

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

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HOUSE BILL 1126
Committee Substitute Favorable 5/19/26
Third Edition Engrossed 6/2/26
Senate Pensions and Retirement and Aging Committee Substitute Adopted 6/10/26
Fifth Edition Engrossed 6/23/26

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

(Public)

Sponsors:

Referred to:

April 30, 2026

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

4 The General Assembly of North Carolina enacts:

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

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9 **PURCHASE OF PREVIOUSLY WITHDRAWN SERVICE**

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

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

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

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

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



1 (4) If a member forfeited service previously credited under this subsection by
2 electing to receive a return of accumulated contributions, as provided for
3 under G.S. 135-5(f), and subsequently purchases the maximum amount of
4 service allowed under G.S. 135-4.5(a)(1), then that member shall have the
5 service previously credited under this subsection restored."

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

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

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

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

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

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

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

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

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

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

42 **§ 120-4.29. Exemption from garnishment, attachment.**

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

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

10 11 CONTRIBUTION-BASED BENEFIT CAP (CBCB) INVOICE/SECOND RETIREMENT

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

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

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

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

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

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

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

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

49 2. The amount shall include the effect of any percentage
50 reduction that applies to the member's service retirement
51 allowance by virtue of the member's age or amount of

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

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

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

- 48 (1) The Board of Trustees shall adopt a contribution-based benefit cap factor
49 recommended by the actuary, based upon actual experience, such that no more
50 than three-quarters of one percent (0.75%) of retirement allowances are
51 expected to be capped. The Board of Trustees shall modify such factors every

1 five years, as shall be deemed necessary, based upon the five-year experience
2 study as required by G.S. 128-28(o). Prior to establishing a service retirement
3 allowance under this section, the Board ~~shall~~ shall do all of the following:

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

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

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

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

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

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

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

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

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

1 recently ended, calculated to the nearest tenth of a percent (0.1%), provided
2 that this percent change is positive.

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

13 (5) For any member whose retirement allowance was (i) initially restored to the
14 pre-contribution-based benefit cap level, in accordance with G.S. 128-26(y),
15 (ii) subsequently suspended for a period of at least three years due to the
16 member being restored to service, and (iii) recalculated based on becoming
17 reemployed for at least three years on the basis of the member's compensation
18 and service before and after the period of prior retirement without restrictions,
19 the amount required to restore the member's benefit to the
20 pre-contribution-based benefit cap level shall be reduced on a dollar-for-dollar
21 basis by the amount required to restore the initial retirement allowance."
22

23 LEGISLATIVE RETIREMENT SYSTEM REEMPLOYMENT FLEXIBILITY

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

25 "c. Unless otherwise provided, if a beneficiary who retired on an early or
26 service retirement allowance under this Article is reemployed by, or
27 otherwise engaged to perform services for, an employer participating
28 in the Retirement System on a part time, temporary, interim, or on a
29 fee for service basis, whether contractual or otherwise, and if the
30 beneficiary earns an amount during the 12 month period immediately
31 following the effective date of retirement or in any calendar year which
32 exceeds fifty percent (50%) of the reported compensation, excluding
33 terminal payments, during the 12 months of service preceding the
34 effective date of retirement, or twenty thousand dollars (\$20,000),
35 whichever is greater, as hereinafter indexed, then the retirement
36 allowance shall be suspended as of the first day of the month following
37 the month in which the reemployment earnings exceed the indexed
38 amount, for the balance of the calendar year, unless the reemployment
39 earnings exceed the indexed amount in the month of December. If the
40 reemployment earnings exceed the indexed amount in December, then
41 the retirement allowance shall not be suspended. A suspended
42 retirement allowance of the beneficiary shall be reinstated as of
43 January 1 of each year following suspension. The amount that may be
44 earned before suspension shall be increased on January 1 of each year
45 by the percentage change between the December Consumer Price
46 Index in the year prior to retirement and the December Consumer Price
47 Index in the year most recently ended, calculated to the nearest tenth
48 of a percent (1/10 of 1%), provided that this percentage change is
49 positive. This sub-subdivision shall not apply to service as a member
50 of the Legislative Retirement System of North Carolina under Article
51 1A of Chapter 120 of the General Statutes."

