

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2025**

**HOUSE BILL 1126  
RATIFIED BILL**

AN ACT TO MAKE ADMINISTRATIVE, TECHNICAL, AND CLARIFYING CHANGES  
TO THE LAWS RELATED TO THE DEPARTMENT OF STATE TREASURER.

The General Assembly of North Carolina enacts:

**PART I. ADMINISTRATIVE CHANGES/RETIREMENT SYSTEMS**

**PREVIOUSLY CREDITED MILITARY SERVICE TO BE REINSTATED UPON  
PURCHASE OF PREVIOUSLY WITHDRAWN SERVICE**

**SECTION 1.1.(a)** G.S. 135-4(g) reads as rewritten:

"(g) ~~Teachers~~ All of the following apply to teachers and other State employees who served in the uniformed ~~services~~ services, as defined in the Uniformed Services Employment and Reemployment Rights Act of 1994, 38 U.S.C. § 4303, who (i) were not dishonorably ~~discharged,~~ and who discharged and (ii) returned to the service of the State within a period of two years from date of ~~discharge shall discharge:~~

- (1) The member shall be credited with prior service for such the period of service in the uniformed services for the maximum period that they are the member is entitled to reemployment under the Uniformed Services Employment and Reemployment Rights Act of 1994, 38 U.S.C. § 4301, et seq., or other federal law, and the law.
- (2) The salary or compensation of such a the teacher or State employee during that period of service credited under subdivision (1) of this subsection is deemed to be that salary or compensation the employee would have received but for the period of service had the employee remained continuously employed, if the determination of that salary or compensation is reasonably certain. If the determination of the salary or compensation is not reasonably certain, then it is deemed to be that employee's average rate of compensation during the 12-month period immediately preceding the period of service.
- (3) When a member who has served in the uniformed services returns to work in compliance with the conditions of this subsection, that member's employer shall remit to the System all employer and employee contributions for the full period of that member's military service.
- (4) If a member forfeited service previously credited under this subsection by electing to receive a return of accumulated contributions, as provided for under G.S. 135-5(f), and subsequently purchases the maximum amount of service allowed under G.S. 135-4.5(a)(1), then that member shall have the service previously credited under this subsection restored."

**SECTION 1.1.(b)** Subsection (a) of this section is effective January 1, 2027, and applies to members of the Teachers' and State Employees' Retirement System with forfeited service that was previously credited under G.S. 135-4(g) who subsequently purchase the maximum amount of service allowed under G.S. 135-4.5(a)(1) on or after January 1, 2027.

**SECTION 1.1.(c)** G.S. 128-26 is amended by adding a new subsection to read:



"(a2) If a member forfeited service previously credited under subsection (a1) of this section by electing to receive a return of accumulated contributions, as provided for under G.S. 128-27(f), and subsequently purchases the maximum amount of service allowed under G.S. 128-26.5(a)(1), then that member shall have the service previously credited under subsection (a1) of this section restored."

**SECTION 1.1.(d)** Subsection (c) of this section is effective January 1, 2027, and applies to members of the Local Governmental Employees' Retirement System with forfeited service that was previously credited under G.S. 128-26(a1) who subsequently purchase the maximum amount of service allowed under G.S. 128-26.5(a)(1) on or after January 1, 2027.

## **CONTRIBUTORY DEATH BENEFIT NOT SUBJECT TO OVERPAYMENT OFFSETS**

**SECTION 1.2.(a)** G.S. 135-9(b) reads as rewritten:

"(b) Notwithstanding any provisions of law to the contrary, any overpayment of benefits or erroneous payments to a member in a State-administered retirement system or the former Disability Salary Continuation Plan or the Disability Income Plan of North Carolina, including any benefits paid to, or State Health Plan premiums or claims paid on behalf of, any member or beneficiary who is later determined to have been ineligible for those benefits or unentitled to those amounts, may be offset against any retirement allowance, return of contributions or any other right accruing under this Chapter to the same person, the person's estate, or designated beneficiary. The ability to offset under this subsection does not apply to the fully contributory death benefit for retired members under G.S. 135-175 or G.S. 135-64(k)."

**SECTION 1.2.(b)** G.S. 128-31(b) reads as rewritten:

"(b) Notwithstanding any provisions of law to the contrary, any overpayment of benefits or erroneous payments to a member in a State-administered retirement system, the Disability Salary Continuation Plan, or the Disability Income Plan of North Carolina, including any benefits paid to, or State Health Plan premiums or claims paid on behalf of, any member who is later determined to have been ineligible for those benefits or unentitled to those amounts, may be offset against any retirement allowance, return of contributions or any other right accruing under this Chapter to the same person, the person's estate, or designated beneficiary. The ability to offset under this subsection does not apply to the fully contributory death benefit for retired members under G.S. 128-38.40."

**SECTION 1.2.(c)** G.S. 120-4.29 reads as rewritten:

### **"§ 120-4.29. Exemption from garnishment, attachment.**

(a) Except for the applications of the provisions of G. S. 110-136, and in connection with a court-ordered equitable distribution under G.S. 50-20, the right of a person to a pension, annuity, or retirement allowance, to the return of contributions, or to the receipt of the pension, annuity or retirement allowance itself, any optional benefit or any other right accrued or accruing to any person under the provisions of this Article, and the moneys in the various funds created by this Article, are exempt from levy and sale, garnishment, attachment, or any other process whatsoever, and shall be unassignable except as this Article specifically provides.

(b) Notwithstanding any provisions of law to the contrary, any overpayment of benefits or erroneous payments to a member in a State-administered retirement system, the Disability Salary Continuation Plan, or the Disability Income Plan of North Carolina, including any benefits paid to, or State Health Plan premiums or claims paid on behalf of, any member who is later determined to have been ineligible for those benefits or unentitled to those amounts, may be offset against any retirement allowance, return of contributions, or any other right accruing under this Article to the same person, the person's estate, or designated beneficiary. The ability to offset under this subsection does not apply to the fully contributory death benefit for retired members under G.S. 120-4.27."

## **CONTRIBUTION-BASED BENEFIT CAP (CBCB) INVOICE/SECOND RETIREMENT**

**SECTION 1.3.(a)** G.S. 135-5(a3) reads as rewritten:

"(a3) Anti-Pension-Spiking Contribution-Based Benefit Cap. – Notwithstanding any other provision of this section, every service retirement allowance provided under this section for members who retire on or after January 1, 2015, is subject to adjustment pursuant to a contribution-based benefit cap under this subsection. All of the following shall apply to the contribution-based benefit cap under this subsection:

- (1) The Board of Trustees shall adopt a contribution-based benefit cap factor recommended by the actuary, based upon actual experience, such that no more than three-quarters of one percent (0.75%) of retirement allowances are expected to be capped. The Board of Trustees shall modify such factors every five years, as shall be deemed necessary, based upon the five-year experience study as required by G.S. 135-6(n). Prior to establishing a service retirement allowance under this section, the Board ~~shall~~ shall do all of the following:
  - ~~(1)~~a. Determine an amount equal to the member's accumulated contributions as required under G.S. 135-8(b)(1) for all years during which the member earned membership service, other than service earned through armed service credit under G.S. 135-4(f), G.S. 135-4(g), or G.S. 135-4.5, used in the calculation of the retirement allowance that the member would receive under this section.
  - ~~(2)~~b. Determine the amount of a single life annuity that is the actuarial equivalent of the amount determined under ~~subdivision (1)~~ sub-subdivision (1)a. of this subsection, adjusted for the age of the member at the time of retirement or, when appropriate, the age at the time of the member's death.
  - ~~(3)~~c. Multiply the annuity amount determined under ~~subdivision (2)~~ sub-subdivision (1)b. of this subsection by the contribution-based benefit cap factor.
  - ~~(4)~~d. Determine the amount of the retirement allowance that results from the member's membership ~~service,~~ service to which the member would be entitled but for the adjustment under this subsection. The amount shall be calculated in the same manner as the member's service retirement allowance, with the following exceptions:
    1. The applicable percentage of the member's average final compensation shall be multiplied by the number of years of membership service, rather than the number of years of creditable ~~service;~~ the service.
    2. The amount shall include the effect of any percentage reduction that applies to the member's service retirement allowance by virtue of the member's age or amount of creditable service as of the service retirement ~~date;~~ and the date.
    3. The amount shall not be adjusted for an optional allowance elected under subsection (g) of this section.
- (2) The product of the multiplication in ~~subdivision (3)~~ sub-subdivision (1)c. of this subsection is the member's contribution-based benefit cap. If the amount determined under ~~subdivision (4)~~ sub-subdivision (1)d. of this subsection exceeds the member's contribution-based benefit cap, then the member's retirement allowance shall be reduced by an amount equal to the difference between the contribution-based benefit cap and the amount determined under ~~subdivision (4)~~ sub-subdivision (1)d. of this subsection.

- (3) Notwithstanding the foregoing, anything to the contrary under subdivisions (1) and (2) of this subsection, the retirement allowance of a member with an average final compensation of less than one hundred thousand dollars (\$100,000), as hereinafter indexed, indexed under this subdivision, shall not be subject to the contribution-based benefit cap. The minimum average final compensation necessary for a retirement allowance to be subject to the contribution-based benefit cap shall be increased on January 1 each year by the percent change between the June Consumer Price Index in the year prior to retirement and the June Consumer Price Index in the fiscal year most recently ended, calculated to the nearest tenth of a percent (0.1%), provided that this percent change is positive.
- (4) Notwithstanding the foregoing, anything to the contrary under subdivisions (1) through (3) of this subsection, the retirement allowance of a member who became a member before January 1, 2015, or who has not earned at least five years of membership service in the Retirement System after January 1, 2015, shall not be reduced; however, the member's last employer, or if the member's last employer did not report to the retirement system any compensation paid to the member during the period used to compute the member's average final compensation, the member's employer or employers who reported compensation to the member during such period, shall be required to make an additional contribution as specified in G.S. 135-8(f)(2)f., if applicable.
- (5) For any member whose retirement allowance was (i) initially restored to the pre-contribution-based benefit cap level, in accordance with G.S. 135-4(jj), (ii) subsequently suspended for a period of at least three years due to the member being restored to service, and (iii) recalculated based on becoming reemployed for at least three years on the basis of the member's compensation and service before and after the period of prior retirement without restrictions, the amount required to restore the member's benefit to the pre-contribution-based benefit cap level shall be reduced on a dollar-for-dollar basis by the amount required to restore the initial retirement allowance."

**SECTION 1.3.(b)** G.S. 128-27(a3) reads as rewritten:

"(a3) Anti-Pension-Spiking Contribution-Based Benefit Cap. – Notwithstanding any other provision of this section, every service retirement allowance provided under this section for members who retire on or after January 1, 2015, is subject to adjustment pursuant to a contribution-based benefit cap under this subsection. All of the following shall apply to the contribution-based benefit cap under this subsection:

- (1) The Board of Trustees shall adopt a contribution-based benefit cap factor recommended by the actuary, based upon actual experience, such that no more than three-quarters of one percent (0.75%) of retirement allowances are expected to be capped. The Board of Trustees shall modify such factors every five years, as shall be deemed necessary, based upon the five-year experience study as required by G.S. 128-28(o). Prior to establishing a service retirement allowance under this section, the Board shall do all of the following:
- (1)a. Determine an amount equal to the member's accumulated contributions as required under G.S. 128-30(b)(1) for all years during which the member earned membership service, other than service earned through armed service credit under G.S. 128-26(a1), G.S. 128-26(a2), G.S. 128-26(j1), or G.S. 128-26.5, used in the calculation of the retirement allowance that the member would receive under this section.

- (2)b. Determine the amount of a single life annuity that is the actuarial equivalent of the amount determined under ~~subdivision (1)~~ sub-subdivision (1)a. of this subsection, adjusted for the age of the member at the time of retirement or, when appropriate, the age at the time of the member's death.
- (3)c. Multiply the annuity amount determined under ~~subdivision (2)~~ sub-subdivision (1)b. of this subsection by the contribution-based benefit cap factor.
- (4)d. Determine the amount of the retirement allowance that results from the member's membership ~~service,~~ service to which the member would be entitled but for the adjustment under this subsection. This amount shall be calculated in the same manner as the member's service retirement allowance, with the following exceptions:
1. The applicable percentage of the member's average final compensation shall be multiplied by the number of years of membership service, rather than the number of years of creditable ~~service;~~ the service.
  2. The amount shall include the effect of any percentage reduction that applies to the member's service retirement allowance by virtue of the member's age or amount of creditable service as of the service retirement ~~date;~~ and the date.
  3. The amount shall not be adjusted for an optional allowance elected under subsection (g) of this section.
- (2) The product of the multiplication in ~~subdivision (3)~~ sub-subdivision (1)c. of this subsection is the member's contribution-based benefit cap. If the amount determined under ~~subdivision (4)~~ sub-subdivision (1)d. of this subsection exceeds the member's contribution-based benefit cap, then the member's retirement allowance shall be reduced by an amount equal to the difference between the contribution-based benefit cap and the amount determined under ~~subdivision (4)~~ sub-subdivision (1)d. of this subsection.
- (3) Notwithstanding ~~the foregoing,~~ anything to the contrary under subdivisions (1) and (2) of this subsection, the retirement allowance of a member with an average final compensation of less than one hundred thousand dollars (\$100,000), as ~~hereinafter indexed,~~ indexed under this subdivision, shall not be subject to the contribution-based benefit cap. The minimum average final compensation necessary for a retirement allowance to be subject to the contribution-based benefit cap shall be increased on January 1 each year by the percent change between the June Consumer Price Index in the year prior to retirement and the June Consumer Price Index in the fiscal year most recently ended, calculated to the nearest tenth of a percent (0.1%), provided that this percent change is positive.
- (4) Notwithstanding ~~the foregoing,~~ anything to the contrary under subdivisions (1) through (3) of this subsection, the retirement allowance of a member who became a member before January 1, 2015, or who has not earned at least five years of membership service in the Retirement System after January 1, 2015, shall not be reduced; however, the member's last employer, or if the member's last employer did not report to the retirement system any compensation paid to the member during the period used to compute the member's average final compensation, the member's employer or employers who reported

compensation to the member during such period, shall be required to make an additional contribution as specified in G.S. 128-30(g)(2)b., if applicable.

- (5) For any member whose retirement allowance was (i) initially restored to the pre-contribution-based benefit cap level, in accordance with G.S. 128-26(y), (ii) subsequently suspended for a period of at least three years due to the member being restored to service, and (iii) recalculated based on becoming reemployed for at least three years on the basis of the member's compensation and service before and after the period of prior retirement without restrictions, the amount required to restore the member's benefit to the pre-contribution-based benefit cap level shall be reduced on a dollar-for-dollar basis by the amount required to restore the initial retirement allowance."

## **LEGISLATIVE RETIREMENT SYSTEM REEMPLOYMENT FLEXIBILITY**

**SECTION 1.4.(a)** G.S. 135-3(a)(8)c. reads as rewritten:

- "c. Unless otherwise provided, if a beneficiary who retired on an early or service retirement allowance under this Article is reemployed by, or otherwise engaged to perform services for, an employer participating in the Retirement System on a part time, temporary, interim, or on a fee for service basis, whether contractual or otherwise, and if the beneficiary earns an amount during the 12 month period immediately following the effective date of retirement or in any calendar year which exceeds fifty percent (50%) of the reported compensation, excluding terminal payments, during the 12 months of service preceding the effective date of retirement, or twenty thousand dollars (\$20,000), whichever is greater, as hereinafter indexed, then the retirement allowance shall be suspended as of the first day of the month following the month in which the reemployment earnings exceed the indexed amount, for the balance of the calendar year, unless the reemployment earnings exceed the indexed amount in the month of December. If the reemployment earnings exceed the indexed amount in December, then the retirement allowance shall not be suspended. A suspended retirement allowance of the beneficiary shall be reinstated as of January 1 of each year following suspension. The amount that may be earned before suspension shall be increased on January 1 of each year by the percentage change between the December Consumer Price Index in the year prior to retirement and the December Consumer Price Index in the year most recently ended, calculated to the nearest tenth of a percent (1/10 of 1%), provided that this percentage change is positive. This sub-subdivision shall not apply to service as a member of the Legislative Retirement System of North Carolina under Article 1A of Chapter 120 of the General Statutes."

**SECTION 1.4.(b)** G.S. 135-3(a)(8)d. reads as rewritten:

- "d. Should a beneficiary who retired on an early or service retirement allowance under this Chapter be restored to service as an employee or teacher, then the retirement allowance shall cease as of the first of the month following the month in which the beneficiary is restored to service and the beneficiary shall become a member of the Retirement System and shall contribute thereafter as allowed by law at the uniform contribution payable by all members. This sub-subdivision shall not apply to service as a member of the Legislative Retirement System of

...."

**SECTION 1.4.(c)** G.S. 120-4.21(d) expires July 1, 2026.

**SECTION 1.4.(d)** G.S. 120-4.21(c) reads as rewritten:

"(c) Limitations Applicable to ~~Members Retiring Before September 1, 2005.~~ All Members. – In no event shall any member receive a service retirement allowance greater than seventy-five percent (75%) of ~~his~~ the member's "highest annual salary"."

**SECTION 1.4.(e)** This section is effective July 1, 2026, and applies to all members of the Legislative Retirement System of North Carolina on or after that date, including those members who retired after September 1, 2005.

