

# RGEA 2025 State and Local Legislative Year-End Recap

*Jackson Cozort and Tim O'Connell*

December 10, 2025



# Topics

- Legislative Overview
- Important Legislation
- 2025 State Budget
- HB 506
- Behind the Scenes Insights on LGERS issues
- State Health Plan Updates
- Lake Case Updates





# Government Relations



Tim O'Connell



Jackson Cozort



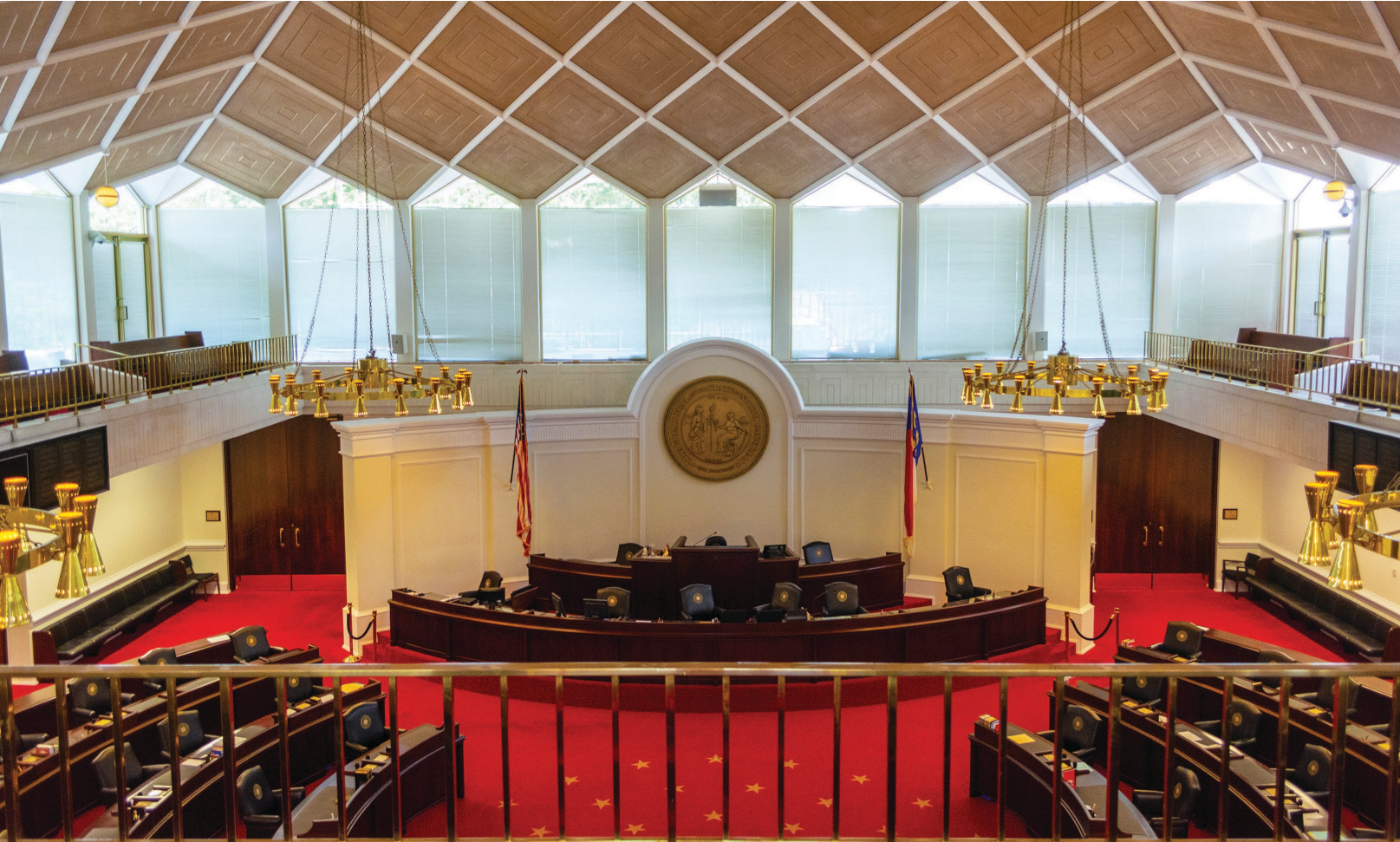
Ashley Perkinson



Jack Cozort



# Legislative Overview



- 2025 Long Session
- Most Substantial Legislation passed during the long session
- However, this session saw the least amount of legislation passed in recent memory
- Primary purpose of the long session is to PASS A BUDGET



