Distribution of LI & Fringe Benefit Reserves Job Aid FY 2026-27

SL 2026-41 appropriated funds for mandatory increases to benefit costs and legislatively mandated salary increases (LI) for eligible state employees for FY26-27. LI and benefit appropriations were certified into the following statewide NCFS agency reserve accounts:

Certification: Statewide NCFS Accounts
57202000 Reserve – Non-recurring Employee Bonus
57204000 Reserve – Recurring Legislative Increase
57206000 Reserve – Recurring Retirement System Contributions
57206001 Reserve – Non-recurring Retirement System Contributions
57208000 Reserve – Recurring State Health Plan Contributions
48V00001 Reserve – Non-recurring Stabilization and Inflation Reserve Transfer (NR only)

Now that FY 2026-27 certification is completed and the FY 2026-27 budget is loaded in NCFS, agencies must submit a series of type-11 budget revisions to distribute these reserve funds into the appropriate salary and benefits accounts. These budget revisions should be submitted and approved in the following order:

Recurring Revisions
Revision #1 – Budget Legislative Compensation Increases
Revision #2 – Budget Retirement Contribution Adjustment
Revision #3 – Budget State Health Plan Contributions Adjustment
Revision #4 – Realign surplus reserves to cover shortfall (if needed)
Revision #5 – Return excess reserves to the Salary Adjustment Reserve (if needed)
Revision #6 – Requests funds from the Salary Adjustment Reserve (if needed)

Non-recurring Revisions
Revision #7 – Budget Employee Bonus Payments
Revision #8 – Budget Retirement Contribution Adjustment
Revision #9 – Realign surplus reserves to cover shortfall (if needed)
Revision #10 – Return NR funds to the Stabilization and Inflation Reserve (if needed)
Revision #11 – Request NR funds from the Stabilization and Inflation Reserve (if needed)

Pay Plan Reserve Recurring Revision
Revision #12 – Request funds from the Pay Plan Reserve (if needed)

The Salary Adjustment Reserve may provide funds to agencies when their LI and benefit appropriation does not fully cover the cost of the mandatory salary and benefit increases for positions supported by state appropriations. Salary Adjustment Reserve funds are not guaranteed and are contingent on statewide availability. If availability is insufficient, agencies must identify internal sources of funds to support the mandatory increases.

The Pay Plan Reserve may provide funds to agencies for statutory or scheduled salary and benefit increases for positions supported by state appropriations when the existing appropriation is insufficient. Pay Plan Reserve funds are not guaranteed and are contingent on statewide availability. If availability is insufficient, agencies must identify internal sources of funds to support the mandatory increases.

Execution Timeline

1) **Vacant Position Elimination**
   All vacant position eliminations mandated under SL 2026-41 must be executed before recurring LI or Fringe revisions are submitted.

2) **Recurring Revisions**

   Friday October 9, 2026 - Distribution of reserves for the recurring LI and fringe adjustments, as well as realignments between reserve accounts are due.

   Friday October 9, 2026 **-** Recurring return and request revisions from the Salary Adjustment Reserve (19004) are due.

3) **Non-recurring Revisions**

   Friday October 16, 2026 - Distribution of reserves for the non-recurring employee bonus payments and retirement contribution adjustments are due.

   Friday October 16, 2026 – Non-recurring return and request revisions from the Salary Adjustment Reserve (19004) are due.

4) **Pay Plan Reserve Recurring Revision**

   November 20, 2026 - Initial estimates of need from the Pay Plan Reserve (19060) need are due.

   January 4, 2027 - If approved, corresponding revisions requesting funds from the Pay Plan Reserve are due.

General Guidance and Reminders

- All revisions must have an effective date of 7/1/2026.
- All revisions must budget the total need required to complete the mandatory increases and fringe adjustments.
- Agencies must attach backup documentation showing the calculations for all revisions.
- Only positions filled as of June 30, 2026, should be included when calculating LI and employee bonus need.
- Agencies required to eliminate vacant positions must submit budget revisions eliminating the positions before submitting recurring retirement and state health plan revisions.
- Reserves are only available for positions partially or fully supported by state appropriations in that proportion. This includes positions indirectly supported by state appropriations (e.g. DIT optimized positions).
- Agencies are responsible for budgeting the mandatory increases for partially or fully receipt-supported positions. Increases for receipt-supported positions must be budgeted on separate budget revisions than those supported by state appropriations.

- Agencies that receive funds for discretionary increases (e.g. compression) may contact their budget execution analyst for additional information on budgeting those funds.
- Agency LI and Fringe Benefit reserves may not be used to offset pre-existing salary and benefits shortages.
- Agencies must realign any excess reserve funds from one reserve account to cover shortfalls in other reserve accounts before requesting funds from the Salary Adjustment Reserve.
- Agency reserves may not be used to fund benefit adjustments for temporary positions paid out of 51310000 accounts.
- LI must be budgeted by position so the revision correctly interfaces with Salary Control. The IBIS Excel processing template and 'Upload & Process' feature in the Position tab should be used for bulk changes to positions.
- Stabilization and Inflation Reserve receipts may only be used for non-recurring expansion items outlined in SL 2026-41.

