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 30, 2026
SUBJECT:	2026 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

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
12/31/2024	$558,225,078	$528,294,472	105.7%
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%

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 currently provides 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
6/30/2027	$353,544	$21,102,208*	> 1,000% *
6/30/2026	$1,843,962	$20,752,208	> 1,000%
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%

* The final appropriation for FYE 2027 has not yet been established as of June 30, 2026. The amount shown here was recommended by the Board of Trustees in January 2026.

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 $184 per month. 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.

Actuarial Assumptions and Methods

An actuarial experience study is conducted once every five years. The study reviews actuarial methods and assumptions 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. Gallagher presented the latest study to the Board in October 2025, and the Board adopted it in January 2026. Based on this study, the assumed rate of investment return will remain at 6.5% per year. There will be changes to some actuarial assumptions – notably, an increase in assumed life expectancies for retirees and a reduction in assumed rates of retirement at each age from 55 to 69. However, the overall effect of these changes (if they had been applied in the last actuarial valuation) would have increased the measurement of the FRSWPF's actuarial accrued liability by only about 0.2%, according to Gallagher's experience study report.

The experience study also contained changes to the methodology that the N.C. Retirement Systems will use for recognizing (amortizing) unfunded liabilities into contribution requirements. In general, the period for amortizing unfunded liabilities is being increased from 12 to 15 years. When the funded percentage is greater than 100% but not greater than 110% (as was the case for FRSWPF at the last official measurement), all prior amortization schedules will be erased and the contribution toward unfunded liabilities will be $0. When the funded percentage exceeds 110%, the "surplus" over the 110% level will be recognized to reduce the otherwise calculated contribution based on a 30-year amortization calculation.

The current SCRSP is set to expire on June 30, 2027, and the Board will be considering an extension or replacement of the SCRSP for the next five years.

FRSWPF Operational Activities

Modification to online login for Orbit

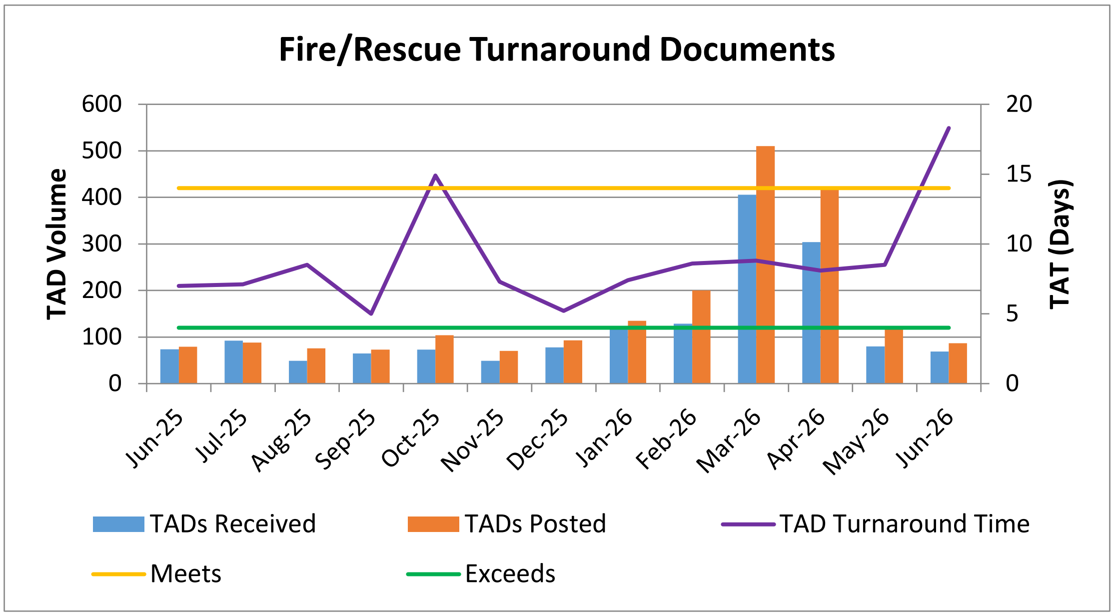
NCRS is modernizing and improving the user experience. As of February 1, 2026, the retirement system launched modifications in to ORBIT with a new login experience powered by ID.me.