**SECTION 1.4.(f)** If the service retirement allowance of a member who retired on or after September 1, 2005, and before July 1, 2026, was suspended in accordance with G.S. 120-4.21(d) prior to its expiration on July 1, 2026, then that service retirement allowance shall continue to be suspended until the member withdraws from membership in either the Teachers' and State Employees' Retirement System or the Consolidated Judicial Retirement System and the member is not entitled to any retroactive reinstatement of a service retirement allowance related to the expiration of G.S. 120-4.21(d).

## **ELECTRONIC REPORTING OF CONTRIBUTIONS/FIREFIGHTERS' AND RESCUE SQUAD WORKERS' PENSION FUND**

**SECTION 1.5.** Article 86 of Chapter 58 of the General Statutes is amended by adding a new section to read:

### **"§ 58-86-41. Collection and reporting of contributions.**

(a) Under rules adopted by the Board, each eligible fire department and each eligible rescue or emergency medical services squad shall, on account of each eligible firefighter and each eligible rescue squad worker, certify any information necessary for the proper administration of the Pension Fund. The submission of this information by an eligible fire department or an eligible rescue or emergency medical services squad constitutes a certification of its accuracy.

(b) Each eligible fire department and each eligible rescue or emergency medical services squad shall transmit contributions as certified under subsection (a) of this section on the forms prescribed by the Board."

## **CLARIFICATION/FELONY FORFEITURE OF CERTAIN SUPPLEMENTAL RETIREMENT INCOME PLAN BENEFITS**

**SECTION 1.6.(a)** G.S. 143-166.30(g1) reads as rewritten:

"(g1) Forfeiture of Benefits for Certain Felonies. – Participants in the Supplemental Retirement Income Plan for State Law-Enforcement Officers whose benefits are forfeited under G.S. 135-18.10A shall also forfeit contributions paid on or after December 1, 2012, on behalf of the participant by the State to the Supplemental Retirement Income Plan. Pending the determination of whether G.S. 135-18.10A applies to a law enforcement officer's conviction, the administrator of the Supplemental Retirement Income Plan may prohibit the withdrawal of contributions from the law enforcement officer's account for a period of up to 60 days to allow for a post-conviction forfeiture determination. Any contribution funds forfeited under this subsection shall be deposited in the Supplemental Retirement Income Plan."

**SECTION 1.6.(b)** G.S. 143-166.50(e2) reads as rewritten:

"(e2) Forfeiture of Benefits for Certain Felonies. – Participants in the Supplemental Retirement Income Plan for Local Governmental Law-Enforcement Officers whose benefits are forfeited under G.S. 128-38.4A shall also forfeit contributions paid on or after December 1, 2012, on behalf of the participant by local government employers of law enforcement officers to the

Supplemental Retirement Income Plan for Local Governmental Law-Enforcement Officers. Pending the determination of whether G.S. 128-38.4A applies to a law enforcement officer's conviction, the administrator of the Supplemental Retirement Income Plan may prohibit the withdrawal of contributions from the law enforcement officer's account for a period of up to 60 days to allow for a post-conviction forfeiture determination. Any contribution funds forfeited under this subsection shall be deposited in the Supplemental Retirement Income Plan."

**SECTION 1.6.(c)** This section is effective when this act becomes law and applies to law enforcement officers with applicable convictions on or after that date.

## **PERSONNEL FLEXIBILITY**

**SECTION 1.7.(a)** G.S. 135-6 reads as rewritten:

### **"§ 135-6. Administration.**

...  
(g) ~~Officers and Other Employees; Salaries and Expenses.~~ – The State Treasurer shall be ex officio chair of the Board of Trustees and shall appoint a director. ~~The Board shall engage actuarial and other services required to transact the business of the Retirement System. The State Treasurer and the Board of Trustees may appoint employees as they deem advisable to carry out the terms and conditions of the Retirement Systems. The compensation of all persons, other than the director, engaged by the Board, and all other expenses of the Board necessary for the operation of the Retirement System, System shall be paid at rates and in amounts approved by the Board, subject to the approval of the Director of the Budget Board.~~

(g1) Compensation of Designated Employees. – The Board of Trustees shall authorize the State Treasurer to establish compensation plans, including salaries and performance-related bonuses, for employees who possess specialized skills or knowledge necessary for the proper administration of the Retirement Systems. All of the following apply:

- (1) Employees designated under this subsection shall be exempt from the classification and compensation rules established by the Office of State Human Resources, in accordance with G.S. 126-5(c13).
- (2) The total number of designated employees under this subsection and G.S. 128-28(h1) shall not exceed forty percent (40%) of the employees of the Retirement Systems Division.

(h) ~~Actuarial Data.~~ – ~~The Board shall engage actuarial and other services required to transact the business of the Retirement System.~~ The Board of Trustees shall keep in convenient form data necessary for actuarial valuation of the various funds of the Retirement System and for checking the experience of the System.

...."

**SECTION 1.7.(b)** G.S. 128-28 reads as rewritten:

### **"§ 128-28. Administration and responsibility for operation of System.**

...  
(h) ~~Officers and Other Employees, Salaries, and Employees; Expenses.~~ – The State Treasurer shall be ex officio chair of the Board of Trustees and shall appoint a director. ~~The Board shall engage actuarial and other services required to transact the business of the Retirement System. The State Treasurer and the Board of Trustees may appoint employees as they deem advisable to carry out the terms and conditions of the Retirement Systems. The compensation of all persons engaged by the Board, and all other expenses of the Board necessary for the operation of the Retirement System, System shall be paid at rates and in amounts approved by the Board.~~

(h1) Compensation of Designated Employees. – The Board of Trustees shall authorize the State Treasurer to establish compensation plans, including salaries and performance-related bonuses, for employees who possess specialized skills or knowledge necessary for the proper administration of the Retirement Systems. All of the following apply:

- (1) Employees designated under this subsection shall be exempt from the classification and compensation rules established by the Office of State Human Resources, in accordance with G.S. 126-5(c13).
- (2) The total number of designated employees under this subsection and G.S. 135-6(g1) shall not exceed forty percent (40%) of the employees of the Retirement Systems Division.

(i) Actuarial Data. – The Board shall engage actuarial and other services required to transact the business of the Retirement System. The Board of Trustees shall keep in convenient form data necessary for actuarial valuation of the various funds of the Retirement System and for checking the experience of the System.

...."

**SECTION 1.7.(c)** G.S. 126-5(c13) reads as rewritten:

"(c13) Except as to G.S. 126-13, 126-14, 126-14.1, and Articles 6, 7, 14, 15, and 16 of this Chapter, this Chapter does not apply to any of the following employees of the Department of State ~~Treasurer~~ Treasurer:

- (1) Employees possessing specialized skills or knowledge necessary for the proper administration of the Supplemental Retirement Plans and compensated pursuant to ~~G.S. 135-91(e)~~ G.S. 135-91(c2).
- (2) Designated employees under G.S. 135-6(g1) or G.S. 128-28(h1)."

## **LEGAL COUNSEL FLEXIBILITY**

**SECTION 1.8.(a)** G.S. 135-6(u) is recodified as the second sentence of G.S. 135-6(j).

**SECTION 1.8.(b)** G.S. 135-6(j), as amended by subsection (a) of this section, reads as rewritten:

"(j) Legal Adviser. Counsel. – The Attorney General is State Treasurer shall designate a licensed attorney employed by the Department of State Treasurer as the legal adviser of the Board of Trustees. The State Treasurer may designate legal counsel, including private counsel, to represent the interests of the administration of benefit programs under this Chapter."

**SECTION 1.8.(c)** G.S. 128-28(k) reads as rewritten:

"(k) Legal Adviser. Counsel. – The Attorney General is State Treasurer shall designate a licensed attorney employed by the Department of State Treasurer as the legal adviser of the Board of Trustees. The State Treasurer may designate legal counsel, including private counsel, to represent the interests of the administration of benefit programs under this Article."

**SECTION 1.8.(d)** G.S. 120-4.10 is amended by adding a new subsection to read:

"(c) The State Treasurer shall designate a licensed attorney employed by the Department of State Treasurer as the legal adviser of the Board of Trustees. The State Treasurer may designate legal counsel, including private counsel, to represent the interests of the administration of benefit programs under this Article."

## **BOARD OF TRUSTEES PER DIEM**

**SECTION 1.9.(a)** G.S. 135-6(c) reads as rewritten:

"(c) Compensation of Trustees. – ~~The~~ During sessions of the Board, trustees shall be paid during sessions of the Board at the prevailing rate established for members of State boards and commissions, and they receive one hundred dollars (\$100.00) per day, except for any trustee whose salary, in whole or in part, is paid from State funds. In accordance with G.S. 138-5 and G.S. 138-6, trustees shall be reimbursed for all necessary expenses that they incur through service on the Board."

**SECTION 1.9.(b)** G.S. 128-28(d) reads as rewritten:

"(d) Compensation of Trustees. – ~~The~~ During sessions of the Board, trustees shall be paid during sessions of the Board at the prevailing rate established for members of State boards and

commissions, and they receive one hundred dollars (\$100.00) per day, except for any trustee whose salary, in whole or in part, is paid from State funds. In accordance with G.S. 138-5 and G.S. 138-6, trustees shall be reimbursed for all necessary expenses that they incur through service on the Board."

**SECTION 1.9.(c)** G.S. 135-96 is amended by adding a new subsection to read:

"(f) During sessions of the Board, trustees shall receive one hundred dollars (\$100.00) per day, except for any trustee whose salary, in whole or in part, is paid from State funds. In accordance with G.S. 138-5 and G.S. 138-6, trustees shall be reimbursed for all necessary expenses that they incur through service on the Board."

**SECTION 1.9.(d)** G.S. 147-86.72 is amended by adding a new subsection to read:

"(a1) Compensation of Trustees. – During sessions of the Board, trustees shall receive one hundred dollars (\$100.00) per day, except for any trustee whose salary, in whole or in part, is paid from State funds. In accordance with G.S. 138-5 and G.S. 138-6, trustees shall be reimbursed for all necessary expenses that they incur through service on the Board."

**SECTION 1.9.(e)** This section is effective when it becomes law and applies to sessions of the Boards of Trustees on or after that date.

## **SURVIVOR'S ALTERNATIVE BENEFIT RENUNCIATION CLARIFICATION**

**SECTION 1.10.(a)** G.S. 135-5(m)(2) reads as rewritten:

"(2) At the time of the member's death, one and only one beneficiary is eligible to receive a return of his-the member's accumulated contributions. If multiple beneficiaries are designated and living at the time of the member's death and any beneficiary elects to renounce that beneficiary's portion of the member's accumulated contributions, the renunciation shall not result in another beneficiary becoming eligible for benefits under this subsection."

**SECTION 1.10.(b)** G.S. 128-27(m)(2) reads as rewritten:

"(2) At the time of the member's death, one and only one beneficiary is eligible to receive a return of his-the member's accumulated contributions. If multiple beneficiaries are designated and living at the time of the member's death and any beneficiary elects to renounce that beneficiary's portion of the member's accumulated contributions, the renunciation shall not result in another beneficiary becoming eligible for benefits under this subsection."

## **LEIA MODIFICATIONS**

**SECTION 1.11.(a)** G.S. 135-7(h) reads as rewritten:

"(h) Legislative Enactment Implementation Arrangement. – The Legislative Enactment Implementation Arrangement, or LEIA, is established effective October 1, 2017, and placed under the management of the Board of Trustees. The purpose of the LEIA is to provide for timely and ongoing administrative implementation of legislative provisions regarding the retirement of, or payment of retirement benefits to, public officers or public employees. The LEIA shall have the following parameters:

- (1) Administration. – The LEIA shall be administered by the Board of Trustees, which shall compile and maintain all records necessary or appropriate for administration. The Board of Trustees shall have full discretionary authority to interpret, construe, and implement the LEIA and to adopt such rules and regulations as may be necessary or desirable to implement the provisions of the LEIA.
- (2) Funding of the LEIA. – In the event that (i) the General Assembly creates or modifies any provision for the retirement of, or payment of retirement benefits to, public officers or public employees that has a cost savings as measured by actuarial note required by Article 15 of Chapter 120 of the General Statutes,

or (ii) the Board of Trustees identifies a specific administrative or information technology purpose that is necessary to prevent an interruption to the normal operation of the Retirement System, the Board of Trustees may direct up to one hundredth percent (0.01%) of the required contributions to fund the LEIA. These funds must be deposited in a separate fund from the fund into which regular employer contributions are deposited for the Retirement System. ~~The Board of Trustees shall not direct any employer contributions into the LEIA after January 1, 2035.~~

- (3) Allocation of LEIA funds. – The Board of Trustees may allocate LEIA funds to (i) the implementation of legislative provisions regarding the retirement of, or payment for retirement benefits to, public officers or public employees, or (ii) be used for administrative or information technology purposes, ~~subject to the following restrictions:~~
- ~~a. The Board of Trustees must identify individual implementation projects that will be paid for with LEIA funds. These implementation projects must be necessitated by a specific statute or session law that was enacted within five years of the allocation of the funds. The Board of Trustees must also identify the number of years for which each individual implementation project will be paid for with LEIA funds.~~
  - ~~b. For implementation projects that will be paid for with LEIA funds for a period of one year or less, the Board of Trustees must determine that the cost savings from implementing the project is projected to be no less than half of the amount of LEIA funds utilized to pay for implementation.~~
  - ~~c. For implementation projects that will be paid for with LEIA funds for a period of greater than one year, but not more than four years, the Board of Trustees must determine that the long term cost savings from implementing the project is projected to be at least three times greater than the cost of implementation.~~
  - ~~d. No implementation project shall be paid for with LEIA funds for a period of more than four years.~~
  - ~~e. The Board of Trustees shall identify the specific administrative or information technology purpose for which LEIA funds will be used. Any use of LEIA funds for administrative or information technology purposes requires a determination by the Board of Trustees that the use of funds is necessary to prevent an interruption to the normal operation of the Retirement System.~~ purposes that the Board of Trustees determines are necessary to prevent an interruption to the normal operation of the Retirement System.
- (4) Treatment of unused assets. – ~~Any assets of the LEIA not used to pay allowed administrative expenses for timely administrative implementation of legislative provisions shall be transferred.~~ The Board of Trustees may transfer assets of the LEIA to the Retirement System as an additional employer contribution.

...."

**SECTION 1.11.(b)** G.S. 128-29(g) reads as rewritten:

"(g) Legislative Enactment Implementation Arrangement. – The Legislative Enactment Implementation Arrangement, or LEIA, is established effective October 1, 2017, and placed under the management of the Board of Trustees. The purpose of the LEIA is to provide for timely and ongoing administrative implementation of legislative provisions regarding the retirement of,

or payment of retirement benefits to, public officers or public employees. The LEIA shall have the following parameters:

- (1) Administration. – The LEIA shall be administered by the Board of Trustees, which shall compile and maintain all records necessary or appropriate for administration. The Board of Trustees shall have full discretionary authority to interpret, construe, and implement the LEIA and to adopt such rules and regulations as may be necessary or desirable to implement the provisions of the LEIA.
- (2) Funding of the LEIA. – In the event that (i) the General Assembly creates or modifies any provision for the retirement of, or payment of retirement benefits to, public officers or public employees that has a cost savings as measured by actuarial note required by Article 15 of Chapter 120 of the General Statutes, or (ii) the Board of Trustees identifies a specific administrative or information technology purpose that is necessary to prevent an interruption to the normal operation of the Retirement System, the Board of Trustees may direct up to one hundredth percent (0.01%) of the required contributions to fund the LEIA. These funds must be deposited in a separate fund from the fund into which regular employer contributions are deposited for the Retirement System. ~~The Board of Trustees shall not direct any employer contributions into the LEIA after January 1, 2035.~~
- (3) Allocation of LEIA funds. – The Board of Trustees may allocate LEIA funds to (i) the implementation of legislative provisions regarding the retirement of, or payment for retirement benefits to, public officers or public employees, or (ii) be used for administrative or information technology purposes, ~~subject to the following restrictions:~~
  - a. ~~The Board of Trustees must identify individual implementation projects that will be paid for with LEIA funds. These implementation projects must be necessitated by a specific statute or session law that was enacted within five years of the allocation of the funds. The Board of Trustees must also identify the number of years for which each individual implementation project with be paid for will LEIA funds.~~
  - b. ~~For implementation projects that will be paid for with LEIA funds for a period of one year or less, the Board of Trustees must determine that the cost savings from implementing the project is projected to be no less than half of the amount of LEIA funds utilized to pay for implementation.~~
  - c. ~~For implementation projects that will be paid for with LEIA funds for a period of greater than one year, but not more than four years, the Board of Trustees must determine that the long-term cost savings from implementing the project is projected to be at least three times greater than the cost of implementation.~~
  - d. ~~No implementation project shall be paid for with LEIA funds for a period of more than four years.~~
  - e. ~~The Board of Trustees shall identify the specific administrative or information technology purpose for which LEIA funds will be used. Any use of LEIA funds for administrative or information technology purposes requires a determination by the Board of Trustees that the use of funds is necessary to prevent an interruption to the normal operation of the Retirement System.~~ purposes that the Board of Trustees determines are necessary to prevent an interruption to the normal operation of the Retirement System.

- (4) Treatment of unused assets. – ~~Any assets of the LEIA not used to pay allowed administrative expenses for timely administrative implementation of legislative provisions shall be transferred.~~ The Board of Trustees may transfer assets of the LEIA to the Retirement System as an additional employer contribution.

