



## 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 4, 2024

SUBJECT: Report on 2024 State Legislative Actions Affecting Retirement and Health Benefits

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### Executive Summary

As of October 4, 2024, the N.C. legislature has enacted 6 bills affecting the Retirement Systems or State Health Plan (SHP) during the 2024 session. S.L. 2023-134, enacted in 2023 and described in RSD's 2023 Legislative Report, established the budget for the State fiscal years ending June 30, 2024 and June 30, 2025, and has not been materially amended during 2024 with respect to retirement or health benefit budget provisions. Key provisions of the 6 enacted bills included:

#### EMPLOYER CONTRIBUTIONS AND FUNDING POLICY

- All retirement systems were fully funded per the Boards' recommendations, based on promised benefits.

#### BENEFIT POLICY CHANGES

- Provisions from 2023, requiring that employees hired on or after January 1, 2024 by UNC Health Care and certain health care operations of East Carolina University will not be eligible for TSERS, were amended to create exceptions (allowing TSERS participation) for Law Enforcement Officers and for those who were employed and contributing to TSERS immediately prior to their employment at UNC Health Care or East Carolina University.
- The monthly benefit amount and monthly contribution requirement of the FRSWPF were both increased by \$5.00.
- Part-Time employees are allowed to participate in the NC 401(k) Plan under certain conditions.

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

- Eligibility requirements for members to purchase retirement service credit were further standardized, and the statutory provisions were streamlined.
- Employers must provide monthly payroll contributions and the Contribution Summary Report by the fifth State government working day or incur the penalty already established in statute for submitting monthly payroll contributions after the deadline.

## The Session

The 2024 "short session" or "second regular session" of the North Carolina General Assembly (General Assembly) initially convened on January 17, 2024 and adjourned the same day to be reconvened on January 18 (SJR 760, Res 2023-11). As of June 28, 2024, the session adjourned. The session reconvened on July 29, 2024 and adjourned on August 1, 2024. The session reconvened on September 9, 2024 and adjourned on September 11, 2024. As of October 4, 2024, the session is scheduled to reconvene on October 9, 2024. Before the September 11, 2024 adjournment, 177 House bills or resolutions and 156 Senate bills or resolutions have been introduced, for a total of 333 introductions. The legislature has enacted 54 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 4, 2024, for example any Hurricane Helene relief legislation, are not described in this report but will be included in a subsequent report if material.

During the 2024 session to date, 11 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 11 bills, 6 have been enacted:

### BILLS RECEIVING COMMITTEE HEARING OR OTHER ACTION AND ULTIMATELY ENACTED IN 2024

- Retirement Policy (may also have SHP implications)
 

|         |   |
|---------|---|
| HB 988  | 2024 Retirement Technical Corrections.        |
| HB 989  | Retirement Service Purchase Rewrite Part III. |
| HB 1020 | Retirement Admin. Changes Act of 2024.        |
| SB 319  | Insurance Rev/Online Auctions/Firefighters.   |
| SB 508  | 2023 Budget Tech/Other Corrections.           |
| SB 559  | Charter Schools/Pension/ESOP.                 |

### BILLS RECEIVING COMMITTEE HEARING OR OTHER ACTION AND ULTIMATELY ENACTED IN 2024

- Retirement Policy (may also have SHP implications)
 

|        |  |
|--------|--|
| HB 263 | 2024 Appropriations Act.                       |
| HB 317 | Adjustments to the 2023 Appropriations Act.    |
| HB 917 | GSC Technical Corrections 2024.                |
| HB 996 | State Employees/Give 3-Days Bereavement Leave. |
- SHP Policy
 

|        |  |
|--------|--|
| HB 939 | Access to Transcranial Magnetic Stimulation. |
|--------|--|

**Summary of Appropriations for Retirement, Health, and Related Benefits**  
**Appropriations from All Funding Sources**

|   | FY 2024-2025<br>(S.L. 2023-134 with<br>2024 Payrolls) |
|---|---|
| <b>PENSION ADEC FUNDING/SHP PREMIUMS</b>                    |   |
| Teachers' and State Employees' Retirement System            | \$3,291,020,157                                       |
| State Health Plan Employer Premiums for Non-Retired Members | \$2,455,537,300                                       |
| Retiree Health Benefit Trust/Retiree Medical                | \$1,548,655,820                                       |
| Consolidated Judicial Retirement System                     | \$37,226,440  |
| Legislative Retirement System                               | \$796,400   |
| Disability Income Plan of North Carolina                    | \$28,666,395  |
| State Employee Death Benefit Plan                           | \$25,481,395  |
| National Guard Pension Fund*                                | \$0   |
| Firefighters & Rescue Squad Worker's Pension Fund*          | \$20,402,208  |
| Line of Duty Death Benefits*                                | \$2,521,500   |
| <i>*Total Appropriation</i>                                 |   |

