

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2025

FILED SENATE  
Apr 29, 2026  
S.B. 936  
PRINCIPAL CLERK

S

D

SENATE BILL DRS15393-MRp-127

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

Sponsors: Senators Ford, Alexander, and Hanig (Primary Sponsors).

Referred to:

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9 **PURCHASE OF PREVIOUSLY WITHDRAWN SERVICE**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  
35 under G.S. 135-5(f), and subsequently purchases the maximum amount of



\* D R S 1 5 3 9 3 - M R P - 1 2 7 \*

1 service allowed under G.S. 135-4.5(a)(1), then that member shall have the  
2 service previously credited under this subsection restored."

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

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

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

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

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

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

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

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

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

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

### 39 **"§ 120-4.29. Exemption from garnishment, attachment.**

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

47 (b) Notwithstanding any provisions of law to the contrary, any overpayment of benefits  
48 or erroneous payments to a member in a State-administered retirement system, the Disability  
49 Salary Continuation Plan, or the Disability Income Plan of North Carolina, including any benefits  
50 paid to, or State Health Plan premiums or claims paid on behalf of, any member who is later  
51

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

## 7 CONTRIBUTION-BASED BENEFIT CAP (CBC) INVOICE/SECOND RETIREMENT

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

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

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

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

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

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

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

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

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

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

- 1           (2)    The product of the multiplication in ~~subdivision (3)~~ sub-subdivision (1)c. of  
2           this subsection is the member's contribution-based benefit cap. If the amount  
3           determined under ~~subdivision (4)~~ sub-subdivision (1)d. of this subsection  
4           exceeds the member's contribution-based benefit cap, then the member's  
5           retirement allowance shall be reduced by an amount equal to the difference  
6           between the contribution-based benefit cap and the amount determined under  
7           ~~subdivision (4)~~ sub-subdivision (1)d. of this subsection.
- 8           (3)    Notwithstanding ~~the foregoing, anything to the contrary~~ under subdivisions  
9           (1) and (2) of this subsection, the retirement allowance of a member with an  
10          average final compensation of less than one hundred thousand dollars  
11          (\$100,000), as ~~hereinafter indexed, indexed~~ under this subdivision, shall not  
12          be subject to the contribution-based benefit cap. The minimum average final  
13          compensation necessary for a retirement allowance to be subject to the  
14          contribution-based benefit cap shall be increased on January 1 each year by  
15          the percent change between the June Consumer Price Index in the year prior  
16          to retirement and the June Consumer Price Index in the fiscal year most  
17          recently ended, calculated to the nearest tenth of a percent (0.1%), provided  
18          that this percent change is positive.
- 19          (4)    Notwithstanding ~~the foregoing, anything to the contrary~~ under subdivisions  
20          (1) through (3) of this subsection, the retirement allowance of a member who  
21          became a member before January 1, 2015, or who has not earned at least five  
22          years of membership service in the Retirement System after January 1, 2015,  
23          shall not be reduced; however, the member's last employer, or if the member's  
24          last employer did not report to the retirement system any compensation paid  
25          to the member during the period used to compute the member's average final  
26          compensation, the member's employer or employers who reported  
27          compensation to the member during such period, shall be required to make an  
28          additional contribution as specified in G.S. 135-8(f)(2)f., if applicable.
- 29          (5)    For any member whose retirement allowance was (i) initially restored to the  
30          pre-contribution-based benefit cap level, in accordance with G.S. 135-4(jj),  
31          (ii) subsequently suspended for a period of at least three years due to the  
32          member being restored to service, and (iii) recalculated based on becoming  
33          reemployed for at least three years on the basis of the member's compensation  
34          and service before and after the period of prior retirement without restrictions,  
35          the amount required to restore the member's benefit to the  
36          pre-contribution-based benefit cap level shall be reduced on a dollar-for-dollar  
37          basis by the amount required to restore the initial retirement allowance."

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

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

- 44          (1)    The Board of Trustees shall adopt a contribution-based benefit cap factor  
45          recommended by the actuary, based upon actual experience, such that no more  
46          than three-quarters of one percent (0.75%) of retirement allowances are  
47          expected to be capped. The Board of Trustees shall modify such factors every  
48          five years, as shall be deemed necessary, based upon the five-year experience  
49          study as required by G.S. 128-28(o). Prior to establishing a service retirement  
50          allowance under this section, the Board ~~shall~~ shall do all of the following:

