Distribution of Fringe Benefit Reserves
Job Aid FY 2025-26

1) Overview of Fringe Benefit Increase Process

S.L. 2025-89 appropriates funds for mandatory increases to benefit costs for state employees for the 2025-27 biennium. S.L. 2025-89 appropriated no additional funds to support compensation increases.

Benefit appropriations are certified in the following statewide NCFS agency reserve accounts:

Certification: Statewide NCFS Accounts:

57206000 Reserve - Retirement System Contributions
57208000 Reserve - State Health Plan Contributions

After FY 2025-26 certification is completed and the FY 2025-26 certified budget is loaded in NCFS, agencies submit a series of type-11 budget revisions to distribute these reserve funds to the appropriate salary and benefits accounts. The budget revisions must be submitted and approved in the following order:

Revision #1 – Budgets the adjustment to Retirement Contributions **(recurring)**
Revision #2 – Budgets the adjustment to State Health Plan Contributions **(recurring)**
Revision #3 – Realignment between reserve accounts to offset deficits **(recurring) (optional)**
Revision #4 – Returns excess reserves to Salary Adjustment Reserve **(recurring)**
Revision #5 – Requests funds from Salary Adjustment Reserve to offset deficits **(recurring) (optional) (contingent on fund availability)**
Revision #6 – Requests funds from Pay Plan Reserve to offset deficits **(recurring) (optional) (contingent on fund availability)**

The Salary Adjustment Reserve may provide funds to agencies when the benefit appropriation does not fully cover the cost of the mandatory benefit increases. Provision of funds from the Salary Adjustment Reserve to offset shortages is not guaranteed and is contingent on fund availability. If availability is insufficient, agencies must identify internal sources of funds to offset shortages from the mandatory benefit increases.

Regardless of fund availability, all agencies eligible to receive Salary Adjustment Reserve funds must document the total cost to execute the mandatory benefit increases.

Per GS 143C-4-9(a), funds in the Pay Plan Reserve are available to agencies for statutory or scheduled salaries and benefits expenses where existing appropriation is insufficient. Provision of funds from the Pay Plan Reserve to offset shortages is not guaranteed and is contingent on fund availability which consists of residual funds from the Salary Adjustment Reserve.

Regardless of fund availability, all agencies eligible to receive Pay Plan Reserve funds must document the total cost to execute their statutory and scheduled pay expenses.

Please see the step-by-step guide in Section 4 for details on how to complete each of these revisions.

2) Key Dates

- Agencies should finish initial distribution and realignment benefit accounts by **Friday October 17, 2025.**
- Excess benefit reserves must be returned via revision to OSBM budget code 19004 by **Friday October 17, 2025.**
- Any agency benefit shortages that require a request from OSBM budget code 19004 should, if approved, be requested by **Friday October 24, 2025.** This is contingent on availability.
- Agencies must submit estimates for their Pay Plan Reserve requests by **October 31, 2025,** and, if approved, submit the corresponding revision for their request on **January 1, 2026**. This is contingent on availability.

3) General Guidance and Reminders

- All revisions should have an effective date of 7/1/2025.
- Reserves are **only available for positions partially or fully supported by the General Funds in that proportion**. This includes positions indirectly supported by General Funds (e.g. DIT optimized positions). Agencies are responsible for budgeting the requisite requirements and receipts for partially or fully receipt-supported positions. **Increases for receipt-supported positions should be budgeted on separate budget revisions.**
- Agency reserves may not be used to offset pre-existing deficits.

  For example: If an agency has a deficit in its retirement account that predates the compensation increases outlined in S.L. 2025-89, it cannot use these reserves to cover that deficit.
- With OSBM approval, agencies may realign excess reserve funds from one reserve account to offset shortfalls in other reserve accounts.

  For example: If an agency has insufficient health plan reserves to support the required increases, it may realign excess funds from the retirement system reserve account to cover this deficit.
- Agency reserves may not be used to fund benefit adjustments for temporary positions paid out of 51310000 accounts.
- Agency reserves must be fully depleted before requesting funds from the Salary Adjustments Reserve (Budget Code 19004).

