



MEMORANDUM

TO: Boards of Trustees (Boards) of the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS)

FROM: Patrick Kinlaw, Retirement Systems Division (RSD) Director of Policy, Planning, and Compliance;
Taylor Matyi, RSD Policy Development Analyst

DATE: October 19, 2025

RE: Report on 2025 State Legislative Actions Affecting Retirement and Health Benefits

Executive Summary

As of October 19, 2025, the N.C. legislature has enacted 11 bills affecting the Retirement Systems or State Health Plan (SHP) during the 2025 session. The General Assembly did not enact a budget for the State fiscal years ending June 30, 2026 and June 30, 2027 prior to the end of the 2024-25 fiscal biennium. Therefore, the procedure for continuation of current operation under G.S. § 143C-5-4 was enforced. Key provisions of the 11 enacted bills included:

EMPLOYER CONTRIBUTIONS AND FUNDING POLICY

- All retirement systems were fully funded per the Boards' recommendations, based on promised benefits for fiscal year ending June 30, 2026.

BENEFIT POLICY CHANGES

- Allows the Board of Trustees to extend the provisional status of Charter Schools participation in TSERS by up to two additional years.
- Removed the ability for UNC Health Care System, the ECU Medical Faculty Practice Plan, and the ECU Dental School Clinical Operations to offer a choice to allow members already in TSERS or ORP to make a one-time, irrevocable election to cease membership in TSERS or ORP for a similar benefit offered by the employer.

ADMINISTRATION OF SYSTEMS AND PREVENTION/DETECTION OF FRAUD, WASTE, AND ABUSE

- Transferred the authority to manage investments and carry out certain other statutory duties from the State Treasurer to the newly created North Carolina Investment Authority.



- Technical recodification and rewrite of death benefits provided to members of TSERS, LGERS, LRS, and CJRS.

The Session

The 2025 “long session” or “first regular session” of the North Carolina General Assembly (General Assembly) initially convened on January 8, 2025 and adjourned the same day to be reconvened on January 29, 2025 (SJR 2, Res 2025-1). The session reconvened on January 29, 2025, and adjourned on April 17, 2025. The session reconvened on April 28, 2025, and adjourned on July 31, 2025. The session reconvened on August 26, 2025, and adjourned on August 28, 2025. The session reconvened on September 22, 2025, and adjourned on September 25, 2025. As of September 25, 2025, the session is scheduled to reconvene on October 20, 2025. Before the September 25, 2025 adjournment, 1,015 House bills or resolutions and 776 Senate bills or resolutions have been introduced, for a total of 1,791 introductions. The legislature has enacted 94 of these bills or resolutions. When the session adjourns, or from time to time prior to adjournment, RSD will supplement this report if there have been any additional enactments material to Retirement System or State Health Plan policy. In particular, note that legislative actions taken after October 19, 2025 are not described in this report but will be included in a subsequent report if material.

During the 2025 session to date, 32 bills whose proposed provisions had public policy implications for the Retirement Systems or the SHP have received a hearing in at least one of the pension committees or other action by the General Assembly. (G.S. 120-111.3 requires that “every bill, which creates or modifies any provision for the retirement of public officers or public employees or for the payment of retirement benefits or of pensions to public officers or public employees, shall, upon introduction in either house of the General Assembly, be referred to the Committee on Pensions and Retirement of each house.”)

Of those 32 bills, 11 have been enacted:

BILLS RECEIVING COMMITTEE HEARING OR OTHER ACTION AND ULTIMATELY ENACTED IN 2025

- Retirement Policy (may also have SHP implications)
 - HB 40 Various GSC Recommendations.
 - HB 47 Disaster Recovery Act of 2025 – Part I.
 - HB 50 LEO Special Separation Allowance.
 - HB 125 Continuing Budget Operations.
 - HB 402 Limit Rules With Substantial Financial Costs.
 - HB 476 DST Technical Corrections/Admin. Changes 2025.
 - HB 477 Retirement Death Benefits Rewrite.