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

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

12 "

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

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

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

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

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

28 29 **ELECTRONIC REPORTING OF CONTRIBUTIONS/FIREFIGHTERS' AND RESCUE** 30 **SQUAD WORKERS' PENSION FUND**

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

33 "§ 58-86-41. Collection and reporting of contributions.

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

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

43 44 **CLARIFICATION/FELONY FORFEITURE OF CERTAIN SUPPLEMENTAL** 45 **RETIREMENT INCOME PLAN BENEFITS**

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

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

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

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

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

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

18 **PERSONNEL FLEXIBILITY**

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

20 "**§ 135-6. Administration.**

21 ...

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

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

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

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

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

45"

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

47 "**§ 128-28. Administration and responsibility for operation of System.**

48 ...

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

1 ~~System.~~ The State Treasurer and the Board of Trustees may appoint employees as they deem
 2 advisable to carry out the terms and conditions of the Retirement Systems. The compensation of
 3 all persons engaged by the Board, and all other expenses of the Board necessary for the operation
 4 of the Retirement System, System shall be paid at rates and in amounts approved by the Board.

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

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

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

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

19 "...."

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

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

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

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

29 LEGAL COUNSEL FLEXIBILITY

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

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

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

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

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

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

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

49 BOARD OF TRUSTEES PER DIEM

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

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

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

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

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

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

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

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

24 **SECTION 1.9.(e)** This section is effective when it becomes law and applies to
25 sessions of the Boards of Trustees on or after that date.
26

27 SURVIVOR'S ALTERNATIVE BENEFIT RENUNCIATION CLARIFICATION

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

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

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

36 "(2) At the time of the member's death, one and only one beneficiary is eligible to
37 receive a return of ~~his~~the member's accumulated contributions. If multiple
38 beneficiaries are designated and living at the time of the member's death and
39 any beneficiary elects to renounce that beneficiary's portion of the member's
40 accumulated contributions, the renunciation shall not result in another
41 beneficiary becoming eligible for benefits under this subsection."
42

43 LEIA MODIFICATIONS

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

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

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

1 ~~legislative provisions shall be transferred.~~ The Board of Trustees may transfer
2 assets of the LEIA to the Retirement System as an additional employer
3 contribution.

4"

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

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

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

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

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

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

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

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

- d. ~~No implementation project shall be paid for with LEIA funds for a period of more than four years.~~
- e. ~~The Board of Trustees shall identify the specific administrative or information technology purpose for which LEIA funds will be used. Any use of LEIA funds for administrative or information technology purposes requires a determination by the Board of Trustees that the use of funds is necessary to prevent an interruption to the normal operation of the Retirement System.~~ purposes that the Board of Trustees determines are necessary to prevent an interruption to the normal operation of the Retirement System.

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

...."

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

PART II. STATE HEALTH PLAN

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

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

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

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

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

COORDINATION OF BENEFITS WITH MEDICARE

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

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

EXCEPTION FROM FINAL PAYEE REQUIREMENT

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

- (1) Moneys deposited with the State Treasurer remain on deposit with the State Treasurer until final disbursement to the ultimate payee, except (i) for the purposes of the operation of North Carolina State Health Plan for Teachers and State Employees, as determined by the State Treasurer, and (ii) as

1 provided in G.S. 147-86.12. If an ultimate payee is required by law to submit
2 information for certification or verification by the State Auditor, then no
3 disbursement may be made to that ultimate payee if the certification or
4 verification has not been issued by the State Auditor to the State Controller."
5

6 PART III. NORTH CAROLINA INVESTMENT AUTHORITY

7 8 CONFORM WITH THE CHANGE FROM THE STATE TREASURER AS CUSTODIAN 9 OF FUNDS TO THE NORTH CAROLINA INVESTMENT AUTHORITY

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

11 "§ 58-31-1. State Property Fire Insurance Fund created.

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

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

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

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

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

40 "§ 58-86-20. State Treasurer to be custodian of fund; appropriations; contributions to 41 fund; expenditures.