**Rates effective July 1, 2024 through June 30, 2025, S.L. 2023-134 (House Bill 259), Section 39.26.(c)**

| FY 2024-2025            | Total Rate | Breakdown of Rate Type |                        |                        |               |                                      |                          |
|-------------------------|------------|------------------------|------------------------|------------------------|---------------|--------------------------------------|--------------------------|
|                         |            | Retirement             | Retiree Health Benefit | Disability Income Plan | Death Benefit | Supplemental Retirement <sup>^</sup> | Qualified Excess Benefit |
| TSERS General           | 24.04%     | 16.78%                 | 6.99%                  | 0.13%                  | 0.13%         |                                      | 0.01%                    |
| TSERS Law Enforcement   | 29.04%     | 16.78%                 | 6.99%                  | 0.13%                  | 0.13%         | 5.00%                                | 0.01%                    |
| UNC ORP                 | 13.96%     | 6.84%                  | 6.99%                  | 0.13%                  |               |                                      |                          |
| CJRS                    | 43.99%     | 37.00%                 | 6.99%                  |                        |               |                                      |                          |
| Legislative Ret. System | 28.99%     | 22.00%                 | 6.99%                  |                        |               |                                      |                          |

<sup>^</sup>The "Supplemental Retirement" contributions for State Law Enforcement Officers are paid to Empower for the NC 401(k) Plan.

**Maximum Amount of State/Employer Share of SHP Premium Per Employee or Retiree**  
**S.L. 2023-134, Section 39.26.(e)**

S.L. 2023-143 states the following maximum premiums per employee or retiree. 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.

Employer Premiums

|                  | FY 2024-2025 |
|------------------|--------------|
| Active Employees | \$8,095      |
| Retirees         | \$5,405      |

## Retirement Policy Legislation Enacted in 2024

- **2023 Budget Tech/Other Corrections. (Senate Bill 508 / Session Law 2024-1):**

Section 1.7.(h) – (k) makes modifications to Session Law 2023-134, the 2023 Appropriations Act, which included sections related to retirement and other benefits for current and future employees of UNC Health Care (UNCHC) and certain parts of East Carolina University (ECU). The modifications include the following changes:

- Session Law 2023-134 (which generally excludes new employees of UNCHC who are hired on or after January 1, 2024 from electing TSERS) no longer applies to Law Enforcement Officers (LEOs), as defined under G.S. 143-166.30.
- If an individual hired by UNCHC or certain parts of ECU is a contributing member of TSERS or ORP immediately prior to that individual's date of hire, then the member can elect to continue contributing to TSERS or elect ORP if they have not been offered an election of TSERS or ORP for previous employment.
- Employees of UNCHC remain eligible for participation in the Supplemental Retirement Income Plan.

- **Retirement Admin. Changes Act of 2024. (House Bill 1020 / Session Law 2024-8):**

- **Part I: Re-Employed TSERS Retiree Electing Optional Retirement Program**  
Makes clarifying changes stating that a beneficiary who retired in TSERS, becomes reemployed with an employer who offers the option of the Optional Retirement Program (ORP), and elects the ORP must have their TSERS retirement benefit suspended the first day of the month following the month in which the beneficiary was reemployed. Upon cessation of reemployment, the retirement benefit shall be reinstated the first day of the month following the month in which the beneficiary ceases contributing employment in the ORP.  
*Effective June 20, 2024.*
- **Part II: Applying for Retirement While Receiving Severance Pay**  
Members who are in receipt of severance pay cannot begin receiving their retirement benefit coincident with their severance pay. If the severance payment is made in a lump sum, but based on a certain period, such as a number of weeks or months, the member is not eligible to receive retirement during the period used to calculate the lump sum value.  
*Effective January 1, 2025.*
- **Part III: Monthly Contribution Reporting Requirements for Employer**  
Requires employers to submit both the Contribution Summary Report and the contribution payments associated with that report prior to the required deadline set in statute and Administrative Rule, which is currently no later than the fifth State government working day of the month succeeding the month for which the contributions are required.  
*Effective January 1, 2025.*
- **Part IV: Legislative Retirement System Administrator Election of Option**  
If a member of the Legislative Retirement System has applied for retirement, has been approved, has not selected a monthly benefit payment option and survivorship beneficiary and has since died, then the administrator of the member's estate may make the election of a payment option and survivorship beneficiary, if any, on behalf of the member.  
*Effective June 20, 2024.*
- [There was no Part V in the enacted legislation.]