HB 506	2025 State Investment Modernization Act.
HB 620	AOC Agency Requests.
SB 770	General Assembly Appointments.
SB 775	General Assembly Appointments.

BILLS RECEIVING COMMITTEE HEARING OR OTHER ACTION AND **NOT** ENACTED AS OF THE DATE OF THIS MEMORANDUM

- Retirement Policy (may also have SHP implications)
 - HB 37 Enhance Firefighter Benefits & Representation.
 - HB 59 Modify Homestead Exclusions.
 - HB 79 North Carolina Work and Save.
 - HB 92 NC Digital Assets Investments Act.
 - HB 97 Support Firefighters Fighting Cancer.
 - HB 106 Revive High-Need Retired Teachers Program.
 - HB 137 Gabe Torres Act.
 - HB 215 Protect Charlotte Firefighters' Ret. System.
 - HB 272 The Sergeant Mickey Hutchens Act.
 - HB 276 Align Benefits for Firefighters with Cancer.
 - HB 487 Shorter Separation for Retired ADAs and APDs.
 - HB 498 Military Teacher Ret. Incentive.
 - HB 564 State Retirees Cost-of-Living Increase/Funds.
 - HB 753 LEOs Return to Work.
 - SB 24 Govt Mandates Increase Healthcare Costs.
 - SB 257 2025 Appropriations Act.
 - SB 355 Support the Dept. of Adult Correction.
 - SB 359 Retirement Death Benefits Rewrite.
 - SB 363 DST Technical Corrections/Admin. Changes 2025
- SHP Policy
 - HB 434 Lower Healthcare Costs.
 - SB 316 Lower Healthcare Costs.



Summary of Appropriations for Retirement, Health, and Related Benefits

Appropriations from All Funding Sources

	FY 2025-2026 (S.L. 2025-89 with 2025 Payrolls)
PENSION ADEC FUNDING/SHP PREMIUMS	
Teachers' and State Employees' Retirement System	\$3,510,255,546
State Health Plan Employer Premiums for Non-Retired Members	\$2,550,000,000
Retiree Health Benefit Trust/Retiree Medical	\$1,148,146,763
Public Employee Health Benefit Fund/Active Medical	\$558,935,544
Consolidated Judicial Retirement System	\$39,788,926
Legislative Retirement System	\$661,012
Disability Income Plan of North Carolina	\$16,225,933
State Employee Death Benefit Plan	\$26,623,875
National Guard Pension Fund*	\$1,120,949
Firefighters & Rescue Squad Worker's Pension Fund*	\$20,752,208
Line of Duty Death Benefits*	\$2,521,500
<i>*Total Appropriation</i>	

Rates effective July 1, 2025 through June 30, 2025, S.L. 2025-89 (House Bill 125), Section 3.6

FY 2025-2026	Total Rate	Breakdown of Rate Type					Qualified Excess Benefit
		Retirement	Health	Disability Income Plan	Death Benefit	Supplemental Retirement [^]	
TSERS General	24.67%	17.13%	7.33%	0.07%	0.13%		0.01%
TSERS Law Enforcement	29.67%	17.13%	7.33%	0.07%	0.13%	5.00%	0.01%
UNC ORP	14.24%	6.84%	7.33%	0.07%			
CJRS	45.06%	37.73%	7.33%				
Legislative Ret. System	25.59%	18.26%	7.33%				

[^]The "Supplemental Retirement" contributions for State Law Enforcement Officers are paid to Empower for the NC 401(k) Plan.

^{^^}The rate for health includes two and four-tenths percent (2.40%) for the Public Employee Health Benefit Fund and four and ninety-three hundredths percent (4.93%) for the Retiree Health Benefit Fund.



Maximum Amount of State/Employer Share of SHP Premium Per Employee or Retiree

S.L. 2025-89, Section 3.6.(c)

S.L. 2025-89 states the following maximum premiums per employee. The SHP Board of Trustees will adjust the maximum annual fiscal year rates to monthly rates effective for the SHP’s plan year, which is a calendar year. The SHP issues invoices for premiums in the month prior to applicable coverage. S.L. 2025-89 does not establish a maximum premium amount for retirees.