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

47 (b) The appropriations made by the General Assembly out of the ~~general fund~~ General
48 Fund to provide money for administrative expenses of the Pension Fund shall be handled in the
49 same manner as any other ~~general fund~~ General Fund appropriation. One-fourth of the
50 appropriation made out of the ~~general fund~~ General Fund to provide for the financing of the

1 ~~pension fund~~ Pension Fund shall be transferred quarterly to a ~~special fund to be known as the~~
 2 North Carolina Firefighters' and Rescue Squad Workers' Pension Fund. ~~There shall be set up~~
 3 (c) The North Carolina Firefighters' and Rescue Squad Workers' Pension Fund is a
 4 special fund established in the Department of State Treasurer's office a special fund to be known
 5 as the North Carolina Firefighters' and Rescue Squad Workers' Pension Fund, and all Treasurer.
 6 All contributions made by the members of this pension fund shall be deposited in the special
 7 fund. All expenditures for refunds, investments or benefits shall be in the same manner as
 8 expenditures of other special funds."

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

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

26"

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

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

38"

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

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

44 ...

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

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

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

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

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

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

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

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

...."

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

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

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

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

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

...."

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

"§ 116-209.25. Parental Savings Trust Fund.

1 ...
2 (c1) Investments. – The Authority shall determine an appropriate investment strategy for
3 the Parental Savings Trust Fund. The strategy may include a combination of fixed income assets
4 and preferred or common stocks issued by any company incorporated, or otherwise located
5 within or without the United States, or other appropriate investment instruments to achieve
6 long-term return through a combination of capital appreciation and current income. The
7 Authority may deposit all or any portion of the Parental Savings Trust Fund for investment either
8 with the ~~State Treasurer, North Carolina Investment Authority,~~ or in the individual, common, or
9 collective trust funds of an investment manager or managers that meet the requirements of this
10 subsection. Contributions to the Parental Savings Trust Fund on deposit with the State Treasurer
11 shall be invested by the ~~State Treasurer as authorized in G.S. 147-69.2(b)(1) through (6) and the~~
12 ~~applicable provisions of G.S. 147-69.3. North Carolina Investment Authority to invest these~~
13 assets in accordance with Article 6 of Chapter 147 of the General Statutes. Contributions to the
14 Parental Savings Trust Fund may be invested in the individual, common, or collective trust funds
15 of an investment manager provided that the investment manager meets both of the following
16 conditions:

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

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

25 "**§ 120-4.18. Management of funds.**

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

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

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

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

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

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

40 "**§ 127A-40.1. North Carolina National Guard Pension Fund.**

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

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

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

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

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

1"

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

3 "**§ 131A-32. The Rural Health Care Stabilization Fund.**

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

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

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

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

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

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

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

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

36 "(b) The State Treasurer shall be the custodian of the Sheriffs' Supplemental Pension Fund
37 and shall ~~invest~~ deposit its assets with the North Carolina Investment Authority to invest the
38 assets in accordance with the provisions of G.S. 147-69.2 and G.S. 147-69.3- Article 6 of Chapter
39 147 of the General Statutes."

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

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

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

49 "(b) Fund Earnings, Assets, and Balances. – The State Treasurer shall hold the Fund
50 separate and apart from all other moneys, funds, and accounts. The State Treasurer is the
51 custodian of the Fund and shall deposit its assets with the North Carolina Investment Authority

1 to invest the assets in accordance with ~~G.S. 147-69.2 and G.S. 147-69.3.~~ Article 6 of Chapter 147
2 of the General Statutes. Investment earnings credited to the Fund become part of the Fund. Any
3 balance remaining in the Fund at the end of any fiscal year is carried forward in the Fund for the
4 next succeeding fiscal year. Payments from the Fund shall be made on the warrant of the chair
5 of the Commission, pursuant to the directives of the Commission."

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

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

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

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

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

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

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

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

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

49 "(a) The Swain County Settlement Trust Fund is established as a special fund in the Office
50 of the State Treasurer under the management of the Investment Authority. The Investment
51 Authority may invest the assets of the Fund ~~in any of the investments authorized under~~

1 subdivisions (b)(1) through (6) and subdivision (b)(8) of G.S. 147-69.2. in accordance with
 2 Article 6 of this Chapter. The Fund shall consist of the proceeds of any payments made by the
 3 United States in settlement of the 1943 agreement between Swain County and the United States
 4 Department of Interior, such other contributions as Swain County or other entities may choose
 5 to make to the Fund, and the interest and other investment income earned by the Fund. For the
 6 purposes of this section, the initial balance of the Fund shall be defined as fifty-two million
 7 dollars (\$52,000,000)."