What this means is that as of February 1, you will no longer use your username and password to access ORBIT. Instead, you will use your verified ID.me account - bringing seamless access and stronger security.

The ORBIT member portal offers a streamlined, single sign-on (SSO) login powered by ID.me which is a trusted digital identity platform used by federal and state agencies nationwide.

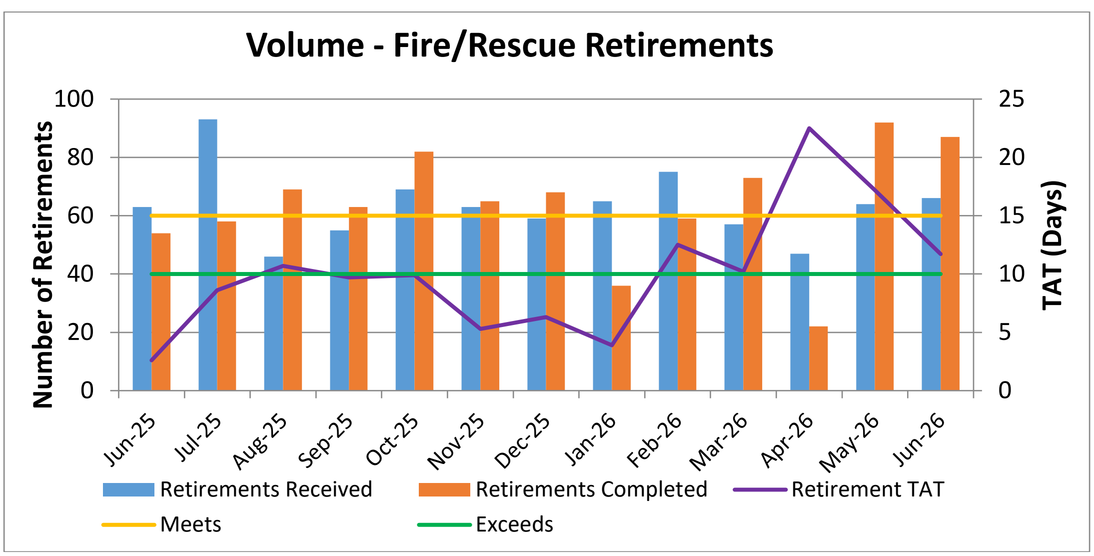
Operational Metrics and Goals

The following information will 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. To highlight, the Specialty Plans staff routinely meet or exceed operational goals.