# Important Legislation

- HB 92 Digital Assets Investments Act (Crypto Bill)
- HB 387 Eliminate Tax on Government Retirees
- HB 90 State and Local Government Retiree COLA
- HB 564 State Retirees Cost-of Living Increase/Funds
- HB 506 2025 State Investment Modernization Act
- SB 257 2025 State Appropriation Act (Budget Bill)





# 2025 State Appropriation Bill

# The Budget

# Process

# Hang-Ups

# Where next?





# HB 506 – 2025 State Investment Modernization Act

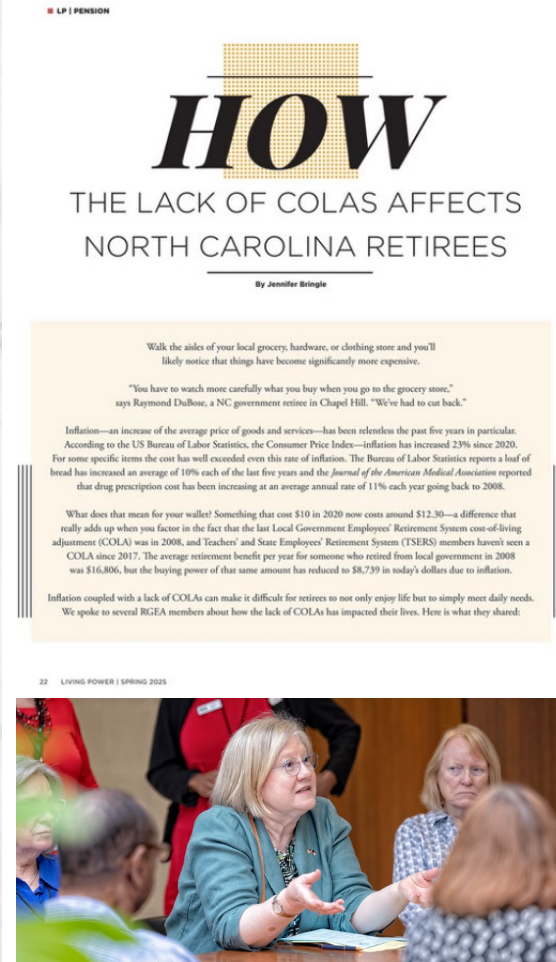
- State History of Investments and How it Effects our Pension
- New Treasurer and Partnership with RGEA
- What it Does and When it Takes Effect
- Numbers so far this year