...."

**SECTION 1.11.(c)** This section is effective July 1, 2026.

## **PART II. STATE HEALTH PLAN**

### **ALLOW MATERNITY BENEFITS FOR ALL ELIGIBLE DEPENDENT CHILDREN/REMOVE REFERENCE TO MATERNITY BENEFITS FROM THE STATUTE DEALING WITH CATEGORIES OF COVERAGE**

**SECTION 2.1.(a)** G.S. 135-48.43(d) reads as rewritten:

"(d) Categories of Coverage Available. – ~~There~~ The following are four categories of coverage ~~which that~~ an employee or retiree may elect.~~elect:~~

- (1) Employee Only. – Covers enrolled employees only. ~~Maternity benefits are provided to employee only.~~
- (2) Employee and Child. – Covers enrolled employee and all eligible dependent children. ~~Maternity benefits are provided to the employee only.~~
- (3) Employee and Family. – Covers employee and spouse, and all eligible dependent children. ~~Maternity benefits are provided to employee or enrolled spouse.~~
- (4) Employee and Spouse. – Covers employee and spouse only. ~~Maternity benefits are provided to the employee or the employee's enrolled spouse."~~

**SECTION 2.1.(b)** This section is effective 30 days after this act becomes law.

### **COORDINATION OF BENEFITS WITH MEDICARE**

**SECTION 2.2.** G.S. 135-48.38(a) reads as rewritten:

"(a) Benefits payable for covered expenses under this Plan will be reduced by any benefits payable for the same covered expenses under ~~Medicare, so that Medicare.~~ Medicare will be the primary carrier except where compliance with federal law specifies otherwise, otherwise or when the Treasurer has determined that the administrative cost of coordinating with Medicare is likely to exceed the financial benefit of the coordination to the Plan."

### **EXCEPTION FROM FINAL PAYEE REQUIREMENT**

**SECTION 2.3.** G.S. 147-86.11(f)(1) reads as rewritten:

- "(1) Moneys deposited with the State Treasurer remain on deposit with the State Treasurer until final disbursement to the ultimate payee, except (i) for the purposes of the operation of North Carolina State Health Plan for Teachers and State Employees, as determined by the State Treasurer, and (ii) as provided in G.S. 147-86.12. If an ultimate payee is required by law to submit information for certification or verification by the State Auditor, then no disbursement may be made to that ultimate payee if the certification or verification has not been issued by the State Auditor to the State Controller."

## **PART III. NORTH CAROLINA INVESTMENT AUTHORITY**

### **CONFORM WITH THE CHANGE FROM THE STATE TREASURER AS CUSTODIAN OF FUNDS TO THE NORTH CAROLINA INVESTMENT AUTHORITY**

**SECTION 3.1.(a)** G.S. 58-31-1 reads as rewritten:

**"§ 58-31-1. State Property Fire Insurance Fund created.**

Upon the expiration of all existing policies of fire insurance upon state-owned buildings, fixtures, furniture, and equipment, including all such property the title to which may be in any State department, institution, or agency, the State of North Carolina shall not reinsure any of such properties.

There is hereby created a "State Property Fire Insurance Fund," which shall be as a special fund in the State treasury, for the purpose of providing a reserve against loss from fire at State departments and institutions. The State Treasurer shall be the custodian of the "State Property Fire Insurance Fund" and shall ~~invest deposit~~ its assets ~~in accordance with the provisions of G.S. 147-69.2 and 147-69.3. with the North Carolina Investment Authority to invest these assets in accordance with Article 6 of Chapter 147 of the General Statutes.~~ The unexpended appropriations of State departments and institutions for fire insurance premiums for the fiscal year 1944-1945 and the appropriations for fire insurance premiums made for the biennium 1945-1947 or that may thereafter be made for this purpose shall be transferred to the "State Property Fire Insurance Fund."

**SECTION 3.1.(b)** G.S. 58-31A-20(a) reads as rewritten:

"(a) There is established a State Public Education Property Insurance Fund (Fund) as a special fund in the State treasury for the purpose of providing a reserve against property loss of public education boards. The State Treasurer shall be the custodian of the Fund and shall ~~invest deposit~~ its assets ~~in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3. with the North Carolina Investment Authority to invest these assets in accordance with Article 6 of Chapter 147 of the General Statutes.~~ All funds paid over to the State Treasurer by the State Fire Marshal for premiums on insurance by public education boards and all money received from interest or from loans and deposits and from any other source connected with the insurance of the property shall be held by the State Treasurer in the Fund for the purpose of paying all insurable hazards for which the Fund shall be liable and the expenses necessary for the proper conduct of the insurance of such property, together with such premiums for reinsurance that the State Fire Marshal may deem necessary to reinsure as provided by this Article."

**SECTION 3.1.(c)** G.S. 58-86-20 reads as rewritten:

**"§ 58-86-20. State Treasurer to be custodian of fund; appropriations; contributions to fund; expenditures.**

(a) The State Treasurer shall be the custodian of the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund and shall ~~invest its assets in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3.~~ deposit these assets with the North Carolina Investment Authority to invest these assets in accordance with Article 6 of Chapter 147 of the General Statutes.

(b) The appropriations made by the General Assembly out of the ~~general fund-General Fund~~ to provide money for administrative expenses of the Pension Fund shall be handled in the same manner as any other ~~general fund-General Fund~~ appropriation. One-fourth of the appropriation made out of the ~~general fund-General Fund~~ to provide for the financing of the ~~pension fund-Pension Fund~~ shall be transferred quarterly to a special fund to be known as the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund. ~~There shall be set up~~

(c) The North Carolina Firefighters' and Rescue Squad Workers' Pension Fund is a special fund established in the Department of State Treasurer's office a special fund to be known as the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund, and all Treasurer. All contributions made by the members of this pension fund shall be deposited in the special fund. All expenditures for refunds, investments or benefits shall be in the same manner as expenditures of other special funds."

**SECTION 3.1.(d)** G.S. 58-87-5(a) reads as rewritten:

"(a) There is created in the Department of Insurance the Volunteer Rescue/EMS Fund to provide grants to volunteer rescue units, rescue/EMS units, EMS units that are volunteer fire

departments that are a part of a county's EMS system plan, and EMS units providing rescue or rescue and emergency medical services to purchase equipment and make capital improvements. An eligible unit may apply to the Office of the State Fire Marshal for a grant under this section. The application form and criteria for grants shall be established by the Office of the State Fire Marshal. The North Carolina Association of Rescue and Emergency Medical Services, Inc., shall provide the Office of the State Fire Marshal with an advisory priority listing for rescue equipment eligible for funding, and the Department of Health and Human Services shall provide the Office of the State Fire Marshal with an advisory priority listing of EMS equipment eligible for funding. The State Treasurer shall ~~invest-deposit~~ the Fund's assets ~~according to law, with the North Carolina Investment Authority to invest these assets in accordance with Article 6 of Chapter 147 of the General Statutes,~~ and the earnings shall remain in the Fund. On December 15, or on the first business day after December 15 if December 15 falls on a weekend or a holiday, of each year, the Office of the State Fire Marshal shall make grants to eligible units subject to all of the following limitations:

...."

**SECTION 3.1.(e)** G.S. 74C-30(d) reads as rewritten:

"(d) The State Treasurer shall ~~invest and reinvest-deposit~~ the moneys in the Fund ~~in a manner provided by law,~~ with the North Carolina Investment Authority to invest these assets in accordance with Article 6 of Chapter 147 of the General Statutes. The Board, in its discretion, may use the Fund for any of the following purposes:

...."

**SECTION 3.1.(f)** G.S. 74D-30(d) reads as rewritten:

"(d) The State Treasurer shall ~~invest and reinvest-deposit~~ the moneys in the Fund ~~in a manner provided by law,~~ with the North Carolina Investment Authority to invest these assets in accordance with Article 6 of Chapter 147 of the General Statutes. The Board in its discretion, may use the Fund for any of the following purposes:

...."

**SECTION 3.1.(g)** G.S. 113-173.1(a) reads as rewritten:

"(a) Establishment. – There is ~~hereby~~ established the North Carolina Commercial Fishing Resources Fund (Fund) as a nonreverting special revenue fund in the office of the State Treasurer. The purpose of the Fund is to provide funding for the development of sustainable commercial fishing in the State. The principal of the Fund shall consist of all of the following:

...

The State Treasurer shall hold the Fund separate and apart from all other moneys, funds, and accounts. The State Treasurer shall ~~invest-deposit~~ the assets of the Fund ~~in accordance with the provisions of G.S. 147-69.2,~~ with the North Carolina Investment Authority to invest these assets in accordance with Article 6 of Chapter 147 of the General Statutes, except that interest and other income received on the fund balance shall be treated as set forth in G.S. 147-69.1(d)."

**SECTION 3.1.(h)** G.S. 113-175.1(b) reads as rewritten:

"(b) The State Treasurer shall hold the Marine Resources Fund separate and apart from all other moneys, funds, and accounts. The State Treasurer shall ~~invest-deposit~~ the assets of the Marine Resources Fund ~~in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3,~~ with the North Carolina Investment Authority to invest these assets in accordance with Article 6 of Chapter 147 of the General Statutes, and all marine resources investment income shall be deposited to the credit of the Marine Resources Fund. The State Treasurer shall disburse the principal of the Marine Resources Fund and marine resources investment income only upon the written direction of the Division of Marine Fisheries of the Department of Environmental Quality."

**SECTION 3.1.(i)** G.S. 113-175.5(b) reads as rewritten:

"(b) The State Treasurer shall hold the Endowment Fund separate and apart from all other moneys, funds, and accounts. The State Treasurer shall ~~invest-deposit~~ the assets of the

~~Endowment Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3, with the North Carolina Investment Authority to invest these assets in accordance with Article 6 of Chapter 147 of the General Statutes. The State Treasurer shall disburse the endowment investment income only upon the written direction of the Division of Marine Fisheries of the Department of Environmental Quality."~~

**SECTION 3.1.(j)** G.S. 115C-546.10 reads as rewritten:

**"§ 115C-546.10. Fund created; purpose; prioritization.**

There is created the Needs-Based Public School Capital Fund as an interest-bearing, nonreverting special fund in the Department of Public Instruction. The State Treasurer shall be the custodian of the Needs-Based Public School Capital Fund and shall ~~invest~~ deposit its assets ~~in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3, with the North Carolina Investment Authority to invest these assets in accordance with Article 6 of Chapter 147 of the General Statutes.~~ The Department of Public Instruction shall award grants from the Fund to counties to assist with their critical public school building capital needs in accordance with the following priorities:

...."

**SECTION 3.1.(k)** G.S. 116-209 reads as rewritten:

**"§ 116-209. Reserve Trust Fund created; transfer of Escheat Fund; pledge of security interest for payment of bonds; administration.**

The appropriation made to the Authority under this Article shall be used exclusively for the purpose of acquiring contingent or vested rights in obligations which it may acquire under this Article; ~~such these~~ appropriations, payments, revenue and interest as well as other income received in connection with ~~such the~~ obligations is ~~hereby~~ established as a trust fund. ~~Such This~~ fund shall be used for the purposes of the Authority other than maintenance and operation.

The maintenance and operating expenses of the Authority shall be paid from funds specifically appropriated for ~~such those~~ purposes. No part of the trust fund established under this section shall be expended for ~~such those~~ purposes.

The State Treasurer shall be the custodian of the assets of the Authority and shall ~~invest them in accordance with the provisions of G.S. 147-69.2 and 147-69.3, deposit its assets with the North Carolina Investment Authority to invest these assets in accordance with Article 6 of Chapter 147 of the General Statutes.~~ All payments from the accounts thereof shall be made by ~~him the State Treasurer~~ issued upon vouchers signed by ~~such persons as are a person or persons~~ designated by the Authority. A duly attested copy of a resolution of the Authority designating ~~such the~~ persons authorized to sign the vouchers and bearing on its face the specimen signatures of ~~such the~~ persons shall be filed with the State Treasurer as ~~his~~ authority for issuing warrants upon ~~such vouchers. vouchers in accordance with this section.~~

...."

**SECTION 3.1.(l)** G.S. 116-209.25 reads as rewritten:

**"§ 116-209.25. Parental Savings Trust Fund.**

...

(c1) Investments. – The Authority shall determine an appropriate investment strategy for the Parental Savings Trust Fund. The strategy may include a combination of fixed income assets and preferred or common stocks issued by any company incorporated, or otherwise located within or without the United States, or other appropriate investment instruments to achieve long-term return through a combination of capital appreciation and current income. The Authority may deposit all or any portion of the Parental Savings Trust Fund for investment either with the ~~State Treasurer,~~ North Carolina Investment Authority, or in the individual, common, or collective trust funds of an investment manager or managers that meet the requirements of this subsection. Contributions to the Parental Savings Trust Fund on deposit with the State Treasurer shall be invested by the ~~State Treasurer as authorized in G.S. 147-69.2(b)(1) through (6) and the applicable provisions of G.S. 147-69.3.~~ North Carolina Investment Authority to invest these

assets in accordance with Article 6 of Chapter 147 of the General Statutes. Contributions to the Parental Savings Trust Fund may be invested in the individual, common, or collective trust funds of an investment manager provided that the investment manager meets both of the following conditions:

...  
(f) Limitations. – Nothing in this section shall be construed to create any obligation of the Authority, the State Treasurer, the North Carolina Investment Authority, the State, or any agency or instrumentality of the State to guarantee for the benefit of any parent, other interested party, or designated beneficiary the rate of return or other return for any contribution to the Parental Savings Trust Fund and the payment of interest or other return on any contribution to the Parental Savings Trust Fund."

**SECTION 3.1.(m)** G.S. 120-4.18 reads as rewritten:

**"§ 120-4.18. Management of funds.**

~~The Board of Trustees shall manage~~ All of the following apply to the fund established by G.S. 120-4.17 pursuant to ~~G.S. 135-7.~~G.S. 135-7:

- (1) The Board of Trustees shall manage the fund.
- (2) The State Treasurer shall be the custodian of the assets of this fund and shall deposit these assets with the North Carolina Investment Authority to invest these assets in accordance with Article 6 of Chapter 147 of the General Statutes."

**SECTION 3.1.(n)** G.S. 122E-3(c) reads as rewritten:

"(c) The State Treasurer shall serve as trustee for the Fund. The Treasurer shall deposit these assets with the North Carolina Investment Authority to invest the North Carolina Housing Trust Fund revenues he receives as provided in G.S. 147-69.2(b). in accordance with Article 6 of Chapter 147 of the General Statutes. ~~The Treasurer~~ North Carolina Investment Authority shall provide the Agency with quarterly and annual reports of Fund revenues and interest earnings."

**SECTION 3.1.(o)** G.S. 127A-40.1 reads as rewritten:

**"§ 127A-40.1. North Carolina National Guard Pension Fund.**

(a) ~~As used in this section, the term "Board of Trustees" means the~~ The following definitions apply in this section:

- (1) Board of Trustees. – The Board of Trustees of the Teachers' and State Employees' Retirement System.
- (2) Fund. – The North Carolina National Guard Pension Fund.

(b) The North Carolina National Guard Pension Fund shall include ~~general fund~~ General Fund appropriations made to the Department of State Treasurer and held with the Pension Accumulation Fund of the Teachers' and State Employees' Retirement System.

(b1) The State Treasurer shall be the custodian of the assets of this Fund and shall deposit these assets with the North Carolina Investment Authority to invest these assets in accordance with Article 6 of Chapter 147 of the General Statutes.

...."

**SECTION 3.1.(p)** G.S. 131A-32 reads as rewritten:

**"§ 131A-32. The Rural Health Care Stabilization Fund.**

The Rural Health Care Stabilization Fund is created as a nonreverting special fund in the Office of State Budget and Management. The Fund shall operate as a revolving fund consisting of funds appropriated to, or otherwise received by, the Rural Health Care Stabilization Program and all funds received as repayment of the principal of or interest on a loan made from the Fund. The State Treasurer is the custodian of the Fund and shall deposit the assets of the Fund with the North Carolina Investment Authority to invest its assets in accordance with ~~G.S. 147-69.2 and G.S. 147-69.3.~~ Article 6 of Chapter 147 of the General Statutes. Moneys in the Fund shall only be used for loans made pursuant to this Article."

**SECTION 3.1.(q)** G.S. 135-66(a) reads as rewritten:

"(a) The State Treasurer shall be the custodian of the assets of this Retirement System and shall ~~invest them in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3~~ deposit these assets with the North Carolina Investment Authority to invest these assets in accordance with Article 6 of Chapter 147 of the General Statutes."

**SECTION 3.1.(r)** G.S. 135-110(d) reads as rewritten:

"(d) The State Treasurer shall be the custodian of the funds and shall ~~invest the assets of the fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3~~ deposit the funds with the North Carolina Investment Authority to invest these assets in accordance with Article 6 of Chapter 147 of the General Statutes."

