

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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Short Title: 2026 DST Admin/Technical/Clarifying Changes.-AB

(Public)

Sponsors:

Referred to:

April 30, 2026

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE ADMINISTRATIVE, TECHNICAL, AND CLARIFYING CHANGES
3 TO THE LAWS RELATED TO THE DEPARTMENT OF STATE TREASURER.

4 The General Assembly of North Carolina enacts:

5
6 **PART I. ADMINISTRATIVE CHANGES/RETIREMENT SYSTEMS**

7
8 **PREVIOUSLY CREDITED MILITARY SERVICE TO BE REINSTATED UPON**
9 **PURCHASE OF PREVIOUSLY WITHDRAWN SERVICE**

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

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

16 (1) The member shall be credited with prior service for such the period of service
17 in the uniformed services for the maximum period that they are the member
18 is entitled to reemployment under the Uniformed Services Employment and
19 Reemployment Rights Act of 1994, 38 U.S.C. § 4301, et seq., or other federal
20 law, and the law.

21 (2) The salary or compensation of such a the teacher or State employee during
22 that period of service credited under subdivision (1) of this subsection is
23 deemed to be that salary or compensation the employee would have received
24 but for the period of service had the employee remained continuously
25 employed, if the determination of that salary or compensation is reasonably
26 certain. If the determination of the salary or compensation is not reasonably
27 certain, then it is deemed to be that employee's average rate of compensation
28 during the 12-month period immediately preceding the period of service.

29 (3) When a member who has served in the uniformed services returns to work in
30 compliance with the conditions of this subsection, that member's employer
31 shall remit to the System all employer and employee contributions for the full
32 period of that member's military service.

33 (4) If a member forfeited service previously credited under this subsection by
34 electing to receive a return of accumulated contributions, as provided for



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1 under G.S. 135-5(f), and subsequently purchases the maximum amount of
2 service allowed under G.S. 135-4.5(a)(1), then that member shall have the
3 service previously credited under this subsection restored."

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

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

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

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

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

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

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

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

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

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

40 "**§ 120-4.29. Exemption from garnishment, attachment.**

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

48 (b) Notwithstanding any provisions of law to the contrary, any overpayment of benefits
49 or erroneous payments to a member in a State-administered retirement system, the Disability
50 Salary Continuation Plan, or the Disability Income Plan of North Carolina, including any benefits
51

1 paid to, or State Health Plan premiums or claims paid on behalf of, any member who is later
 2 determined to have been ineligible for those benefits or unentitled to those amounts, may be
 3 offset against any retirement allowance, return of contributions, or any other right accruing under
 4 this Article to the same person, the person's estate, or designated beneficiary. The ability to offset
 5 under this subsection does not apply to the fully contributory death benefit for retired members
 6 under G.S. 120-4.27."
 7

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

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

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

15 (1) The Board of Trustees shall adopt a contribution-based benefit cap factor
 16 recommended by the actuary, based upon actual experience, such that no more
 17 than three-quarters of one percent (0.75%) of retirement allowances are
 18 expected to be capped. The Board of Trustees shall modify such factors every
 19 five years, as shall be deemed necessary, based upon the five-year experience
 20 study as required by G.S. 135-6(n). Prior to establishing a service retirement
 21 allowance under this section, the Board ~~shall~~ shall do all of the following:

22 ~~(1)a.~~ Determine an amount equal to the member's accumulated
 23 contributions as required under G.S. 135-8(b)(1) for all years during
 24 which the member earned membership service, other than service
 25 earned through armed service credit under G.S. 135-4(f),
 26 G.S. 135-4(g), or G.S. 135-4.5, used in the calculation of the
 27 retirement allowance that the member would receive under this
 28 section.

29 ~~(2)b.~~ Determine the amount of a single life annuity that is the actuarial
 30 equivalent of the amount determined under ~~subdivision (1)~~
 31 sub-subdivision (1)a. of this subsection, adjusted for the age of the
 32 member at the time of retirement or, when appropriate, the age at the
 33 time of the member's death.

34 ~~(3)c.~~ Multiply the annuity amount determined under ~~subdivision (2)~~
 35 sub-subdivision (1)b. of this subsection by the contribution-based
 36 benefit cap factor.

37 ~~(4)d.~~ Determine the amount of the retirement allowance that results from
 38 the member's membership ~~service~~, service to which the member would
 39 be entitled but for the adjustment under this subsection. The amount
 40 shall be calculated in the same manner as the member's service
 41 retirement allowance, with the following exceptions:

42 1. The applicable percentage of the member's average final
 43 compensation shall be multiplied by the number of years of
 44 membership service, rather than the number of years of
 45 creditable ~~service~~; the service.

46 2. The amount shall include the effect of any percentage
 47 reduction that applies to the member's service retirement
 48 allowance by virtue of the member's age or amount of
 49 creditable service as of the service retirement ~~date~~; and the
 50 date.

1 study as required by G.S. 128-28(o). Prior to establishing a service retirement
2 allowance under this section, the Board ~~shall~~shall do all of the following:

3 ~~(1)~~a. Determine an amount equal to the member's accumulated
4 contributions as required under G.S. 128-30(b)(1) for all years during
5 which the member earned membership service, other than service
6 earned through armed service credit under G.S. 128-26(a1),
7 G.S. 128-26(a2), G.S. 128-26(j1), or G.S. 128-26.5, used in the
8 calculation of the retirement allowance that the member would receive
9 under this section.

10 ~~(2)~~b. Determine the amount of a single life annuity that is the actuarial
11 equivalent of the amount determined under ~~subdivision (1)~~
12 sub-subdivision (1)a. of this subsection, adjusted for the age of the
13 member at the time of retirement or, when appropriate, the age at the
14 time of the member's death.

15 ~~(3)~~c. Multiply the annuity amount determined under ~~subdivision (2)~~
16 sub-subdivision (1)b. of this subsection by the contribution-based
17 benefit cap factor.

18 ~~(4)~~d. Determine the amount of the retirement allowance that results from
19 the member's membership ~~service~~, service to which the member would
20 be entitled but for the adjustment under this subsection. This amount
21 shall be calculated in the same manner as the member's service
22 retirement allowance, with the following exceptions:

23 1. The applicable percentage of the member's average final
24 compensation shall be multiplied by the number of years of
25 membership service, rather than the number of years of
26 creditable ~~service~~; the service.

27 2. The amount shall include the effect of any percentage
28 reduction that applies to the member's service retirement
29 allowance by virtue of the member's age or amount of
30 creditable service as of the service retirement ~~date~~; and the
31 date.

32 3. The amount shall not be adjusted for an optional allowance
33 elected under subsection (g) of this section.

34 (2) The product of the multiplication in ~~subdivision (3)~~ sub-subdivision (1)c. of
35 this subsection is the member's contribution-based benefit cap. If the amount
36 determined under ~~subdivision (4)~~ sub-subdivision (1)d. of this subsection
37 exceeds the member's contribution-based benefit cap, then the member's
38 retirement allowance shall be reduced by an amount equal to the difference
39 between the contribution-based benefit cap and the amount determined under
40 ~~subdivision (4)~~ sub-subdivision (1)d. of this subsection.

41 (3) Notwithstanding ~~the foregoing~~, anything to the contrary under subdivisions
42 (1) and (2) of this subsection, the retirement allowance of a member with an
43 average final compensation of less than one hundred thousand dollars
44 (\$100,000), as ~~hereinafter indexed~~, indexed under this subdivision, shall not
45 be subject to the contribution-based benefit cap. The minimum average final
46 compensation necessary for a retirement allowance to be subject to the
47 contribution-based benefit cap shall be increased on January 1 each year by
48 the percent change between the June Consumer Price Index in the year prior
49 to retirement and the June Consumer Price Index in the fiscal year most
50 recently ended, calculated to the nearest tenth of a percent (0.1%), provided
51 that this percent change is positive.

- 1 (4) Notwithstanding ~~the foregoing, anything to the contrary under subdivisions~~
2 (1) through (3) of this subsection, the retirement allowance of a member who
3 became a member before January 1, 2015, or who has not earned at least five
4 years of membership service in the Retirement System after January 1, 2015,
5 shall not be reduced; however, the member's last employer, or if the member's
6 last employer did not report to the retirement system any compensation paid
7 to the member during the period used to compute the member's average final
8 compensation, the member's employer or employers who reported
9 compensation to the member during such period, shall be required to make an
10 additional contribution as specified in G.S. 128-30(g)(2)b., if applicable.
- 11 (5) For any member whose retirement allowance was (i) initially restored to the
12 pre-contribution-based benefit cap level, in accordance with G.S. 128-26(y),
13 (ii) subsequently suspended for a period of at least three years due to the
14 member being restored to service, and (iii) recalculated based on becoming
15 reemployed for at least three years on the basis of the member's compensation
16 and service before and after the period of prior retirement without restrictions,
17 the amount required to restore the member's benefit to the
18 pre-contribution-based benefit cap level shall be reduced on a dollar-for-dollar
19 basis by the amount required to restore the initial retirement allowance."
20

21 LEGISLATIVE RETIREMENT SYSTEM REEMPLOYMENT FLEXIBILITY

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

23 "c. Unless otherwise provided, if a beneficiary who retired on an early or
24 service retirement allowance under this Article is reemployed by, or
25 otherwise engaged to perform services for, an employer participating
26 in the Retirement System on a part time, temporary, interim, or on a
27 fee for service basis, whether contractual or otherwise, and if the
28 beneficiary earns an amount during the 12 month period immediately
29 following the effective date of retirement or in any calendar year which
30 exceeds fifty percent (50%) of the reported compensation, excluding
31 terminal payments, during the 12 months of service preceding the
32 effective date of retirement, or twenty thousand dollars (\$20,000),
33 whichever is greater, as hereinafter indexed, then the retirement
34 allowance shall be suspended as of the first day of the month following
35 the month in which the reemployment earnings exceed the indexed
36 amount, for the balance of the calendar year, unless the reemployment
37 earnings exceed the indexed amount in the month of December. If the
38 reemployment earnings exceed the indexed amount in December, then
39 the retirement allowance shall not be suspended. A suspended
40 retirement allowance of the beneficiary shall be reinstated as of
41 January 1 of each year following suspension. The amount that may be
42 earned before suspension shall be increased on January 1 of each year
43 by the percentage change between the December Consumer Price
44 Index in the year prior to retirement and the December Consumer Price
45 Index in the year most recently ended, calculated to the nearest tenth
46 of a percent (1/10 of 1%), provided that this percentage change is
47 positive. This sub-subdivision shall not apply to service as a member
48 of the Legislative Retirement System of North Carolina under Article
49 1A of Chapter 120 of the General Statutes."