- **Part VI: Expansion of the Legislative Enactment Implementation Arrangement (LEIA)**  
Expands the use of LEIA funds to be used for administrative or information technology purposes identified by the TSERS and LGERS Boards of Trustees as necessary to prevent an interruption to the normal operation of the Retirement System. Extends the duration of the LEIA until January 1, 2035.  
*Effective June 20, 2024.*
- **Part VII: Part-Time Employees Contributing to 401(k) Plan**  
Allows part-time employees to participate in the NC 401(k) plan, as long as their employer has one or more employees who are otherwise eligible for participation in the NC 401(k) plan. This section also allows the employer to remain in compliance with the NC 401(k) plan if they make additional contributions on behalf of full-time employees, but do not make additional contributions for part-time employees.  
*Effective January 1, 2025.*

- **2024 Retirement Technical Corrections. (House Bill 988 / Session Law 2024-9):**

Makes various typographical, conforming, citation updates, or related types of technical changes to the Retirement Systems. Part 3 changes statutory provisions that reference the Required Minimum Distribution age set forth in section 401(a)(9)(C)(v) of the Internal Revenue Code to reference the section in the Code itself instead of a listing a specific age. This allows the statute to refer automatically to any changes made in federal law without requiring further updates to statute. Part 4.(b) clarifies that any ABC Board who is removed from LGERS under the Inactive Employer statutes set forth in G.S. 128-23.1 is no longer able to apply once again to join LGERS in the future, consistent with G.S. 128-23(h). Part 4.(c) removes the requirement to have a 90-day delay to begin the installment payment plan under CBBC Liability Payment Option 2 in LGERS.  
*Effective June 20, 2024.*

- **Retirement Service Purchase Rewrite Part III. (House Bill 989 / Session Law 2024-10):**

Under Service Purchase Rewrite Parts I and II (Session Laws 2020-29 and 2021-57 respectively), the eligibility and cost calculation requirements for a member to purchase service credit were standardized across the Retirement Systems. Service Purchase Rewrite Part III recodifies the current subsections into a single eligibility section for each Retirement System, which provides a clear and streamlined definition. Every standardized service purchase will require the member to be in-service at the time of purchase and already have five years of service. The member cannot purchase more than five years of each type, the cost is calculated based on the Full Actuarial Cost, there will be an administrative fee, and the employer can purchase all or part of the cost on behalf of the member. There are four types of service purchases that were not subject to the standardization in this legislation: Military, Omitted Membership, Retroactively Reinstated or Restored Membership, and Worker's Compensation.  
*Effective June 20, 2024.*

- **Insurance Rev/Online Auctions/Firefighters. (Senate Bill 319 / Session Law 2024-29) and Charter Schools/Pensions/ESOP. (Senate Bill 559 / Session Law 2024-42):**

Section 11 of Session Law 2024-29, as amended by Section 3 of Session Law 2024-42, increases the Firefighters' & Rescue Squad Workers' Pension Fund monthly benefit amount from \$170 to \$175 and increases the monthly contribution requirement from \$10 to \$15 per month. For members younger than 35, the cost to purchase prior service also increases from \$10 to \$15 to coincide with the new member contribution rate. Member contributions associated with the 2024 calendar year may be paid at the \$10 monthly rate until March 31, 2025.  
*Effective January 1, 2025.*

Section 1 of Session Law 2024-42 allows four specified charter schools to elect participation in the SHP.

*Effective July 8, 2024.*

Section 2 of Session Law 2024-42 amends G.S. 135-48.54 to create additional flexibility for charter schools to elect participation in the SHP.

*Effective August 7, 2024.*

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*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

**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, Director of Policy, Planning, and Compliance;  
Taylor Matyi, RSD Policy Development Analyst

**DATE:** January 30, 2025

**RE:** Addendum to Report on 2024 State Legislative Actions Affecting Retirement and Health Benefits

On October 24, 2024, the "Report on 2024 State Legislative Actions Affecting Retirement and Health Benefits" was provided to the Boards, describing legislative activity through October 4, 2024. Since then, the General Assembly has enacted 4 additional bills whose proposed provisions had public policy implications for the Retirement Systems:

|        |   |
|--------|---|
| HB 10  | Require ICE Cooperation & Budget Adjustments. |
| HB 149 | Disaster Recovery Act of 2024.                |
| SB 382 | Disaster Relief-3/Budget/Various Law Changes. |
| SB 743 | The Disaster Recovery Act of 2024 - Part II.  |

### Legislation Affecting Appropriations Enacted after October 4, 2024

Section 12.1.(a) of S.L. 2023-134 (House Bill 10, "Require ICE Cooperation & Budget Adjustments"), enacted November 20, 2024, amended the employer contribution rates for the fiscal year ending June 30, 2025, as detailed in the table below. This table replaces the table from page 3 of the October 24, 2024 report.