Fringe Rate Timing

Any discretionary revisions adjusting salary budgets (compression, etc.) that are approved prior to completion of the LI process must use FY26 fringe rates. Once the LI process is completed, all recurring revisions must use the FY27 recurring fringe rates.

Recurring Reserve Distribution Revisions

1) Revision #1: Legislative Increase (57204000 Reserve)

The LI amount is based on filled positions as of June 30, 2026, including those on leave of absence and leave without pay. Only positions supported by state appropriation can receive LI funds.

This revision must also include the increase's impact on retirement and social security benefit accounts and may include an incremental increase in longevity if relevant.

When calculating the impact of the increase, the revision must use the FY 2025-26 benefit rates. Revision #2 will budget the FY 2026-27 recurring increases to the retirement contribution rates outlined in SL 2026-41.

- Run the *B0061 Legislative Increase Detail report* in Business Objects.
- Select the relevant 'Organizational Unit', select '2026' as the LI Effective Year, and select 'U-Updated' as the LI Version.
- Filter for state appropriation supported positions and summarize the total employee salary increases to determine the total LI impact to salary accounts.
- Run the *NC Budget to Actual (701) Certified Report (RPTBE006)* in NCFS for the June 2026 period. Multiply the total YTD Actuals for longevity accounts supported by state appropriations by 3% to calculate the allowable increase to longevity.

- Check the Employee Salary Increase against the Prior Employee Salary to confirm that only salary increases mandated by SL 2026-41 are included. If necessary, **please edit the Employee Salary Increase to only reflect the percentage increase required by law**.

  LI Salary Impact = Total Employee Salary Increases per B0061

  Allowable Longevity Increase = (6/30/26 YTD Longevity Actuals x 3%)

  LI Social Security Contribution (SSC) Impact = (LI Salary Impact + Allowable Longevity Increase) x 7.65%

  LI Retirement Contribution Impact = (LI Salary Impact + Allowable Longevity Increase) x FY2025-26 recurring retirement rate

2) Revision #2: Retirement Contribution Adjustment (57206000)

Vacant positions are included in retirement contribution rate adjustment because the increase is based on the position, not the employee.

The table below shows the recurring retirement rates for FY 2025-26 along with the recurring change to the contribution rates, and the new total recurring contribution rate for FY 2026-27.

A	B	C	E	F
System	**FY 2025-26 Recurring Rate**	**FY 2026-27 Recurring Change**	**FY 2026-27 Non-recurring Change**	**FY 2026-27 Total Rate**
TSERS	24.67%	0.71%	0.72%	26.10%
LEO	29.67%	0.71%	0.72%	31.10%
CJRS	45.06%	3.31%	1.43%	49.80%
ORP	14.24%	0.35%	0%	14.59%
LRS	25.59%	(0.03%)	1.53%	27.09%

- After the LI revision has loaded to the certified budget, run the *NC Budget to Actual (701) Excel Report (RPTRTRBE019)* to obtain the updated certified budget amounts for appropriations-supported salaries and longevity.

  Relevant salary and longevity accounts include:

  511XXXXX accounts with 1000 funding source

512XXXXX accounts with 1000 funding source

51460000 with a 1000 funding source

- Calculate the change in recurring retirement contributions by multiplying total certified salaries plus longevity amounts by the recurring change indicated in column C from the table above.

  (certified salary budget + longevity) x FY 2026-27 recurring change

3) Revision #3: State Health Plan Contributions (57208000)

- Calculate the change in health plan contributions rate by subtracting the FY 2025-26 contribution rate from the FY 2026-27 rate.
- Run the latest *B0149: Positions by Funding Source Report* in Business Objects to obtain the total number of state appropriation supported FTE.
- Multiply the rate change by the total number of state appropriation supported FTE YTD, regardless of vacancy status.

  ($8,925 - $8,500) or $425 x total FTE

4) Revision #4: Realignment between reserve accounts (if needed)

Agencies must use excess funds from one reserve account to offset deficits in another reserve account. The exact amounts in the realignment revision are based on total excess reserves available at an agency.

Realignment can only occur between recuring reserve accounts and to cover negatives resulting from the mandatory salary and benefits increases.

Agencies cannot use excess reserve funds to cover existing shortages in salary and benefits accounts.

5) Revision #5: Return excess funds to Salary Adjustment Reserve (if needed)

Any excess funds in the reserve accounts must be returned to the Salary Adjustment Reserve.

The revision will reduce budgeted requirements to zero in any reserve accounts with a surplus. The Transfer to / from Statewide Reserves line must be completed using budget code 19004 for the Salary Adjustment Reserve.

6) Revision #6: Request funds from Salary Adjustment Reserve (if needed)

After reserve realignment, if the agency has any remaining shortages, it may request the exact amount required to cover the negative from the Salary Adjustment Reserve.