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

1 "d. Should a beneficiary who retired on an early or service retirement
2 allowance under this Chapter be restored to service as an employee or
3 teacher, then the retirement allowance shall cease as of the first of the
4 month following the month in which the beneficiary is restored to
5 service and the beneficiary shall become a member of the Retirement
6 System and shall contribute thereafter as allowed by law at the uniform
7 contribution payable by all members. This sub-subdivision shall not
8 apply to service as a member of the Legislative Retirement System of
9 North Carolina under Article 1A of Chapter 120 of the General
10 Statutes.

11"

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

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

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

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

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

27 28 **ELECTRONIC REPORTING OF CONTRIBUTIONS/FIREFIGHTERS' AND RESCUE** 29 **SQUAD WORKERS' PENSION FUND**

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

32 **§ 58-86-41. Collection and reporting of contributions.**

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

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

42 43 **CLARIFICATION/FELONY FORFEITURE OF CERTAIN SUPPLEMENTAL** 44 **RETIREMENT INCOME PLAN BENEFITS**

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

46 "(g1) Forfeiture of Benefits for Certain Felonies. – Participants in the Supplemental
47 Retirement Income Plan for State Law-Enforcement Officers whose benefits are forfeited under
48 G.S. 135-18.10A shall also forfeit contributions paid on or after December 1, 2012, on behalf of
49 the participant by the State to the Supplemental Retirement Income Plan. Pending the
50 determination of whether G.S. 135-18.10A applies to a law enforcement officer's conviction, the
51 administrator of the Supplemental Retirement Income Plan may prohibit the withdrawal of

1 contributions from the law enforcement officer's account for a period of up to 60 days to allow
2 for a post-conviction forfeiture determination. Any contribution funds forfeited under this
3 subsection shall be deposited in the Supplemental Retirement Income Plan."

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

5 "(e2) Forfeiture of Benefits for Certain Felonies. – Participants in the Supplemental
6 Retirement Income Plan for Local Governmental Law-Enforcement Officers whose benefits are
7 forfeited under G.S. 128-38.4A shall also forfeit contributions paid on or after December 1, 2012,
8 on behalf of the participant by local government employers of law enforcement officers to the
9 Supplemental Retirement Income Plan for Local Governmental Law-Enforcement Officers.
10 Pending the determination of whether G.S. 128-38.4A applies to a law enforcement officer's
11 conviction, the administrator of the Supplemental Retirement Income Plan may prohibit the
12 withdrawal of contributions from the law enforcement officer's account for a period of up to 60
13 days to allow for a post-conviction forfeiture determination. Any contribution funds forfeited
14 under this subsection shall be deposited in the Supplemental Retirement Income Plan."

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

17 18 **PERSONNEL FLEXIBILITY**

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

20 **"§ 135-6. Administration.**

21 ...

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

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

34 (1) Employees designated under this subsection shall be exempt from the
35 classification and compensation rules established by the Office of State
36 Human Resources, in accordance with G.S. 126-5(c13).

37 (2) The total number of designated employees under this subsection and
38 G.S. 128-28(h1) shall not exceed forty percent (40%) of the employees of the
39 Retirement Systems Division.

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

44"

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

46 **"§ 128-28. Administration and responsibility for operation of System.**

47 ...

48 (h) Officers and Other ~~Employees, Salaries, and Expenses;~~ Employees; Expenses. – The State
49 Treasurer shall be ex officio chair of the Board of Trustees and shall appoint a director. ~~The~~
50 ~~Board shall engage actuarial and other services required to transact the business of the Retirement~~
51 ~~System.~~ The State Treasurer and the Board of Trustees may appoint employees as they deem

1 advisable to carry out the terms and conditions of the Retirement Systems. The compensation of
 2 all persons engaged by the Board, and all other expenses of the Board necessary for the operation
 3 of the Retirement System, System shall be paid at rates and in amounts approved by the Board.

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

8 (1) Employees designated under this subsection shall be exempt from the
 9 classification and compensation rules established by the Office of State
 10 Human Resources, in accordance with G.S. 126-5(c13).

11 (2) The total number of designated employees under this subsection and
 12 G.S. 135-6(g1) shall not exceed forty percent (40%) of the employees of the
 13 Retirement Systems Division.

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

18"

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

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

23 (1) Employees possessing specialized skills or knowledge necessary for the
 24 proper administration of the Supplemental Retirement Plans and compensated
 25 pursuant to G.S. 135-91(e)-G.S. 135-91(c2).

26 (2) Designated employees under G.S. 135-6(g1) or G.S. 128-28(h1)."

27 **LEGAL COUNSEL FLEXIBILITY**

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

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

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

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

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

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

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

46 **BOARD OF TRUSTEES PER DIEM**

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

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

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

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

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

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

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

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

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

22 **SECTION 1.9.(e)** This section is effective when it becomes law and applies to
23 sessions of the Boards of Trustees on or after that date.
24

25 SURVIVOR'S ALTERNATIVE BENEFIT RENUNCIATION CLARIFICATION

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

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

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

34 "(2) At the time of the member's death, one and only one beneficiary is eligible to
35 receive a return of ~~his~~ the member's accumulated contributions. If multiple
36 beneficiaries are designated and living at the time of the member's death and
37 any beneficiary elects to renounce that beneficiary's portion of the member's
38 accumulated contributions, the renunciation shall not result in another
39 beneficiary becoming eligible for benefits under this subsection."
40

41 LEIA MODIFICATIONS

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

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

49 (1) Administration. – The LEIA shall be administered by the Board of Trustees,
50 which shall compile and maintain all records necessary or appropriate for
51 administration. The Board of Trustees shall have full discretionary authority

- 1 to interpret, construe, and implement the LEIA and to adopt such rules and
2 regulations as may be necessary or desirable to implement the provisions of
3 the LEIA.
- 4 (2) Funding of the LEIA. – In the event that (i) the General Assembly creates or
5 modifies any provision for the retirement of, or payment of retirement benefits
6 to, public officers or public employees that has a cost savings as measured by
7 actuarial note required by Article 15 of Chapter 120 of the General Statutes,
8 or (ii) the Board of Trustees identifies a specific administrative or information
9 technology purpose that is necessary to prevent an interruption to the normal
10 operation of the Retirement System, the Board of Trustees may direct up to
11 one hundredth percent (0.01%) of the required contributions to fund the LEIA.
12 These funds must be deposited in a separate fund from the fund into which
13 regular employer contributions are deposited for the Retirement System. ~~The~~
14 ~~Board of Trustees shall not direct any employer contributions into the LEIA~~
15 ~~after January 1, 2035.~~
- 16 (3) Allocation of LEIA funds. – The Board of Trustees may allocate LEIA funds
17 to (i) the implementation of legislative provisions regarding the retirement of,
18 or payment for retirement benefits to, public officers or public employees, or
19 (ii) be used for administrative or information technology purposes, ~~subject to~~
20 ~~the following restrictions:~~
- 21 a. ~~The Board of Trustees must identify individual implementation~~
22 ~~projects that will be paid for with LEIA funds. These implementation~~
23 ~~projects must be necessitated by a specific statute or session law that~~
24 ~~was enacted within five years of the allocation of the funds. The Board~~
25 ~~of Trustees must also identify the number of years for which each~~
26 ~~individual implementation project will be paid for with LEIA funds.~~
- 27 b. ~~For implementation projects that will be paid for with LEIA funds for~~
28 ~~a period of one year or less, the Board of Trustees must determine that~~
29 ~~the cost savings from implementing the project is projected to be no~~
30 ~~less than half of the amount of LEIA funds utilized to pay for~~
31 ~~implementation.~~
- 32 c. ~~For implementation projects that will be paid for with LEIA funds for~~
33 ~~a period of greater than one year, but not more than four years, the~~
34 ~~Board of Trustees must determine that the long-term cost savings from~~
35 ~~implementing the project is projected to be at least three times greater~~
36 ~~than the cost of implementation.~~
- 37 d. ~~No implementation project shall be paid for with LEIA funds for a~~
38 ~~period of more than four years.~~
- 39 e. ~~The Board of Trustees shall identify the specific administrative or~~
40 ~~information technology purpose for which LEIA funds will be used.~~
41 ~~Any use of LEIA funds for administrative or information technology~~
42 ~~purposes requires a determination by the Board of Trustees that the~~
43 ~~use of funds is necessary to prevent an interruption to the normal~~
44 ~~operation of the Retirement System.~~ purposes that the Board of
45 Trustees determines are necessary to prevent an interruption to the
46 normal operation of the Retirement System.
- 47 (4) Treatment of unused assets. – ~~Any assets of the LEIA not used to pay allowed~~
48 ~~administrative expenses for timely administrative implementation of~~
49 ~~legislative provisions shall be transferred.~~ The Board of Trustees may transfer
50 assets of the LEIA to the Retirement System as an additional employer
51 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."

