



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Legislative Actuarial Note - Retirement

Short Title: Pay Exceptions/Special Separation Allowance.
Bill Number: House Bill 481 (Third Edition)
Sponsor(s):

SUMMARY TABLE

ACTUARIAL IMPACT OF H.B. 481, V.3 (\$ in thousands)

	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>	<u>FY 2030-31</u>
State Impact					
General Fund	-	-	-	-	-
Highway Fund	-	-	-	-	-
Other/Receipts	-	-	-	-	-
TOTAL STATE EXPENDITURES	-	-	-	-	-
Local Impact					
Local Governments	-	-	-	-	-
TOTAL LOCAL EXPENDITURES	-	-	-	-	-

ACTUARIAL IMPACT SUMMARY

Systems Affected: Teachers' and State Employees' Retirement System (TSERS), Local Governmental Employees' Retirement System (LGERS), State and local law enforcement special separation allowance (SSA)

Sections 1(a) and 1(b): Clarifies that when a law enforcement officer (LEO) retires, later returns to a contributing position in TSERS or LGERS, and then retires again, the first period of retirement is not considered a break in continuous service for determining SSA eligibility. These sections also clarify that the SSA option that is fixed in amount and duration when the LEO reaches 30 years of service is only payable until the LEO has received an SSA under any formula for that fixed duration. This would apply when the LEO retires twice and elects the fixed option in the second retirement. Both Gallagher, the actuary for the retirement systems, and Aon, the actuary for the General Assembly, estimate that this section will have no material impact on the contribution rates or liabilities of TSERS, LGERS, or SSA.

Section 1(c): Allows retired State LEOs who are rehired in positions not requiring TSERS membership to continue receiving the SSA. Both actuaries estimate that this section will have no material impact on the contribution rates or liabilities of TSERS, LGERS, or SSA.

ASSUMPTIONS AND METHODOLOGY

The cost estimates of the actuaries are based on the employee data, actuarial assumptions and actuarial methods used to prepare the December 31, 2024 actuarial valuations. Significant membership and financial statistics, assumptions, methods, and benefit provisions are shown in the following tables:

Membership Statistics (as of 12/31/2024 unless otherwise noted, M = millions)		
	<u>TSERS</u>	<u>LGERS</u>
Active Members		
Count	298,000	145,531
General Fund Compensation	\$13,348M	
Valuation Compensation (Total)	\$19,198M	\$10,074M
Average Age	46	43
Average Service	10.8	9.2
Inactive Members		
Count	240,872	115,944
Retired Members		
Count	257,645	87,699
Annual Benefits	\$5,572M	\$1,915M
Average Age	72	70
New Retirees During 2025	11,496	4,296

Financial Statistics (as of 12/31/2024 unless otherwise noted, M = millions)		
	<u>TSERS</u>	<u>LGERS</u>
Accrued Liability (AL)	\$103,627M	\$42,211M
Actuarial Value of Assets (AVA)	\$91,621M	\$35,961M
Market Value of Assets (MVA)	\$88,517M	\$34,783M
Unfunded Accrued Liability (AL - AVA)	\$12,006M	\$6,250M
Funded Status (AVA / AL)	88%	85%
Required Employer Contribution for FY 2026-27 (as % of pay)	17.49%	15.10% (non-LEO)
Salary Increase Assumption (includes 3.25% inflation and productivity)	3.25% - 8.05%	3.25% - 8.25%
Assumed Rate of Investment Return: 6.50%		
Cost Method: Entry Age Normal		
Amortization: 12 year, closed, flat dollar		
Demographic assumptions based on 2015-2019 experience, Pub-2010 mortality, and projection of future mortality improvement with scale MP-2019		

Benefit Provisions			
	<u>TSERS</u>	<u>LGERS</u>	<u>SSA</u>
Formula	1.82% x Service x 4 Year Avg Pay	1.85% x Service x 4 Year Avg Pay	0.85% x Service x Base Compensation
Unreduced retirement age/service	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 60/25; 65 (55 for LEO)/5	Any/30; 55/5
Employee contribution (as % of pay)	6%	6%	None

Further detailed information concerning these assumptions and methods is shown in the actuary's report, which is available upon request from the Fiscal Research Division.

The State law enforcement special separation allowance is not funded in advance through a benefit trust. Funding of the local law enforcement special separation allowance differs among local employers.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

Gallagher, "House Bill H481-ABPp-28 [v.3]", June 10, 2026, original of which is on file in the General Assembly's Fiscal Research Division.

Aon, "Amendment to House Bill 481: An Act to Amend the Special Separation Allowance Option for State and Local Law Enforcement Officers", June 9, 2026, original of which is on file in the General Assembly's Fiscal Research Division.

LEGISLATIVE ACTUARIAL NOTE – PURPOSE AND LIMITATIONS

This document is an official actuarial analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described above. This document only addresses sections of the bill that have projected direct actuarial impacts on State or local government retirement systems and does not address sections that have no projected actuarial impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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Signed copy located in the NCGA Principal Clerk's Offices