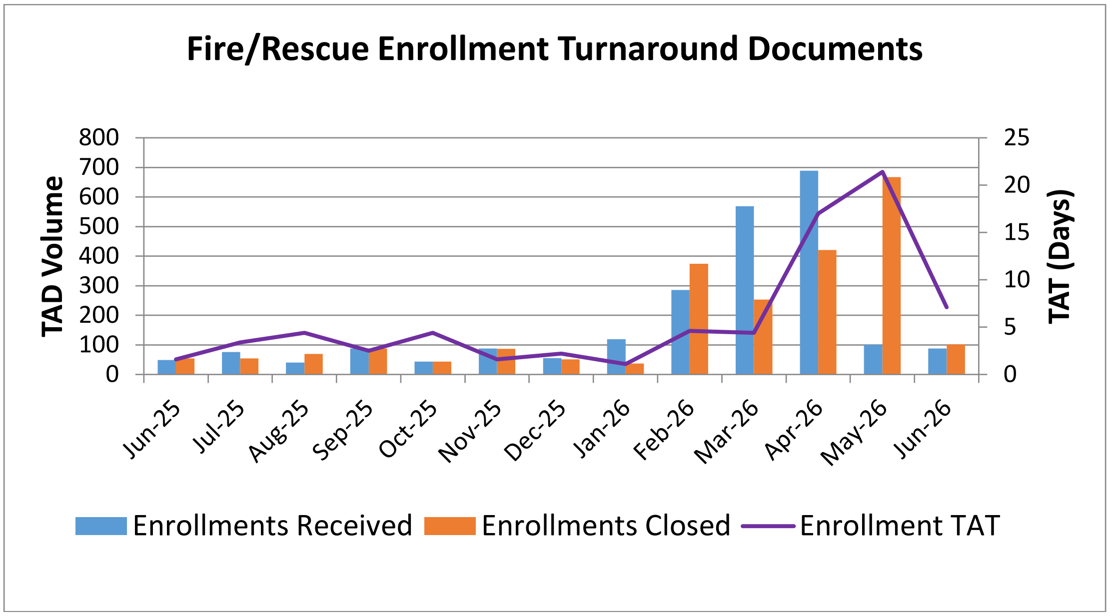


Turnaround Documents (TAD)s

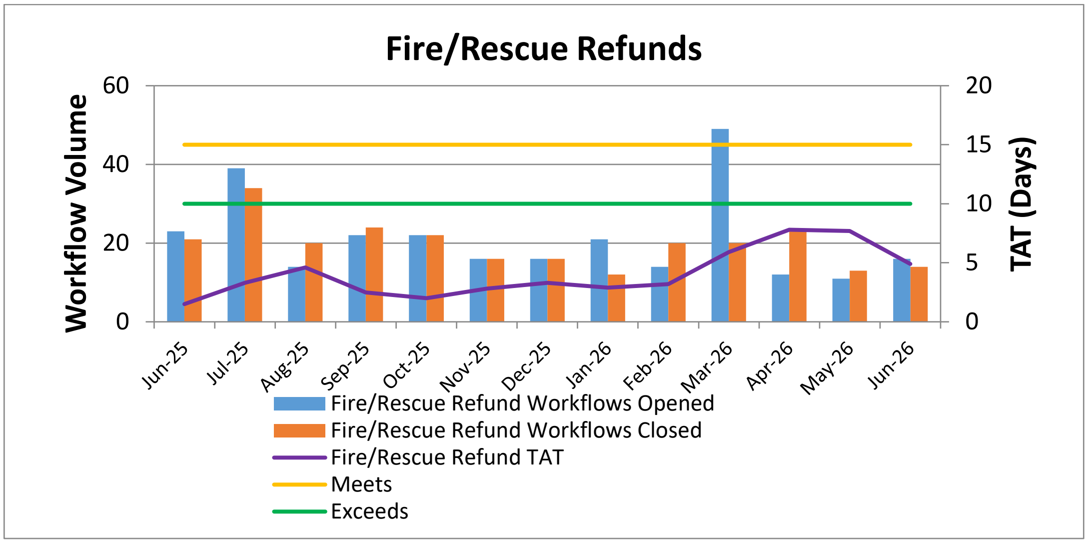
The team processed about 1,412 TAD's from Jan through Jun which resulted in a very busy season for us this year.



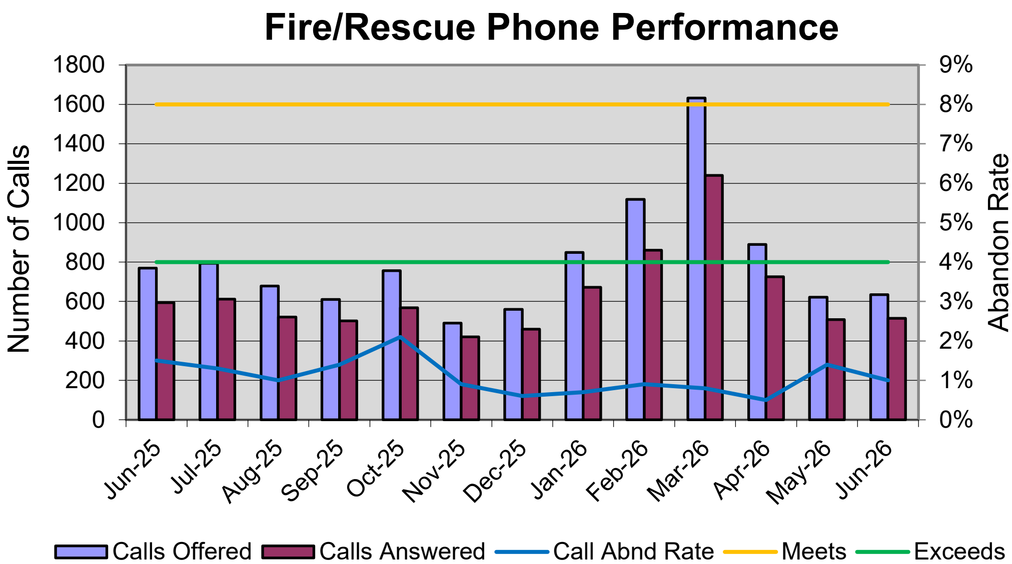
Retirement
We completed about 369 retirement requests from Jan through Jun. We maintained a 95% paid on time rating.