1
2 **PART III. NORTH CAROLINA INVESTMENT AUTHORITY**

3
4 **CONFORM WITH THE CHANGE FROM THE STATE TREASURER AS CUSTODIAN**
5 **OF FUNDS TO THE NORTH CAROLINA INVESTMENT AUTHORITY**

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

7 **"§ 58-31-1. State Property Fire Insurance Fund created.**

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

12 There is hereby created a "State Property Fire Insurance Fund," which shall be as a special
13 fund in the State treasury, for the purpose of providing a reserve against loss from fire at State
14 departments and institutions. The State Treasurer shall be the custodian of the "State Property
15 Fire Insurance Fund" and shall ~~invest deposit~~ its assets ~~in accordance with the provisions of G.S.~~
16 ~~147-69.2 and 147-69.3. with the North Carolina Investment Authority to invest these assets in~~
17 ~~accordance with Article 6 of Chapter 147 of the General Statutes.~~ The unexpended appropriations
18 of State departments and institutions for fire insurance premiums for the fiscal year 1944-1945
19 and the appropriations for fire insurance premiums made for the biennium 1945-1947 or that may
20 thereafter be made for this purpose shall be transferred to the "State Property Fire Insurance
21 Fund.""

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

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

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

36 **"§ 58-86-20. State Treasurer to be custodian of fund; appropriations; contributions to**
37 **fund; expenditures.**

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

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

49 (c) ~~The North Carolina Firefighters' and Rescue Squad Workers' Pension Fund is a~~
50 ~~special fund established in the Department of State Treasurer's office a special fund to be known~~
51 ~~as the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund, and all Treasurer.~~

1 All contributions made by the members of this pension fund shall be deposited in the special
2 fund. All expenditures for refunds, investments or benefits shall be in the same manner as
3 expenditures of other special funds."

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

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

21"

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

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

27"

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

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

33"

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

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

39 ...

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

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

46 "(b) The State Treasurer shall hold the Marine Resources Fund separate and apart from all
47 other moneys, funds, and accounts. The State Treasurer shall ~~invest-deposit~~ the assets of the
48 Marine Resources Fund ~~in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3,~~
49 with the North Carolina Investment Authority to invest these assets in accordance with Article 6
50 of Chapter 147 of the General Statutes, and all marine resources investment income shall be
51 deposited to the credit of the Marine Resources Fund. The State Treasurer shall disburse the

1 principal of the Marine Resources Fund and marine resources investment income only upon the
2 written direction of the Division of Marine Fisheries of the Department of Environmental
3 Quality."

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

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

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

13 **"§ 115C-546.10. Fund created; purpose; prioritization.**

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

22"

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

24 **"§ 116-209. Reserve Trust Fund created; transfer of Escheat Fund; pledge of security**
25 **interest for payment of bonds; administration.**

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

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

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

43"

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

45 **"§ 116-209.25. Parental Savings Trust Fund.**

46 ...

47 (c1) Investments. – The Authority shall determine an appropriate investment strategy for
48 the Parental Savings Trust Fund. The strategy may include a combination of fixed income assets
49 and preferred or common stocks issued by any company incorporated, or otherwise located
50 within or without the United States, or other appropriate investment instruments to achieve
51 long-term return through a combination of capital appreciation and current income. The

1 Authority may deposit all or any portion of the Parental Savings Trust Fund for investment either
 2 with the ~~State Treasurer, North Carolina Investment Authority,~~ or in the individual, common, or
 3 collective trust funds of an investment manager or managers that meet the requirements of this
 4 subsection. Contributions to the Parental Savings Trust Fund on deposit with the State Treasurer
 5 shall be invested by the ~~State Treasurer as authorized in G.S. 147-69.2(b)(1) through (6) and the~~
 6 ~~applicable provisions of G.S. 147-69.3. North Carolina Investment Authority to invest these~~
 7 ~~assets in accordance with Article 6 of Chapter 147 of the General Statutes.~~ Contributions to the
 8 Parental Savings Trust Fund may be invested in the individual, common, or collective trust funds
 9 of an investment manager provided that the investment manager meets both of the following
 10 conditions:

11 ...

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

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

19 **"§ 120-4.18. Management of funds.**

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

22 (1) The Board of Trustees shall manage the fund.

23 (2) The State Treasurer shall be the custodian of the assets of this fund and shall
 24 deposit these assets with the North Carolina Investment Authority to invest
 25 these assets in accordance with Article 6 of Chapter 147 of the General
 26 Statutes."

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

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

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

34 **"§ 127A-40.1. North Carolina National Guard Pension Fund.**

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

37 (1) Board of Trustees. – The Board of Trustees of the Teachers' and State
 38 Employees' Retirement System.

39 (2) Fund. – The North Carolina National Guard Pension Fund.

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

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

46"

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

48 **"§ 131A-32. The Rural Health Care Stabilization Fund.**

49 The Rural Health Care Stabilization Fund is created as a nonreverting special fund in the
 50 Office of State Budget and Management. The Fund shall operate as a revolving fund consisting
 51 of funds appropriated to, or otherwise received by, the Rural Health Care Stabilization Program

1 and all funds received as repayment of the principal of or interest on a loan made from the Fund.
2 The State Treasurer is the custodian of the Fund and shall deposit the assets of the Fund with the
3 North Carolina Investment Authority to invest its assets in accordance with G.S. 147-69.2 and
4 G.S. 147-69.3. Article 6 of Chapter 147 of the General Statutes. Moneys in the Fund shall only
5 be used for loans made pursuant to this Article."

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

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

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

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

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

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

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

30 "(b) The State Treasurer shall be the custodian of the Sheriffs' Supplemental Pension Fund
31 and shall ~~invest~~ deposit its assets with the North Carolina Investment Authority to invest the
32 assets in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3. Article 6 of Chapter
33 147 of the General Statutes."

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

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

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

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

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

1 "(a) The North Carolina Conservation Easement Endowment Fund is established as a
2 special fund in the Office of the State Treasurer. The principal of the Endowment Fund shall
3 consist of a portion of grant funds transferred by the Trustees to the Endowment Fund from the
4 North Carolina Land and Water Fund for stewardship activities related to projects for
5 conservation easements funded from the North Carolina Land and Water Fund. The principal of
6 the Endowment Fund may also consist of any proceeds of any gifts, grants, or contributions to
7 the State that are specifically designated for inclusion in the Endowment Fund and any
8 investment income that is not used in accordance with subsection (b) of this section. The State
9 Treasurer shall hold the Endowment Fund separate and apart from all other moneys, funds, and
10 accounts. The State Treasurer shall deposit its assets with the North Carolina Investment
11 Authority to invest the assets of the Endowment Fund in accordance with the provisions of
12 G.S. 147-69.2 and G.S. 147-69.3. Article 6 of Chapter 147 of the General Statutes. The State
13 Treasurer shall disburse the endowment investment income only upon the written direction of
14 the Chair of the Board of Trustees. No expenditure or disbursement shall be made from the
15 principal of the Endowment Fund."

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

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

25 The State Treasurer shall hold the Trust Fund separate and apart from all other moneys, funds,
26 and accounts. The State Treasurer shall be the custodian of the Trust Fund and shall deposit its
27 assets with the North Carolina Investment Authority to invest its assets in accordance with G.S.
28 147-69.2 and G.S. 147-69.3. Article 6 of Chapter 147 of the General Statutes. Investment
29 earnings credited to the assets of the Trust Fund shall become part of the Trust Fund. Any balance
30 remaining in the Trust Fund at the end of any fiscal year shall be carried forward in the Trust
31 Fund for the next succeeding fiscal year.

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

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

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

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

43 "(a) The Swain County Settlement Trust Fund is established as a special fund in the Office
44 of the State Treasurer under the management of the Investment Authority. The Investment
45 Authority may invest the assets of the Fund ~~in any of the investments authorized under~~
46 ~~subdivisions (b)(1) through (6) and subdivision (b)(8) of G.S. 147-69.2. in accordance with~~
47 Article 6 of this Chapter. The Fund shall consist of the proceeds of any payments made by the
48 United States in settlement of the 1943 agreement between Swain County and the United States
49 Department of Interior, such other contributions as Swain County or other entities may choose
50 to make to the Fund, and the interest and other investment income earned by the Fund. For the

1 purposes of this section, the initial balance of the Fund shall be defined as fifty-two million
2 dollars (\$52,000,000)."

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

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

8
9 **REASSIGN RESPONSIBILITY FOR PROHIBITIONS ON STATE INVESTMENT**
10 **FROM THE STATE TREASURER TO THE NORTH CAROLINA INVESTMENT**
11 **AUTHORITY**

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

13 "(4a) "Investment Authority" means the North Carolina Investment Authority
14 established under Part 4 of Article 6 of this Chapter."

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

16 **"§ 147-86.58. Prohibitions on State investment.**

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

22 (1) List of restricted companies. – Within 120 days of adoption of the policy, the
23 ~~State Treasurer~~ Board of Directors of the Investment Authority shall develop
24 and make ~~publically~~ publicly available, a list of companies it determines
25 engage in investment activities in Iran. The ~~State Treasurer~~ Investment
26 Authority shall use any other state lists of restricted companies pursuant to
27 similar laws and any federal information or guidance on companies engaged
28 in investment activities in Iran and any other credible information provided
29 by nonprofit organizations, research firms, governmental entities, and
30 generally public information. The ~~State Treasurer~~ Investment Authority shall
31 make every effort to avoid erroneously including a company on the list. The
32 ~~State Treasurer list~~ shall ~~update the list~~ be updated annually. Before finalizing
33 an initial list or an updated list, the ~~State Treasurer~~ Board of Directors must
34 do all of the following before a company is included on the list:

35 a. Provide 90 days' written notice of the ~~State Treasurer's~~ intent to
36 include the company on the list. The notice shall inform the company
37 that inclusion on the list would make the company ineligible for State
38 investment and may affect the company's ability to conduct other
39 business with the State and its subdivisions. The notice shall specify
40 that the company may be removed from the list if it ceases its
41 investment activities in Iran.