**SECTION 3.1.(s)** G.S. 143-58.5(b) reads as rewritten:

"(b) The Alternative Fuel Revolving Fund is created and shall be held by the State Treasurer. The Fund shall consist of moneys received from the sale of EAct credits under G.S. 143-58.4, any moneys appropriated to the Fund by the General Assembly, and any moneys obtained or accepted by the Department for deposit into the Fund. The Fund shall be managed to maximize benefits to the State for the purchase of alternative fuel, related refueling infrastructure, and AFV purchases. To the extent possible, benefits from the sale of EAct credit shall be distributed to State departments, institutions, and agencies in proportion to the number of EAct credits generated by each. No portion of the Fund shall be transferred to the General Fund, and any appropriation made to the Fund shall not revert. The State Treasurer shall deposit the funds with the North Carolina Investment Authority to invest moneys in the Fund in the same manner as other funds are invested, accordance with Article 6 of Chapter 147 of the General Statutes. Interest and moneys earned on such investments shall be credited to the Fund."

**SECTION 3.1.(t)** G.S. 143-166.82(b) reads as rewritten:

"(b) The State Treasurer shall be the custodian of the Sheriffs' Supplemental Pension Fund and shall ~~invest deposit its assets with the North Carolina Investment Authority to invest the assets in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3~~ Article 6 of Chapter 147 of the General Statutes."

**SECTION 3.1.(u)** G.S. 143-250.1(b) reads as rewritten:

"(b) There is created the Board of Trustees of the Wildlife Endowment Fund of the Wildlife Resources Commission, with full authority over the administration of the Wildlife Endowment Fund, whose ex officio chairman, vice-chairman, and members shall be the chairman, vice-chairman, and members of the Wildlife Resources Commission. The State Treasurer shall be the custodian of the Wildlife Endowment Fund and shall ~~invest deposit its assets with the North Carolina Investment Authority to invest the assets in accordance with the provisions of G.S. 147-69.2 and 147-69.3~~ Article 6 of Chapter 147 of the General Statutes."

**SECTION 3.1.(v)** G.S. 143-719(b) reads as rewritten:

"(b) Fund Earnings, Assets, and Balances. – The State Treasurer shall hold the Fund separate and apart from all other moneys, funds, and accounts. The State Treasurer is the custodian of the Fund and shall deposit its assets with the North Carolina Investment Authority to invest the assets in accordance with G.S. 147-69.2 and G.S. 147-69.3. Article 6 of Chapter 147 of the General Statutes. Investment earnings credited to the Fund become part of the Fund. Any balance remaining in the Fund at the end of any fiscal year is carried forward in the Fund for the next succeeding fiscal year. Payments from the Fund shall be made on the warrant of the chair of the Commission, pursuant to the directives of the Commission."

**SECTION 3.1.(w)** G.S. 143B-135.236(a) reads as rewritten:

"(a) The North Carolina Conservation Easement Endowment Fund is established as a special fund in the Office of the State Treasurer. The principal of the Endowment Fund shall consist of a portion of grant funds transferred by the Trustees to the Endowment Fund from the North Carolina Land and Water Fund for stewardship activities related to projects for conservation easements funded from the North Carolina Land and Water Fund. The principal of the Endowment Fund may also consist of any proceeds of any gifts, grants, or contributions to

the State that are specifically designated for inclusion in the Endowment Fund and any investment income that is not used in accordance with subsection (b) of this section. The State Treasurer shall hold the Endowment Fund separate and apart from all other moneys, funds, and accounts. The State Treasurer shall deposit its assets with the North Carolina Investment Authority to invest the assets of the Endowment Fund in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3. Article 6 of Chapter 147 of the General Statutes. The State Treasurer shall disburse the endowment investment income only upon the written direction of the Chair of the Board of Trustees. No expenditure or disbursement shall be made from the principal of the Endowment Fund."

**SECTION 3.1.(x)** G.S. 143C-9-2(a) reads as rewritten:

"(a) The Trust Fund for Mental Health, Developmental Disabilities, and Substance Abuse Services and Bridge Funding Needs is established as an interest-bearing, nonreverting special trust fund in the Office of State Budget and Management. Moneys in the Trust Fund shall be held in trust and used solely to increase community-based services that meet the mental health, developmental disabilities, and substance abuse services needs of the State. The Trust Fund shall be used to supplement and not to supplant or replace existing State and local funding available to meet the mental health, developmental disabilities, and substance abuse services needs of the State.

The State Treasurer shall hold the Trust Fund separate and apart from all other moneys, funds, and accounts. The State Treasurer shall be the custodian of the Trust Fund and shall deposit its assets with the North Carolina Investment Authority to invest its assets in accordance with G.S. 147-69.2 and G.S. 147-69.3. Article 6 of Chapter 147 of the General Statutes. Investment earnings credited to the assets of the Trust Fund shall become part of the Trust Fund. Any balance remaining in the Trust Fund at the end of any fiscal year shall be carried forward in the Trust Fund for the next succeeding fiscal year.

Moneys in the Trust Fund shall be expended only in accordance with subsection (b) of this section and in accordance with limitations and directions enacted by the General Assembly."

**SECTION 3.1.(y)** G.S. 147-54.5(e) reads as rewritten:

"(e) Revenues derived from consent orders resulting from negotiated settlements of securities investigations by the Secretary of State shall be credited to the Fund. The State Treasurer shall deposit its assets with the Investment Authority to invest the assets of the Fund according to law in accordance with Article 6 of this Chapter. Any interest or other investment income earned by the Investor Protection and Education Trust Fund shall remain in the Fund. The balance of the Investor Protection and Education Trust Fund at the end of each fiscal year shall not revert to the General Fund."

**SECTION 3.1.(z)** G.S. 147-69.6(a) reads as rewritten:

"(a) The Swain County Settlement Trust Fund is established as a special fund in the Office of the State Treasurer under the management of the Investment Authority. The Investment Authority may invest the assets of the Fund ~~in any of the investments authorized under subdivisions (b)(1) through (6) and subdivision (b)(8) of G.S. 147-69.2. in accordance with Article 6 of this Chapter.~~ The Fund shall consist of the proceeds of any payments made by the United States in settlement of the 1943 agreement between Swain County and the United States Department of Interior, such other contributions as Swain County or other entities may choose to make to the Fund, and the interest and other investment income earned by the Fund. For the purposes of this section, the initial balance of the Fund shall be defined as fifty-two million dollars (\$52,000,000)."

**SECTION 3.1.(aa)** G.S. 161-50.2(b) reads as rewritten:

"(b) The State Treasurer shall be the custodian of the Registers of Deeds' Supplemental Pension Fund and shall ~~invest its assets in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3.~~ deposit its assets with the North Carolina Investment Authority to invest these assets in accordance with Article 6 of Chapter 147 of the General Statutes."

## REASSIGN RESPONSIBILITY FOR PROHIBITIONS ON STATE INVESTMENT FROM THE STATE TREASURER TO THE NORTH CAROLINA INVESTMENT AUTHORITY

**SECTION 3.2.(a)** G.S. 147-86.57 is amended by adding a new subdivision to read:

"(4a) "Investment Authority" means the North Carolina Investment Authority established under Part 4 of Article 6 of this Chapter."

**SECTION 3.2.(b)** G.S. 147-86.58 reads as rewritten:

### "§ 147-86.58. Prohibitions on State investment.

~~No more than 30 days after October 1, 2015, the State Treasurer~~ The Board of Directors of the Investment Authority shall adopt a policy prohibiting the North Carolina Retirement Systems ~~or Systems, the Investment Authority, and the Department of the State Treasurer from investing funds with a company engaging in investment activities in Iran. At a minimum, the policy shall provide:~~provide for the following:

- (1) List of restricted companies. – Within 120 days of adoption of the policy, the ~~State Treasurer~~ Board of Directors of the Investment Authority shall develop and make ~~publically~~ publicly available, a list of companies it determines engage in investment activities in Iran. The ~~State Treasurer~~ Investment Authority shall use any other state lists of restricted companies pursuant to similar laws and any federal information or guidance on companies engaged in investment activities in Iran and any other credible information provided by nonprofit organizations, research firms, governmental entities, and generally public information. The ~~State Treasurer~~ Investment Authority shall make every effort to avoid erroneously including a company on the list. The ~~State Treasurer~~ list shall ~~update the list~~ be updated annually. Before finalizing an initial list or an updated list, the ~~State Treasurer~~ Board of Directors must do all of the following before a company is included on the list:
  - a. Provide 90 days' written notice of the ~~State Treasurer's~~ intent to include the company on the list. The notice shall inform the company that inclusion on the list would make the company ineligible for State investment and may affect the company's ability to conduct other business with the State and its subdivisions. The notice shall specify that the company may be removed from the list if it ceases its investment activities in Iran.
  - b. ~~The State Treasurer shall provide~~ Provide a company with an opportunity to comment in writing that it is not engaged in investment activities in Iran. If the company demonstrates to the ~~State Treasurer~~ Board of Directors of the Investment Authority that the company is not engaged in investment activities in Iran, the company shall not be included on the list.
- (2) Investments prohibited. – ~~Neither the~~ The North Carolina Retirement ~~Systems~~ or Systems, the Investment Authority, and the State Treasurer may not invest funds with a company that is identified on a list created pursuant to subdivision (1) of this section as a company engaging in investment activities in Iran.
- (3) Existing investments. – Any existing investment with a company that is identified on a list created pursuant to subdivision (1) of this section as a company engaging in investment activities in Iran must be divested within 180 days of being placed on the list created pursuant to subdivision (1) of this section.

- (4) Fiduciary duties. – Nothing in the policy or in this Article shall require the North Carolina Retirement ~~Systems~~ Systems, the Investment Authority, or the State Treasurer to take action unless it is determined by the ~~State Treasurer, Board of Directors of the Investment Authority~~, in good faith, that the action is consistent with the fiduciary responsibilities of the Retirement Systems and the ~~State Treasurer~~ Investment Authority.
- (5) Exceptions. – Notwithstanding the policy, an investment may be made in a company engaged in investment activities in Iran ~~if~~ if both of the following are true:
  - a. The company is eligible to contract with the State under the exception in G.S. 147-86.61.
  - b. The ~~State Treasurer~~ Board of Directors of the Investment Authority makes a good-faith determination, on a case-by-case basis, that the investments are necessary to perform its functions."

**SECTION 3.2.(c)** G.S. 147-86.60(a) reads as rewritten:

"(a) A company that is identified on a list created ~~by the State Treasurer~~ pursuant to G.S. 147-86.58 as a company engaging in investment activities in Iran is ineligible to contract with the State or any political subdivision of the State."

**SECTION 3.2.(d)** G.S. 147-86.61(b) reads as rewritten:

"(b) Companies engaged in substantial positive action. – Notwithstanding any other provision of this Article, a company engaged in investment activities in Iran may not be placed on the list developed pursuant to G.S. 147-86.58(1) if the ~~State Treasurer~~ Investment Authority determines, using U.S. government statements and any other credible information available to the public, that the company's investment activities in Iran were made before October 1, 2015, the investment activities in Iran have not been expanded or renewed after October 1, 2015, and the company has adopted, publicized, and is implementing a detailed plan to cease the investment activities in Iran and to refrain from engaging in any new investments in Iran. The ~~State Treasurer~~ Investment Authority shall develop and make ~~publically~~ publicly available a "Substantial Positive Action Exception List" of these companies. The ~~State Treasurer~~ Investment Authority shall update the list annually. Once a person has not engaged in investment activities in Iran within the previous five years, the ~~State Treasurer~~ Investment Authority shall remove that person from the list created pursuant to G.S. 147-86.58."

**SECTION 3.2.(e)** G.S. 147-86.80 reads as rewritten:

**"§ 147-86.80. Definitions.**

The following definitions apply in this Article:

- ...
- (3a) Investment Authority. – The North Carolina Investment Authority established under Part 4 of Article 6 of this Chapter.
  - (4) Restricted company. – A company that appears on the list of companies that are engaged in a boycott of Israel developed ~~by the State Treasurer~~ under G.S. 147-86.81(a)(1).
- ...."

**SECTION 3.2.(f)** G.S. 147-86.81 reads as rewritten:

**"§ 147-86.81. Prohibitions on State investment.**

(a) ~~No more than 30 days after October 1, 2017, the State Treasurer~~ The Board of Directors of the Investment Authority shall adopt a policy prohibiting the North Carolina Retirement ~~Systems~~ Systems, the Investment Authority, or the Department of State Treasurer from investing in any company engaged in a boycott of Israel. At a minimum, the policy shall provide for the following:

- (1) List of restricted companies. – Within 120 days of adoption of the policy, the ~~State Treasurer~~ Board of Directors of the Investment Authority shall develop

and make publicly available a list of companies it determines to be engaged in a boycott of Israel. In the development of this list, the ~~State Treasurer~~ Investment Authority shall use any other state lists of restricted companies pursuant to similar laws and any federal information or guidance on companies that boycott Israel and any other credible information provided by nonprofit organizations, research firms, and governmental entities, and generally publicly available information. The ~~State Treasurer~~ Investment Authority shall make every effort to avoid erroneously including a company on the list. Before finalizing an initial or updated list, the ~~State Treasurer~~ Board of Directors must do all of the following before a company is included on the list:

- a. Provide 90 days' written notice of the ~~State Treasurer's~~ intent to include the company on the list. The notice shall inform the company that inclusion on the list would make the company ineligible for State investment, may result in the company becoming subject to divestment by the North Carolina Retirement Systems, and may affect the company's ability to conduct business with the State and its subdivisions. The notice shall specify that the company may be removed from the list if the company ceases its engagement in a boycott of Israel.
  - b. ~~The State Treasurer shall provide~~ Provide a company with an opportunity to comment in writing that the company is not engaged in a boycott of Israel or has ceased its boycott of Israel. If the company demonstrates to the ~~State Treasurer~~ Board of Directors of the Investment Authority that the company has not been engaged in a boycott of Israel, the company shall not be placed on the list. If a company had been engaged in a boycott of Israel but has ceased the boycott, it must submit a written certification to the ~~State Treasurer~~ Investment Authority that the company will not reengage in a boycott of Israel for the duration of any business with the State. The ~~State Treasurer~~ Investment Authority shall keep all written certifications from restricted and previously restricted companies.
- (2) Identification of investments. – Upon completion of the initial list of restricted companies created pursuant to subdivision (1) of this subsection, the ~~State Treasurer~~ Investment Authority shall identify any restricted companies in which the North Carolina Retirement Systems has investments.
  - (3) Review of restricted companies list. – ~~The State Treasurer~~ Board of Directors of the Investment Authority shall review the list of restricted companies created pursuant to subdivision (1) of this subsection on an annual basis. This updated list shall be made publicly available and any updates shall be distributed to the North Carolina Retirement Systems.
  - (4) Investments prohibited. – ~~Neither the~~ The North Carolina Retirement Systems ~~nor~~ Systems, the Investment Authority, and the State Treasurer may not invest funds with a company that is identified on a list created pursuant to subdivision (1) of this section as a company engaging in restricted investment activities.
  - (5) Existing investments. – Any existing investment with a company that is identified on a list created pursuant to subdivision (1) of this section as a company engaging in restricted activities must be divested within 180 days of the adoption of the list.

(b) Nothing in the policy or in this Article shall require the North Carolina Retirement ~~Systems or Systems, the Investment Authority, or the State Treasurer~~ to take action unless it is determined by the ~~State Treasurer, Board of Directors of the Investment Authority~~ in good faith, that the action is consistent with the fiduciary responsibilities of the Retirement Systems and the ~~State Treasurer, Investment Authority.~~"

**SECTION 3.2.(g)** The policies previously adopted by the State Treasurer under G.S. 147-86.58 and G.S. 147-86.81 shall remain in effect until the applicable policy is adopted by the Board of Directors of the North Carolina Investment Authority under G.S. 147-86.58 and G.S. 147-86.81, as amended by this section.

### **EXCLUDE NCIA EMPLOYEE PERFORMANCE-RELATED BONUSES FROM COMPENSATION CALCULATIONS/TECHNICAL CLEAN-UP OF DEFINITION**

**SECTION 3.3.(a)** G.S. 135-1(7a) reads as rewritten:

"(7a) ~~a:~~"Compensation" shall mean all salaries and wages prior to any reduction pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the Internal Revenue Code, not including any terminal payments for unused sick leave, derived from public funds which are earned by a member of the Retirement System for service as an employee or teacher in the unit of the Retirement System for which ~~he~~ the employee is performing full-time work. ~~In addition to the foregoing, "compensation"~~ All of the following shall apply:

a. The term "compensation" shall ~~include~~ include all of the following:

1. Performance-based compensation (~~regardless—regardless of whether paid in a lump sum, in periodic installments, or on a monthly basis~~); basis.
2. Conversion of additional benefits to salary (~~additional benefits salary, such as health, life, or disability plans~~); plans, so long as the benefits are other than mandated by State law or regulation; rule.
3. Payment of tax consequences for benefits provided by the employer, so long as they constitute an adjustment or increase in salary and not a "reimbursement of ~~expenses~~"; expenses."
4. Payout of vacation leave so long as such payouts are permitted by applicable law and ~~regulation~~; rule.
5. Employee contributions to eligible deferred compensation ~~plans~~; and plans.
6. Effective July 1, 2009, payment of military differential wages.
7. All special pay contribution of annual leave made to a 401(a) Special Pay Plan for the benefit of an employee.

b. ~~"Compensation" shall not include any payment, as determined by the Board of Trustees, for the reimbursement of expenses or payments for housing or any other allowances whether or not classified as salary and wages. "Compensation" includes all special pay contribution of annual leave made to a 401(a) Special Pay Plan for the benefit of an employee. Notwithstanding any other provision of this Chapter, Chapter to the contrary, the term "compensation" shall not ~~include~~ include any of the following:~~

1. Supplement/allowance provided to employee to purchase additional benefits such as health, life, or disability ~~plans~~; plans.
2. Travel supplement/allowance (~~nonaccountable— and other nonaccountable allowance plans~~); plans.