Enrollments
We had a higher than usual number of enrollments this season. We received over 1,800 new enrollments from Jan - Jun.



Refunds
We processed 102 refunds requests from Jan through Jun, closing out the peak season with all requests paid on time.



Calls
We received 635 calls in June, which was similar to the previous month. We had an average answer speed of **0:00:22 seconds** and an abandonment rate of **1.0%** which was an improvement from the previous month and still maintaining goal. About 90% of out calls were answered in 90 sec.

Other items that were not listed in the charts above was the checks received and processed.

Checks
The check volume in June was very similar in comparison to the same time last year, we received and processed **105** checks in June totaling **$169,849.52.**

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 Panel requests that the Board direct RSD staff to study the possibility of having 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. 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 incentives for members to continue working or volunteering as a firefighter or rescue squad worker after they have attained 20 years of service.

Administrative Policy

4. **Policy Recommendation:** The Retirement System should make it a requirement to have departments submit reports online and, once contributions are required to be submitted online, to require both be submitted online at the same time. The same logic would apply to online contribution submissions from members. Some panel members also made suggestions about implementing electronic ACH draft, or credit/debit card payment options through 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. It will reduce complexity for staff and limit errors with having multiple checks for one agency. In addition, with 40% of departments participating in submitting reports

online, some departments are paying contributions online but submitting reports (TADs) on paper. Some departments remit contributions and even retirement paperwork 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.

Current status:

- House Bill 1126, under consideration by the General Assembly as of the date of the Panel meeting, would authorize the Board to adopt administrative rules for the method and timing of both contributions and reports.
- RSD has increased outreach efforts to educate department and members on the benefits of online reporting.
- As of May 2026, about 42% of agencies submit reports online, comprising about 14% of participating Rescue Squad workers and 50% of participating firefighters.

APPENDIX

History of Policy Recommendations

1. **Policy Recommendation:** The LGERS and TSERS Boards should direct the RSD staff to conduct an inventory of state benefits provided for first responders. 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.
   - **Outcome:** In April 2026, RSD published an inventory with high-level and detailed versions available to the public at https://www.myncretirement.gov.

2. **Policy Recommendation:** RSD should electronically notify participating departments and squads of delinquent contributions prior to and after the 03/31 deadline.

   - **Outcome:** RSD made this an ongoing project. RSD is sending electronic and mailed notifications to departments. Also have audited department accounts that show 2 or more years delinquent in contribution submissions and began making calls to said departments. This is an ongoing task.

3. **Policy Recommendation:** RSD should communicate to members who are being removed from their department's contribution list.

   - **Outcome:** RSD has made this an ongoing process. RSD strongly encourages members to create a personal Orbit account to keep the contact information current, so that when letters are generated to inform the members regarding their status and options, the letters can be sent to the correct place.

4. **Policy Recommendation:** DST should communicate with members who are on the roster but no contributions.
   - **Outcome:** RSD has made this an ongoing project, reviewing member accounts who are three years or less to reach 20 years for eligibility. RSD is placing calls and sending letters to the address on file.

5. **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.

6. **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.

7. **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.

8. **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.

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

10. **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.

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

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

13. **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.

14. **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.

15. **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.

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

17. **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.

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

19. **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.

20. **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.

21. **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.

22. **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.

23. **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.

24. **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.

25. **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.

26. **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.

27. **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.

28. **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.

29. **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.

30. **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.

31. **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.

32. **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.

33. **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.

34. **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.

35. **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.

36. **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.

37. **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.

38. **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.