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

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

13
 14 **REASSIGN RESPONSIBILITY FOR PROHIBITIONS ON STATE INVESTMENT**
 15 **FROM THE STATE TREASURER TO THE NORTH CAROLINA INVESTMENT**
 16 **AUTHORITY**

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

18 "(4a) "Investment Authority" means the North Carolina Investment Authority
 19 established under Part 4 of Article 6 of this Chapter."

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

21 "**§ 147-86.58. Prohibitions on State investment.**

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

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

- 40 a. Provide 90 days' written notice of the ~~State Treasurer's~~ intent to
 41 include the company on the list. The notice shall inform the company
 42 that inclusion on the list would make the company ineligible for State
 43 investment and may affect the company's ability to conduct other
 44 business with the State and its subdivisions. The notice shall specify
 45 that the company may be removed from the list if it ceases its
 46 investment activities in Iran.
- 47 b. ~~The State Treasurer shall provide~~ Provide a company with an
 48 opportunity to comment in writing that it is not engaged in investment
 49 activities in Iran. If the company demonstrates to the ~~State Treasurer~~
 50 Board of Directors of the Investment Authority that the company is

1 not engaged in investment activities in Iran, the company shall not be
2 included on the list.

3 (2) Investments prohibited. – ~~Neither the The North Carolina Retirement Systems~~
4 ~~nor Systems, the Investment Authority, and the State Treasurer may not invest~~
5 funds with a company that is identified on a list created pursuant to
6 subdivision (1) of this section as a company engaging in investment activities
7 in Iran.

8 (3) Existing investments. – Any existing investment with a company that is
9 identified on a list created pursuant to subdivision (1) of this section as a
10 company engaging in investment activities in Iran must be divested within
11 180 days of being placed on the list created pursuant to subdivision (1) of this
12 section.

13 (4) Fiduciary duties. – Nothing in the policy or in this Article shall require the
14 North Carolina Retirement ~~Systems~~ Systems, the Investment Authority, or the
15 State Treasurer to take action unless it is determined by the ~~State Treasurer,~~
16 Board of Directors of the Investment Authority, in good faith, that the action
17 is consistent with the fiduciary responsibilities of the Retirement Systems and
18 the ~~State Treasurer.~~ Investment Authority.

19 (5) Exceptions. – Notwithstanding the policy, an investment may be made in a
20 company engaged in investment activities in Iran ~~if~~ if both of the following
21 are true:

22 a. The company is eligible to contract with the State under the exception
23 in G.S. 147-86.61.

24 b. ~~The State Treasurer~~ Board of Directors of the Investment Authority
25 makes a good-faith determination, on a case-by-case basis, that the
26 investments are necessary to perform its functions."

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

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

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

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

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

46 "**§ 147-86.80. Definitions.**

47 The following definitions apply in this Article:

48 ...

49 (3a) Investment Authority. – The North Carolina Investment Authority established
50 under Part 4 of Article 6 of this Chapter.

- 1 (4) Restricted company. – A company that appears on the list of companies that
2 are engaged in a boycott of Israel developed by ~~the State Treasurer~~ under
3 G.S. 147-86.81(a)(1).

4"

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

6 "§ 147-86.81. Prohibitions on State investment.

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

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

- 25 a. Provide 90 days' written notice of the ~~State Treasurer's~~ intent to
26 include the company on the list. The notice shall inform the company
27 that inclusion on the list would make the company ineligible for State
28 investment, may result in the company becoming subject to divestment
29 by the North Carolina Retirement Systems, and may affect the
30 company's ability to conduct business with the State and its
31 subdivisions. The notice shall specify that the company may be
32 removed from the list if the company ceases its engagement in a
33 boycott of Israel.
- 34 b. ~~The State Treasurer shall provide~~ Provide a company with an
35 opportunity to comment in writing that the company is not engaged in
36 a boycott of Israel or has ceased its boycott of Israel. If the company
37 demonstrates to the ~~State Treasurer~~ Board of Directors of the
38 Investment Authority that the company has not been engaged in a
39 boycott of Israel, the company shall not be placed on the list. If a
40 company had been engaged in a boycott of Israel but has ceased the
41 boycott, it must submit a written certification to the ~~State Treasurer~~
42 Investment Authority that the company will not reengage in a boycott
43 of Israel for the duration of any business with the State. The ~~State~~
44 ~~Treasurer~~ Investment Authority shall keep all written certifications
45 from restricted and previously restricted companies.