- 2a. Any payment, as determined by the Board of Trustees, for the reimbursement of expenses or payments for housing or any other allowances, whether or not classified as salary and wages.
3. Employer contributions to eligible deferred compensation ~~plans;~~plans.
4. Employer-provided fringe ~~benefits—(additional—benefits, including additional benefits such as health, life, or disability plans);~~plans.
5. Reimbursement of uninsured medical ~~expenses;~~expenses.
6. Reimbursement of business ~~expenses;~~expenses.
7. Reimbursement of moving ~~expenses;~~expenses.
8. Reimbursement/payment of personal ~~expenses;~~expenses.
9. Incentive payments for early ~~retirement;~~retirement.
10. Bonuses paid incident to ~~retirement;~~retirement.
- 10a. Local supplementation as authorized under G.S. 7A-300.1 for Judicial Department ~~employees;~~employees.
11. Contract buyout/severance ~~payments; and~~payments.
12. Payouts for unused sick leave.
13. Performance-related bonuses paid to employees of the Investment Authority in accordance with G.S. 147-71.2(d).

...."

**SECTION 3.3.(b)** G.S. 128-21(7a) reads as rewritten:

"(7a) a- "Compensation" shall mean all salaries and wages prior to any reduction pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the Internal Revenue Code, not including any terminal payments for unused sick leave, derived from public funds which are earned by a member of the Retirement System for service as an employee in the unit of the Retirement System for which ~~he the employee~~ is performing full-time work. ~~In addition to the foregoing, "compensation" shall include:~~All of the following shall apply:

- a. The term "compensation" shall include all of the following:
  1. Performance-based compensation (~~regardless—regardless of whether paid in a lump sum, periodic installments, or on a monthly basis);~~basis.
  2. Conversion of additional benefits to salary (~~additional benefits salary, such as health, life, or disability plans);~~ plans, so long as the benefits are other than mandated by State law or ~~regulation;~~rule.
  3. Payment of tax consequences for benefits provided by the employer so long as they constitute an adjustment or increase in salary and not a "reimbursement of ~~expenses";~~expenses."
  4. Payout of vacation leave so long as such payouts are permitted by applicable law and ~~regulation;~~rule.
  5. Employee contributions to eligible deferred compensation ~~plans; and~~plans.
  6. Effective July 1, 2009, payment of military differential wages.
- b. ~~"Compensation" shall not include any payment, as determined by the Board of Trustees, for the reimbursement of expenses or payments for housing or any other allowances whether or not classified as salary and wages. Notwithstanding any other provision of this Chapter,~~ Chapter

to the contrary, the term "compensation" shall not ~~include~~include any of the following:

1. Supplement/allowance provided to employee to purchase additional benefits such as health, life, or disability ~~plans~~plans.
2. Travel supplement/allowance (~~nonaccountable and other nonaccountable allowance plans~~)plans.
- 2a. Any payment, as determined by the Board of Trustees, for the reimbursement of expenses or payments for housing or other allowances, whether or not classified as salary and wages.
3. Employer contributions to eligible deferred compensation ~~plans~~plans.
4. Employer-provided fringe ~~benefits (additional benefits, including additional benefits such as health, life, or disability plans)~~plans.
5. Reimbursement of uninsured medical ~~expenses~~expenses.
6. Reimbursement of business ~~expenses~~expenses.
7. Reimbursement of moving ~~expenses~~expenses.
8. Reimbursement/payment of personal ~~expenses~~expenses.
9. Incentive payments for early ~~retirement~~retirement.
10. Bonuses paid incident to ~~retirement~~retirement.
11. Contract buyout/severance ~~payments~~and payments.
12. Payouts for unused sick leave.

...."

**SECTION 3.3.(c)** This section is effective retroactively to July 1, 2025, and applies to any performance-related bonuses paid to employees of the Investment Authority in accordance with G.S. 147-71.2(d) on or after that date.

#### **PART IV. TECHNICAL AND CLARIFYING CHANGES**

##### **REMOVE REFERENCES TO OBSOLETE BENEFITS AND FUNDS/OTHER TECHNICAL CLEAN-UP OF RELATED STATUTES**

**SECTION 4.1.(a)** G.S. 135-5(m1) reads as rewritten:

"(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a member who is a law enforcement officer vested as of June 30, 2010, may elect to transfer any portion of ~~his-the member's~~ eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina to this Retirement System and receive, in addition to ~~his-the member's basic service, service or early or disability~~ retirement allowance, a special retirement allowance ~~which that~~ shall be based upon ~~his-the member's~~ eligible accumulated account balance at the date of the transfer of the assets to this System. For the purpose of determining the special retirement allowance, the following shall apply:

- (1) The Board of Trustees shall adopt straight life annuity factors on the basis of mortality tables, ~~such other tables as may be necessary~~ necessary, and the interest assumption rate recommended by the actuary based upon actual experience including an assumed annual post-retirement allowance increase of four percent (4%).
- (2) The Board of Trustees shall modify ~~such the~~ straight life annuity factors every five years, as shall be deemed necessary, based upon the five year experience study as required by G.S. 135-6(n). ~~Provided, however, a member,~~

- (3) A member who transfers his eligible accumulated contributions from the Supplemental Retirement Income Plan of North ~~Carolina~~, Carolina shall be taxed for North Carolina State Income tax purposes on the special retirement allowance the same as if that special retirement allowance had been paid directly by the Supplemental Retirement Income Plan of North Carolina. The Teachers' and State Employees' Retirement System shall be responsible to determine the taxable amount, if any, and report accordingly.
- (4) For transfers of eligible accumulated contributions from the Supplemental Retirement Income Plan of North Carolina that are made on or after July 1, 2022, if, subsequent to the member's election, the Board of Trustees determines that (i) the member was ineligible for the election or (ii) the election was impermissible for any reason under federal or State law, then no special retirement allowance shall be paid to the member pursuant to this subsection; the member shall return to the Retirement System any amount already paid from the Retirement System as a special retirement allowance; and the Retirement System shall return the transfer amount to the source of the transfer, including any earnings adjustment that may be required under federal law or Internal Revenue Service guidance. If the Retirement System is unable to return the amount to the account from which it originated, the member may designate another eligible account under the transferor plan or receive a lump sum distribution paid directly to the member if the member would otherwise be eligible for a distribution under the transferor plan at such time."

**SECTION 4.1.(b)** G.S. 135-5(m2) reads as rewritten:

"(m2) Special Retirement Allowance. – At any time coincident with or following retirement, a member may make a one-time, irrevocable election to transfer any portion of the member's eligible accumulated contributions, not including any Roth after-tax contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation Plan to this Retirement System and receive, in addition to the member's basic ~~service~~, service or early or disability retirement allowance, a special retirement allowance ~~which that~~ shall be based upon the member's transferred balance. All of the following shall apply to transfers made under this subsection:

- (1) For transfers made on or after July 1, 2022, if, subsequent to the member's election, the Board of Trustees determines that (i) the member was ineligible for the election or (ii) the election was impermissible for any reason under federal or State law, then no special retirement allowance shall be paid to the member pursuant to this subsection; the member shall return to the Retirement System any amount already paid from the Retirement System as a special retirement allowance; and the Retirement System shall return the transfer amount to the source of the transfer, including any earnings adjustment that may be required under federal law or Internal Revenue Service guidance. If the Retirement System is unable to return the amount to the account from which it originated, the member may designate another eligible account under the transferor plan or receive a lump sum distribution paid directly to the member if the member would otherwise be eligible for a distribution under the transferor plan at such time.
- (2) A member who became a member of the Supplemental Retirement Income Plan prior to retirement and who remains a member of the Supplemental Retirement Income Plan may make a one-time, irrevocable election to transfer eligible balances, not including any Roth after-tax contributions and the earnings thereon, from any of the following plans to the Supplemental

Retirement Income Plan, subject to the applicable requirements of the Supplemental Retirement Income Plan, and then through the Supplemental Retirement Income Plan to this Retirement System: ~~(i) a~~

a. A plan participating in the North Carolina Public School Teachers' and Professional Educators' Investment Plan; ~~(ii) a Plan.~~

b. A plan described in section 403(b) of the Internal Revenue Code; ~~(iii) a Code.~~

c. A plan described in section 457(b) of the Internal Revenue Code that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state; ~~(iv) an state.~~

d. An individual retirement account or annuity described in section 408(a) or section 408(b) of the Internal Revenue Code that is eligible to be rolled over and would otherwise be includible in gross ~~income;~~ ~~or (v) a income.~~

e. A tax-qualified plan described in section 401(a) or section 403(a) of the Internal Revenue Code. ~~In addition, any~~

(3) Any transfer under this subsection may be paid in whole or in part with employer contributions paid directly to this Retirement System at the time of transfer.

(4) Notwithstanding ~~anything~~ any provision of law to the contrary, a member may not transfer ~~such any~~ amounts ~~as that~~ will cause the member's retirement allowance under the System to exceed the amount allowable under G.S. 135-18.7(b).

(5) The Board of Trustees may establish a minimum amount that must be transferred if a transfer is elected.

(6) The member may elect a special retirement allowance with no postretirement increases or a special retirement allowance with annual postretirement increases equal to the annual increase in the U.S. Consumer Price Index. Postretirement increases on any other allowance will not apply to the special retirement allowance.

(7) The Board of Trustees shall provide educational materials to the members who apply for the transfer authorized by this ~~section~~ subsection. Those materials shall describe the special retirement allowance and shall explain the relationship between the transferred balance and the monthly benefit and how the member's heirs may be impacted by the election to make this transfer and any costs and fees involved.

(8) For the purpose of determining the special retirement allowance, the Board of Trustees shall adopt straight life annuity factors on the basis of yields on U.S. Treasury Bonds and mortality and ~~such~~ other tables as may be necessary based upon actual experience. All of the following apply to the adoption of straight life annuity factors under this subdivision:

a. A single set of mortality and ~~such~~ other applicable tables will be used for all members, with factors differing only based on the age of the member and the election of postretirement increases.

b. The Board of Trustees shall modify the mortality and ~~such~~ other applicable tables every five years, as shall be deemed necessary, based upon the five-year experience study as required by G.S. 135-6(n). ~~Provided, however, a~~

c. A member who transfers the member's eligible accumulated contributions from an eligible retirement plan pursuant to this

subsection to this Retirement System shall be taxed for North Carolina State Income Tax purposes on the special retirement allowance the same as if that special retirement allowance had been paid directly by the eligible plan or the plan through which the transfer was made, whichever is most favorable to the member. The Teachers' and State Employees' Retirement System shall be responsible to determine the taxable amount, if any, and report accordingly.

- (9) The Supplemental Retirement Board of Trustees established under G.S. 135-96 may assess a one-time flat administrative fee not to exceed the actual cost of the administrative expenses relating to ~~these transfers.~~ transfers under this subsection. An eligible plan shall not assess a fee specifically relating to a transfer of accumulated contributions authorized under this subsection. ~~This provision shall~~ subdivision does not prohibit other fees that may be assessable under the plan.
- (10) Each plan, contract, account, or annuity shall fully disclose to any member participating in a transfer under this subsection any surrender charges or other ~~fees, and such fees.~~ This required disclosure shall be made contemporaneous with the initiation of the transfer by the member.
- (11) The special retirement allowance shall continue for the life of the member and the beneficiary designated to receive a monthly survivorship benefit under Option 2, 3 or 6 as provided in G.S. 135-5(g), if any. The Board of Trustees, however, shall establish two payment options that guarantee payments as follows:
- (1)a. A member may elect to receive the special retirement allowance for life but with payments guaranteed for a number of months to be specified by the Board of Trustees. Under this plan, if the member dies before the expiration of the specified number of months, the special retirement allowance will continue to be paid to the member's designated beneficiary for the life of the beneficiary, if Option 2, 3 or 6 is selected. If the member's designated beneficiary under Option 2, 3 or 6 begins receiving monthly payments and dies before the specified number of monthly payments have been made in combination to the member and beneficiary, a one-time payment will be paid to the member's legal representatives equal to the initial monthly special retirement allowance, multiplied by the specified number of months, less the total of the monthly payments made to the member and beneficiary. If Option 2, 3 or 6 is not selected, and the member dies before the expiration of the specified number of months, the member's designated beneficiary will receive a one-time payment equal to the initial monthly special retirement allowance, multiplied by the specified number of months, less the total of the monthly payments made to the member.
- (2)b. A member may elect to receive the special retirement allowance for life but is guaranteed that the sum of the special allowance payments will equal the total of the transferred amount. Under this payment option, if the member dies before receiving the total transferred amount, the special retirement allowance will continue to be paid to the member's designated beneficiary for the life of the beneficiary, if Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the member's designated beneficiary or the member's estate shall be paid any remaining balance of the transferred amount.

(12) The General Assembly reserves the right to repeal or amend this subsection, but ~~such any~~ repeal or amendment shall not affect any person who has already made the one-time election provided in this subsection."

**SECTION 4.1.(c)** All of the following are repealed and any inchoate or accrued rights of any member on January 1, 2027, shall not be diminished:

- (1) Subsections (c) through (d4), (j), (s), and (x) of G.S. 135-5.
- (2) G.S. 135-10.1(b).
- (3) G.S. 135-28.1(e).

**SECTION 4.1.(d)** G.S. 135-3(a)(7)a. reads as rewritten:

"a. Notwithstanding any other provision of this Chapter, any member who separates from service prior to the attainment of the age of 60 years for any reason other than death ~~or retirement for disability as provided in G.S. 135-5(d)~~, after completing 20 or more years of creditable service, and who leaves his or her total accumulated contributions in ~~said the~~ System shall have the right to retire on a deferred retirement allowance upon attaining the age of 60 years: Provided, that ~~such the~~ member may retire only upon written application to the Board of Trustees setting forth at what time, not less than 30 days nor more than 90 days subsequent to the execution and filing ~~thereof, he of the application, that the member~~ desires to be retired. ~~Such The~~ deferred retirement allowance shall be computed in accordance with the provisions of G.S. 135-5(b), subdivisions (1), (2) and (3)."

**SECTION 4.1.(e)** G.S. 135-3(a)(7)b. reads as rewritten:

"b. In lieu of the benefits provided in paragraph a of this subdivision (7) any member who separates from service on or after July 1, 1951, and prior to the attainment of the age of 60 years, for any reason other than ~~death or retirement for disability as provided in G.S. 135-5(d)~~, death, after completing 30 or more years of creditable service, and who leaves his or her total accumulated contributions in ~~said the~~ System, may elect to retire on an early retirement allowance; provided that ~~such the~~ member may so retire only upon written application to the Board of Trustees setting forth at what time, not less than 30 days nor more than 90 days subsequent to the execution and filing ~~thereof, he of the application, that the member~~ desires to be ~~retired; provided further that such retired. This required~~ application shall be duly filed within 60 days following the date of ~~such separation. Such separation from service. This elected~~ early retirement allowance ~~so elected~~ shall be the actuarial equivalent of the deferred retirement allowance otherwise payable at the attainment of the age of 60 years upon proper application therefor."

**SECTION 4.1.(f)** G.S. 135-3(a)(8)a. reads as rewritten:

"a. Notwithstanding any other provision of this Chapter, any member who separates from service prior to the attainment of the age of 60 years for any reason other than death ~~or retirement for disability as provided in G.S. 135-5(e)~~, after completing 15 or more years of creditable service, and who leaves his or her total accumulated contributions in ~~said the~~ System shall have the right to retire on a deferred retirement allowance upon attaining the age of 60 years; provided that ~~such the~~ member may retire only upon electronic submission or written application to the Board of Trustees setting forth at what time, not less than one day nor more than 120 days subsequent to the execution and

filing thereof, ~~he~~ of the application, that the member desires to be retired; and further provided that ~~in~~ retired. In the case of a member who ~~so~~ separates from service on or after July 1, 1967, or whose account is active on July 1, 1967, or has not withdrawn ~~his~~ the member's contributions, the ~~aforestated~~ requirement of 15 or more years of creditable service shall be reduced to 12 or more years of creditable service; and further provided that ~~in~~ service. In the case of a member who so separates from service on or after July 1, 1971, or whose account is active on July 1, 1971, the ~~aforestated~~ requirement of 12 or more years of creditable service shall be reduced to five or more years of creditable service. ~~Such~~ The deferred retirement allowance shall be computed in accordance with the service retirement provisions of this Article pertaining to a member who is not a law enforcement officer or an eligible former law enforcement officer. Notwithstanding the foregoing, any member whose services as a teacher or employee are terminated for any reason other than retirement, who becomes employed by a nonprofit, nonsectarian private school in North Carolina below the college level within one year after ~~such~~ the teacher or employee has ceased to be a teacher or employee, may elect to leave his or her total accumulated contributions in the Teachers' and State Employees' Retirement System during the period ~~he~~ the member is in the employment of ~~such~~ that employer; provided that ~~he~~ the member files notice thereof in writing with the Board of Trustees of the Retirement System within five years after separation from service as a public school teacher or State employee; ~~such~~ the member shall be deemed to have met the requirements of the above provisions of this subdivision upon attainment of age 60 while in such employment provided that ~~he~~ the member is otherwise vested."