- 1           (1)a. Determine an amount equal to the member's accumulated  
2           contributions as required under G.S. 128-30(b)(1) for all years during  
3           which the member earned membership service, other than service  
4           earned through armed service credit under G.S. 128-26(a1),  
5           G.S. 128-26(a2), G.S. 128-26(j1), or G.S. 128-26.5, used in the  
6           calculation of the retirement allowance that the member would receive  
7           under this section.
- 8           (2)b. Determine the amount of a single life annuity that is the actuarial  
9           equivalent of the amount determined under ~~subdivision (1)~~  
10          sub-subdivision (1)a. of this subsection, adjusted for the age of the  
11          member at the time of retirement or, when appropriate, the age at the  
12          time of the member's death.
- 13          (3)c. Multiply the annuity amount determined under ~~subdivision (2)~~  
14          sub-subdivision (1)b. of this subsection by the contribution-based  
15          benefit cap factor.
- 16          (4)d. Determine the amount of the retirement allowance that results from  
17          the member's membership ~~service, service~~ to which the member would  
18          be entitled but for the adjustment under this subsection. This amount  
19          shall be calculated in the same manner as the member's service  
20          retirement allowance, with the following exceptions:
- 21                1. The applicable percentage of the member's average final  
22                compensation shall be multiplied by the number of years of  
23                membership service, rather than the number of years of  
24                creditable ~~service; the service.~~
- 25                2. The amount shall include the effect of any percentage  
26                reduction that applies to the member's service retirement  
27                allowance by virtue of the member's age or amount of  
28                creditable service as of the service retirement ~~date; and the~~  
29                date.
- 30                3. The amount shall not be adjusted for an optional allowance  
31                elected under subsection (g) of this section.
- 32          (2) The product of the multiplication in ~~subdivision (3)~~ sub-subdivision (1)c. of  
33          this subsection is the member's contribution-based benefit cap. If the amount  
34          determined under ~~subdivision (4)~~ sub-subdivision (1)d. of this subsection  
35          exceeds the member's contribution-based benefit cap, then the member's  
36          retirement allowance shall be reduced by an amount equal to the difference  
37          between the contribution-based benefit cap and the amount determined under  
38          ~~subdivision (4)~~ sub-subdivision (1)d. of this subsection.
- 39          (3) Notwithstanding ~~the foregoing, anything to the contrary under subdivisions~~  
40          (1) and (2) of this subsection, the retirement allowance of a member with an  
41          average final compensation of less than one hundred thousand dollars  
42          (\$100,000), as ~~hereinafter indexed, indexed under this subdivision,~~ shall not  
43          be subject to the contribution-based benefit cap. The minimum average final  
44          compensation necessary for a retirement allowance to be subject to the  
45          contribution-based benefit cap shall be increased on January 1 each year by  
46          the percent change between the June Consumer Price Index in the year prior  
47          to retirement and the June Consumer Price Index in the fiscal year most  
48          recently ended, calculated to the nearest tenth of a percent (0.1%), provided  
49          that this percent change is positive.
- 50          (4) Notwithstanding ~~the foregoing, anything to the contrary under subdivisions~~  
51          (1) through (3) of this subsection, the retirement allowance of a member who

1 became a member before January 1, 2015, or who has not earned at least five  
 2 years of membership service in the Retirement System after January 1, 2015,  
 3 shall not be reduced; however, the member's last employer, or if the member's  
 4 last employer did not report to the retirement system any compensation paid  
 5 to the member during the period used to compute the member's average final  
 6 compensation, the member's employer or employers who reported  
 7 compensation to the member during such period, shall be required to make an  
 8 additional contribution as specified in G.S. 128-30(g)(2)b., if applicable.

9 (5) For any member whose retirement allowance was (i) initially restored to the  
 10 pre-contribution-based benefit cap level, in accordance with G.S. 128-26(y),  
 11 (ii) subsequently suspended for a period of at least three years due to the  
 12 member being restored to service, and (iii) recalculated based on becoming  
 13 reemployed for at least three years on the basis of the member's compensation  
 14 and service before and after the period of prior retirement without restrictions,  
 15 the amount required to restore the member's benefit to the  
 16 pre-contribution-based benefit cap level shall be reduced on a dollar-for-dollar  
 17 basis by the amount required to restore the initial retirement allowance."  
 18

## 19 LEGISLATIVE RETIREMENT SYSTEM REEMPLOYMENT FLEXIBILITY

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

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

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

49 "d. Should a beneficiary who retired on an early or service retirement  
 50 allowance under this Chapter be restored to service as an employee or  
 51 teacher, then the retirement allowance shall cease as of the first of the

1 month following the month in which the beneficiary is restored to  
2 service and the beneficiary shall become a member of the Retirement  
3 System and shall contribute thereafter as allowed by law at the uniform  
4 contribution payable by all members. This sub-subdivision shall not  
5 apply to service as a member of the Legislative Retirement System of  
6 North Carolina under Article 1A of Chapter 120 of the General  
7 Statutes.

8 ...."