42 b. ~~The State Treasurer shall provide~~ Provide a company with an
43 opportunity to comment in writing that it is not engaged in investment
44 activities in Iran. If the company demonstrates to the ~~State Treasurer~~
45 Board of Directors of the Investment Authority that the company is
46 not engaged in investment activities in Iran, the company shall not be
47 included on the list.

48 (2) Investments prohibited. – ~~Neither the~~ The North Carolina Retirement ~~Systems~~
49 ~~or Systems, the Investment Authority, and~~ the State Treasurer may not invest
50 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.

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

6 (1) List of restricted companies. – Within 120 days of adoption of the policy, the
7 ~~State Treasurer~~ Board of Directors of the Investment Authority shall develop
8 and make publicly available a list of companies it determines to be engaged
9 in a boycott of Israel. In the development of this list, the ~~State Treasurer~~
10 Investment Authority shall use any other state lists of restricted companies
11 pursuant to similar laws and any federal information or guidance on
12 companies that boycott Israel and any other credible information provided by
13 nonprofit organizations, research firms, and governmental entities, and
14 generally publicly available information. The ~~State Treasurer~~ Investment
15 Authority shall make every effort to avoid erroneously including a company
16 on the list. Before finalizing an initial or updated list, the ~~State Treasurer~~
17 Board of Directors must do all of the following before a company is included
18 on the list:

19 a. Provide 90 days' written notice of the ~~State Treasurer's~~ intent to
20 include the company on the list. The notice shall inform the company
21 that inclusion on the list would make the company ineligible for State
22 investment, may result in the company becoming subject to divestment
23 by the North Carolina Retirement Systems, and may affect the
24 company's ability to conduct business with the State and its
25 subdivisions. The notice shall specify that the company may be
26 removed from the list if the company ceases its engagement in a
27 boycott of Israel.

28 b. ~~The State Treasurer shall provide~~ Provide a company with an
29 opportunity to comment in writing that the company is not engaged in
30 a boycott of Israel or has ceased its boycott of Israel. If the company
31 demonstrates to the ~~State Treasurer~~ Board of Directors of the
32 Investment Authority that the company has not been engaged in a
33 boycott of Israel, the company shall not be placed on the list. If a
34 company had been engaged in a boycott of Israel but has ceased the
35 boycott, it must submit a written certification to the ~~State Treasurer~~
36 Investment Authority that the company will not reengage in a boycott
37 of Israel for the duration of any business with the State. The ~~State~~
38 ~~Treasurer~~ Investment Authority shall keep all written certifications
39 from restricted and previously restricted companies.

40 (2) Identification of investments. – Upon completion of the initial list of restricted
41 companies created pursuant to subdivision (1) of this subsection, the ~~State~~
42 ~~Treasurer~~ Investment Authority shall identify any restricted companies in
43 which the North Carolina Retirement Systems has investments.

44 (3) Review of restricted companies list. – The ~~State Treasurer~~ Board of Directors
45 of the Investment Authority shall review the list of restricted companies
46 created pursuant to subdivision (1) of this subsection on an annual basis. This
47 updated list shall be made publicly available and any updates shall be
48 distributed to the North Carolina Retirement Systems.

49 (4) Investments prohibited. – ~~Neither the~~ The North Carolina Retirement ~~Systems~~
50 ~~nor~~ Systems, the Investment Authority, and the State Treasurer may not invest
51 funds with a company that is identified on a list created pursuant to

1 subdivision (1) of this section as a company engaging in restricted investment
 2 activities.
 3 (5) Existing investments. – Any existing investment with a company that is
 4 identified on a list created pursuant to subdivision (1) of this section as a
 5 company engaging in restricted activities must be divested within 180 days of
 6 the adoption of the list.

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

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

16
 17 **EXCLUDE NCIA EMPLOYEE PERFORMANCE-RELATED BONUSES FROM**
 18 **COMPENSATION CALCULATIONS/TECHNICAL CLEAN-UP OF DEFINITION**

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

20 "(7a) ~~a.~~"Compensation" shall mean all salaries and wages prior to any reduction
 21 pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457 of the Internal
 22 Revenue Code, not including any terminal payments for unused sick leave,
 23 derived from public funds which are earned by a member of the Retirement
 24 System for service as an employee or teacher in the unit of the Retirement
 25 System for which ~~he the employee~~ is performing full-time work. ~~In addition~~
 26 ~~to the foregoing, "compensation"~~ All of the following shall apply:

- 27 a. The term "compensation" shall ~~include~~ include all of the following:
- 28 1. Performance-based compensation (~~regardless~~ regardless
 29 of whether paid in a lump sum, in periodic installments, or on a
 30 monthly ~~basis~~); basis.
 - 31 2. Conversion of additional benefits to ~~salary (additional benefits~~
 32 salary, such as health, life, or disability ~~plans)~~; plans, so long
 33 as the benefits are other than mandated by State law or
 34 ~~regulation~~; rule.
 - 35 3. Payment of tax consequences for benefits provided by the
 36 employer, so long as they constitute an adjustment or increase
 37 in salary and not a "reimbursement of ~~expenses~~"; expenses."
 - 38 4. Payout of vacation leave so long as such payouts are permitted
 39 by applicable law and ~~regulation~~; rule.
 - 40 5. Employee contributions to eligible deferred compensation
 41 ~~plans; and plans.~~
 - 42 6. Effective July 1, 2009, payment of military differential wages.
 - 43 7. All special pay contribution of annual leave made to a 401(a)
 44 Special Pay Plan for the benefit of an employee.
- 45 b. ~~"Compensation" shall not include any payment, as determined by the~~
 46 ~~Board of Trustees, for the reimbursement of expenses or payments for~~
 47 ~~housing or any other allowances whether or not classified as salary and~~
 48 ~~wages. "Compensation" includes all special pay contribution of annual~~
 49 ~~leave made to a 401(a) Special Pay Plan for the benefit of an employee.~~
 50 Notwithstanding any other provision of this ~~Chapter~~, Chapter to the

- 1 contrary, the term "compensation" shall not include:~~include any of the~~
 2 following:
 3 1. Supplement/allowance provided to employee to purchase
 4 additional benefits such as health, life, or disability
 5 ~~plans;~~plans.
 6 2. Travel supplement/allowance (~~nonaccountable and other~~
 7 ~~nonaccountable allowance plans);~~plans.
 8 2a. Any payment, as determined by the Board of Trustees, for the
 9 reimbursement of expenses or payments for housing or any
 10 other allowances, whether or not classified as salary and
 11 wages.
 12 3. Employer contributions to eligible deferred compensation
 13 ~~plans;~~plans.
 14 4. Employer-provided fringe ~~benefits (additional benefits,~~
 15 including additional benefits such as health, life, or disability
 16 ~~plans);~~plans.
 17 5. Reimbursement of uninsured medical ~~expenses;~~expenses.
 18 6. Reimbursement of business ~~expenses;~~expenses.
 19 7. Reimbursement of moving ~~expenses;~~expenses.
 20 8. Reimbursement/payment of personal ~~expenses;~~expenses.
 21 9. Incentive payments for early ~~retirement;~~retirement.
 22 10. Bonuses paid incident to ~~retirement;~~retirement.
 23 10a. Local supplementation as authorized under G.S. 7A-300.1 for
 24 Judicial Department ~~employees;~~employees.
 25 11. Contract buyout/severance ~~payments; and~~payments.
 26 12. Payouts for unused sick leave.
 27 13. Performance-related bonuses paid to employees of the
 28 Investment Authority in accordance with G.S. 147-71.2(d).

29 "...."
 30 **SECTION 3.3.(b)** G.S. 128-21(7a) reads as rewritten:

31 "(7a) a- "Compensation" shall mean all salaries and wages prior to any
 32 reduction pursuant to sections 125, 401(k), 403(b), 414(h)(2), and 457
 33 of the Internal Revenue Code, not including any terminal payments for
 34 unused sick leave, derived from public funds which are earned by a
 35 member of the Retirement System for service as an employee in the
 36 unit of the Retirement System for which ~~he~~the employee is performing
 37 full-time work. ~~In addition to the foregoing, "compensation" shall~~
 38 ~~include:~~All of the following shall apply:

- 39 a. The term "compensation" shall include all of the following:
 40 1. Performance-based compensation (~~regardless regardless of~~
 41 whether paid in a lump sum, periodic installments, or on a
 42 monthly ~~basis);~~basis.
 43 2. Conversion of additional benefits to ~~salary (additional benefits~~
 44 salary, such as health, life, or disability plans); ~~plans,~~ so long
 45 as the benefits are other than mandated by State law or
 46 ~~regulation;~~rule.
 47 3. Payment of tax consequences for benefits provided by the
 48 employer so long as they constitute an adjustment or increase
 49 in salary and not a "reimbursement of ~~expenses";~~expenses."
 50 4. Payout of vacation leave so long as such payouts are permitted
 51 by applicable law and ~~regulation;~~rule.

1 interest assumption rate recommended by the actuary based upon actual
2 experience including an assumed annual post-retirement allowance increase
3 of four percent (4%).

4 (2) The Board of Trustees shall modify ~~such~~ the straight life annuity factors every
5 five years, as shall be deemed necessary, based upon the five year experience
6 study as required by G.S. 135-6(n). ~~Provided, however, a member,~~

7 (3) A member who transfers ~~his~~ eligible accumulated contributions from the
8 Supplemental Retirement Income Plan of North ~~Carolina, Carolina~~ shall be
9 taxed for North Carolina State Income tax purposes on the special retirement
10 allowance the same as if that special retirement allowance had been paid
11 directly by the Supplemental Retirement Income Plan of North Carolina. The
12 Teachers' and State Employees' Retirement System shall be responsible to
13 determine the taxable amount, if any, and report accordingly.

