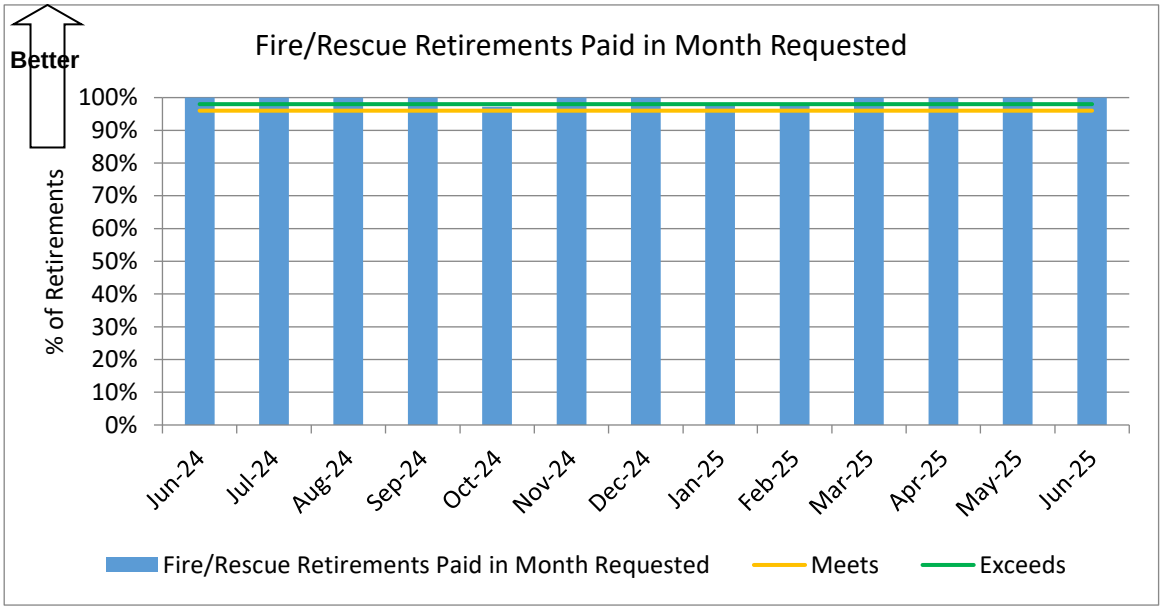


We processed 57 service purchases in June also exceeding the goal for processing items.