**SECTION 4.1.(g)** G.S. 135-3(a)(8)b. reads as rewritten:

"b. In lieu of the benefits provided in paragraph a of this subdivision (8), any member who separates from service prior to the attainment of the age of 60 years, for any reason other than ~~death or retirement for disability as provided in G.S. 135-5(e), death,~~ after completing 20 or more years of creditable service, and who leaves his or her total accumulated contributions in ~~said~~ the System, may elect to retire on an early retirement allowance upon attaining the age of 50 years or at any time thereafter; provided that ~~such~~ the member may so retire only upon electronic submission or written application to the Board of Trustees setting forth at what time, not less than one day nor more than 120 days subsequent to the execution and filing thereof, ~~he~~ of the application, the member desires to be retired. ~~Such~~ The early retirement allowance so elected shall be equal to the deferred retirement allowance otherwise payable at the attainment of the age of 60 years reduced by the percentage thereof indicated below.

...."

**SECTION 4.1.(h)** G.S. 105-259(b)(39a) reads as rewritten:

"(39a) To furnish the Department of State Treasurer periodically upon request, the State tax return of a beneficiary, or the wage and income statement of beneficiary, or the NC-3 information of an employer, for the purpose of substantiating the beneficiary's statement required to be submitted under ~~G.S. 135-5(e)(4), 135-109, G.S. 135-109 or 128-27(e)(4); G.S. 128-27(e)(4);~~

or for the purpose of assisting a fraud or compliance investigation in accordance with G.S. 135-1(7b), 135-1(11b), 135-6(q), 128-21(7b), 128-21(11c), and 128-28(r); provided that no federal tax information may be disclosed under this subdivision unless such a disclosure is permitted by section 6103 of the Code."

**SECTION 4.1.(i)** G.S. 128-27(c) reads as rewritten:

"(c) Disability Retirement Benefits. – Upon the application of a member or of ~~his~~ the member's employer, any member who has had five or more years of creditable service may be retired by the Board of Trustees, on the first day of any calendar month, not less than one day nor more than 120 days next following the date of filing such application, on a disability retirement allowance: ~~Provided, that the medical board, after~~ allowance. All of the following shall apply to this subsection:

- (1) After a medical examination of such member, shall certify that such a member applying for disability retirement under this subsection, the medical board shall make a certification of all of the following:
  - a. The member is mentally or physically incapacitated for the further performance of duty, that such duty.
  - b. The member's incapacity was incurred at the time of active employment and has been continuous thereafter, that such since it was incurred.
  - c. The member's incapacity is likely to be permanent, and that such permanent.
  - d. Due to the incapacity, the member should be retired; Provided further retired.
- (2) Notwithstanding sub-subdivision (1)d. of this subsection, the medical board shall determine if the member is able to engage in gainful employment and, if so, the member may still be retired and the disability retirement allowance as a result thereof shall be reduced as in subsection (e) below. Provided further, that the Medical Board
- (3) The medical board shall not certify any member as disabled who: who meets either of the following criteria:
  - (1)a. ~~Applies~~ The application for disability retirement is based upon a mental or physical incapacity which existed when the member first established membership in the system; or Retirement System.
  - (2)b. ~~Is~~ The member is in receipt of any payments on account of the same disability which existed when the member first established membership in the system. Retirement System.

~~The Board of Trustees shall require each employee upon enrolling in the retirement system to provide information on the membership application concerning any mental or physical incapacities existing at the time the member enrolls.~~

- (4) Notwithstanding the requirement of five or more years of creditable service to the contrary, a member who is a law enforcement officer, an eligible firefighter as defined in G.S. 58-86-2, or an eligible rescue squad worker as defined in G.S. 58-86-2, and becomes incapacitated for duty as the natural and proximate result of injuries incurred while in the actual performance of his or her duties, and meets all other requirements for disability retirement benefits, may be retired by the Board of Trustees on a disability retirement allowance.
- (5) Notwithstanding ~~the foregoing to~~ any provision of this subsection to the contrary, any beneficiary who commenced retirement with an early or service retirement benefit has the right, within three years of ~~his~~ the member's retirement, to convert to an allowance with disability retirement benefits

without modification of any election of optional allowance previously made; provided, the beneficiary would have met all applicable requirements for disability retirement benefits while still in service as a member. The allowance on account of disability retirement benefits to the beneficiary shall be retroactive to the effective date of early or service retirement.

(6) ~~Notwithstanding the foregoing, any provision of this subsection to the contrary, effective April 1, 1991, the surviving designated beneficiary of a deceased member who met all other requirements for disability retirement benefits, except whose death occurred before the first day of the calendar month in which the member's disability retirement allowance was to be due and payable, may elect to receive the reduced retirement allowance provided by a one hundred percent (100%) joint and survivor payment option in lieu of a return of accumulated contributions, provided the following conditions apply:~~

~~(1)a.~~ At the time of the member's death, one and only one beneficiary is eligible to receive a return of accumulated contributions, and contributions. If multiple beneficiaries are designated and living at the time of the member's death and any beneficiary elects to renounce that beneficiary's portion of the member's accumulated contributions, the renunciation shall not result in another beneficiary becoming eligible for benefits under this subdivision.

~~(2)b.~~ The member had not instructed the Board of Trustees in writing that he the member did not wish the provision of this subsection to apply."

**SECTION 4.1.(j)** G.S. 135-4(e) reads as rewritten:

"(e) Creditable service at retirement on which the retirement allowance of a member shall be based shall consist of ~~the~~ all of the following:

(1) The membership service rendered by the member since he or she last became a member, and also if member.

(2) If the member has a prior service certificate which is in full force and effect, the amount of service certified on the prior service certificate; and if certificate.

(3) If the member has sick leave standing to the member's credit upon retirement on or after July 1, 1971, one month of credit for each 20 days or portion thereof, but not less than one hour; hour. All of the following shall apply to sick leave leave:

a. Sick leave shall not be counted in computing creditable service for the purpose of determining eligibility for disability retirement or for a vested deferred allowance.

b. Creditable service for unused sick leave shall be allowed only for sick leave accrued monthly during employment under a duly adopted sick leave policy and for which the member may be able to take credits and be paid for sick leave without restriction. However, in no instance shall unused sick leave be credited to a member's account at retirement if the member's last day of actual service is more than five years prior to the effective date of the member's retirement. Further, any

c. Any agency with a sick leave policy that is more generous than that of all State agencies subject to the rules of the Office of State Human Resources shall proportionately adjust each of its retiring employees' sick leave balance to the balance that employee would have had under the rules of the Office of State Human Resources. Days of sick leave standing to a member's credit at retirement shall be determined by

dividing the member's total hours of sick leave at retirement by the hours per month ~~such the sick~~ leave was awarded under the employer's duly adopted sick leave policy as the policy applied to the member when the leave was accrued."

**SECTION 4.1.(k)** G.S. 128-26(e) reads as rewritten:

"(e) Creditable service at retirement on which the retirement allowance of a member shall be based shall consist of ~~the~~ all of the following:

- (1) The membership service rendered by the member since he or she last became a member, and also if member.
- (2) If the member has a prior service certificate which is in full force and effect, the amount of the service certified on the prior service certificate; and if certification.
- (3) If the member has sick leave standing to the member's credit upon retirement on or after July 1, 1971, one month of credit for each 20 days or portion thereof, but not less than one hour; hour. All of the following shall apply to sick leave-leave:
  - a. Sick leave shall not be counted in computing creditable service for the purpose of determining eligibility for disability retirement or for a vested deferred allowance.
  - b. Creditable service for unused sick leave shall be allowed only for sick leave accrued monthly during employment under a duly adopted sick leave policy and for which the member may be able to take credits and be paid for sick leave without restriction. However, in no instance shall unused sick leave be credited to a member's account at retirement if the member's last day of actual service is more than 365 days prior to the effective date of the member's retirement.
  - c. Days of sick leave standing to a member's credit at retirement shall be determined by dividing the member's total hours of sick leave at retirement by the hours per month ~~such the sick~~ leave was awarded under the employer's duly adopted sick leave policy as the policy applied to the member when the leave was accrued."

**SECTION 4.1.(l)** G.S. 135-6(k) reads as rewritten:

"(k) Medical Board. – The Board of Trustees shall designate a Medical Board to be composed of not less than three nor more than five physicians not eligible to participate in the Retirement System. The Board of Trustees may structure appointment requirements and term durations for those Medical Board members. If required, other physicians may be employed to report on special cases. The Medical Board shall arrange for and pass upon all medical examinations required under this Chapter, shall investigate all essential statements and certificates by or on behalf of a member in connection with an application for ~~disability retirement, benefits provided under the Disability Income Plan of North Carolina,~~ and shall report in writing to the Board of Trustees its conclusion and recommendations upon all the matters referred to it, except as otherwise provided in this Chapter. A person serving on the Medical Board is immune individually from civil liability for monetary damages, except to the extent covered by insurance, for any act or failure to act arising out of that service, unless any of the following applies:

...."

**SECTION 4.1.(m)** G.S. 135-48.41(d) reads as rewritten:

"(d) Former employees who are receiving disability retirement benefits under Article 1A of Chapter 120 of the General Statutes or under Article 4 of this Chapter or disability income benefits ~~pursuant to under Article 6 of this Chapter 135 of the General Statutes~~ or who are approved for those benefits but not in receipt of the benefits due to lump-sum payouts of vacation,

bonus, and sick leave, provided the former employee has at least five years of contributory retirement service with an employing unit of a State-supported retirement system, shall be eligible for the benefit provisions of this Plan, as set forth in this Part, on a noncontributory or partially contributory basis. ~~Such coverage~~ Coverage shall terminate as of the end of the month in which ~~such the~~ former employee is no longer eligible for disability retirement benefits under Article 1A of Chapter 120 of the General Statutes or under Article 4 of this Chapter or disability income benefits pursuant to Article 6 of this Chapter."

**SECTION 4.1.(n)** All of the following are repealed and any inchoate or accrued rights of any member on January 1, 2027, shall not be diminished:

- (1) G.S. 120-4.11(2).
- (2) G.S. 120-4.12(c)(2).
- (3) G.S. 120-4.13(a).
- (4) Subsections (a) and (b) of G.S. 120-4.15.

**SECTION 4.1.(o)** All except the catch line and the first sentence of G.S. 135-5(e) is recodified as subsection (b) of G.S. 120-4.23.

**SECTION 4.1.(p)** G.S. 120-4.23, as amended by subsection (o) of this section, reads as rewritten:

**"§ 120-4.23. Reexamination for disability retirement allowance.**

(a) Any disability retiree who has not reached age 65 shall be reexamined ~~pursuant to G.S. 135-5(e).~~ in accordance with this section. After ~~he~~ a disability retiree reaches age 65, no further examinations are required.

(b) Once each year during the first five years following retirement of a member on a disability retirement allowance, and once in every three-year period thereafter, the Board of Trustees may, and upon the member's application shall, require any disability beneficiary who has not yet attained the age of 60 years to undergo a medical examination performed at the place of residence of that beneficiary, or other place mutually agreed upon, by a physician or physicians designated by the Board of Trustees. Should any disability beneficiary who has not yet attained the age of 60 years refuse to submit to at least one medical examination in any year required by this subsection, the beneficiary's allowance may be discontinued until withdrawal of the refusal. If the refusal continues for one year all the beneficiary's rights in and to the beneficiary's pension may be revoked by the Board of Trustees. The following provisions apply:

...."

**SECTION 4.1.(q)** G.S. 135-5(e), as amended by subsection (o) of this section, is repealed.

**SECTION 4.1.(r)** This section is effective January 1, 2027.

## **CONFORM TO ACTUAL PRACTICE/REPORTING OF EARNINGS**

**SECTION 4.2.** G.S. 135-109 reads as rewritten:

**"§ 135-109. Reports of earnings.**

The Department of State Treasurer and Board of Trustees may require each beneficiary to annually provide a statement of the beneficiary's monthly income received as compensation for services, including fees, commissions, or similar items, income received from business, and benefits received from the Social Security Administration, the federal Veterans Administration, any other federal agency, under the North Carolina Workers' Compensation Act, or under the provisions of G.S. 127A-108. The benefit payable to a beneficiary who does not or refuses to provide the information requested within 120 days after ~~such the~~ request may be suspended until the information ~~so~~ requested is provided, and should such provided. If the refusal or failure to provide ~~such the requested information continue~~ continues for 180 days after ~~such request the request, then~~ the right of a beneficiary to a benefit under the Article may be terminated."

## CLARIFY THE DE MINIMIS CALCULATION/REEMPLOYMENT PRIOR TO EXPIRATION OF WAITING PERIOD

**SECTION 4.3.** G.S. 135-3(d)(2) reads as rewritten:

- "(2) The member shall make a lump-sum payment to the Retirement System equal to three times the amount of compensation earned during the six months immediately following the effective date of retirement. If the member is unable to make a lump-sum payment, the member can elect to have the entirety of ~~their~~ the member's net monthly retirement benefit withheld until the Retirement System has recovered three times the amount of compensation earned during the six months immediately following the effective date of retirement."

## TECHNICAL CHANGES IMPROVING CONSISTENCY WITH FEDERAL LAW

**SECTION 4.4.(a)** G.S. 120-4.11 reads as rewritten:

### "§ 120-4.11. Membership.

The following members of the General Assembly and former members of the General Assembly are ~~eligible for membership~~ members in the Retirement System:

...."

**SECTION 4.4.(b)** G.S. 135-106 reads as rewritten:

### "§ 135-106. Long-term disability benefits.

...

(b) After the commencement of benefits under this section, the benefits payable under the terms of this section during the first 36 months of the long-term disability period shall be equal to sixty-five percent (65%) of 1/12th of the annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period as may be adjusted for percentage increases as provided under G.S. 135-108, plus sixty-five percent (65%) of 1/12th of the annual longevity payment to which the participant or beneficiary would be eligible, to a maximum of three thousand nine hundred dollars (\$3,900) per month reduced by any primary Social Security disability benefits to which the beneficiary may be entitled, effective as of the first of the month following the month of initial entitlement, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled. All of the following apply:

- (1) When primary Social Security disability benefits are increased by cost-of-living adjustments, the increased reduction shall be applied in the first month following the month in which the member becomes entitled to the increased Social Security benefit.
- (2) The monthly benefit shall be ~~further~~ reduced by the amount of any monthly payments from the federal Department of Veterans Affairs, for payments from any other federal agency—agency, or for any payments made under the provisions of G.S. 127A-108, to which the participant or beneficiary may be entitled on account of the same disability. ~~Provided, in any event, the~~
- (3) The benefit payable shall be no less than ten dollars (\$10.00) a month. ~~However, a~~
- (4) A disabled participant may elect to receive any salary continuation as provided in G.S. 135-104 in lieu of long-term disability benefits; provided such benefits under this section so long as that election shall not extend the first 36 consecutive calendar months of the long-term disability period. An election to receive any salary continuation for any part of any given day shall be in lieu of any long-term benefit payable for that day, provided further, any lump-sum payout for vacation leave shall be treated as if the beneficiary or participant

had exhausted the leave and shall be in lieu of any long-term benefit otherwise payable. ~~Provided that, in any event, a~~

- (5) A beneficiary's benefit shall be reduced during the first 36 months of the long-term disability period by an amount, as determined by the Board of Trustees, equal to a primary Social Security retirement benefit to which the beneficiary might be entitled, effective as of the first of the month following the month of initial entitlement.

(b1) ~~After 36 months of long-term disability, disability benefits under this section, no further benefits are payable under the terms of this section unless the member has been approved and is in receipt of primary Social Security disability benefits. In that case the~~ If the member has been approved and is in receipt of primary Social Security disability benefits, then all of the following shall apply:

- (1) The benefits payable shall be equal to sixty-five percent (65%) of 1/12th of the annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period as may be adjusted for percentage increases as provided under G.S. 135-108, plus sixty-five percent (65%) of 1/12th of the annual longevity payment to which the participant or beneficiary would be eligible, to a maximum of three thousand nine hundred dollars (\$3,900) per month reduced by the primary Social Security disability benefits to which the beneficiary may be entitled, effective as of the first of the month following the month of initial entitlement, and by monthly payments for Workers' Compensation to which the participant or beneficiary may be entitled.
- (2) When primary Social Security disability benefits are increased by cost-of-living adjustments, the increased reduction shall be applied in the first month following the month in which the member becomes entitled to the increased Social Security benefit.
- (3) The monthly benefit shall be further reduced by the amount of any monthly payments from the federal Department of Veterans Affairs, for payments from any other federal agency, or for any payments made under the provisions of G.S. 127A-108, to which the participant or beneficiary may be entitled on account of the same disability. ~~Provided, in any event, the~~
- (4) The benefit payable shall be no less than ten dollars (\$10.00) a month.

