MEMORANDUM

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

FROM: Patrick Kinlaw
Director of Policy, Planning, and Compliance
Retirement Systems Division (RSD)

DATE: July 30, 2026

RE: Annual Report on Legislative Enactment Implementation Arrangements (LEIAs)

Two LEIA accounts were established effective October 1, 2017, one for TSERS and the other for LGERS. Each system's LEIA account is placed under the management of the system's Board of Trustees (Board). The governing provisions are G.S. § 128-29(g) for LGERS and G.S. § 135-7(h) for TSERS.

In the event that (i) the General Assembly creates or modifies any provision pertaining to retirement benefits for public officers or public employees, which has a cost savings as measured by actuarial note, or (ii) the Board identifies a specific administrative or information technology purpose that is necessary to prevent an interruption to the normal operation of the Retirement Systems, either Board or both Boards may direct up to one one-hundredth of a percent of compensation (0.01%) out of the required employer contribution rate, to be deposited into a separate LEIA fund. Such contributions may be used to pay for administrative implementation of cost-saving provisions, or to pay for administrative or information technology purposes when necessary to prevent an interruption to the normal operation of the Retirement Systems.

On July 8, 2026, effective July 1, 2026, Governor Stein signed House Bill 1126 (S.L. 2026-50) known as the 2026 DST Admin/Technical/Clarifying Changes.-AB. Section 1.11 of S.L. 2026-50 modified the LEIAs of TSERS and LGERS by removing several individual restrictions on determining a specific use case for the funds, removing the requirement that funds revert to TSERS or LGERS respectively at the end of each fiscal year, allowing the Boards to transfer funds from the LEIAs into TSERS or LGERS respectively at any time as an additional employer contribution, and removing the funding "sunset" so that employer contributions can now be made to the LEIAs after January 1, 2035.

The LEIAs are administered by the Boards, which must compile and maintain records necessary or appropriate for administration. The Boards have full discretionary authority to interpret, construe and implement LEIA provisions and to adopt any rules and regulations to implement LEIA provisions.

The Department of State Treasurer must report to the Boards, the Joint Legislative Commission on Government Operations and the Fiscal Research Division on the amounts and sources of funds collected by year, the amounts expended, the projects for which funds were expended, and the current status of the projects. This report must be submitted on or before August 1 of each year. The Boards of Trustees must also post this report on their public website.

The projects for which funds were expended and current status of these projects is shown below. Prior annual reports showed that for fiscal years ending 2017 through 2024, no funds were either collected by, or expended from, the TSERS LEIA or the LGERS LEIA. The information below will be maintained for fiscal years ending 2025 and later.

Determinations of Boards

On July 25, 2024, the Boards determined that the implementation of a new Imaging and Document Management System (IDMS) was an administrative or information technology purpose eligible for LEIA funding. On April 25, 2025, the Boards determined that any identifiable Department of State Treasurer employee or independent contractor costs are to be considered part of the purpose of implementing the IDMS, with the understanding that the total IDMS implementation costs were not expected to exceed $1.2 million.

On July 31, 2025, the Boards determined that the implementation of an improved user credentialing service (with estimated implementation costs not to exceed $1.6 million) and transition of data to cloud-based storage (with estimated implementation costs not to exceed $1.3 million) were administrative or information technology purposes eligible for LEIA funding. Section 6.10 of Session Law 2025-97, enacted October 22, 2025, appropriated $1,260,000 in non-recurring funds and $1,022,000 in recurring funds toward the cloud-based storage transition.

Statement of Activities - TSERS

FY Ending	Description	Amount	Project	Project Status
	Balance at 6/30/2024	$0.00		
2025	Amounts Collected	$779,999.35		
2025	Expenses	($222,659.81)	IDMS	
	Balance at 6/30/2025	$557,339.54		
2026	Amounts Collected	$1,664,756.22		
2026	STIF Interest	$35,956.84		
2026	Expenses	($557,340.35)	IDMS	Impl. Complete
	Balance at 6/30/2026	$1,700,712.25		

According to G.S. § 135-7(h)(4), the TSERS Board of Trustees may transfer any unused assets of the LEIA to the Retirement System as an additional employer contribution.

Statement of Activities – LGERS

FY Ending	Description	Amount	Project	Project Status
	Balance at 6/30/2024	$0.00		
2025	Amounts Collected	$419,999.79		
2025	Expenses	($119,893.74)	IDMS	
	Balance at 6/30/2025	$300,106.05		
2026	Amounts Collected	$831,284.45		
2026	STIF Interest	$16,630.81		
2026	Expenses	($300,106.10)	IDMS	Impl. Complete
	Balance at 6/30/2026	$847,915.21		

According to G.S. § 128-29(g)(4), the LGERS Board of Trustees may transfer any unused assets of the LEIA to the Retirement System as an additional employer contribution.

Cumulative Expenditures by Project (FY Ending 2025 to Present)

- IDMS (Implementation Complete): $1,200,000.00