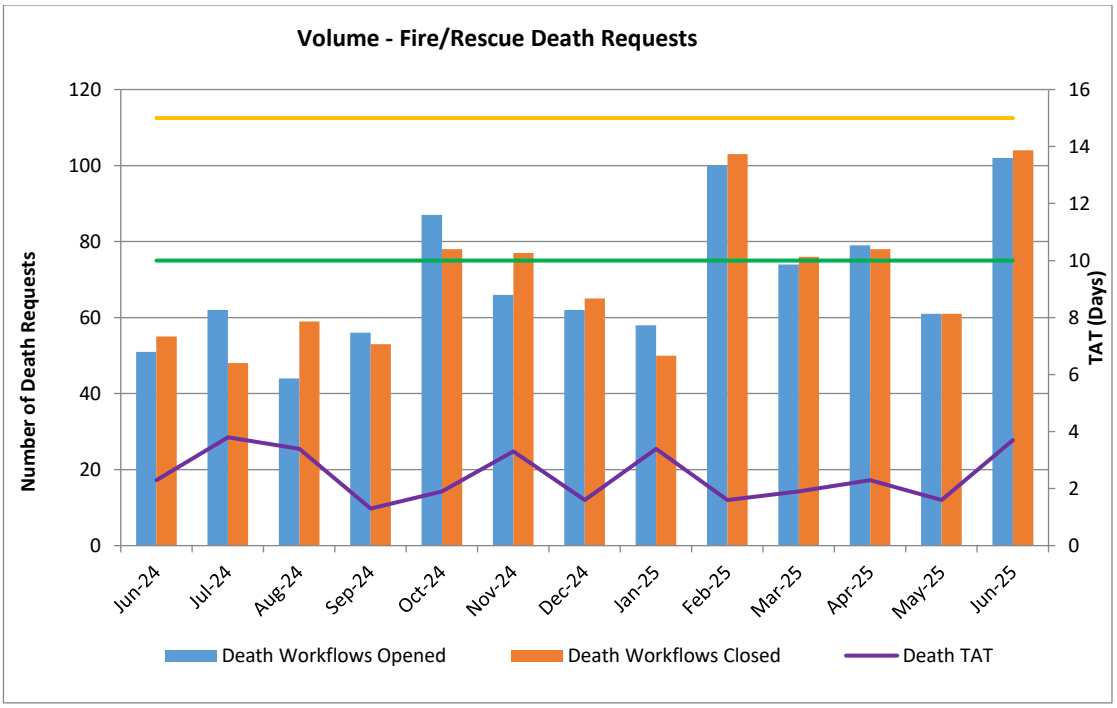


There was an uptick with refund requests in comparison to the same period last year, we received 23 refunds requests in June.





We received about 1,000 retirements under Fire & Rescue between June 2024 – June 2025. Last month the team processed about 54, about 41 of which were June retirements, all were processed with 100% paid on time rating and maintained a 4.6-day TAT exceeding the goal.



The number of death accounts processed within June 2024 – June 2025 was a little over 900 we stayed around 80 - 100 deaths processed per month. Again, all were processed with 2.3-day TAT exceeding the goal.

Other items that were not listed in the charts above were the email volume and checks submitted.

For the month of June, the team responded to **225** emails with a same day response time. We also processed **873** checks that was a combination of service purchases and contribution submissions totaling over $4 million (**$4,965,670.30).**

II. NEEDS OF THE FRSWPF

Funding Policy

1. The Panel discussed but did not identify any current needs.

Investment Policy

2. The Panel was briefed on the Treasurer's Investment Modernization initiative and discussed it but did not identify any additional current needs.

Benefit Policy

3. **Policy Recommendation:** The LGERS and TSERS Boards should direct the RSD staff to conduct an inventory of state benefits provided for first

responders.

- **Panel's Rationale:** A benefits inventory could be useful to explain to policymakers what is available and what could be enhanced or adjusted to be responsive to public policy needs within the state.

4. **Policy Recommendation:** The General Assembly should establish a tiered benefit structure for firefighters and rescue squad workers who continue to serve after attaining 20 years of service in a manner similar to the benefit structure of the National Guard Pension Fund. This would provide, for each additional year of service in excess of 20 years, an increase to a member's benefit by a fixed dollar amount, up to a specified maximum benefit amount. For example, this concept could be applied so that the benefit amount earned after 20 years of service is cost-neutral to the fund when compared to the value of contributions the member makes to the fund after 20 years of service.
    - **Panel's Rationale:** A tiered benefit structure would provide incentive for members to continue working or volunteering as a firefighter or rescue squad worker after they have attained 20 years of service.

Administrative Policy

The last time we met, it was recommended that our office having members submit contributions online, which would reduce our operational workload by reducing the volume of paperwork and the time and manpower required to receive, process, and record receipt of member contributions.

5. **Policy Recommendation:** DST should make it a requirement to have departments submit the reports online and later once the budget and system allow for contributions to be submitted online, to then adjust the wording in the statute to require both be submitted online at the same time. Same for online contribution submissions from members. The panel also made suggestions to implementing electronic ACH draft, and or credit and debit card payment options to be available in orbit.
    - **Panel's Rationale:** This will reduce RSD's operational workload by reducing the volume of paperwork and the time and manpower required to receive, process and record receipt of member contributions. Processing 1 payment. Reduce complexity for staff and limit errors with having multiple checks for 1 agency. In addition, with 40% of departments participating in submitting reports online, we have online depts who are still sending in paper TADs. We are still facing a bit of a challenge with departments remitting contributions and even retirements, at various intervals which causes more use of resources and manpower.

- Departments and squads are currently permitted to report data at any interval throughout the year as well as make payments sporadically (monthly, quarterly, or even once a year). Requiring regular data reporting and contribution payments would greatly reduce the administrative burden on the plan, help maintain better data integrity including member information needed for several other policy recommendations.

What we anticipate doing:

- We know this is still very important and we certainly want to keep the momentum in putting it in place but for right now we would need to secure the funding to upgrade our system to handle all the aspects of online reporting.
- However, in terms of outreach we hope to gain traction for online submissions of reports. More outreach with participating in retirement conferences, and regional meetings to have a presence to speak with members and agencies on the benefit of online reporting, and options available. We also plan on sending out quick reference guides to the associations that can be included in the training materials. We also hope to get additional staffing over the summer months to assist in making contact to departments to remind them of their reporting status and how to submit their TADs online.
- We are in the process of creating online videos that could be accessed by the employers as a step-by-step guide on how to enter TADs online.

