General Assembly of North Carolina

2025 Session

House Bill 753 – “LEOs Return to Work” Executive Summary

Purpose/General Summary:

Currently, employed law enforcement officers (LEOs) cannot receive both their salary and retirement benefits (pension check and special separation allowance); they must retire from employment to receive retirement benefits. Retired LEOs can only return to work under limited circumstances (i.e., working fewer than 1,000 hours, not earning more than 50% of pre-retirement pay, etc.) without having their retirement benefits suspended while they work.

House Bill 753 would primarily incentivize the retention of current LEOs by allowing them to receive retirement benefits while continuing to work. The bill also attempts to allow retired LEOs to return to work, but that is currently allowed under limited circumstances. The Bill’s purpose is to address workforce shortages and retention by allowing officers to "retire in place" or return to work without losing pension income.

Key Provisions

**Part I Section 1.** In-Service Payment of Retirement Benefits

* Law enforcement officers, both employed and already retired, aged 59½ or older, would receive their retirement allowance while remaining in or returning to service.
* If an officer is eligible to retire, they may elect to receive any retirement allowance, as applicable, if they have not yet separated from service.
* Retired law enforcement officers, at least one month after a bona fide separation from service, may return to service while continuing to receive their retirement allowance.
  + A bona fide separation under state law, but not necessarily federal law, means that the city and the LEO did not have an explicit understanding that the LEO would be subsequently employed by the city and that even when the LEO returns to work that they do not anticipate that the LEO will perform more than 20% of the average level of work the LEO performed in the 3 years preceding retirement
  + The IRS would ultimately have the final say as to whether the terms of the bill meet statutory and regulatory definitions for separation of service. If the IRS finds any part of the bill noncompliant with federal law, the affected provision automatically expires 30 days after notification is received.
  + Noncompliant provisions can threaten the tax exemption status of the entire LGERS system and, therefore, mean that the Department of State Treasurer is a key stakeholder in the discussion around enacting this bill into law.
* While receiving in-service retirement benefits officers cannot accrue additional service credit.

**Section 2**. Continuation of Special Separation Allowance

* In addition to receiving their retirement benefits while still working or returning to work as a LEO, local law enforcement officers could also receive their special separation allowance (0.85% of base annual salary per year of creditable service).
* Payments would still stop at age 62, death, or if the officer revokes their in-service retirement election.

***Effective Date is October 1, 2025 and expires December 31, 2029 (Officers in service who are receiving benefits pursuant to this election can continue receiving benefits after the expiration)***

**Part III Section 5**. Fiscal Impact

* The bill provides an appropriation of $10 million in recurring funds (beginning July 1, 2025) to offset increased costs from the Bill's implementation. However, appropriations are not typically provided outside of the biennial budget bills and it’s unclear whether $10 million is truly the cost of implementing the bill.
* The Fiscal Impact Note from the General Assembly’s staff estimates no material fiscal impact to retirement system liabilities or consequently the employer contribution rates to LGERS. However, estimates of the fiscal impact rely on assumptions about human behavior which can be difficult to anticipate.