14 (4) For transfers of eligible accumulated contributions from the Supplemental
15 Retirement Income Plan of North Carolina that are made on or after July 1,
16 2022, if, subsequent to the member's election, the Board of Trustees
17 determines that (i) the member was ineligible for the election or (ii) the
18 election was impermissible for any reason under federal or State law, then no
19 special retirement allowance shall be paid to the member pursuant to this
20 subsection; the member shall return to the Retirement System any amount
21 already paid from the Retirement System as a special retirement allowance;
22 and the Retirement System shall return the transfer amount to the source of
23 the transfer, including any earnings adjustment that may be required under
24 federal law or Internal Revenue Service guidance. If the Retirement System is
25 unable to return the amount to the account from which it originated, the
26 member may designate another eligible account under the transferor plan or
27 receive a lump sum distribution paid directly to the member if the member
28 would otherwise be eligible for a distribution under the transferor plan at such
29 time."

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

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

39 (1) For transfers made on or after July 1, 2022, if, subsequent to the member's
40 election, the Board of Trustees determines that (i) the member was ineligible
41 for the election or (ii) the election was impermissible for any reason under
42 federal or State law, then no special retirement allowance shall be paid to the
43 member pursuant to this subsection; the member shall return to the Retirement
44 System any amount already paid from the Retirement System as a special
45 retirement allowance; and the Retirement System shall return the transfer
46 amount to the source of the transfer, including any earnings adjustment that
47 may be required under federal law or Internal Revenue Service guidance. If
48 the Retirement System is unable to return the amount to the account from
49 which it originated, the member may designate another eligible account under
50 the transferor plan or receive a lump sum distribution paid directly to the

- 1 member if the member would otherwise be eligible for a distribution under
2 the transferor plan at such time.
- 3 (2) A member who became a member of the Supplemental Retirement Income
4 Plan prior to retirement and who remains a member of the Supplemental
5 Retirement Income Plan may make a one-time, irrevocable election to transfer
6 eligible balances, not including any Roth after-tax contributions and the
7 earnings thereon, from any of the following plans to the Supplemental
8 Retirement Income Plan, subject to the applicable requirements of the
9 Supplemental Retirement Income Plan, and then through the Supplemental
10 Retirement Income Plan to this Retirement System: ~~(i) a~~
11 a. A plan participating in the North Carolina Public School Teachers' and
12 Professional Educators' Investment Plan; ~~(ii) a Plan.~~
13 b. A plan described in section 403(b) of the Internal Revenue Code; ~~(iii)~~
14 a Code.
15 c. A plan described in section 457(b) of the Internal Revenue Code that
16 is maintained by a state, political subdivision of a state, or any agency
17 or instrumentality of a state or political subdivision of a state; ~~(iv) an~~
18 state.
19 d. An individual retirement account or annuity described in section
20 408(a) or section 408(b) of the Internal Revenue Code that is eligible
21 to be rolled over and would otherwise be includible in gross income;
22 or (v) a income.
23 e. A tax-qualified plan described in section 401(a) or section 403(a) of
24 the Internal Revenue Code. ~~In addition, any~~
25 (3) Any transfer under this subsection may be paid in whole or in part with
26 employer contributions paid directly to this Retirement System at the time of
27 transfer.
28 (4) Notwithstanding ~~anything~~ any provision of law to the contrary, a member may
29 not transfer ~~such~~ any amounts ~~as that~~ will cause the member's retirement
30 allowance under the System to exceed the amount allowable under
31 G.S. 135-18.7(b).
32 (5) The Board of Trustees may establish a minimum amount that must be
33 transferred if a transfer is elected.
34 (6) The member may elect a special retirement allowance with no postretirement
35 increases or a special retirement allowance with annual postretirement
36 increases equal to the annual increase in the U.S. Consumer Price Index.
37 Postretirement increases on any other allowance will not apply to the special
38 retirement allowance.
39 (7) The Board of Trustees shall provide educational materials to the members who
40 apply for the transfer authorized by this ~~section~~ subsection. Those materials
41 shall describe the special retirement allowance and shall explain the
42 relationship between the transferred balance and the monthly benefit and how
43 the member's heirs may be impacted by the election to make this transfer and
44 any costs and fees involved.
45 (8) For the purpose of determining the special retirement allowance, the Board of
46 Trustees shall adopt straight life annuity factors on the basis of yields on U.S.
47 Treasury Bonds and mortality and ~~such~~ other tables as may be necessary based
48 upon actual experience. All of the following apply to the adoption of straight
49 life annuity factors under this subdivision:

- 1 a. A single set of mortality and ~~such~~ other applicable tables will be used
2 for all members, with factors differing only based on the age of the
3 member and the election of postretirement increases.
- 4 b. The Board of Trustees shall modify the mortality and ~~such~~ other
5 applicable tables every five years, as shall be deemed necessary, based
6 upon the five-year experience study as required by G.S. 135-6(n).
7 ~~Provided, however, a~~
- 8 c. A member who transfers the member's eligible accumulated
9 contributions from an eligible retirement plan pursuant to this
10 subsection to this Retirement System shall be taxed for North Carolina
11 State Income Tax purposes on the special retirement allowance the
12 same as if that special retirement allowance had been paid directly by
13 the eligible plan or the plan through which the transfer was made,
14 whichever is most favorable to the member. The Teachers' and State
15 Employees' Retirement System shall be responsible to determine the
16 taxable amount, if any, and report accordingly.
- 17 (9) The Supplemental Retirement Board of Trustees established under
18 G.S. 135-96 may assess a one-time flat administrative fee not to exceed the
19 actual cost of the administrative expenses relating to ~~these transfers~~ transfers
20 under this subsection. An eligible plan shall not assess a fee specifically
21 relating to a transfer of accumulated contributions authorized under this
22 subsection. This ~~provision shall~~ subdivision does not prohibit other fees that
23 may be assessable under the plan.
- 24 (10) Each plan, contract, account, or annuity shall fully disclose to any member
25 participating in a transfer under this subsection any surrender charges or other
26 ~~fees, and such fees~~. This required disclosure shall be made contemporaneous
27 with the initiation of the transfer by the member.
- 28 (11) The special retirement allowance shall continue for the life of the member and
29 the beneficiary designated to receive a monthly survivorship benefit under
30 Option 2, 3 or 6 as provided in G.S. 135-5(g), if any. The Board of Trustees,
31 however, shall establish two payment options that guarantee payments as
32 follows:
- 33 (1)a. A member may elect to receive the special retirement allowance for
34 life but with payments guaranteed for a number of months to be
35 specified by the Board of Trustees. Under this plan, if the member dies
36 before the expiration of the specified number of months, the special
37 retirement allowance will continue to be paid to the member's
38 designated beneficiary for the life of the beneficiary, if Option 2, 3 or
39 6 is selected. If the member's designated beneficiary under Option 2,
40 3 or 6 begins receiving monthly payments and dies before the specified
41 number of monthly payments have been made in combination to the
42 member and beneficiary, a one-time payment will be paid to the
43 member's legal representatives equal to the initial monthly special
44 retirement allowance, multiplied by the specified number of months,
45 less the total of the monthly payments made to the member and
46 beneficiary. If Option 2, 3 or 6 is not selected, and the member dies
47 before the expiration of the specified number of months, the member's
48 designated beneficiary will receive a one-time payment equal to the
49 initial monthly special retirement allowance, multiplied by the
50 specified number of months, less the total of the monthly payments
51 made to the member.

1 (2)b. A member may elect to receive the special retirement allowance for
2 life but is guaranteed that the sum of the special allowance payments
3 will equal the total of the transferred amount. Under this payment
4 option, if the member dies before receiving the total transferred
5 amount, the special retirement allowance will continue to be paid to
6 the member's designated beneficiary for the life of the beneficiary, if
7 Option 2, 3 or 6 is selected. If Option 2, 3 or 6 is not selected, the
8 member's designated beneficiary or the member's estate shall be paid
9 any remaining balance of the transferred amount.

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

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

15 (1) Subsections (c) through (d4), (j), (s), and (x) of G.S. 135-5.

16 (2) G.S. 135-10.1(b).

17 (3) G.S. 135-28.1(e).

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

19 "a. Notwithstanding any other provision of this Chapter, any member who
20 separates from service prior to the attainment of the age of 60 years
21 for any reason other than death ~~or retirement for disability as provided~~
22 ~~in G.S. 135-5(d)~~, after completing 20 or more years of creditable
23 service, and who leaves his or her total accumulated contributions in
24 ~~said the~~ System shall have the right to retire on a deferred retirement
25 allowance upon attaining the age of 60 years: Provided, that ~~such the~~
26 member may retire only upon written application to the Board of
27 Trustees setting forth at what time, not less than 30 days nor more than
28 90 days subsequent to the execution and filing ~~thereof, he of the~~
29 application, that the member desires to be retired. ~~Such The~~ deferred
30 retirement allowance shall be computed in accordance with the
31 provisions of G.S. 135-5(b), subdivisions (1), (2) and (3)."

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

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

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

1 "a. Notwithstanding any other provision of this Chapter, any member who
2 separates from service prior to the attainment of the age of 60 years
3 for any reason other than death ~~or retirement for disability as provided~~
4 ~~in G.S. 135-5(e)~~, after completing 15 or more years of creditable
5 service, and who leaves his or her total accumulated contributions in
6 ~~said the~~ System shall have the right to retire on a deferred retirement
7 allowance upon attaining the age of 60 years; provided that ~~such the~~
8 member may retire only upon electronic submission or written
9 application to the Board of Trustees setting forth at what time, not less
10 than one day nor more than 120 days subsequent to the execution and
11 filing ~~thereof, he of the~~ application, that the member desires to be
12 ~~retired; and further provided that in~~ retired. In the case of a member
13 who ~~so~~ separates from service on or after July 1, 1967, or whose
14 account is active on July 1, 1967, or has not withdrawn ~~his the~~
15 ~~member's~~ contributions, the ~~aforestated~~ requirement of 15 or more
16 years of creditable service shall be reduced to 12 or more years of
17 creditable service; ~~and further provided that in~~ service. In the case of
18 a member who so separates from service on or after July 1, 1971, or
19 whose account is active on July 1, 1971, the ~~aforestated~~ requirement
20 of 12 or more years of creditable service shall be reduced to five or
21 more years of creditable service. ~~Such The~~ deferred retirement
22 allowance shall be computed in accordance with the service retirement
23 provisions of this Article pertaining to a member who is not a law
24 enforcement officer or an eligible former law enforcement officer.
25 Notwithstanding the foregoing, any member whose services as a
26 teacher or employee are terminated for any reason other than
27 retirement, who becomes employed by a nonprofit, nonsectarian
28 private school in North Carolina below the college level within one
29 year after ~~such the~~ teacher or employee has ceased to be a teacher or
30 employee, may elect to leave his or her total accumulated contributions
31 in the Teachers' and State Employees' Retirement System during the
32 period ~~he the member~~ is in the employment of ~~such that~~ employer;
33 provided that ~~he the member~~ files notice thereof in writing with the
34 Board of Trustees of the Retirement System within five years after
35 separation from service as a public school teacher or State employee;
36 ~~such the member~~ shall be deemed to have met the requirements of the
37 above provisions of this subdivision upon attainment of age 60 while
38 in such employment provided that ~~he the member~~ is otherwise vested."