# Local Government Retirement System Pension Is... (Shortened to "LGERS" sounds like "el-jeers")

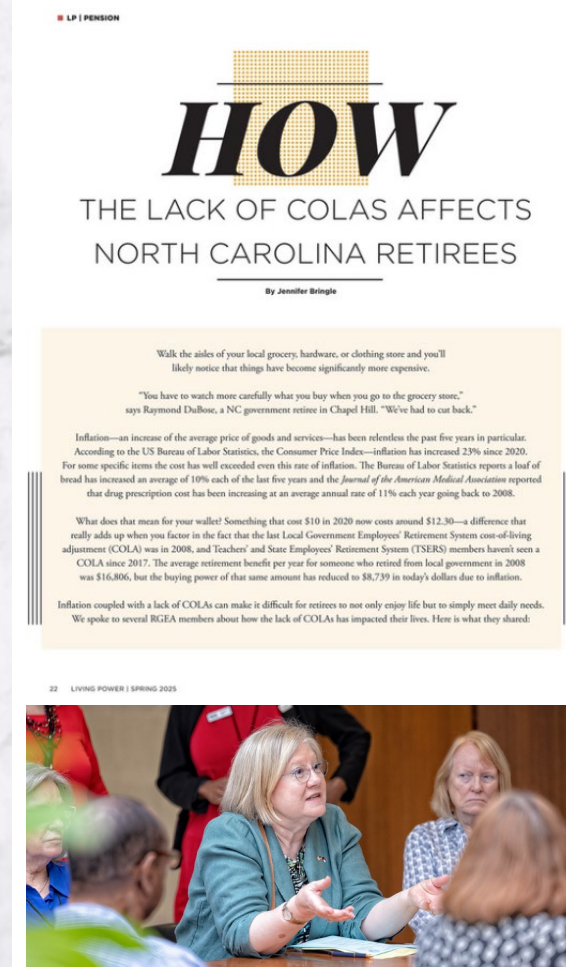
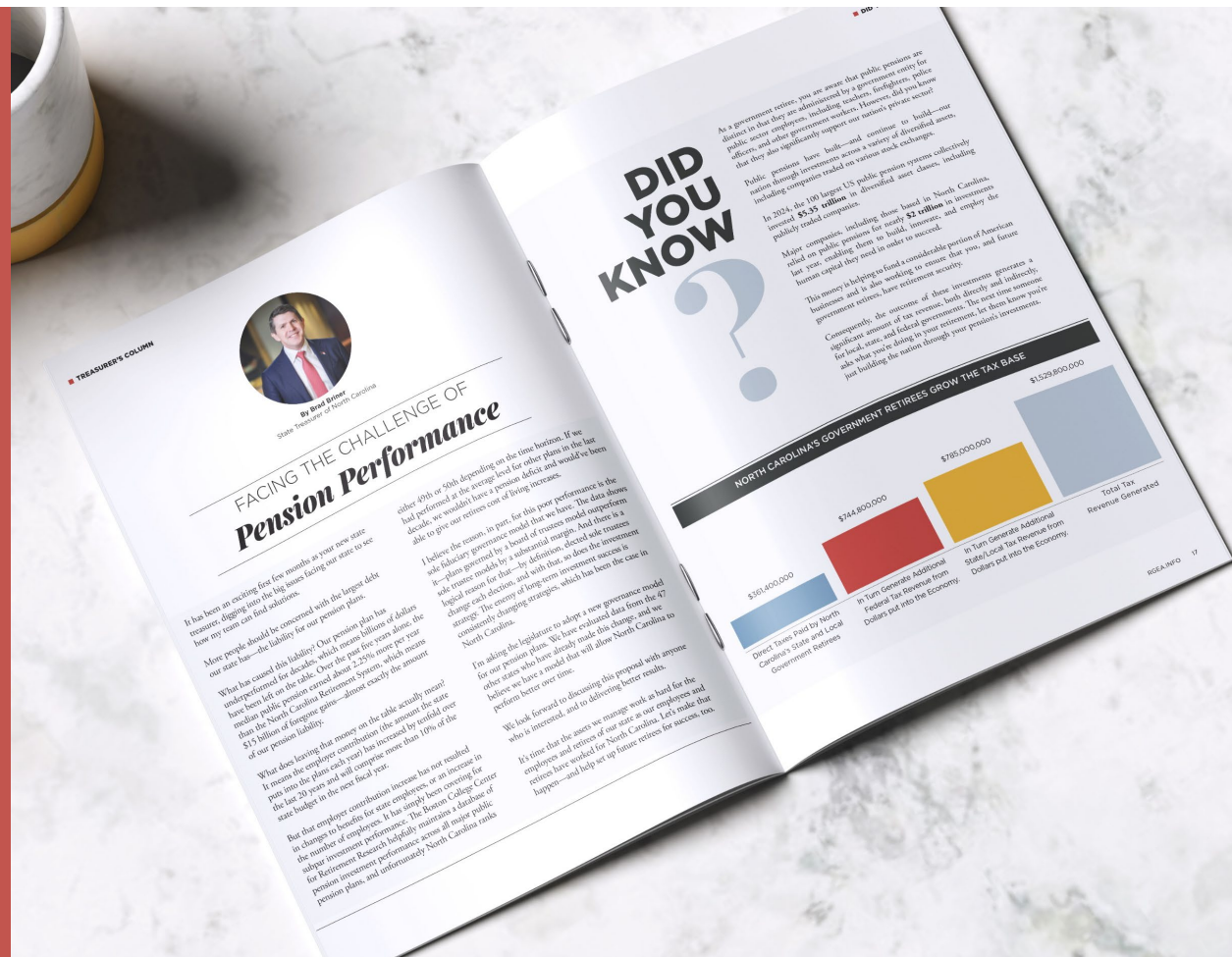
- Also known as a defined benefit plan
- Provides a fixed benefit
- Employer bears risk of market turndown
- Majority of plans have automatic COLA...NC does not





# The LGERS Pension Is...

- Valued at \$35B+
- One of the nation's larger public pension plans (top 20%)
- Serving around 88,000 retirees and 145,000 actives
- Among the higher funded (85%)





# What is New with LGERS?



- Investment Modernization Act
- Rebalance of Allocations
- Transparency
- Five-Year Experience Study



# LGERS Advocacy

- Maintain Awareness of Pension Performance Results in Comparison to Peer Public Plans
- Provided in each issue of *Living Power*
- Advocate for modifications to the pension as needed
  - Example, 2020 change to allow awarding of bonuses (G.S. 128-27 k(1)).