Approval of requests depends on statewide availability. OSBM will communicate whether availability is sufficient to meet an agency's full need.

The revision will increase budgeted requirements equal to the negative amount in eligible reserve accounts. The Transfer to / from Statewide Reserves line must be completed using budget code 19004 for the Salary Adjustment reserve.

Non-recurring Reserve Distribution Revisions

Stabilization and Inflation Reserve (48V00001)

Under SL 2026-41, agencies received a non-recurring transfer of funds from the Stabilization and Inflation Reserve (19814) into account 48V00001 to offset the cost to implement non-recurring bonuses and retirement contribution increases. The transfer must be received and remain in the budget fund in which it was certified and not distributed to the budget fund(s) where the non-recurring bonuses and retirement increases are paid. OSBM will facilitate a transfer from the from the Inflation Reserve in the exact amount that is required to implement the non-recurring bonus payments and retirement contribution adjustments. OSBM will coordinate with agencies on the exact timing of these transfers. Stabilization and Inflation Reserve receipts may only be used for non-recurring expansion items outlined in SL 2026-41.

1) Revision #7: Employee Bonus Payments (57202000)

Agencies must only include positions filled as of June 30, 2026, that are supported by state appropriation when calculating the total amount required to implement employee bonuses.

The revision must be non-recurring and will budget the increase to account 51470000 Bonus/Incentive Wages, as well as the impact on social security contributions. The bonuses are not considered compensation for retirement purposes and are NOT subject to retirement. The award amount must be pro-rated for part-time positions.

- Run the B0149: Positions by Funding Source Report in Business Objects for period June 2026 and filter for positions supported by state appropriations.
- Sort by Current Salary for filled positions making less than or equal to $65,000 and multiply the total FTE of filled positions by $1,750.
- Sort the Current Salary field for filled positions making greater than $65,000 and multiply the total FTE of filled positions by $1,000.

For split funded positions, agencies can only claim the portion of the bonus that is supported by state appropriation when calculating the total bonus payment.

- Multiply the total non-recurring impact to salary accounts by the current social security contribution rate to determine total need to implement the bonuses.

  Total Bonus Payment = (# of Filled Position FTE with Salaries > $65,000 x 1,000) + (# of Filled Position FTE with Salaries ≤ $65,000 x 1,750)

  Bonus SSC Impact = Total Bonus Payment x 7.65%

2) Revision #8: Non-recurring Retirement Contribution Adjustment (57206001)

- After the LI revision has loaded to the certified budget, run the *NC Budget to Actual (701) Excel Report (RPTRTRBE019)* to obtain the updated certified budget amounts for appropriations-supported salaries and longevity.

Relevant salary and longevity accounts include:

511XXXXX accounts with 1000 funding source

512XXXXX accounts with 1000 funding source

51460000 with a 1000 funding source

- Calculate the change in non-recurring retirement contributions by multiplying total certified salaries plus longevity amounts by the non-recurring change indicated in column E from the table above.

  (certified salary budget + longevity) x FY 2026-27 non-recurring change

3) Revision #9: Realignment between reserve accounts (if needed)

Agencies must use excess non-recurring funds from one reserve account to offset deficits in another non-recurring reserve account. The amounts in the realignment revision are based on total excess reserves available at an agency.

Realignment can only occur between non-recurring reserve accounts and to cover negatives from the mandatory non-recurring bonus and retirement benefits increases.

Agencies cannot use excess reserve funds to cover existing shortages in salary and benefits accounts.

4) Revision #10: Return excess nonrecurring funds

Any excess funds in the non-recurring reserve accounts must be returned to the Stabilization and Inflation Reserve on a non-recurring basis.

The revision will (1) reduce budgeted requirements to zero in any non-recurring reserve accounts with a surplus and (2) reduce the budgeted receipts from transfer account 48V00001 by the exact same amount. Once this is complete, OSBM will facilitate a transfer from the Stabilization and Inflation Reserve in the exact amount that is required to implement the non-recurring bonus payments and retirement contribution adjustments.

5) Revision #11: Request funds from the Stabilization and Inflation Reserve (if needed)

After realignment, if an agency has any remaining non-recurring shortages, it may request the exact amount required to cover the negative with a non-recurring revision from the Stabilization and Inflation Reserves.

Approval of requests depends on statewide availability. OSBM will communicate whether availability is sufficient to meet an agency’s full need.

The revision will (1) increase budgeted requirements equal to the negative amount in eligible non-recurring reserve accounts and (2) increase budgeted receipts in transfer account 48V00001 by the exact same amount. OSBM will facilitate a transfer from the from the Inflation Reserve in the exact amount that is required to implement the non-recurring bonus payments and retirement contribution adjustments.

Pay Plan Reserve Recurring Revisions

1) Revision #12: Requesting funds from Pay Plan Reserve (if needed)

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 statewide availability.

If applicable, on January 4, 2027, 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.