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

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

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

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

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

## 24 25 **ELECTRONIC REPORTING OF CONTRIBUTIONS/FIREFIGHTERS' AND RESCUE** 26 **SQUAD WORKERS' PENSION FUND**

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

### 29 **"§ 58-86-41. Collection and reporting of contributions.**

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

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

## 39 40 **CLARIFICATION/FELONY FORFEITURE OF CERTAIN SUPPLEMENTAL** 41 **RETIREMENT INCOME PLAN BENEFITS**

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

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

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

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

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

## 14           **PERSONNEL FLEXIBILITY**

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

### 16           "**§ 135-6. Administration.**

17           ...

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

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

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

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

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

40           ...."

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

### 42           "**§ 128-28. Administration and responsibility for operation of System.**

43           ...

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

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

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

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

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

15        ...."

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

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

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

23            (2) Designated employees under G.S. 135-6(g1) or G.S. 128-28(h1)."  
 24

25 **LEGAL COUNSEL FLEXIBILITY**

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

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

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

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

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

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

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

45 **BOARD OF TRUSTEES PER DIEM**

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

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

1 G.S. 138-6, trustees shall be reimbursed for all necessary expenses that they incur through service  
2 on the Board."

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

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

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

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

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

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

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

## 22

### 23 SURVIVOR'S ALTERNATIVE BENEFIT RENUNCIATION CLARIFICATION

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

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

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

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

### 38

### 39 LEIA MODIFICATIONS

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

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

47 (1) Administration. – The LEIA shall be administered by the Board of Trustees,  
48 which shall compile and maintain all records necessary or appropriate for  
49 administration. The Board of Trustees shall have full discretionary authority  
50 to interpret, construe, and implement the LEIA and to adopt such rules and

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

1           **SECTION 1.11.(b)** G.S. 128-29(g) reads as rewritten:  
2           "(g) Legislative Enactment Implementation Arrangement. – The Legislative Enactment  
3 Implementation Arrangement, or LEIA, is established effective October 1, 2017, and placed  
4 under the management of the Board of Trustees. The purpose of the LEIA is to provide for timely  
5 and ongoing administrative implementation of legislative provisions regarding the retirement of,  
6 or payment of retirement benefits to, public officers or public employees. The LEIA shall have  
7 the following parameters:

8           (1) Administration. – The LEIA shall be administered by the Board of Trustees,  
9 which shall compile and maintain all records necessary or appropriate for  
10 administration. The Board of Trustees shall have full discretionary authority  
11 to interpret, construe, and implement the LEIA and to adopt such rules and  
12 regulations as may be necessary or desirable to implement the provisions of  
13 the LEIA.

14           (2) Funding of the LEIA. – In the event that (i) the General Assembly creates or  
15 modifies any provision for the retirement of, or payment of retirement benefits  
16 to, public officers or public employees that has a cost savings as measured by  
17 actuarial note required by Article 15 of Chapter 120 of the General Statutes,  
18 or (ii) the Board of Trustees identifies a specific administrative or information  
19 technology purpose that is necessary to prevent an interruption to the normal  
20 operation of the Retirement System, the Board of Trustees may direct up to  
21 one hundredth percent (0.01%) of the required contributions to fund the LEIA.  
22 These funds must be deposited in a separate fund from the fund into which  
23 regular employer contributions are deposited for the Retirement System. ~~The~~  
24 ~~Board of Trustees shall not direct any employer contributions into the LEIA~~  
25 ~~after January 1, 2035.~~

26           (3) Allocation of LEIA funds. – The Board of Trustees may allocate LEIA funds  
27 to (i) the implementation of legislative provisions regarding the retirement of,  
28 or payment for retirement benefits to, public officers or public employees, or  
29 (ii) be used for administrative or information technology purposes, ~~subject to~~  
30 ~~the following restrictions:~~

31           ~~a. The Board of Trustees must identify individual implementation~~  
32 ~~projects that will be paid for with LEIA funds. These implementation~~  
33 ~~projects must be necessitated by a specific statute or session law that~~  
34 ~~was enacted within five years of the allocation of the funds. The Board~~  
35 ~~of Trustees must also identify the number of years for which each~~  
36 ~~individual implementation project will be paid for with LEIA funds.~~

37           ~~b. For implementation projects that will be paid for with LEIA funds for~~  
38 ~~a period of one year or less, the Board of Trustees must determine that~~  
39 ~~the cost savings from implementing the project is projected to be no~~  
40 ~~less than half of the amount of LEIA funds utilized to pay for~~  
41 ~~implementation.~~