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

- 50 (3) Review of restricted companies list. – ~~The State Treasurer~~ Board of Directors
51 of the Investment Authority shall review the list of restricted companies

1 created pursuant to subdivision (1) of this subsection on an annual basis. This
 2 updated list shall be made publicly available and any updates shall be
 3 distributed to the North Carolina Retirement Systems.

4 (4) Investments prohibited. – ~~Neither the The North Carolina Retirement Systems~~
 5 ~~nor Systems, the Investment Authority, and~~ the State Treasurer may not invest
 6 funds with a company that is identified on a list created pursuant to
 7 subdivision (1) of this section as a company engaging in restricted investment
 8 activities.

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

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

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

22
 23 **EXCLUDE NCIA EMPLOYEE PERFORMANCE-RELATED BONUSES FROM**
 24 **COMPENSATION CALCULATIONS/TECHNICAL CLEAN-UP OF DEFINITION**

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

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

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

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

- b. ~~"Compensation" shall not include any payment, as determined by the Board of Trustees, for the reimbursement of expenses or payments for housing or any other allowances whether or not classified as salary and wages. "Compensation" includes all special pay contribution of annual leave made to a 401(a) Special Pay Plan for the benefit of an employee. Notwithstanding any other provision of this Chapter, Chapter to the contrary, the term "compensation" shall not include:~~include any of the following:
1. Supplement/allowance provided to employee to purchase additional benefits such as health, life, or disability ~~plans;~~plans.
 2. Travel supplement/allowance ~~(nonaccountable and other nonaccountable allowance plans);~~plans.
 - 2a. Any payment, as determined by the Board of Trustees, for the reimbursement of expenses or payments for housing or any other allowances, whether or not classified as salary and wages.
 3. Employer contributions to eligible deferred compensation ~~plans;~~plans.
 4. Employer-provided fringe ~~benefits (additional benefits, including additional benefits such as health, life, or disability plans);~~plans.
 5. Reimbursement of uninsured medical ~~expenses;~~expenses.
 6. Reimbursement of business ~~expenses;~~expenses.
 7. Reimbursement of moving ~~expenses;~~expenses.
 8. Reimbursement/payment of personal ~~expenses;~~expenses.
 9. Incentive payments for early ~~retirement;~~retirement.
 10. Bonuses paid incident to ~~retirement;~~retirement.
 - 10a. Local supplementation as authorized under G.S. 7A-300.1 for Judicial Department ~~employees;~~employees.
 11. Contract buyout/severance ~~payments; and~~payments.
 12. Payouts for unused sick leave.
 13. Performance-related bonuses paid to employees of the Investment Authority in accordance with G.S. 147-71.2(d).

...."

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

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

- a. The term "compensation" shall include all of the following:
1. Performance-based compensation ~~(regardless regardless of whether paid in a lump sum, periodic installments, or on a monthly basis);~~basis.
 2. Conversion of additional benefits to salary (additional benefits salary, such as health, life, or disability ~~plans);~~ plans, so long

- 1 as the benefits are other than mandated by State law or
- 2 ~~regulation;rule.~~
- 3 3. Payment of tax consequences for benefits provided by the
- 4 employer so long as they constitute an adjustment or increase
- 5 in salary and not a "reimbursement of ~~expenses~~;"expenses."
- 6 4. Payout of vacation leave so long as such payouts are permitted
- 7 by applicable law and ~~regulation;rule.~~
- 8 5. Employee contributions to eligible deferred compensation
- 9 ~~plans; and~~plans.
- 10 6. Effective July 1, 2009, payment of military differential wages.
- 11 b. ~~"Compensation" shall not include any payment, as determined by the~~
- 12 ~~Board of Trustees, for the reimbursement of expenses or payments for~~
- 13 ~~housing or any other allowances whether or not classified as salary and~~
- 14 ~~wages. Notwithstanding any other provision of this Chapter, Chapter~~
- 15 ~~to the contrary, the term "compensation" shall not include:~~include any
- 16 of the following:
- 17 1. Supplement/allowance provided to employee to purchase
- 18 additional benefits such as health, life, or disability
- 19 ~~plans;plans.~~
- 20 2. Travel supplement/allowance (~~nonaccountable and other~~
- 21 ~~nonaccountable allowance plans~~);plans.
- 22 2a. Any payment, as determined by the Board of Trustees, for the
- 23 reimbursement of expenses or payments for housing or other
- 24 allowances, whether or not classified as salary and wages.
- 25 3. Employer contributions to eligible deferred compensation
- 26 ~~plans;plans.~~
- 27 4. Employer-provided fringe ~~benefits (additional benefits,~~
- 28 ~~including additional benefits such as health, life, or disability~~
- 29 ~~plans);plans.~~
- 30 5. Reimbursement of uninsured medical ~~expenses;~~expenses.
- 31 6. Reimbursement of business ~~expenses;~~expenses.
- 32 7. Reimbursement of moving ~~expenses;~~expenses.
- 33 8. Reimbursement/payment of personal ~~expenses;~~expenses.
- 34 9. Incentive payments for early ~~retirement;~~retirement.
- 35 10. Bonuses paid incident to ~~retirement;~~retirement.
- 36 11. Contract buyout/severance ~~payments; and~~payments.
- 37 12. Payouts for unused sick leave.