Employer Premiums

	FY 2025-2026
Active Employees	\$8,500

Retirement Policy Legislation Enacted in 2025

- ***Disaster Recovery Act of 2025 – Part I. (House Bill 47/ Session Law 2025-2):***

Section 5.11 extends the provisions set forth in S.L. 2024-51 which allowed members who retired on or after 04/01/2024 but before 10/01/2024 from TSERS or LGERS to have flexibility in returning to employment if the position is needed due to the state of emergency related to Hurricane Helene or associated Hurricane Helene recovery efforts. The bill extended the retirement period end date from 10/01/2024 to 03/01/2025.

Effective March 19, 2025.

- ***2025 State Investment Modernization Act. (House Bill 506/ Session Law 2025-6):***

Transfers the authority to manage investments and carry out certain other statutory duties from the State Treasurer to the newly created North Carolina Investment Authority. The Investment Authority will be led by a Board of Directors, who appoints a Chief Investment Officer to manage its affairs. The Investment Authority will be responsible for State investments including those of the Retirement Systems. The new legislation does not change the responsibilities of the Retirement Systems’ Boards of Trustees. It does, however, end the Investment Advisory Committee as it currently exists.

The Investment Authority becomes effective on January 1, 2026.



- **LEO Special Separation Allowance. (House Bill 50/ Session Law 2025-8):**

Creates a new benefit calculation for the Special Separation Allowance benefit for Law Enforcement Officers who have earned 30 years of service. The Special Separation Allowance currently requires the benefit to cease upon the LEO reaching age 62. Under the new provisions, the LEO who earned 30 years of service, under the new benefit calculation, can elect instead to receive the benefit past the age of 62 based on when they obtained 30 years of service. Please note, the Retirement Systems Division (RSD) does not manage or pay these benefits and all questions regarding the benefits should be directed to the LEOs' employers. However, some employers or stakeholders have asked RSD when a member's accrued unused sick leave converts to creditable service under TSERS or LGERS, presumably so that employers can ascertain when a LEO first reached 30 years of creditable service in order to administer S.L. 2025-8. RSD has informed them that under TSERS and LGERS, members do not convert sick leave to creditable service until they separate employment with an employer and retire.

Effective for retirements on and after July 1, 2025.

- **Retirement Death Benefits Rewrite. (House Bill 477/ Session Law 2025-11):**

- **Part I - V: Death Benefits Recodification & Rewrite**

Include the recodification and rewrite of the death benefits statutes to conform with modern writing styles and statute structures. These parts have no policy changes to the death benefits provided for in TSERS, LGERS, CJRS, and LRS and the changes are purely technical.

Effective June 13, 2025.

- **Part VII: Line-of-Duty Death Benefit Funding**

Allows the TSERS Board of Trustees to deposit up to 0.04% of compensation from the employer contribution rate for the Death Benefit Fund into a separate fund to pay for Line-of-Duty Death benefits awarded by the Industrial Commission under G.S. 143, Article 12A. The separate fund can be used to pay benefits only if all other appropriated funds for those purposes have been exhausted. At the end of each fiscal year, any unused funds shall revert to the Death Benefit Fund.