## 2024 NORTH CAROLINA PERFORMANCE ANALYSIS

*Note: RGEA has retained the financial analytics firm AS Investment Management to provide our members with insights on their pensions' performance related to benchmarks and comparisons to peer public pensions.*

*The summary of 2024's investment performance below is just a sample of the type of work AS Investment Management is providing to inform and empower you in regarding to your pension fund. —Tim O'Connell, RGEA Executive Director*

The North Carolina Retirement System (NCRS) returned 7.43% in 2024, outperforming its 6.5% annual return target. The portfolio's performance was largely driven by Public Equity, while Core and Non Core Real Estate were the only two of nine asset classes with negative return contributions.

2024 was a strong year for US equities, with the S&P 500 gaining 25.0%—its second consecutive year of 20%+ returns. This was led by Big Tech, with the Communication Services and Technology sectors up 40.2% and 36.6%, respectively. Fixed income markets were generally lackluster, weighed down by persistent inflationary concerns. The impact of alternatives on portfolio performance was minimal due to their smaller allocation relative to public market assets.

2024 PERFORMANCE CONTRIBUTION BY ASSET CLASS



Source: North Carolina Treasurer's Office, Addepar Analysis

### LEGISLATION

#### Legislative Update

##### SUMMARY AND NEWS

The North Carolina General Assembly operates on a biennial schedule. In odd-numbered years, they convene for the "long session," which typically runs from January through midsummer. During this session, lawmakers address various legislative matters, including adopting a biennial budget. In contrast, in even-numbered years, the "short session" is conducted to modify the budget approved during the long session and discuss bills previously "passed over" between the House and Senate. Until a modified budget is approved, the previous funding plan provided in the biennial budget remains in effect. At the time of this publication, the General Assembly is still in its short session.

As a refresher, the 2023-2024 biennial budget included:

- 4% one-time supplement to State Retirees (distributed in October 2023)
- 4% increase for state employees (effective July 1, 2023) and a 3% increase on average for state employees (effective July 1, 2024)

The Office of State Budget and Management and the General Assembly's Fiscal Research Division submitted a revised Consensus Budget in May, forecasting a \$987 million surplus beyond planned revenue.

In the current short session, the Governor, House, and Senate have each submitted budgets. However, the House and Senate have not agreed on a final budget this session, debating whether to provide additional funding for the state's retirees to combat inflation.

#### Key details for you to know are:

- The Governor's budget included a 3% one-time supplement for state retirees. (This would deliver an average of \$640 to each retiree at a cost of approximately \$170 million).
- The House budget was approved with a 2% one-time supplement for State Retirees (this would deliver an average of \$426 to each retiree at a cost of approximately \$114 million).
- The Senate's budget was approved without any supplement or cost-of-living adjustments.

It should be noted that several bills were filed leading up to the budget submissions, including bills with cost-of-living adjustments (COLA) for retirees (HB 980, HB 994, SB 805). HB 990 included COLA for local government retirees, but none of these bills made it beyond the Appropriations or Rules Committees. In the Local Government Retirement System (LGERS), the General Statutes provide limited authority to the Trustees to award COLA or pension

supplements, and their decisions can be overruled by the General Assembly enacting legislation to provide for a larger or smaller increase for LGERS retirees.

#### WHAT CAN YOU DO TO MAKE A DIFFERENCE?

Since the supermajority has power to override any budget veto by the Governor, your communication with your legislators is imperative now. If you have responded to NCRGEA's recent call to action email campaign, we thank you. If you have not already, you can still make a difference by completing the call-to-action email or by calling and/or writing your Senator and letting them know that you value their support of the House's proposed budget, which includes the 2% pension supplement to state retirees. You can easily find out who your Senator is by going to [NCRGEA.com/advocacy/findmylegislator](https://www.nclegislature.com/legislator/legislator.asp).