...."

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

42
 43 **PART IV. TECHNICAL AND CLARIFYING CHANGES**

44
 45 **REMOVE REFERENCES TO OBSOLETE BENEFITS AND FUNDS/OTHER**
 46 **TECHNICAL CLEAN-UP OF RELATED STATUTES**

47 **SECTION 4.1.(a)** G.S. 135-5(m1) reads as rewritten:
 48 "(m1) Special Retirement Allowance for Law Enforcement Officers. – Upon retirement, a
 49 member who is a law enforcement officer vested as of June 30, 2010, may elect to transfer any
 50 portion of ~~his~~ the member's eligible accumulated contributions, not including any Roth after-tax
 51 contributions and the earnings thereon, from the Supplemental Retirement Income Plan of North

1 Carolina to this Retirement System and receive, in addition to ~~his-the member's~~ basic ~~service,~~
 2 ~~service or early or disability~~ retirement allowance, a special retirement allowance ~~which that~~ shall
 3 be based upon ~~his-the member's~~ eligible accumulated account balance at the date of the transfer
 4 of the assets to this System. For the purpose of determining the special retirement allowance, the
 5 following shall apply:

6 (1) The Board of Trustees shall adopt straight life annuity factors on the basis of
 7 mortality tables, ~~such~~ other tables as may be ~~necessary~~ necessary, and the
 8 interest assumption rate recommended by the actuary based upon actual
 9 experience including an assumed annual post-retirement allowance increase
 10 of four percent (4%).

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

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

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

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

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

46 (1) For transfers made on or after July 1, 2022, if, subsequent to the member's
 47 election, the Board of Trustees determines that (i) the member was ineligible
 48 for the election or (ii) the election was impermissible for any reason under
 49 federal or State law, then no special retirement allowance shall be paid to the
 50 member pursuant to this subsection; the member shall return to the Retirement
 51 System any amount already paid from the Retirement System as a special

1 retirement allowance; and the Retirement System shall return the transfer
2 amount to the source of the transfer, including any earnings adjustment that
3 may be required under federal law or Internal Revenue Service guidance. If
4 the Retirement System is unable to return the amount to the account from
5 which it originated, the member may designate another eligible account under
6 the transferor plan or receive a lump sum distribution paid directly to the
7 member if the member would otherwise be eligible for a distribution under
8 the transferor plan at such time.

9 (2) A member who became a member of the Supplemental Retirement Income
10 Plan prior to retirement and who remains a member of the Supplemental
11 Retirement Income Plan may make a one-time, irrevocable election to transfer
12 eligible balances, not including any Roth after-tax contributions and the
13 earnings thereon, from any of the following plans to the Supplemental
14 Retirement Income Plan, subject to the applicable requirements of the
15 Supplemental Retirement Income Plan, and then through the Supplemental
16 Retirement Income Plan to this Retirement System: ~~(i) a~~

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

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

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

25 d. An individual retirement account or annuity described in section
26 408(a) or section 408(b) of the Internal Revenue Code that is eligible
27 to be rolled over and would otherwise be includible in gross income;
28 or ~~(v) a income.~~

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

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

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

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

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

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

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

1 before the expiration of the specified number of months, the member's
 2 designated beneficiary will receive a one-time payment equal to the
 3 initial monthly special retirement allowance, multiplied by the
 4 specified number of months, less the total of the monthly payments
 5 made to the member.