6. **Policy Recommendation:** RSD should electronically notify participating departments and squads of delinquent contributions prior to and after the 03/31 deadline.
    - **Panel's Rationale:** Late submission of member contributions is very common in the FRSWPF due to the nature of the accrual of service, among other factors. This hinders the ability of the pension fund to generate investment returns on such funds, in addition to reducing the accuracy of the pension plan's member data and, consequently, the accuracy of the actuarially determined contribution required of the state each year. Electronic notifications in the event of delinquency will improve member and employer compliance with required contribution deadlines, improving the potential to generate investment returns on these funds and enhancing the accuracy of actuarial assumptions used to determine funding costs.
    - Being proactive with contributions prior to, and then notification after deadline with the emphasis on the option to purchase contributions for prior year in the verbiage.

What we are currently doing and anticipate doing:

- Currently we are sending electronic notifications, however, they are only going to departments. We plan on now sending notifications to both members and departments. The goal for the current year 2025 submission is to send the notifications to both members and employers.
- We have also began reaching out to the departments who show delinquent in submitting contributions for 2 or more years. So far we have made contact with over 300 departments out of a list of over 500.

7. **Policy Recommendation:** RSD should communicate to members who are being removed from their department's contribution list.
   - **Panel's Rationale:** This notification would provide the member with options regarding their status, such as continuing to participate with another department, requesting a refund of contributions, or leaving their monies in the FRSWPF.

   What we anticipate doing:
   - We did not get an opportunity to have this completed this year, and looking into ways to address this challenge on the communication method to the member, if the only information that's available is the address when the member was enrolled initially which could be outdated. So, we are relying on the departments to provide us with an updated contact for the member. However, what we anticipate during the outreach efforts is to strongly encourage members to create a personal orbit account to keep the contact information current, this way when letters are generated to inform the members regarding their status and options, we can be sure the letters are sent to the correct place. This challenge is mainly for the volunteers because those who are career firefighters RSD would typically receive updates from the ER with the payroll reports through LGERS.

8. **Policy Recommendation:** DST should communicate with members who are on the roster but no contributions.
   - **Panel's Rationale:** Alerting members on all available options to make an inform decision on their accounts, either to leave the funds in the plan, retire, or get a refund of their contributions.

   What we anticipate doing:
   - We did not get an opportunity to have this completed this year, however, have begun to make strides to reaching out to members who fall in this category to advise them on their options to purchase the service. And since the contribution deadlines for 2024 have passed, we can now focus on ramping up communication efforts to departments and members about the

missing contributions, in addition to outreach efforts in place to address these issues in more details to members and agencies.

APPENDIX

History of Policy Recommendations

1. **Policy Recommendation:** The LGERS Board of Trustees should maintain a conservative funding policy that includes specific parameters for recommending improvements to benefit structure and inflation protection adjustments.
   - **Outcome:** LGERS Board of Trustees adopted the State Contribution Rate Stabilization Policy (SCRSP) in January 2017. This policy requires stable increases in contribution rates, often in excess of the actuarially determined contribution. It also requires the Board of Trustees to consider a number of factors when evaluating whether to recommend a benefit enhancement to the General Assembly, including: changes in the CPI; growth of insurance premium tax revenue; undistributed gains available to offset the costs of benefit increases; and the impact of any benefit increases on the plan's unfunded liability and on progress toward the Board's funding goals.

2. **Policy Recommendation:** RSD should campaign to encourage lapsed members older than age 65 to apply for return of contributions.
   - **Outcome:** The dedicated Lapsed Service Project ended 5/31/2018.

3. **Policy Recommendation:** RSD should campaign to encourage lapsed members who received a return of contributions from another NC retirement system to apply for a FRSWPF return of contributions.
   - **Outcome:** A new monthly report in ORBIT identifies FRSWPF members who have requested a refund in another RSD account. We sent out refund letters and forms to this population to encourage them to request their contributions if they will not meet the required 20 years of service to retire.