(b2) ~~Notwithstanding the foregoing, anything in subsection (b) or (b1) of this section, the long-term disability benefit is payable so long as the beneficiary is disabled and is in receipt of a primary Social Security disability benefit until the earliest date at which the beneficiary is eligible for an unreduced service retirement allowance from the Retirement System, at which time the beneficiary would receive a retirement allowance calculated on the basis of the beneficiary's average final compensation at the time of disability as adjusted to reflect compensation increases subsequent to the time of disability and the creditable service accumulated by the beneficiary, including creditable service while in receipt of benefits under the Plan. In the event~~ If the beneficiary has not been approved and is not in receipt of a primary Social Security disability benefit, then the long-term disability benefit shall cease after the first 36 months of the long-term disability period. When such a long-term disability recipient begins receiving this unreduced service retirement allowance from the System, that recipient shall not be subject to the six-month waiting period set forth in G.S. 135-1(20). However, a beneficiary shall be entitled to a restoration of the long-term disability benefit in the event If the Social Security Administration grants a retroactive approval for primary Social Security disability benefits with a benefit effective an entitlement date within the first 36 months of the long-term disability period. In such event, period, then the beneficiary's long-term disability benefit shall be restored retroactively to the date of cessation.

...."

**SECTION 4.4.(c)** G.S. 135-108 reads as rewritten:

**"§ 135-108. Post disability benefit adjustments.**

The compensation upon which the short-term or long-term disability benefit is calculated under the provisions of G.S. 135-105(c) or ~~G.S. 135-106(b)~~ G.S. 135-106 may be increased by any permanent across-the-board salary increase granted to employees of the State by the General Assembly and the benefits payable to beneficiaries shall be recalculated based upon the increased compensation, reduced by any percentage increase in Social Security benefits granted by the Social Security Administration times the amount used in the reduction of benefits for primary Social Security disability or retirement benefit as provided in ~~G.S. 135-106(b)~~ G.S. 135-106. The provisions of this section shall be subject to future acts of the General Assembly."

**REMOVE NAMED FORMS FROM STATUTORY REFERENCES**

**SECTION 4.5.(a)** The Revisor of Statutes shall replace the phrase "(Form 6-E or Form 7-E)" with the phrase "by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees" in G.S. 135-5(g) and G.S. 128-27(g).

**SECTION 4.5.(b)** G.S. 135-10.1(a) reads as rewritten:

"(a) If a member fails to respond within 120 days after preliminary option figures and the ~~Form 6-E or Form 7-E are form approved by the Board of Trustees to elect the optional allowance under G.S. 135-5(g)~~ is transmitted to the member, or if a member fails to respond within 120 days after the effective date of retirement, whichever is later, then the ~~Form 6 or Form 7 form approved by the Board of Trustees to elect the optional allowance under G.S. 135-5(g)~~ shall be null and void."

**SECTION 4.5.(c)** G.S. 128-32.1(a) reads as rewritten:

"(a) If a member fails to respond within 120 days after preliminary option figures and the ~~Form 6-E or Form 7-E are form approved by the Board of Trustees to elect the optional allowance under G.S. 128-27(g)~~ is transmitted to the member, or if a member fails to respond within 120 days after the effective date of retirement, whichever is later, then the ~~Form 6 or Form 7 form approved by the Board of Trustees to elect the optional allowance under G.S. 128-27(g)~~ shall be null and void."

**REMOVE OBSOLETE FEE CAP LANGUAGE**

**SECTION 4.6.** G.S. 116B-78 reads as rewritten:

**"§ 116B-78. Agreement to locate property between property finders and owners or apparent owners.**

...

(b) Criteria for Agreements. – An agreement covered by this section is void and unenforceable if it does not meet all of the following criteria:

- (1) Is in writing and clearly sets forth the nature of the property and the services to be rendered.
- (2) Is signed by the owner, with signature notarized.
- (2a) Is signed by a licensed private investigator authorized to bind the property finder, with signature notarized.
- (3) Describes the property, which includes the type of property, the property ID held by the State Treasurer, and the name of the holder.
- (4) States that there may be other claims to the property that may reduce the share of the owner.
- (5) States the value of the property, to the extent known, before and after the fee or other compensation has been deducted.

- (6) States clearly the fees and costs for services. Total fees and costs ~~shall be limited as follows:~~shall not exceed one thousand dollars (\$1,000) or twenty percent (20%) of the value of the property recovered, whichever is less.
- a. ~~For an agreement covered by this section other than one covered by G.S. 28A-22-11, total fees and costs shall not exceed one thousand dollars (\$1,000) or twenty percent (20%) of the value of the property recovered, whichever is less.~~
- b. ~~For an agreement subject to G.S. 28A-22-11 by an heir, unknown or known but unlocated, the primary purpose of which is to locate or recover, or assist in the recovery, of a share in a decedent's estate, or surplus funds in a special proceeding, total fees and costs shall not exceed twenty percent (20%) of the value of the property recovered.~~
- ...."

**CORRECT STATUTORY CITATION IN THE SCHOOL BUDGET AND FISCAL CONTROL ACT**

**SECTION 4.7.** G.S. 159-7 reads as rewritten:

**"SUBCHAPTER III. BUDGETS AND FISCAL CONTROL.**

"Article 3.

"The Local Government Budget and Fiscal Control Act.

"Part 1. Budgets.

**"§ 159-7. Short title; definitions; local acts superseded.**

...

(d) Except as expressly provided herein, this Article does not apply to school administrative units. The adoption and administration of budgets for the public school system and the management of the fiscal affairs of school administrative units are governed by the School Budget and Fiscal Control Act, ~~Chapter 115, Article 9.~~ Chapter 115C, Article 31. However, this Article and the School Budget and Fiscal Control Act shall be construed together to the end that the administration of the fiscal affairs of counties and school administrative units may be most effectively and efficiently administered.

...."

**MUNICIPAL INCORPORATIONS SUBCOMMITTEE REFERENCES**

**SECTION 4.8.(a)** G.S. 120-167 reads as rewritten:

**"§ 120-167. Additional criteria; population.**

The ~~Commission-Municipal Incorporations Subcommittee~~ may not make a positive recommendation unless the proposed municipality has a permanent population of at least 100 and a population density (either permanent or seasonal) of at least 250 persons per square mile."

**SECTION 4.8.(b)** G.S. 120-170 reads as rewritten:

**"§ 120-170. Findings as to services.**

The ~~Commission-Municipal Incorporations Subcommittee~~ may not make a positive recommendation unless it finds that the proposed municipality can provide at a reasonable tax rate the services requested by the petition, and finds that the proposed municipality can provide at a reasonable tax rate the types of services usually provided by similar municipalities. In making findings under this section, the ~~Commission-Municipal Incorporations Subcommittee~~ shall take into account municipal services already being provided."

**SECTION 4.8.(c)** G.S. 120-171 reads as rewritten:

**"§ 120-171. Procedures if findings made.**

(a) If the ~~Commission-Municipal Incorporations Subcommittee~~ finds that it may not make a positive recommendation because of the provisions of G.S. 120-166 through G.S. 120-170, it shall make a negative recommendation to the General Assembly. The report to

the General Assembly shall list the grounds on which a negative recommendation is made, along with specific findings. If a negative recommendation is made, the ~~Commission-Municipal Incorporations Subcommittee~~ shall notify the petitioners of the need for a legally sufficient description of the proposed municipality if the proposal is to be considered by the General Assembly. At the request of a majority of the members of the interim board named in the petition, the ~~Commission-Municipal Incorporations Subcommittee~~ may conduct a public hearing and forward any comments or findings made as a result of that hearing along with the negative recommendation.

(b) If the ~~Commission-Municipal Incorporations Subcommittee~~ determines that it will not be barred from making a positive recommendation by G.S. 120-166 through G.S. 120-170, it shall require that petitioners have a legally sufficient description of the proposed municipality prepared at their expense as a condition of a positive recommendation.

(c) If the ~~Commission-Municipal Incorporations Subcommittee~~ determines that it is not barred from making a positive recommendation, it shall make a positive recommendation to the General Assembly for incorporation.

(d) The report of the ~~Commission-Municipal Incorporations Subcommittee~~ on a petition shall be in a form determined by the Commission to be useful to the General Assembly."

**SECTION 4.8.(d)** G.S. 120-172 reads as rewritten:

**"§ 120-172. Referendum.**

Based on information received at the public hearing, the ~~Commission-Municipal Incorporations Subcommittee~~ may recommend that any incorporation act passed by the General Assembly shall be submitted to a referendum, except if the petition contained the signatures of fifty percent (50%) of registered voters the ~~Commission-Municipal Incorporations Subcommittee~~ shall not recommend a referendum."

**SECTION 4.8.(e)** G.S. 120-173 reads as rewritten:

**"§ 120-173. Modification of petition.**

With the agreement of the majority of the persons designated by the petition as an interim governing board, the ~~Commission-Municipal Incorporations Subcommittee~~ may submit to the General Assembly recommendations based on deletion of areas from the petition, as long as there are no noncontiguous areas."

**SECTION 4.8.(f)** G.S. 120-174 reads as rewritten:

**"§ 120-174. Deadline for recommendations.**

If the petition is timely received under G.S. 120-163(e), the ~~Commission-Municipal Incorporations Subcommittee~~ shall make its recommendation to the General Assembly no later than 60 days after convening of the next regular session after submission of the petition."

## **MISCELLANEOUS TECHNICAL CORRECTIONS**

**SECTION 4.9.(a)** G.S. 143-166.60(d)(4) reads as rewritten:

"(4) ~~An accidental-~~ A line-of-duty insurance death benefit not to exceed two thousand one hundred dollars (\$2,100) in total on account of the death of a participant caused by an accident while in the actual performance of duty as an officer."

**SECTION 4.9.(b)** The Revisor of Statutes shall replace the reference to "G.S. 135-4" with "G.S. 135-4.5" in G.S. 135-5(f).

**SECTION 4.9.(c)** The Revisor of Statutes shall replace the reference to "G.S. 128-26" with "G.S. 128-26.5" in G.S. 128-27(f).

**SECTION 4.9.(d)** G.S. 120-4.25 reads as rewritten:

**"§ 120-4.25. Return of accumulated contributions.**

If a member ceases to be a member of the General Assembly except by death or retirement, the member shall, upon submission of an application, be paid not earlier than 60 days following the date of termination of service the sum of the member's accumulated contributions provided

the member has not in the meantime returned to service. Upon payment of this ~~sum his or her~~ sum, the individual's membership in the System ceases. If the individual becomes a member afterwards, no credit shall be allowed for any service previously ~~rendered-rendered,~~ except as provided in G.S. 120-4.14 and G.S. 120-4.15, and the payment shall be in full and complete discharge of any rights in or to any benefits otherwise payable under this Article. Upon receipt of proof satisfactory to the Board of Trustees of the death, prior to retirement, of a member or former member, there shall be paid to the person or persons the member or former member nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if the person or persons are living at the time of the member's death, otherwise to the member's legal representatives, the amount of the member's accumulated contributions at the time of the member's death, unless the beneficiary elects to receive the alternate benefit under the provisions of G.S. 120-4.28."

**SECTION 4.9.(e)** G.S. 120-4.21(b2)(3) reads as rewritten:

"(3) For a member whose retirement date occurs on or after the member's 50th birthday and before the member's 60th birthday and upon completion of 20 years of creditable service, computation as in subdivision (2) of this subsection, reduced by the same percentage as provided for under ~~G.S. 135-5(b21)(2)-G.S. 135-5(b21)(2)c.1.~~"

**SECTION 4.9.(f)** G.S. 147-69.2A(b) reads as rewritten:

"(b) ~~Organization and Reporting Investment Policy.~~ – The Investment Authority shall develop and adopt an investment policy statement for the Venture Capital Multiplier Fund."

**SECTION 4.9.(g)** G.S. 128-38.40(a) reads as rewritten:

"(a) Participation and Premiums. – All retired members may elect to participate in the Death Benefit Plan and therefore become eligible to receive death benefits under the Death Benefit Plan in accordance with this section. Elections shall be made prior to death and no later than 60 calendar days from the effective date of the member's retirement. Elections shall be received by the Board of Trustees prior to the death of the retired member. Retired members electing to receive a fully contributory death benefit under the Death Benefit Plan shall continuously pay monthly premiums on a fully contributory basis, as determined by the Board of Trustees, to the North Carolina Teachers' and State Employees' Benefit Trust established under ~~G.S. 135-7(g)-G.S. 135-154.~~ Premium payments shall be made through retirement allowance deductions or other methods adopted by the Board of Trustees."

**SECTION 4.9.(h)** G.S. 147-65.1(7)i. reads as rewritten:

"i. The North Carolina Teachers' and State Employees' Benefit Trust, established under ~~G.S. 135-7(g)-G.S. 135-154.~~"

## **PART V. UNCLAIMED PROPERTY**

### **ALLOW CONTINGENCY FEES FOR VENDOR AUDITORS**

**SECTION 5.1.** G.S. 116B-8 reads as rewritten:

"§ 116B-8. **Employment of persons with specialized skills or knowledge.**

The Treasurer may employ the services of such independent consultants, real estate managers and other persons possessing specialized skills or knowledge as the Treasurer deems necessary or appropriate for the administration of this Chapter, ~~including including enforcement,~~ valuation, maintenance, upkeep, management, sale and conveyance of property and determination of sources of unreported abandoned property. ~~The Treasurer may also employ the services of an attorney to perform a title search or to provide an accurate legal description of real property which the Treasurer has reason to believe may have escheated.~~ Persons whose services are employed by the Treasurer pursuant to this section to determine sources and amounts of unreported property are subject to the same policies, including confidentiality and ethics, as employees of the Department of State Treasurer assigned to determine sources and amounts of unreported

property. ~~If the Treasurer contracts with any other person to conduct an audit under this Chapter, the audit shall not be performed on a contingent fee basis or any other similar method that may impair an auditor's independence or the perception of the auditor's independence by the public. Notwithstanding the preceding sentence, the Treasurer may contract with any other person on a contingent fee basis to conduct audits of life insurance companies where the audit is being conducted for the purpose of identifying unclaimed death benefits or to conduct audits of holders of unredeemed bond funds. Compensation of persons whose services may be employed pursuant to this section on a contingent fee basis shall be limited to twelve percent (12%) of the final assessment.~~"

## **CLARIFY PROPERTY FINDER DEFINITION**

**SECTION 5.2.** G.S. 116B-52 reads as rewritten:

### **"§ 116B-52. Definitions.**

In this Chapter:

...

(11a) "Property finder" means an individual or business entity, incorporated or otherwise, who, for fee or any other consideration, ~~seeks primarily~~ seeks to locate, deliver, recover, or assist in the recovery of property that is distributable to the owner or presumed abandoned.

...."

## **MODIFY NOTICE REQUIREMENTS**

**SECTION 5.3.(a)** G.S. 116B-59 reads as rewritten:

### **"§ 116B-59. Notice by holders to apparent owners.**

...

(a1) A holder of property that is presumed abandoned and ~~that is either (i) a security or other equity interest in a business association, including a security entitlement under Article 8 of Chapter 25 of the General Statutes, that is valued at twenty-five dollars (\$25.00) or more or (ii) property, other than a security or other equity interest in a business association, including a security entitlement under Article 8 of Chapter 25 of the General Statutes, that is valued at fifty dollars (\$50.00) or more~~ shall send written notice by first-class mail to the apparent owner not more than 120 days or less than 60 days before filing the report required by this Article. The holder shall exercise reasonable care to ascertain that it is sending the written notice to the apparent owner's correct address. A holder may authorize a third party to perform the duties required by this subsection. Notwithstanding any third-party authorization, the holder bears responsibility for a failure to comply with this section.

...."

**SECTION 5.3.(b)** This section becomes effective December 1, 2026.

## **CLARIFY DUTIES OF A PROPERTY HOLDER SUBJECT TO NORTH CAROLINA UNCLAIMED PROPERTY ACT**

**SECTION 5.4.(a)** G.S. 116B-60 reads as rewritten:

### **"§ 116B-60. Report of abandoned property; certification by holders with tax return.**

(a) A holder of property presumed abandoned shall file a report in an electronic format prescribed by the Treasurer concerning the property. Holders shall file an electronic certification and verification in order to comply with subsection (f) of this section. A holder may authorize a third party to perform the duties required by this subsection. Notwithstanding any third-party authorization, the holder bears responsibility for a failure to comply with this section.

(b) For amounts due to the apparent owner of property of the value of ~~fifty dollars (\$50.00)~~ twenty-five dollars (\$25.00) or more, ~~the~~ and for property subject to

G.S. 116B-53(c)(4), 116B-53(c)(5), and 116B-53(c)(5a), regardless of the amount, the report must be verified and must contain the following, if known by the holder:

...

(b1) With the exception of property subject to G.S. 116B-53(c)(4), 116B-53(c)(5), and 116B-53(c)(5a), amounts due an apparent owner less than fifty dollars (\$50.00) twenty-five dollars (\$25.00) may be reported in an aggregate amount without furnishing any of the information required by subsection (b) of this section.

(b2) After submission of the report required by subsection (b) of this section, the Treasurer may request additional information from the holder to clarify or obtain additional information that was previously required to be reported. The holder of the property shall respond to the request with the requested information, if known, within 30 days of receiving the request.

(c) If a holder of property presumed abandoned is a successor to another person who previously held the property for the apparent owner or the holder has changed its name while holding the property, the holder shall file with the report its former names, if any, and the known names and addresses of all previous holders of the property.

(d) The report must be filed before November 1 of each year and cover the 12 months next preceding July 1 of that year, but a report with respect to a life insurance company must be filed before May 1 of each year for the calendar year next preceding.

(e) Before the date for filing the report, the holder of property presumed abandoned may request the Treasurer to extend the time for filing the report. The Treasurer may grant the extension for good cause. The holder, upon receipt of the extension, may make an interim payment on the amount the holder estimates will ultimately be due, which terminates the accrual of additional interest on the amount paid.