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

40 "b. In lieu of the benefits provided in paragraph a of this subdivision (8),
41 any member who separates from service prior to the attainment of the
42 age of 60 years, for any reason other than ~~death or retirement for~~
43 ~~disability as provided in G.S. 135-5(e)~~, ~~death~~, after completing 20 or
44 more years of creditable service, and who leaves his or her total
45 accumulated contributions in ~~said the~~ System, may elect to retire on
46 an early retirement allowance upon attaining the age of 50 years or at
47 any time thereafter; provided that ~~such the~~ member may so retire only
48 upon electronic submission or written application to the Board of
49 Trustees setting forth at what time, not less than one day nor more than
50 120 days subsequent to the execution and filing ~~thereof, he of the~~
51 ~~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.~~

1 (4) Notwithstanding the requirement of five or more years of creditable service to
 2 the contrary, a member who is a law enforcement officer, an eligible
 3 firefighter as defined in G.S. 58-86-2, or an eligible rescue squad worker as
 4 defined in G.S. 58-86-2, and becomes incapacitated for duty as the natural and
 5 proximate result of injuries incurred while in the actual performance of his or
 6 her duties, and meets all other requirements for disability retirement benefits,
 7 may be retired by the Board of Trustees on a disability retirement allowance.

8 (5) Notwithstanding ~~the foregoing to any provision of this subsection to the~~
 9 contrary, any beneficiary who commenced retirement with an early or service
 10 retirement benefit has the right, within three years of ~~his~~ the member's
 11 retirement, to convert to an allowance with disability retirement benefits
 12 without modification of any election of optional allowance previously made;
 13 provided, the beneficiary would have met all applicable requirements for
 14 disability retirement benefits while still in service as a member. The allowance
 15 on account of disability retirement benefits to the beneficiary shall be
 16 retroactive to the effective date of early or service retirement.

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

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

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

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

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

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

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

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

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

50 b. Creditable service for unused sick leave shall be allowed only for sick
 51 leave accrued monthly during employment under a duly adopted sick

1 leave policy and for which the member may be able to take credits and
 2 be paid for sick leave without restriction. However, in no instance shall
 3 unused sick leave be credited to a member's account at retirement if
 4 the member's last day of actual service is more than five years prior to
 5 the effective date of the member's retirement. ~~Further, any~~

6 c. Any agency with a sick leave policy that is more generous than that of
 7 all State agencies subject to the rules of the Office of State Human
 8 Resources shall proportionately adjust each of its retiring employees'
 9 sick leave balance to the balance that employee would have had under
 10 the rules of the Office of State Human Resources. Days of sick leave
 11 standing to a member's credit at retirement shall be determined by
 12 dividing the member's total hours of sick leave at retirement by the
 13 hours per month ~~such the sick~~ leave was awarded under the employer's
 14 duly adopted sick leave policy as the policy applied to the member
 15 when the leave was accrued."

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

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

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

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

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

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

31 b. Creditable service for unused sick leave shall be allowed only for sick
 32 leave accrued monthly during employment under a duly adopted sick
 33 leave policy and for which the member may be able to take credits and
 34 be paid for sick leave without restriction. However, in no instance shall
 35 unused sick leave be credited to a member's account at retirement if
 36 the member's last day of actual service is more than 365 days prior to
 37 the effective date of the member's retirement.

38 c. Days of sick leave standing to a member's credit at retirement shall be
 39 determined by dividing the member's total hours of sick leave at
 40 retirement by the hours per month ~~such the sick~~ leave was awarded
 41 under the employer's duly adopted sick leave policy as the policy
 42 applied to the member when the leave was accrued."

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

44 "(k) Medical Board. – The Board of Trustees shall designate a Medical Board to be
 45 composed of not less than three nor more than five physicians not eligible to participate in the
 46 Retirement System. The Board of Trustees may structure appointment requirements and term
 47 durations for those Medical Board members. If required, other physicians may be employed to
 48 report on special cases. The Medical Board shall arrange for and pass upon all medical
 49 examinations required under this Chapter, shall investigate all essential statements and
 50 certificates by or on behalf of a member in connection with an application for ~~disability~~
 51 ~~retirement~~, benefits provided under the Disability Income Plan of North Carolina, and shall report

1 in writing to the Board of Trustees its conclusion and recommendations upon all the matters
2 referred to it, except as otherwise provided in this Chapter. A person serving on the Medical
3 Board is immune individually from civil liability for monetary damages, except to the extent
4 covered by insurance, for any act or failure to act arising out of that service, unless any of the
5 following applies:

6"

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

8 "(d) Former employees who are receiving disability retirement benefits under Article 1A
9 of Chapter 120 of the General Statutes or under Article 4 of this Chapter or disability income
10 benefits ~~pursuant to under Article 6 of this Chapter 135 of the General Statutes~~ or who are
11 approved for those benefits but not in receipt of the benefits due to lump-sum payouts of vacation,
12 bonus, and sick leave, provided the former employee has at least five years of contributory
13 retirement service with an employing unit of a State-supported retirement system, shall be
14 eligible for the benefit provisions of this Plan, as set forth in this Part, on a noncontributory or
15 partially contributory basis. ~~Such coverage~~ Coverage shall terminate as of the end of the month
16 in which ~~such the~~ former employee is no longer eligible for disability retirement benefits under
17 Article 1A of Chapter 120 of the General Statutes or under Article 4 of this Chapter or disability
18 income benefits pursuant to Article 6 of this Chapter."

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

21 (1) G.S. 120-4.11(2).

22 (2) G.S. 120-4.12(c)(2).

23 (3) G.S. 120-4.13(a).

24 (4) Subsections (a) and (b) of G.S. 120-4.15.

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

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

29 **"§ 120-4.23. Reexamination for disability retirement allowance.**

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

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

43"

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

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

48 CONFORM TO ACTUAL PRACTICE/REPORTING OF EARNINGS

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

50 **"§ 135-109. Reports of earnings.**

1 The Department of State Treasurer and Board of Trustees may require each beneficiary to
 2 annually provide a statement of the beneficiary's monthly income received as compensation for
 3 services, including fees, commissions, or similar items, income received from business, and
 4 benefits received from the Social Security Administration, the federal Veterans Administration,
 5 any other federal agency, under the North Carolina Workers' Compensation Act, or under the
 6 provisions of G.S. 127A-108. The benefit payable to a beneficiary who does not or refuses to
 7 provide the information requested within 120 days after ~~such the~~ request may be suspended until
 8 the information ~~so requested is provided, and should such provided.~~ If the refusal or failure to
 9 provide such the requested information continue continues for 180 days after ~~such request the~~
 10 request, then the right of a beneficiary to a benefit under the Article may be terminated."
 11

12 **CLARIFY THE DE MINIMIS CALCULATION/REEMPLOYMENT PRIOR TO**
 13 **EXPIRATION OF WAITING PERIOD**

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

15 "(2) The member shall make a lump-sum payment to the Retirement System equal
 16 to three times the amount of compensation earned during the six months
 17 immediately following the effective date of retirement. If the member is
 18 unable to make a lump-sum payment, the member can elect to have the
 19 entirety of ~~their the member's net~~ monthly retirement benefit withheld until
 20 the Retirement System has recovered three times the amount of compensation
 21 earned during the six months immediately following the effective date of
 22 retirement."
 23

24 **TECHNICAL CHANGES IMPROVING CONSISTENCY WITH FEDERAL LAW**

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

26 **"§ 120-4.11. Membership.**

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

29 "...."

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

31 **"§ 135-106. Long-term disability benefits.**

32 ...

33 (b) After the commencement of benefits under this section, the benefits payable under
 34 the terms of this section during the first 36 months of the long-term disability period shall be
 35 equal to sixty-five percent (65%) of 1/12th of the annual base rate of compensation last payable
 36 to the participant or beneficiary prior to the beginning of the short-term disability period as may
 37 be adjusted for percentage increases as provided under G.S. 135-108, plus sixty-five percent
 38 (65%) of 1/12th of the annual longevity payment to which the participant or beneficiary would
 39 be eligible, to a maximum of three thousand nine hundred dollars (\$3,900) per month reduced by
 40 any primary Social Security disability benefits to which the beneficiary may be entitled, effective
 41 as of the first of the month following the month of initial entitlement, and by monthly payments
 42 for Workers' Compensation to which the participant or beneficiary may be entitled. All of the
 43 following apply:

44 (1) When primary Social Security disability benefits are increased by
 45 cost-of-living adjustments, the increased reduction shall be applied in the first
 46 month following the month in which the member becomes entitled to the
 47 increased Social Security benefit.