4. **Policy Recommendation:** RSD should encourage lapsed members who are not expected to return to active employment to apply for return of contributions.
   - **Outcome:** The dedicated Lapsed Service Project ended 5/31/2018.

5. **Policy Recommendation:** RSD should seek funding for Phase II of the data audit and ORBIT.
   - **Outcome:** Conduent data audit completed.

6. **Policy Recommendation:** The General Assembly should evaluate the Survivor Benefit and the Line-of-Duty Death Benefit ($2400).
    - **Outcome:** A career-ending injury or illness provided more money than the death of a public safety worker. Legislation was enacted in 2016 to allow members to name beneficiaries and, in the case of line-of-duty deaths, elect to receive either a return of contributions or a lifetime monthly benefit if there is only one eligible principal beneficiary.

7. **Policy Recommendation:** RSD should endeavor to achieve operational metrics goals.
    - **Outcome:** RSD is currently meeting all operational metric goals.

8. **Policy Recommendation:** RSD should develop Member Statements.
    - **Outcome:** Members can now view their accounts online through ORBIT.

9. **Policy Recommendation:** RSD should continue efforts to reconcile the various member contribution amounts and various laws to ensure accuracy of data for members as they near retirement.
    - **Outcome:** The Age 50 and Older project is complete.

10. **Policy Recommendation:** RSD should increase communications to departments and members.
    - **Outcome:** The December 2018 newsletter was sent to 18,839 departments/agencies and members and newsletters continue to be sent.

11. **Policy Recommendation:** RSD should identify and contact survivors of deceased active members to encourage application for return of contributions.
    - **Outcome:** This is being addressed by the team daily. Monthly death matches are conducted to identify deceased members. Research is performed to locate next of kin. An obituary provides survivor information. Many attempts are made to try and reach these survivors including contacting funeral homes and churches.

12. **Policy Recommendation:** RSD should add a "History of Benefits" to its newsletter.
    - **Outcome:** Published in the December 2016 newsletter.

13. **Policy Recommendation:** RSD should populate Turnaround Documents (TADs) with an up-to-date list of members who are

actively serving.

- **Outcome:** TAD layout with actives at the top and in-actives at the bottom implemented in 2018.

14. **Policy Recommendation:** RSD should encourage departments to promptly report the death of a member.
    - **Outcome:** Communicated to departments.

15. **Policy Recommendation:** The LGERS Board of Trustees should revise the language of the State Contribution Rate Stabilization Policy (SCRSP) to make the policy more transparent and provide clarity because this policy overlays the funding policy for legislative purposes.
    - **Outcome:** As part of drafting the amendment and extension of the SCRSP adopted by the LGERS Board of Trustees in April 2019, RSD staff worked with stakeholders to improve the transparency and clarity of the policy.

16. **Policy Recommendation:** RSD should improve integrity of member and department data.
    - **Outcome:** Since October 2015, more than 12,700 records have been updated and removed from the active list in ORBIT.

17. **Policy Recommendation:** RSD should implement an active audit of service starting at age 53 to identify inaccuracies before members reach retirement age.
    - **Outcome:** Completed the Age 53 and Older project began on 11/1/2015.

18. **Policy Recommendation:** RSD should communicate to each department/agency all that has been done by RSD on their behalf. Communicate to general membership on status of projects. Develop a means for educating members.
    - **Outcome:** A newsletter was sent in December 2018. An agency e-mail sent to advise departments/agencies of changes in the TAD document and the member transfer process.

19. **Policy Recommendation:** RSD should enhance participating department or squad's access to information pertaining to contributions, service credit history, and other data associated with each department or squad's participating members.
    - **Outcome:** The on-line contribution reporting launched in 2020 provided expanded access to departmental contribution and roster service data.

20. **Policy Recommendation:** RSD should undertake a full redesign of the FRSWPF online user functionality in ORBIT involving end-user testing and feedback throughout the development and implementation processes of such a redesign.
    - **Outcome:** The re-design of on-line reporting functionality launched in 2020. Pilot participation from departments and end-users have provided invaluable feedback.

21. **Policy Recommendation:** Allow participating departments or squads to submit contributions online.
    - **Outcome:** The contribution reporting system implemented will accomplish this and allow departments to submit on-line contributions.

22. **Policy Recommendation:** RSD staff should endeavor to make available the most up-to-date forms following any revisions or changes.
    - **Outcome:** Current versions of all forms for the FRSWPF are available on ORBIT.