4) How to complete Budget Revisions to Distribute Reserve Funds

Revision #1: Retirement Contribution Adjustment (57206000)

Vacant positions are included for retirement contribution rate adjustments because the increase is based on the position, not the employee. The table below shows the recurring retirement rates for FY2024-25 along with the recurring change to the contribution rates, and the total recurring retirement rate for FY2025-26.

A	B	C	E
System	**FY 2024-25 Recurring Rate**	**FY2025-26 Recurring Change**	**FY 2025-26 Recurring Rate**
TSERS	24.04%	0.63%	24.67%
LEO	29.04%	0.63%	29.67%
CJRS	42.95%	2.11%	45.06%
ORP	13.96%	0.28%	14.24%
LRS	26.31%	-0.72%	25.59%

Note: Column C is used in revision calculations, column B and E are for informational purposes only

Process

Run the *NC Budget to Actual (701) Excel Report (RPTRTRBE019)* in NCFS to obtain the certified budget amounts for appropriations-supported salaries and longevity.

Relevant salary and longevity accounts include:

- 511XXXXX accounts with a 1000 funding source
- 512XXXXX accounts with a 1000 funding source
- 51460000 with a 1000 funding source

Determine the increase in recurring retirement using the certified salary and longevity amounts and the recurring change to the retirement rate outlined in column C from the table above.

The calculated increase must be budgeted in both years of the 2025-27 biennium.

Calculation

Recurring retirement: (certified salary budget + longevity) x FY 2025-26 recurring change

Revision #2: State Health Plan Contributions (57208000)

Increases to health plan contributions include vacant positions since they are based off position, not employee.

Calculate State Health Plan changes by subtracting the FY 2024-25 contribution rate from the FY 2025-26 rate, then multiply by the total number of General Fund supported FTE, regardless of vacancy status.

The calculated increase must be budgeted in both years of the 2025-27 biennium.

Calculation

State Health Plan Contribution: ($8,500 - $8,095) or $405 x total FTE

Revision #3: Realignment between reserve accounts (OPTIONAL)

With OSBM approval, agencies may use excess funds from one agency reserve account to offset deficits in another agency reserve account. The exact amounts in this realignment revision will be based on excess reserves available and the deficit amounts.

The deficits eligible to be covered by these reserve funds must be a result of the mandatory benefits increases. Agencies cannot use reserve funds to cover existing deficits.

The realignment must be budgeted in both years of the 2025-27 biennium.

Revision #4: Returning excess funds to Salary Adjustment Reserve

Agencies will return any excess benefit reserves to the Salary Adjustment Reserve, Statewide Budget Code 19004.

Amounts returned to the Salary Adjustment Reserve must be budgeted for both years of the 2025-27 biennium.

Revision #5: Requesting funds from Salary Adjustment Reserve (OPTIONAL)

If there are still deficits after the realignment revision, agencies may, if approved, request funds required to cover the deficit from the **Salary Adjustment Reserve, Statewide Budget Code 19004.** This is contingent on fund availability.

The request must be budgeted in both years of the 2025-27 biennium.

Revision #6: Requesting funds from Pay Plan Reserve (OPTIONAL)

Per GS 143C-4-9(a), funds in the Pay Plan Reserve are available to agencies for statutory or scheduled salaries and benefits expenses where the appropriation is insufficient. This is contingent on fund availability.

If applicable, **on January 1, 2026**, an agency should submit:

1. A detailed description of the pay plan design, including the salary or salary range at each step within the pay plan and the criteria for movement between steps of the pay plan.
2. Proof to OSBM that the agency has exhausted or is projected to exhaust funds appropriated for statutory or scheduled salary and benefit expenses.

For information on determining the amount of funds needed from the Pay Plan Reserve, please review the Calculating Pay Plan Reserve Requests job aid.

If approved by OSBM, the agency will submit a type-11 revision to request funds from the Pay Plan Reserve, Budget Code 19060.