42           ~~c. For implementation projects that will be paid for with LEIA funds for~~  
43 ~~a period of greater than one year, but not more than four years, the~~  
44 ~~Board of Trustees must determine that the long-term cost savings from~~  
45 ~~implementing the project is projected to be at least three times greater~~  
46 ~~than the cost of implementation.~~

47           ~~d. No implementation project shall be paid for with LEIA funds for a~~  
48 ~~period of more than four years.~~

49           ~~e. The Board of Trustees shall identify the specific administrative or~~  
50 ~~information technology purpose for which LEIA funds will be used.~~  
51 ~~Any use of LEIA funds for administrative or information technology~~

1 ~~purposes requires a determination by the Board of Trustees that the~~  
 2 ~~use of funds is necessary to prevent an interruption to the normal~~  
 3 ~~operation of the Retirement System.~~ purposes that the Board of  
 4 Trustees determines are necessary to prevent an interruption to the  
 5 normal operation of the Retirement System.

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

11 ...."

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

13  
 14 **PART II. STATE HEALTH PLAN**

15  
 16 **ALLOW MATERNITY BENEFITS FOR ALL ELIGIBLE DEPENDENT**  
 17 **CHILDREN/REMOVE REFERENCE TO MATERNITY BENEFITS FROM THE**  
 18 **STATUTE DEALING WITH CATEGORIES OF COVERAGE**

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

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

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

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

32  
 33 **COORDINATION OF BENEFITS WITH MEDICARE**

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

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

40  
 41 **EXCEPTION FROM FINAL PAYEE REQUIREMENT**

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

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

## PART III. NORTH CAROLINA INVESTMENT AUTHORITY

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

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

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

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

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

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

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

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

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

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

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

(c) The North Carolina Firefighters' and Rescue Squad Workers' Pension Fund is a special fund established in the Department of State Treasurer's office a special fund to be known as the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund, and all Treasurer. All contributions made by the members of this pension fund shall be deposited in the special

1 fund. All expenditures for refunds, investments or benefits shall be in the same manner as  
2 expenditures of other special funds."

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

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

20 ...."

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

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

26 ...."

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

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

32 ...."

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

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

38 ...

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

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

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

1 written direction of the Division of Marine Fisheries of the Department of Environmental  
2 Quality."

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

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

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

12 **"§ 115C-546.10. Fund created; purpose; prioritization.**

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

21 ...."

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

23 **"§ 116-209. Reserve Trust Fund created; transfer of Escheat Fund; pledge of security**  
24 **interest for payment of bonds; administration.**

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

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

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

42 ...."

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

44 **"§ 116-209.25. Parental Savings Trust Fund.**

45 ...

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

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

10 ...

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

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

18 "**§ 120-4.18. Management of funds.**

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

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

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

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

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

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

33 "**§ 127A-40.1. North Carolina National Guard Pension Fund.**

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

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

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

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

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

45 ...."

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

47 "**§ 131A-32. The Rural Health Care Stabilization Fund.**

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

1 The State Treasurer is the custodian of the Fund and shall deposit the assets of the Fund with the  
2 North Carolina Investment Authority to invest its assets in accordance with G.S. 147-69.2 and  
3 G.S. 147-69.3. Article 6 of Chapter 147 of the General Statutes. Moneys in the Fund shall only  
4 be used for loans made pursuant to this Article."

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

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

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

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

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

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

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

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

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

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

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

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

50 **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).

...."

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

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

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



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                   (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  
 24 **REMOVE NAMED FORMS FROM STATUTORY REFERENCES**

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

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

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

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

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

43  
 44 **MISCELLANEOUS TECHNICAL CORRECTIONS**

45 **SECTION 4.6.(a)** G.S. 143-166.60(d)(4) reads as rewritten:

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

50 **SECTION 4.6.(b)** The Revisor of Statutes shall replace the reference to "G.S. 135-4"  
 51 with "G.S. 135-4.5" in G.S. 135-5(f).

1           **SECTION 4.6.(c)** The Revisor of Statutes shall replace the reference to  
2 "G.S. 128-26" with "G.S. 128-26.5" in G.S. 128-27(f).

3           **SECTION 4.6.(d)** G.S. 120-4.25 reads as rewritten:

4 **"§ 120-4.25. Return of accumulated contributions.**

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

20           **SECTION 4.6.(e)** G.S. 120-4.21(b2)(3) reads as rewritten:

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

26           **SECTION 4.6.(f)** G.S. 147-69.2A(b) reads as rewritten:

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

29           **SECTION 4.6.(g)** G.S. 128-38.40(a) reads as rewritten:

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

40           **SECTION 4.6.(h)** G.S. 147-65.1(7)i. reads as rewritten:

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

## 43 44 **PART V. EFFECTIVE DATE**

45           **SECTION 5.1.** Except as otherwise provided, this act is effective when it becomes  
46 law.