Effective July 1, 2025



- **DST Technical Corrections/Admin. Changes 2025. (House Bill 476/ Session Law 2025-19):**
 - **Part 1: Extend the Provisional Entry Period of Charter Schools in TSERS**
Allows the TSERS Board of Trustees to extend a charter school's provisional entry period by up to two additional years. The additional provisional period(s) allows the charter school to become more established and acquire the most accurate independent audit reports used by the Board when determining if the charter school should become a permanent member of TSERS.
 - **Part 2: Felony Forfeiture Reversal Determinations**
Transfers the authority to determine whether a member is allowed to restore benefits forfeited due to felonious conduct, if the member has received an unconditional pardon of innocence or the conviction is vacated or set aside for any reason, from the State Treasurer to the Board of Trustees in all applicable Retirement Systems.
 - **Part 4: NC ABLE Account Medicaid "Clawback" Modifications**
Modifies the North Carolina Achieving a Better Life Experience (NC ABLE) investment accounts to disallow Medicaid to recover funds from NC ABLE accounts unless required by federal law.
 - **Part 5: Restoration of Service TSERS Technical Corrections**
Makes various technical corrections surrounding references to G.S. 135-3. It does not have any substantive benefit changes.
 - **Part 7: Miscellaneous Technical & Conforming Changes**
Makes multiple technical and conforming changes throughout the Retirement Systems that have no material impact to the operations of the Retirement Systems, including but not limited to: Spelling Error Corrections, General Statute Reference Corrections, Conforming Changes to the Survivor's Alternate Benefit Language in LRS, and Conforming Change in the Legislative Enactment Implementation Arrangement (LEIA).
 - **Part 8: Similar Benefit Election for Certain Employers in TSERS**
Removes the ability for the UNC Health Care System, the ECU Medical Faculty Practice Plan, and the ECU Dental School Clinical Operations to offer a choice to allow people who are already in TSERS or the ORP to make a one-time, irrevocable election to cease membership in TSERS or ORP in favor of a similar benefit offered by the employer. It remains true (as a result of the 2023 budget law) that new employees of those employers will not be enrolled in TSERS unless they meet narrow statutory exceptions.

Effective June 26, 2025.



- **Various GSC Recommendations. (House Bill 40/ Session Law 2025-25):**

Makes multiple purely technical changes to multiple sections of the General Statutes administered by the Retirement Systems; however, the changes do not make any material changes.

Effective June 26, 2025.

- **General Assembly Appointments. (Senate Bill 770/ Session Law 2025-9) as amended by General Assembly Appointments. (Senate Bill 775/Session Law 2025-90):**

Makes appointments to the TSERS Board of Trustees and was amended to make a technical correction to an appointed Board member's name.

- **AOC Agency Requests. (House Bill 620/ Session Law 2025-54):**

- **Section 12.5: Modify Mandatory Retirement For Superior Court Judges And District Court Judges**

Modifies the mandatory retirement age for superior court and district court judges by allowing the judge to continue in office until the end of the current calendar year in which the judge attains age 72 instead of the last day of the month in which the judge attains age 72.

Effective for retirements effective after July 2, 2025.

- **Limit Rules With Substantial Financial Costs. (House Bill 402/ Session Law 2025-82):**

Adds a new provision for permanent administrative rules that have an aggregate financial cost on all persons affected of at least \$20 million within a five-year period to be ratified by the General Assembly. These administrative rules now become effective on the later of (1) the first day of the month following the month that the bill ratifying the rule becomes effective or (ii) the date specified by the agency adopting the rule. If the General Assembly fails to ratify a bill approving the rule, the Commission shall return the rule to the agency within 15 days of the General Assembly adjourning for a period of 30 days or more. These changes do not apply to rules or a set of rules that are required by federal law or necessary to maintain compliance with a program delegated to the State from a federal agency.



Any permanent rule or set of rules proposed by a board, commission, council, or other similar unit of government that have a projected aggregate financial cost equal to or greater than \$1 million during any five-year period must be adopted by a vote of at least 2/3 of the board or commission members present and voting on the rule.

Any permanent rule or set of rules proposed by a board, commission, council, or other similar unit of government that have a projected aggregate financial cost equal to or greater than \$10 million during any five-year period must be adopted by a unanimous vote of the board or commission members present and voting on the rule.

Please note, these provisions apply to all rules adopted pursuant to Article 2A of Chapter 150B, including rules undergoing periodic review and reoption. Therefore, rules requiring amendments or being reviewed during the decennial review process will be subject to these new provisions.

Effective July 29, 2025.