48 (2) The monthly benefit shall be ~~further~~ reduced by the amount of any monthly
 49 payments from the federal Department of Veterans Affairs, for payments from
 50 any other federal ~~agency agency,~~ or for any payments made under the

- 1 provisions of G.S. 127A-108, to which the participant or beneficiary may be
2 entitled on account of the same disability. ~~Provided, in any event, the~~
- 3 (3) The benefit payable shall be no less than ten dollars (\$10.00) a month.
4 ~~However, a~~
- 5 (4) A disabled participant may elect to receive any salary continuation as provided
6 in G.S. 135-104 in lieu of long-term disability benefits; provided such benefits
7 under this section so long as that election shall not extend the first 36
8 consecutive calendar months of the long-term disability period. An election to
9 receive any salary continuation for any part of any given day shall be in lieu
10 of any long-term benefit payable for that day, provided further, any lump-sum
11 payout for vacation leave shall be treated as if the beneficiary or participant
12 had exhausted the leave and shall be in lieu of any long-term benefit otherwise
13 payable. ~~Provided that, in any event, a~~
- 14 (5) A beneficiary's benefit shall be reduced during the first 36 months of the
15 long-term disability period by an amount, as determined by the Board of
16 Trustees, equal to a primary Social Security retirement benefit to which the
17 beneficiary might be entitled, effective as of the first of the month following
18 the month of initial entitlement.
- 19 (b1) After 36 months of long-term disability, disability benefits under this section, no
20 further benefits are payable under the terms of this section unless the member has been approved
21 and is in receipt of primary Social Security disability benefits. ~~In that case the~~ If the member has
22 been approved and is in receipt of primary Social Security disability benefits, then all of the
23 following shall apply:
- 24 (1) The benefits payable shall be equal to sixty-five percent (65%) of 1/12th of
25 the annual base rate of compensation last payable to the participant or
26 beneficiary prior to the beginning of the short-term disability period as may
27 be adjusted for percentage increases as provided under G.S. 135-108, plus
28 sixty-five percent (65%) of 1/12th of the annual longevity payment to which
29 the participant or beneficiary would be eligible, to a maximum of three
30 thousand nine hundred dollars (\$3,900) per month reduced by the primary
31 Social Security disability benefits to which the beneficiary may be entitled,
32 effective as of the first of the month following the month of initial entitlement,
33 and by monthly payments for Workers' Compensation to which the participant
34 or beneficiary may be entitled.
- 35 (2) When primary Social Security disability benefits are increased by
36 cost-of-living adjustments, the increased reduction shall be applied in the first
37 month following the month in which the member becomes entitled to the
38 increased Social Security benefit.
- 39 (3) The monthly benefit shall be further reduced by the amount of any monthly
40 payments from the federal Department of Veterans Affairs, for payments from
41 any other federal agency, or for any payments made under the provisions of
42 G.S. 127A-108, to which the participant or beneficiary may be entitled on
43 account of the same disability. ~~Provided, in any event, the~~
- 44 (4) The benefit payable shall be no less than ten dollars (\$10.00) a month.
- 45 (b2) Notwithstanding the foregoing, anything in subsection (b) or (b1) of this section, the
46 long-term disability benefit is payable so long as the beneficiary is disabled and is in receipt of a
47 primary Social Security disability benefit until the earliest date at which the beneficiary is eligible
48 for an unreduced service retirement allowance from the Retirement System, at which time the
49 beneficiary would receive a retirement allowance calculated on the basis of the beneficiary's
50 average final compensation at the time of disability as adjusted to reflect compensation increases
51 subsequent to the time of disability and the creditable service accumulated by the beneficiary,

1 including creditable service while in receipt of benefits under the Plan. ~~In the event~~ If the
 2 beneficiary has not been approved and is not in receipt of a primary Social Security disability
 3 benefit, then the long-term disability benefit shall cease after the first 36 months of the long-term
 4 disability period. When ~~such~~ a long-term disability recipient begins receiving this unreduced
 5 service retirement allowance from the System, that recipient shall not be subject to the six-month
 6 waiting period set forth in G.S. 135-1(20). ~~However, a beneficiary shall be entitled to a~~
 7 ~~restoration of the long-term disability benefit in the event~~ If the Social Security Administration
 8 grants a retroactive approval for primary Social Security disability benefits with a ~~benefit~~
 9 ~~effective~~ an entitlement date within the first 36 months of the long-term disability ~~period~~. ~~In such~~
 10 ~~event, period, then~~ the beneficiary's long-term disability benefit shall be restored retroactively to
 11 the date of cessation.

12"

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

14 "**§ 135-108. Post disability benefit adjustments.**

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

23 REMOVE NAMED FORMS FROM STATUTORY REFERENCES

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

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

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

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

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

42 REMOVE OBSOLETE FEE CAP LANGUAGE

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

44 "**§ 116B-78. Agreement to locate property between property finders and owners or**
 45 **apparent owners.**

46 ...

47 (b) Criteria for Agreements. – An agreement covered by this section is void and
 48 unenforceable if it does not meet all of the following criteria:
 49
 50

- 1 (1) Is in writing and clearly sets forth the nature of the property and the services
- 2 to be rendered.
- 3 (2) Is signed by the owner, with signature notarized.
- 4 (2a) Is signed by a licensed private investigator authorized to bind the property
- 5 finder, with signature notarized.
- 6 (3) Describes the property, which includes the type of property, the property ID
- 7 held by the State Treasurer, and the name of the holder.
- 8 (4) States that there may be other claims to the property that may reduce the share
- 9 of the owner.
- 10 (5) States the value of the property, to the extent known, before and after the fee
- 11 or other compensation has been deducted.
- 12 (6) States clearly the fees and costs for services. Total fees and costs ~~shall be~~
- 13 ~~limited as follows:~~ shall not exceed one thousand dollars (\$1,000) or twenty
- 14 percent (20%) of the value of the property recovered, whichever is less.
- 15 a. ~~For an agreement covered by this section other than one covered by~~
- 16 ~~G.S. 28A 22-11, total fees and costs shall not exceed one thousand~~
- 17 ~~dollars (\$1,000) or twenty percent (20%) of the value of the property~~
- 18 ~~recovered, whichever is less.~~
- 19 b. ~~For an agreement subject to G.S. 28A 22-11 by an heir, unknown or~~
- 20 ~~known but unlocated, the primary purpose of which is to locate or~~
- 21 ~~recover, or assist in the recovery, of a share in a decedent's estate, or~~
- 22 ~~surplus funds in a special proceeding, total fees and costs shall not~~
- 23 ~~exceed twenty percent (20%) of the value of the property recovered.~~
- 24"
- 25

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.

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

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

8 **"§ 120-171. Procedures if findings made.**

9 (a) If the ~~Commission~~ Municipal Incorporations Subcommittee finds that it may not
10 make a positive recommendation because of the provisions of G.S. 120-166 through
11 G.S. 120-170, it shall make a negative recommendation to the General Assembly. The report to
12 the General Assembly shall list the grounds on which a negative recommendation is made, along
13 with specific findings. If a negative recommendation is made, the ~~Commission~~ Municipal
14 Incorporations Subcommittee shall notify the petitioners of the need for a legally sufficient
15 description of the proposed municipality if the proposal is to be considered by the General
16 Assembly. At the request of a majority of the members of the interim board named in the petition,
17 the ~~Commission~~ Municipal Incorporations Subcommittee may conduct a public hearing and
18 forward any comments or findings made as a result of that hearing along with the negative
19 recommendation.

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

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

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

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

30 **"§ 120-172. Referendum.**

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

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

37 **"§ 120-173. Modification of petition.**

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

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

43 **"§ 120-174. Deadline for recommendations.**

44 If the petition is timely received under G.S. 120-163(e), the ~~Commission~~ Municipal
45 Incorporations Subcommittee shall make its recommendation to the General Assembly no later
46 than 60 days after convening of the next regular session after submission of the petition."
47

48 **MISCELLANEOUS TECHNICAL CORRECTIONS**

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

50 "(4) ~~An accidental~~ A line-of-duty insurance death benefit not to exceed two
51 thousand one hundred dollars (\$2,100) in total on account of the death of a

1 participant caused by an accident while in the actual performance of duty as
2 an officer."

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

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

7 **SECTION 4.9.(d)** G.S. 120-4.25 reads as rewritten:
8 "**§ 120-4.25. Return of accumulated contributions.**

9 If a member ceases to be a member of the General Assembly except by death or retirement,
10 the member shall, upon submission of an application, be paid not earlier than 60 days following
11 the date of termination of service the sum of the member's accumulated contributions provided
12 the member has not in the meantime returned to service. Upon payment of this ~~sum his or her~~
13 sum, the individual's membership in the System ceases. If the individual becomes a member
14 afterwards, no credit shall be allowed for any service previously ~~rendered-rendered,~~ except as
15 provided in G.S. 120-4.14 and G.S. 120-4.15, and the payment shall be in full and complete
16 discharge of any rights in or to any benefits otherwise payable under this Article. Upon receipt
17 of proof satisfactory to the Board of Trustees of the death, prior to retirement, of a member or
18 former member, there shall be paid to the person or persons the member or former member
19 nominated by electronic submission in a form approved by the Board of Trustees or by written
20 designation duly acknowledged and filed with the Board of Trustees, if the person or persons are
21 living at the time of the member's death, otherwise to the member's legal representatives, the
22 amount of the member's accumulated contributions at the time of the member's death, unless the
23 beneficiary elects to receive the alternate benefit under the provisions of G.S. 120-4.28."

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

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

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

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

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

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

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

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

47 48 **PART V. UNCLAIMED PROPERTY**

49 50 **ALLOW CONTINGENCY FEES FOR VENDOR AUDITORS**

51 **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. 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.

...."

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

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

2 "**§ 116B-60. Report of abandoned property; certification by holders with tax return.**

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

8 (b) For amounts due to the apparent owner of property of the value of ~~fifty dollars~~
9 ~~(\$50.00)~~ twenty-five dollars (\$25.00) or more, ~~the~~ and for property subject to
10 G.S. 116B-53(c)(4), 116B-53(c)(5), and 116B-53(c)(5a), regardless of the amount, the report
11 must be verified and must contain the following, if known by the holder:

12 ...