***Rates effective July 1, 2024 through June 30, 2025, S.L. 2023-134 (House Bill 259), Section 39.26.(c), as amended by S.L. 2024-55 (House Bill 10), Section 12.1.(a)***

|                         | Total Rate | Breakdown of Rate Type |                        |                        |               |                                      |                          |
|-------------------------|------------|------------------------|------------------------|------------------------|---------------|--------------------------------------|--------------------------|
|                         |            | Retirement             | Retiree Health Benefit | Disability Income Plan | Death Benefit | Supplemental Retirement <sup>^</sup> | Qualified Excess Benefit |
| <b>FY 2024-2025</b>     |            |                        |                        |                        |               |                                      |                          |
| TSERS General           | 24.04%     | 16.78%                 | 6.99%                  | 0.13%                  | 0.13%         |                                      | 0.01%                    |
| TSERS Law Enforcement   | 29.04%     | 16.78%                 | 6.99%                  | 0.13%                  | 0.13%         | 5.00%                                | 0.01%                    |
| UNC ORP                 | 13.96%     | 6.84%                  | 6.99%                  | 0.13%                  |               |                                      |                          |
| CJRS                    | 42.95%     | 35.96%                 | 6.99%                  |                        |               |                                      |                          |
| Legislative Ret. System | 26.31%     | 19.32%                 | 6.99%                  |                        |               |                                      |                          |

<sup>^</sup>The "Supplemental Retirement" contributions for State Law Enforcement Officers are paid to Empower for the NC 401(k) Plan.





As a result of these amendments, the estimated appropriations for the Consolidated Judicial Retirement System (CJRS) for the fiscal year ending June 30, 2025 were reduced from \$37,226,440 (from October 24, 2024 report) to \$36,180,075. The estimated appropriations for the Legislative Retirement System (LRS) were reduced from \$796,400 to \$699,384. The estimated appropriations for TSERS were not affected by the amendments. The legislation also increased the recurring appropriation to the National Guard Pension Fund from \$0 to \$1,120,949.

### Retirement Policy Legislation Enacted after October 4, 2024

- **Disaster Recovery Act of 2024. (House Bill 149 / Session Law 2024-51):**
  - **Section 12: Temporarily Remove Barriers to Allow Retirees of TSERS and LGERS to Return to Work on a Part-Time, Temporary, or Interim Basis**  
Allows flexibility for members who retired on or after April 1, 2024 but before October 1, 2024, to become reemployed with a participating employer in the Retirement System they retired from if the position of reemployment “is needed due to the state of emergency related to Hurricane Helene or associated Hurricane Helene recovery efforts.” The flexibility includes a reduced timeframe for the retiree’s required separation from service, removal of the reemployment violation for returning to work during the “waiting period”, and exemption of earnings from the reemployment from the retiree’s earnings restriction for a limited time period. The provisions apply to work performed from September 25, 2024 until expiration of the statewide emergency declaration. The law also includes an exemption pertaining to Law Enforcement Officers’ or retired Law Enforcement Officers’ Special Separation Allowances, not administered by the Department of State Treasurer.
- **The Disaster Recovery Act of 2024 - Part II. (Senate Bill 743 / Session Law 2024-53):**
  - Part IV-F extends statutory application and paperwork deadlines for retirement, disability, and death benefits administered by the Retirement Systems Division for members whose primary place of residence was located in one of the counties designated under a major disaster declaration by the President of the United States as a result of Hurricane Helene. This part also provides a temporary waiver of penalties associated with late payments of employee and employer retirement contributions.
- **Disaster Relief-3/Budget/Various Law Changes. (Senate Bill 382 / Session Law 2024-57):**
  - The law creates two State agencies through reorganization, affecting which employer will report to TSERS regarding employees’ contributions and service:
    - Section 3A.1 transfers the State Board of Elections to the Department of State Auditor.
    - Section 3E.1 establishes the State Highway Patrol as its own unified cabinet-level department.

To incorporate legislative activity through the end of 2024, we revise the first two paragraphs of the section of the October 24, 2024 report titled “The Session” as follows:





## The Session

The 2024 “short session” or “second regular session” of the North Carolina General Assembly (General Assembly) initially convened on January 17, 2024 and adjourned the same day to be reconvened on January 18 (SJR 760, Res 2023-11). As of June 28, 2024, the session adjourned. The session reconvened on July 29, 2024 and adjourned on August 1, 2024. The session reconvened on September 9, 2024 and adjourned on September 11, 2024. The session reconvened and adjourned on October 9, 2024. The session reconvened and adjourned on November 20, 2024. The session reconvened on December 2, 2024 and adjourned on December 13, 2024 which concluded the 2024 session. Before the December 13, 2024 adjournment, 184 House bills or resolutions and 159 Senate bills or resolutions were introduced, for a total of 343 introductions. The legislature enacted 57 of these bills or resolutions.

During the 2024 session, 15 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 15 bills, 10 were enacted.

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