Please note that some parts of this report are extracted almost verbatim from publicly available documents created by our colleagues at the Department and from the work of legislative staff members. It is not intended to be presented as entirely original work as it is merely a compilation for convenience for users of this document.



MEMORANDUM ADDENDUM

TO: Boards of Trustees (Boards) of the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS)

FROM: Patrick Kinlaw, Retirement Systems Division (RSD) Director of Policy, Planning, and Compliance;
Taylor Matyi, RSD Policy Development Analyst

DATE: January 29, 2026

RE: Addendum to the Report on 2025 State Legislative Actions Affecting Retirement and Health Benefits

On October 30, 2025, the "Report on 2025 State Legislative Actions Affecting Retirement and Health Benefits" was provided to the Boards of Trustees which details legislative actions made by the N.C. legislature from January 1 through October 19, 2025. Since October 19, 2025, when the report was completed, the legislature has enacted one additional bill whose proposed provisions had public policy implications for the Retirement Systems:

Session Law 2025-97 (SB 449)

Continuing Budget Operations Part IV.

- Section 6.10: ORBIT System
Provides funding for the transition of retirement system data from on-premises servers to cloud-based storage not to exceed \$1,022,000 in recurring funds beginning in the 2025-2026 fiscal year and an additional \$1,260,000 in nonrecurring funds during the 2025-2026 fiscal year.
- Section 7.2: Modify DIT Procurement Exemptions
Exempted the Department of State Treasurer, including the Retirement Systems Division, from Article 15 (Department of Information Technology) of G.S. 143B (the Executive Organization Act). RSD may elect to participate in the information technology programs, services, or contracts offered by the Department of Information Technology, including information technology procurement, in accordance with the statutes, policies, and rules of the Department of Information Technology.

Throughout 2025, the General Assembly also extended provisions originally set forth in Session Law 2024-51 the Disaster Recovery Act of 2024 that allowed retirees to return to employment in positions needed due to the state of emergency related to Hurricane Helene or associated Hurricane Helene recovery efforts. The provisions included a shorter waiting period for



members who retired prior to Hurricane Helene and exemptions from earnings restrictions that would normally require the member to suspend their monthly retirement benefit. The expiration date of these provisions is based on the statewide declaration of emergency under Executive Order 315. The statewide declaration of emergency was extended by Section 3.1 of Session Law 2024-51, Section 3.1 of Session Law 2025-2, and Section 3.1 of Session Law 2025-26 to October 1, 2025.

Please note that some parts of this report are extracted almost verbatim from publicly available documents created by our colleagues at the Department and from the work of legislative staff members. It is not intended to be presented as entirely original work as it is merely a compilation for convenience for users of this document.

The Session

The 2025 “long session” or “first regular session” of the North Carolina General Assembly (General Assembly) initially convened on January 8, 2025 and adjourned the same day to be reconvened on January 29, 2025 (SJR 2, Res 2025-1). The session reconvened on January 29, 2025, and adjourned on April 17, 2025. The session reconvened on April 28, 2025, and adjourned on July 31, 2025. The session reconvened on August 26, 2025, and adjourned on August 28, 2025. The session reconvened on September 22, 2025, and adjourned on September 25, 2025. The session reconvened on October 20, 2025, and adjourned on October 23, 2025. The session reconvened on November 17, 2025, and adjourned on November 20, 2025. The session reconvened on December 15, 2025, and adjourned on December 18, 2025.

During the 2025 long session, 1016 House bills or resolutions and 778 Senate bills or resolutions have been introduced, for a total of 1,794 introductions. The legislature has enacted 97 of these bills or resolutions.

During the 2025 session, 33 bills whose proposed provisions had public policy implications for the Retirement Systems or the SHP have received a hearing in at least one of the pension committees or other action by the General Assembly. (G.S. 120-111.3 requires that “every bill, which creates or modifies any provision for the retirement of public officers or public employees or for the payment of retirement benefits or of pensions to public officers or public employees, shall, upon introduction in either house of the General Assembly, be referred to the Committee on Pensions and Retirement of each house.”)