**Note:** NCRGEA has and always will advocate for true cost-of-living adjustments. Pension supplements are appreciated but fall short of stemming the longer-term impact of inflation that state and local employees have experienced in the past decade. NCRGEA looks forward to bringing this position forward again with the General Assembly and Trustees in the coming months.

#### Other News

On the State Health Plan front, in 2025, the Human Medicare Advantage coverage premium will increase from \$0 to \$35 in 2025 for those who are not fully vested and their dependents. Those who are fully vested will not be impacted by this increase. Rising healthcare costs and underfunding of the State Health Plan are cited as factors in this increase. At the most recent State Health Plan Trustees meeting, Treasurer Dale Forehand shared that the 2023-2025 budget contained \$240 million less than requested to operate the State Health Plan.

NCRGEA has been informed that the next court date for Lake v. State Health Plan for Teachers and State Employees, has been postponed from October 2024 until March 2025 due to a judicial calendar conflict. For more information on the case status and details, we advise you to go to [LakeCaseCase.com](https://LakeCaseCase.com). This site is hosted by the law firm representing the plaintiffs in this class action lawsuit. NCRGEA looks forward to seeing this case brought to closure and the government retirees impacted by this case justly compensated for their lost benefits.





# What Are Key Components for LGERS Advocacy?

- Investment Returns Pension Plan  
(Based on the preceding five years)
- Statutes, including understanding limitations of LGERS Trustees
  - The determination of whether there are sufficient investment gains to cover the possible postretirement increase in allowance *shall reside exclusively within the discretion of the Board of Trustees.*\*
  - Shall be informed by the findings within the annual actuarial valuation reports.
  - Take into account both the rate of the record of investment gains or losses during the preceding three-year period.





# State Health Plan News

<https://www.shpnc.gov/>

1. Income tiered premiums for active employees to balance the impact of an increase in premium charges
2. Vested retiree benefit plan is relatively unchanged for Medicare Advantage (Carry two cards!)
3. Medicare cost beyond premiums are increasing

*Note: North Carolina stopped offering retiree health coverage to newly hired active employees beginning **January 1, 2021**. Anyone hired on or after that date is **not eligible** for State Health Plan retiree medical benefits upon retirement. The GAO (Government Accountability Office) and the Pew Charitable Trusts indicate that the majority of states still offer varying degrees of post-retirement benefits at this time.*



# Lake Case Summary and Updates

<https://lakeclasscase.com/case-summary/>

Who: The Plaintiff Class includes all state retirees who vested in retirement health benefits and certain surviving spouses. The Plaintiff Class includes explicitly:

- All members of the N.C. Teachers' and State Employees' Retirement System ("TSERS") who retired before January 1, 1988;
- TSERS members who retired on or after January 1, 1988, were hired before October 1, 2006, and have 5 or more years of contributory service with the State of North Carolina; and,
- Certain surviving spouses of former State employees or retirees are provided that the death of the employee or retiree occurred before October 1, 1986.

(\*Class was certified by the courts on September 2, 2016)





# Lake Case Summary and Updates

<https://lakeclasscase.com/case-summary/>

On March 11, 2022, the NC Supreme Court issued its opinion holding that eligible State employees have a contractually vested right in a noncontributory health plan for life, equivalent to the plan in place when a class member's rights vested. The NC Supreme Court remanded the case to the trial court to determine whether the Defendants' post-2011 actions substantially impaired this contractual right, and if so, the resulting damages. Further proceedings in the trial court (before Judge Edwin Wilson) will resume after the remand is finalized.

After remand to the trial court, additional discovery was conducted. This included actuarial and economist reports that were created by experts retained by the Plaintiffs and Defendants. Depositions were taken of Plaintiff's actuary and economist and Defendants' actuary and economist.

*Defendants filed a motion for summary judgment and a motion to decertify the class. Both motions were denied by the trial court; however, Defendants appealed the denial of their motion to decertify the class on April 11, 2025. That appeal is pending at the North Carolina Supreme Court. The trial, which was previously scheduled for March 3, 2025, has been stayed pending the appeal.*

*(House Bill 239, passed in 2017, made this direct appeal to the Supreme Court possible, where previously it would have required discretionary review to be heard).*



# Thank You!

Let's work together for a stronger future.

**Questions? Contact:**

Jackson Cozort

[govrelations@rgea.info](mailto:govrelations@rgea.info) | 919-417-7266

Keep up with our weekly Legislative updates:  
[rgea.info/news-from-jones-street](http://rgea.info/news-from-jones-street)