23. **Policy Recommendation:** The General Assembly should eliminate the requirement for notarization of beneficiary forms and allow electronic submission of beneficiary forms during enrollment process. In place of notarization, RSD should require member identity verification using member-selected security questions and answers.
    - **Outcome:** Electronic submission of beneficiary forms is available for FRSWPF members.

24. **Policy Recommendation:** DST should recommend that the General Assembly increase the member contributions requirement whenever benefit increases are granted.
    - **Outcome:** The SCRSP was adopted by the LGERS Board of Trustees in January 2017.

25. **Policy Recommendation:** RSD should seek an IRS letter of determination for the FRSWPF and seek to modify or enact any necessary technical changes to the general statutes according to its requirements.
    - **Outcome:** The Panel decided at its 2021 annual meeting that this item does not need to be included on its list of recommendations.

26. **Policy Recommendation:** RSD should monitor the Gross Insurance

Premiums Tax to identify opportunities to recommend benefit increases for members without adversely affecting the funded status of the FRSWPF or requiring excessive funding from the General Fund.

- **Outcome:** The amended and extended SCRSP adopted by the LGERS Board of Trustees in April 2021 provides a formal process for monitoring changes in the statutory provisions for the Gross Insurance Premiums Tax.

27. **Policy Recommendation:** To the extent allowable under federal law, the General Assembly should modify state law such that, when a participating department or squad contributes to the FRSWPF on behalf of its members, these contributions are refunded directly to such department or squad when applicable, potentially only in the years prior to a vesting period (i.e., refund contributions to the department or squad for members who have not yet attained five years of service, but refund contributions to members once they have attained five years of service).
    - **Outcome:** At its 2021 annual meeting, the Panel removed this recommendation due to concerns that it may not comply with federal law. RSD has received advice from outside legal counsel indicating that once monies are received in a member's account, those contributions are the member's and cannot be refunded to a department or squad.

28. **Policy Recommendation:** The General Assembly should require automatic expulsion of active members following delinquency in submitting member contributions, or in the event of a lapse in service of a specified amount of time. In conjunction, RSD should institute a policy to allow members to request a leave of absence to avoid automatic expulsion.
    - **Outcome:** At its 2021 annual meeting, the Panel removed this recommendation due to concerns that it may not comply with federal law. RSD has received advice from outside legal counsel indicating that lapsed members cannot be removed in this manner.

29. **Policy Recommendation:** RSD should regularly seek feedback from participating departments and squads regarding contribution and data submission processes and incorporate this input into process improvements.
    - **Outcome:** RSD has implemented reporting online and is currently using the feedback from the pilot as well as feedback from new units added to online reporting. At its 2021 annual meeting, the Panel

considered this recommendation addressed although this is an ongoing process.

30. **Policy Recommendation:** RSD should notify members when they meet the retirement eligibility requirements and send periodic reminders encouraging eligible members to apply for retirement.
    - **Outcome:** At its 2022 annual meeting, the Panel considered this item completed as members are now sent notifications.

31. **Policy Recommendation:** RSD should better communicate the "Balance not yet applied" category for contributions.
    - **Outcome:** At its 2022 annual meeting, the Panel considered this item completed as the clearer language has been added to the reporting module and in ORBIT help, and there has been additional communications sent out about the contributions not applied. Staff will continue to communicate this information.

32. **Policy Recommendation:** The General Assembly should modify state law to allow firefighters and rescue squad workers to receive increased pension benefits if dual membership is maintained in multiple departments (e.g., membership as both a volunteer firefighter and a paramedic/EMS technician).
    - **Outcome:** At its 2023 annual meeting, the Panel decided that this item not be pursued at this time considering many administrative and technical difficulties on the participating departments, squads, and RSD.

33. **Policy Recommendation:** RSD should notify inactive members who are approaching and within two years of age 55, have less than 20 years of service, have not contributed to the FRSWPF in the last calendar year, and are not paid in full.
    - **Outcome:** At its 2023 annual meeting, the Panel decided that this item has been completed as notifications are sent to these inactive members.

34. **Policy Recommendation:** RSD should communicate to members who are accruing roster service, but no contributions are being received on their behalf even though the member had established an account and contributed previously.
    - **Outcome:** RSD implemented communications with members who have not contributed for two years yet are accruing roster service.