13 (b1) With the exception of property subject to G.S. 116B-53(c)(4), 116B-53(c)(5), and
14 116B-53(c)(5a), amounts due an apparent owner less than ~~fifty dollars (\$50.00)~~ twenty-five
15 dollars (\$25.00) may be reported in an aggregate amount without furnishing any of the
16 information required by subsection (b) of this section.

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

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

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

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

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

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

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

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

48 "**§ 116B-67. Claim for property paid or delivered to the Treasurer.**

49 ...

50 (b) At the discretion of the Treasurer, the claim shall be made to the holder or to the
51 holder's successor. ~~If the holder is satisfied that the claim is valid and that the claimant is the~~

1 owner of the property, the successor, or the Treasurer may request the holder to verify whether
 2 or not the claimant is the owner. The holder shall so certify to the holder's decision under oath to
 3 the Treasurer by written statement attested by the holder under oath, or in the case of a
 4 corporation, within 30 days of the Treasurer's request. The certification by the holder must be
 5 made by two principal officers, or one principal officer and an authorized employee of the
 6 corporation, holder, and shall be binding on the holder. The determination of the holder that the
 7 claimant is the owner shall, in the absence of fraud, be binding upon the Treasurer and upon
 8 receipt of the certificate of the holder to this effect, the Treasurer shall forthwith authorize and
 9 make payment of the claim or return of the property, or if the property has been sold, the amount
 10 received from the sale, to the owner, or to the holder in the event the owner has assigned the
 11 claim to the holder and the certificate of the holder is accompanied by an assignment. In the event
 12 the holder rejects the claim, the claimant may appeal to the Treasurer.

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

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

17 **"§ 116B-77. Interest and penalties; waiver.**

18 ...

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

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

28 **TOWN OF SPEED/SALES TAX**

29 **SECTION 6.1.** Notwithstanding G.S. 159-34(h), funds currently being withheld by
 30 the Department of Revenue from the Town of Speed's sales tax distributions under
 31 G.S. 159-34(g) shall be released by the Department to the Town within 45 days after the Local
 32 Government Commission's approval under G.S. 160A-866 of a plan of action to distribute the
 33 Town's assets and liabilities. However, if the conditions of G.S. 159-34(h) are met before the
 34 Local Government Commission approves a plan of action under G.S. 160A-866, the Department
 35 of Revenue may act under G.S. 159-34(h) to release the funds as required by that section.
 36
 37

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

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

41 **"SECTION 3.** This act becomes effective July 1, 2016, and expires ~~June 30, 2026.~~ June 30,
 42 2029."

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

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

45 **"§ 159-34. Annual independent audit; rules and regulations.**

46 ...

1 (f) Upon receiving a notice of noncompliance under subsection (e) of this section, a
 2 county or municipality may notify the secretary in writing that it plans to appeal the action and
 3 the county or municipality will be scheduled to appear before the Commission ~~at its next~~
 4 ~~regularly scheduled meeting~~, as soon as practicable after July 1. The written notice shall state the
 5 basis for the appeal and include any evidence to support the appeal. The Commission shall
 6 establish guidelines outlining specific criteria that would warrant a successful appeal. If a county
 7 or municipality appeals prior to the secretary taking action to withhold under subsection (g) of
 8 this section, the secretary must delay withholding if the Commission determines that the county
 9 or municipality has provided sufficient evidence that the failure to provide a copy of their annual
 10 audit report is due to circumstances within the guidelines established by the Commission. If the
 11 county or municipality appeals after the secretary takes action to withhold under subsection (g)
 12 of this section, the secretary must notify the Secretary of Revenue to release any funds withheld
 13 under subsection (g) of this section if the Commission determines that the county or municipality
 14 has provided sufficient evidence that the failure to provide a copy of their annual audit report is
 15 due to circumstances within the guidelines established by the Commission.

16"

17
 18 **REMOVE STATE TREASURER AS EX OFFICIO NONVOTING MEMBER OF**
 19 **BOARD OF DIRECTORS OF NC GLOBAL TRANSPARK AUTHORITY**

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

21 **"§ 63A-3. Creation of Authority and Board.**

22 ...

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

25 (1) Six members appointed by the Governor. One member shall be representative
 26 of the economic development industry, two members shall be representative
 27 of the commercial real estate development industry, two members shall be
 28 representative of the banking and finance industry, and one member shall be
 29 representative of environmental interests.

30 (2) Three members appointed by the General Assembly upon the
 31 recommendation of the Speaker of the House of Representatives in
 32 accordance with G.S. 120-121. One member shall be representative of the
 33 aerospace and aviation industry, one member shall be representative of
 34 advanced manufacturing industries, and one member shall be representative
 35 of the logistics and supply chain management industry.

36 (3) Three members appointed by the General Assembly upon the
 37 recommendation of the President Pro Tempore of the Senate in accordance
 38 with G.S. 120-121. One member shall be representative of the aerospace and
 39 aviation industry, one member shall be representative of the emergency
 40 response and disaster relief industries, and one member shall be representative
 41 of the defense and security industry.

42 (4) ~~The State Treasurer, who shall serve as an ex officio nonvoting member.~~

43 (5) The President of the North Carolina System of Community Colleges or the
 44 President's designee, provided that the President of the North Carolina
 45 Community Colleges may instead appoint to the Board of Directors one
 46 member of the board of trustees of a community college or one president of a
 47 community college. If such an appointment is made, the appointee shall serve
 48 at the pleasure of the President.

49 (6) The President of The University of North Carolina or the President's designee,
 50 provided that the President of the University of North Carolina may instead
 51 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.~~

...

1 (e) At any time any committee of either house reports any legislative instrument, to which
 2 an actuarial note or notes are attached at the time of committee consideration, with any
 3 amendment of such nature as would substantially affect the cost to or the revenues of any
 4 retirement system, or program of hospital, medical, disability, or related benefits for teachers and
 5 State employees, as stated in the actuarial note or notes attached to the measure at the time of
 6 such consideration, it shall be the responsibility of the chairman of the committee reporting such
 7 instrument to obtain from the Fiscal Research Division-actuary employed by the system or
 8 program an actuarial note of the fiscal and actuarial effect of the change proposed by the
 9 amendment reported. Such actuarial note shall be attached to the report of the committee on the
 10 measure as a supplement thereto. A floor amendment to a bill or resolution to which an actuarial
 11 note was attached at the time of committee consideration of the bill or resolution shall not be in
 12 order, if the amendment affects the costs to or the revenues of a retirement system, or program
 13 of hospital, medical, disability, or related benefits provided for teachers and State employees,
 14 unless the amendment is accompanied by an actuarial note, prepared by the ~~Fiscal Research~~
 15 ~~Division, actuary employed by the system or program~~ as to the actuarial effect of the amendment.

16 ...
 17 (g) In addition to the other requirements of this section, if a bill or resolution adds or
 18 modifies service purchase provisions, the ~~Fiscal Research Division-actuary employed by the~~
 19 ~~system or program~~ shall ~~obtain~~ provide an estimate of the cost impact of those provisions using
 20 the 30-year United States Treasury constant maturity and cost-of-living adjustment and salary
 21 increase assumptions consistent with that rate as of December of the year of the most recent
 22 actuarial valuation in addition to the cost of the provision using the valuation assumptions."

23
 24 **PART VII. NORTH CAROLINA CAPITAL FACILITIES FINANCE AGENCY**

25
 26 **ADD CHARTER SCHOOLS AND RELIGIOUS SCHOOLS AS PARTICIPATING**
 27 **INSTITUTIONS**

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

29 **"§ 159D-37. Definitions.**

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

32 ...
 33 (4a) "Institution for elementary and secondary education" means a nonprofit
 34 institution within the State of North Carolina authorized by law and engaged
 35 or to be engaged in the providing of kindergarten, elementary, or secondary
 36 education, or any combination of ~~these~~ these including, without limitation,
 37 charter schools.

38 ...
 39 (6a) "Project" means any one or more buildings, structures, equipment,
 40 improvements, additions, extensions, enlargements, or other facilities
 41 comprising any of the following:

- 42 a. Educational facilities used by an institution for higher education or an
 43 institution for elementary and secondary education, including
 44 dormitories and other housing facilities, housing facilities for student
 45 nurses, dining halls and other food preparation and food service
 46 facilities, student unions, administration buildings, academic
 47 buildings, libraries, laboratories, research facilities, classrooms,
 48 athletic facilities, health care facilities, laundry facilities, and other
 49 structures or facilities related to these facilities or required or useful
 50 for the instruction of students, the conducting of research, or the
 51 operation of the institution.

1 b. Student housing facilities to be owned or operated by an owner or
2 operator other than an institution for higher education or an institution
3 for elementary and secondary education.

4 c. A special purpose project as defined in G.S. 159C-3.

5 The term "project" includes landscaping, site preparation, furniture,
6 equipment and machinery, and other similar items necessary or convenient for
7 operation of a particular facility in the manner for which its use is intended.

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

18 (6b) "Special purpose institution" means a for-profit or not-for-profit ~~corporation
19 or corporation, limited liability company, or similar entity that undertakes any
20 of the activities set forth in sub-subdivisions (6a)b. and (6a)c. subdivision (6a)
21 of this section.~~

22"

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

24 **"§ 159D-38. Capital facilities finance agency.**

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

1 appoint and prescribe the duties of a secretary-treasurer and any other officers it considers
2 necessary or advisable, which officers need not be members of the board of directors."
3

4 **MODERNIZE PUBLIC HEARING AND NOTICE REQUIREMENTS**

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

6 **"§ 159D-45. Bonds and notes.**

7 ...

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

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

25"

26 **PART VIII. EFFECTIVE DATE**

27 **SECTION 8.1.** Except as otherwise provided, this act is effective when it becomes
28 law.
29