(f) The holder of property presumed abandoned shall file with the report a certification and verification that the holder has complied with G.S. 116B-59.

(f1) Any holder who has intangible property due to be reported with a cumulative value of two hundred fifty dollars (\$250.00) or less in a single reporting year shall not be required to report the property in that year but shall report the property in any year when the value or aggregate value exceeds two hundred fifty dollars (\$250.00).

(g) Every business association holding property presumed abandoned under this Chapter shall certify the holding in the income tax return required by Chapter 105 of the General Statutes. The certification shall be a part of the tax return with which it is filed. If the business association is not required to file an income tax return under Chapter 105, the certification shall be made in the form and manner required by the Secretary of Revenue. The information appearing on the certification is not privileged or confidential, and this information shall be furnished by the Secretary of Revenue to the Escheat Fund on October 1 of each year, or if this date shall fall on a weekend or holiday, on the next regular business day."

**SECTION 5.4.(b)** G.S. 116B-67(b) reads as rewritten:

**"§ 116B-67. Claim for property paid or delivered to the Treasurer.**

...

(b) At the discretion of the Treasurer, the claim shall be made to the holder or to the holder's successor. If the holder is satisfied that the claim is valid and that the claimant is the owner of the property, the successor, or the Treasurer may request the holder to verify whether or not the claimant is the owner. The holder shall so certify to the holder's decision under oath to the Treasurer by written statement attested by the holder under oath, or in the case of a corporation, within 30 days of the Treasurer's request. The certification by the holder must be made by two principal officers, or one principal officer and an authorized employee of the corporation-holder, and shall be binding on the holder. The determination of the holder that the claimant is the owner shall, in the absence of fraud, be binding upon the Treasurer and upon receipt of the certificate of the holder to this effect, the Treasurer shall forthwith authorize and make payment of the claim or return of the property, or if the property has been sold, the amount

received from the sale, to the owner, or to the holder in the event the owner has assigned the claim to the holder and the certificate of the holder is accompanied by an assignment. In the event the holder rejects the claim, the claimant may appeal to the Treasurer.

If the holder, or the holder's successor, is not available, the owner may file a claim with the Treasurer on a form prescribed by the Treasurer. In addition to any other information, the claim shall state the facts surrounding the unavailability of the holder and the lack of a successor."

**SECTION 5.4.(c)** G.S. 116B-77(b) reads as rewritten:

**"§ 116B-77. Interest and penalties; waiver.**

...

(b) A holder who willfully fails to report, pay, or deliver property within the time prescribed by this Chapter, or willfully fails to perform other duties imposed by this Chapter, including the duties imposed by G.S. 116B-59, ~~shall~~ 116B-60, and 116B-67, shall pay to the Treasurer, in addition to interest as provided in subsection (a) of this section, a civil penalty of one thousand dollars (\$1,000) for each day the report, payment, or delivery is withheld, or the duty is not performed, up to a maximum of twenty-five thousand dollars (\$25,000), plus twenty-five percent (25%) of the value of any property that should have been but was not reported."

**SECTION 5.4.(d)** Subsection (a) of this section becomes effective December 1, 2026, and applies to property presumed abandoned on or after that date. The remainder of this section becomes effective when it becomes law.

## **PART VI. STATE AND LOCAL GOVERNMENT FINANCE**

### **TOWN OF SPEED/SALES TAX**

**SECTION 6.1.** Notwithstanding G.S. 159-34(h), funds currently being withheld by the Department of Revenue from the Town of Speed's sales tax distributions under G.S. 159-34(g) shall be released by the Department to the Town within 45 days after the Local Government Commission's approval under G.S. 160A-866 of a plan of action to distribute the Town's assets and liabilities. However, if the conditions of G.S. 159-34(h) are met before the Local Government Commission approves a plan of action under G.S. 160A-866, the Department of Revenue may act under G.S. 159-34(h) to release the funds as required by that section.

### **TOWN OF SPENCER MOUNTAIN/EXTEND THE SUNSET ON SUSPENSION OF CHARTER**

**SECTION 6.2.** Section 3 of S.L. 2016-45, as amended by Section 2 of S.L. 2023-49, reads as rewritten:

**"SECTION 3.** This act becomes effective July 1, 2016, and expires ~~June 30, 2026.~~ June 30, 2029."

### **LGC MEETING REQUIREMENT FLEXIBILITY/SALES TAX WITHHOLDING APPEALS**

**SECTION 6.3.** G.S. 159-34 reads as rewritten:

**"§ 159-34. Annual independent audit; rules and regulations.**

...

(f) Upon receiving a notice of noncompliance under subsection (e) of this section, a county or municipality may notify the secretary in writing that it plans to appeal the action and the county or municipality will be scheduled to appear before the Commission ~~at its next regularly scheduled meeting~~ as soon as practicable after July 1. The written notice shall state the basis for the appeal and include any evidence to support the appeal. The Commission shall establish guidelines outlining specific criteria that would warrant a successful appeal. If a county or municipality appeals prior to the secretary taking action to withhold under subsection (g) of

this section, the secretary must delay withholding if the Commission determines that the county or municipality has provided sufficient evidence that the failure to provide a copy of their annual audit report is due to circumstances within the guidelines established by the Commission. If the county or municipality appeals after the secretary takes action to withhold under subsection (g) of this section, the secretary must notify the Secretary of Revenue to release any funds withheld under subsection (g) of this section if the Commission determines that the county or municipality has provided sufficient evidence that the failure to provide a copy of their annual audit report is due to circumstances within the guidelines established by the Commission.

...."

**REMOVE STATE TREASURER AS EX OFFICIO NONVOTING MEMBER OF BOARD OF DIRECTORS OF NC GLOBAL TRANSPARK AUTHORITY**

**SECTION 6.4.** G.S. 63A-3 reads as rewritten:

**"§ 63A-3. Creation of Authority and Board.**

...  
(b) Board of Directors. – The Authority shall be governed by a Board of Directors. The Board shall consist of at least the following ~~20~~19 members:

- (1) Six members appointed by the Governor. One member shall be representative of the economic development industry, two members shall be representative of the commercial real estate development industry, two members shall be representative of the banking and finance industry, and one member shall be representative of environmental interests.
- (2) Three members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121. One member shall be representative of the aerospace and aviation industry, one member shall be representative of advanced manufacturing industries, and one member shall be representative of the logistics and supply chain management industry.
- (3) Three members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121. One member shall be representative of the aerospace and aviation industry, one member shall be representative of the emergency response and disaster relief industries, and one member shall be representative of the defense and security industry.
- ~~(4) The State Treasurer, who shall serve as an ex officio nonvoting member.~~
- (5) The President of the North Carolina System of Community Colleges or the President's designee, provided that the President of the North Carolina Community Colleges may instead appoint to the Board of Directors one member of the board of trustees of a community college or one president of a community college. If such an appointment is made, the appointee shall serve at the pleasure of the President.
- (6) The President of The University of North Carolina or the President's designee, provided that the President of the University of North Carolina may instead appoint to the Board of Directors one member of the board of trustees of a constituent institution of The University of North Carolina, or one chancellor of a constituent institution of The University of North Carolina. If such an appointment is made, the appointee shall serve at the pleasure of the President.
- (7) The Chairman of the State Ports Authority.
- (8) One member appointed by the board of county commissioners of any county in which the cargo airport complex site is located.

- (9) One member appointed by the city council of the city which is a county seat of any county in which the cargo airport complex site is located.
- (10) The Commissioner of Agriculture or the Commissioner's designee.
- (11) The Secretary of the Department of Commerce or the Secretary's designee.

...."

**STUDY LOCAL GOVERNMENT BUDGET AND FISCAL CONTROL ACT**

**SECTION 6.5.(a)** Study. – The State and Local Government Finance Division of the Department of State Treasurer shall study and report on the need to update Article 3 of Chapter 159 of the General Statutes, The Local Government Budget and Fiscal Control Act. In making recommendations, the study shall consider all of the following:

- (1) Existing statutory complexity and inconsistencies.
- (2) The ability for local government to comply with statutory requirements in light of the shortage of qualified local government finance professionals.
- (3) The need for training of local staff and local elected officials.
- (4) Enforcement gaps in current statutory language.
- (5) How to address the varying financial management challenges faced by governments of varying sizes.

**SECTION 6.5.(b)** Consultation. – In conducting this study, the Division shall consult with the North Carolina League of Municipalities, the North Carolina Association of County Commissioners, the UNC School of Government, the North Carolina Government Finance Officers Association, and at least two executive branch agencies that interact directly with local governments on financial matters, of which one must be the Department of Environmental Quality.

**SECTION 6.5.(c)** Report. – No later than January 31, 2027, the Division shall submit an initial report of its findings to the chairs of the House Finance Committee, the Senate Finance Committee, the House Committee on State and Local Government, and the Senate Committee on State and Local Government. No later than October 1, 2027, the Division shall submit a final report of its findings, including any recommendations for statutory changes, to the chairs of the House Finance Committee, the Senate Finance Committee, the House Committee on State and Local Government, and the Senate Committee on State and Local Government.

**MODIFY GENERAL ASSEMBLY ACTUARIAL NOTE PROCEDURE**

**SECTION 6.6.** G.S. 120-114 reads as rewritten:

**"§ 120-114. Actuarial notes; Retirement System cost estimates.**

...  
~~(b) The author of each bill or resolution shall present a copy of the bill or resolution, with his request for an actuarial note, to the Fiscal Research Division which shall have the duty to prepare said actuarial note as promptly as possible. Actuarial notes shall be prepared and transmitted to the author or authors no later than two weeks after the request for the actuarial note is made, unless an extension of time is agreed to by the author or authors as being necessary in preparation of the note. Any person who signs an actuarial note knowing it to contain false information shall be fined not more than five hundred dollars (\$500.00) or imprisoned not more than six months, or both.~~

...  
 (e) At any time any committee of either house reports any legislative instrument, to which an actuarial note or notes are attached at the time of committee consideration, with any amendment of such nature as would substantially affect the cost to or the revenues of any retirement system, or program of hospital, medical, disability, or related benefits for teachers and State employees, as stated in the actuarial note or notes attached to the measure at the time of such consideration, it shall be the responsibility of the chairman of the committee reporting such

instrument to obtain from the ~~Fiscal Research Division~~ actuary employed by the system or program an actuarial note of the fiscal and actuarial effect of the change proposed by the amendment reported. Such actuarial note shall be attached to the report of the committee on the measure as a supplement thereto. A floor amendment to a bill or resolution to which an actuarial note was attached at the time of committee consideration of the bill or resolution shall not be in order, if the amendment affects the costs to or the revenues of a retirement system, or program of hospital, medical, disability, or related benefits provided for teachers and State employees, unless the amendment is accompanied by an actuarial note, prepared by the ~~Fiscal Research Division~~ actuary employed by the system or program as to the actuarial effect of the amendment.

...

(g) In addition to the other requirements of this section, if a bill or resolution adds or modifies service purchase provisions, the ~~Fiscal Research Division~~ actuary employed by the system or program shall ~~obtain~~ provide an estimate of the cost impact of those provisions using the 30-year United States Treasury constant maturity and cost-of-living adjustment and salary increase assumptions consistent with that rate as of December of the year of the most recent actuarial valuation in addition to the cost of the provision using the valuation assumptions."

## **PART VII. NORTH CAROLINA CAPITAL FACILITIES FINANCE AGENCY**

### **ADD CHARTER SCHOOLS AND RELIGIOUS SCHOOLS AS PARTICIPATING INSTITUTIONS**

**SECTION 7.1.** G.S. 159D-37 reads as rewritten:

#### **"§ 159D-37. Definitions.**

As used or referred to in this Article, the following words and terms have the following meanings, unless the context clearly indicates otherwise:

...

(4a) "Institution for elementary and secondary education" means a nonprofit institution within the State of North Carolina authorized by law and engaged or to be engaged in the providing of kindergarten, elementary, or secondary education, or any combination of ~~these~~ these including, without limitation, charter schools.

...

(6a) "Project" means any one or more buildings, structures, equipment, improvements, additions, extensions, enlargements, or other facilities comprising any of the following:

- a. Educational facilities used by an institution for higher education or an institution for elementary and secondary education, including dormitories and other housing facilities, housing facilities for student nurses, dining halls and other food preparation and food service facilities, student unions, administration buildings, academic buildings, libraries, laboratories, research facilities, classrooms, athletic facilities, health care facilities, laundry facilities, and other structures or facilities related to these facilities or required or useful for the instruction of students, the conducting of research, or the operation of the institution.
- b. Student housing facilities to be owned or operated by an owner or operator other than an institution for higher education or an institution for elementary and secondary education.
- c. A special purpose project as defined in G.S. 159C-3.  
The term "project" includes landscaping, site preparation, furniture, equipment and machinery, and other similar items necessary or convenient for

operation of a particular facility in the manner for which its use is intended. The term also includes all appurtenances and incidental facilities, such as headquarters or office facilities, maintenance, storage, or utility facilities, parking facilities, and other facilities related to, required, or useful for the operation of the project or essential or convenient for the orderly conduct of the facility. The term "project" does not include the cost of items that customarily result in a current operating charge, such as books, fuel, or supplies. ~~The term does not include any facility used or to be used for sectarian instruction or as a place of religious worship nor any facility that is used or to be used primarily in connection with any part of the program of a school or department of divinity for any religious denomination.~~

- (6b) "Special purpose institution" means a for-profit or not-for-profit ~~corporation or corporation, limited liability company, or similar~~ entity that undertakes any of the activities set forth in ~~sub-subdivisions (6a)b. and (6a)c.~~ subdivision (6a) of this section.

...."

**SECTION 7.2.** G.S. 159D-38(a) reads as rewritten:

**"§ 159D-38. Capital facilities finance agency.**

(a) There is created a body politic and corporate to be known as "North Carolina Capital Facilities Finance Agency" which shall be constituted a public agency and an instrumentality of the State for the performance of essential public functions. The agency shall be governed by a board of directors composed of seven members. Two of the members of the board shall be the State Treasurer and the State Auditor, both of whom shall serve ex officio. The remaining directors of the agency shall be residents of the State and shall not hold other public office. The General Assembly upon the recommendation of the President Pro Tempore of the Senate shall appoint one director in accordance with G.S. 120-121, the General Assembly upon the recommendation of the Speaker of the House of Representatives shall appoint one director in accordance with G.S. 120-121, and the Governor shall appoint three directors of the agency. The five appointive directors of the agency shall be appointed for staggered four-year terms, two being appointed initially for one year by the President of the Senate and the Speaker of the House, respectively, and one for two years, one for three years and one for four years, respectively, as designated by the Governor. Each director shall continue in office until a successor is duly appointed and qualified, except that any person appointed to fill a vacancy shall serve only for the unexpired term. Any vacancy in a position held by an appointive member shall be filled by a new appointment made by the officer who originally made the appointment. Any member of the board of directors is eligible for reappointment. Each appointive member of the board of directors may be removed by the Governor for misfeasance, malfeasance or neglect of duty after reasonable notice and a public hearing, unless the notice and hearing are in writing expressly waived. Each appointive member of the board of directors shall take an oath of office to administer the duties of office faithfully and impartially and a record of the oath shall be filed in the office of the Secretary of State. ~~The Governor shall designate from among the members of the board of directors a chair and a vice chair, whose terms extend to the earlier of either two years or the date of expiration of their then current terms as members. The State Treasurer shall~~ serve as chair of the board of directors of the agency. The board of directors shall elect and appoint and prescribe the duties of a secretary-treasurer and any other officers it considers necessary or advisable, which officers need not be members of the board of directors."

**MODERNIZE PUBLIC HEARING AND NOTICE REQUIREMENTS**

**SECTION 7.3.** G.S. 159D-45 reads as rewritten:

**"§ 159D-45. Bonds and notes.**

...

(f) Before the issuance of bonds pursuant to this Article to finance a project, the Agency shall hold a public hearing with respect to the proposed project and the issuance of the bonds to finance the proposed project. The public hearing may be held at any location designated by the Agency, including at the offices of the Agency in Raleigh, North Carolina. No public hearing shall be required in connection with the refinancing of any project previously approved by the Agency.

The public hearing may be conducted by the Agency or by a hearing officer designated by the Agency to conduct public hearings. Notice of the public hearing ~~must be published at least once in at least one newspaper of general circulation in the county where the proposed project is to be located not less than 14 days before the public hearing. The notice must describe generally the bonds proposed to be issued and the proposed project, including its general location, and any other information the Agency considers appropriate. A copy of the notice of public hearing must be mailed to the clerk of the Board of Commissioners of the county in which the proposed project is to be located and to the governing body of any city or town in which the proposed project is to be operated.~~ shall be consistent with the requirements for reasonable public notice set forth in 26 U.S.C. § 147(f) and the regulations promulgated pursuant to that section, or any successor federal provisions or regulations.

...."

#### **PART VIII. EFFECTIVE DATE**

**SECTION 8.1.** Except as otherwise provided, this act is effective when it becomes law.

In the General Assembly read three times and ratified this the 1<sup>st</sup> day of July, 2026.

s/ Rachel Hunt  
President of the Senate

s/ Destin Hall  
Speaker of the House of Representatives

\_\_\_\_\_  
Josh Stein  
Governor

Approved \_\_\_\_\_ .m. this \_\_\_\_\_ day of \_\_\_\_\_, 2026