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

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

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

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

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

24 "a. Notwithstanding any other provision of this Chapter, any member who
 25 separates from service prior to the attainment of the age of 60 years
 26 for any reason other than death ~~or retirement for disability as provided~~
 27 ~~in G.S. 135-5(d)~~, after completing 20 or more years of creditable
 28 service, and who leaves his or her total accumulated contributions in
 29 ~~said the~~ System shall have the right to retire on a deferred retirement
 30 allowance upon attaining the age of 60 years: Provided, that ~~such the~~
 31 member may retire only upon written application to the Board of
 32 Trustees setting forth at what time, not less than 30 days nor more than
 33 90 days subsequent to the execution and filing ~~thereof, he of the~~
 34 application, that the member desires to be retired. ~~Such The~~ deferred
 35 retirement allowance shall be computed in accordance with the
 36 provisions of G.S. 135-5(b), subdivisions (1), (2) and (3)."

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

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

1 actuarial equivalent of the deferred retirement allowance otherwise
2 payable at the attainment of the age of 60 years upon proper
3 application therefor."

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

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

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

44 "b. In lieu of the benefits provided in paragraph a of this subdivision (8),
45 any member who separates from service prior to the attainment of the
46 age of 60 years, for any reason other than ~~death or retirement for~~
47 ~~disability as provided in G.S. 135-5(e)~~, death, after completing 20 or
48 more years of creditable service, and who leaves his or her total
49 accumulated contributions in ~~said the~~ System, may elect to retire on
50 an early retirement allowance upon attaining the age of 50 years or at
51 any time thereafter; provided that ~~such the~~ member may so retire only

1 upon electronic submission or written application to the Board of
 2 Trustees setting forth at what time, not less than one day nor more than
 3 120 days subsequent to the execution and filing thereof, ~~he of the~~
 4 application, the member desires to be retired. ~~Such~~ The early
 5 retirement allowance so elected shall be equal to the deferred
 6 retirement allowance otherwise payable at the attainment of the age of
 7 60 years reduced by the percentage thereof indicated below.

8"

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

10 "(39a) To furnish the Department of State Treasurer periodically upon request, the
 11 State tax return of a beneficiary, or the wage and income statement of
 12 beneficiary, or the NC-3 information of an employer, for the purpose of
 13 substantiating the beneficiary's statement required to be submitted under
 14 ~~G.S. 135-5(e)(4), 135-109, G.S. 135-109 or 128-27(e)(4); G.S. 128-27(e)(4);~~
 15 or for the purpose of assisting a fraud or compliance investigation in
 16 accordance with G.S. 135-1(7b), 135-1(11b), 135-6(q), 128-21(7b),
 17 128-21(11c), and 128-28(r); provided that no federal tax information may be
 18 disclosed under this subdivision unless such a disclosure is permitted by
 19 section 6103 of the Code."

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

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

27 (1) After a medical examination of such member, shall certify that such a member
 28 applying for disability retirement under this subsection, the medical board
 29 shall make a certification of all of the following:

- 30 a. The member is mentally or physically incapacitated for the further
 31 performance of duty, that such duty.
 32 b. The member's incapacity was incurred at the time of active
 33 employment and has been continuous thereafter, that such since it was
 34 incurred.
 35 c. The member's incapacity is likely to be permanent, and that such
 36 permanent.
 37 d. Due to the incapacity, the member should be retired; Provided further
 38 retired.

39 (2) Notwithstanding sub-subdivision (1)d. of this subsection, the medical board
 40 shall determine if the member is able to engage in gainful employment and, if
 41 so, the member may still be retired and the disability retirement allowance as
 42 a result thereof shall be reduced as in subsection (e) below. Provided further,
 43 that the Medical Board

44 (3) The medical board shall not certify any member as disabled who: who meets
 45 either of the following criteria:

- 46 (1)a. ~~Applies~~ The application for disability retirement is based upon a
 47 mental or physical incapacity which existed when the member first
 48 established membership in the ~~system; or Retirement System.~~
 49 (2)b. ~~Is~~ The member is in receipt of any payments on account of the same
 50 disability which existed when the member first established
 51 membership in the ~~system; Retirement System.~~

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

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

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

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

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

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

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

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

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

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

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

- 1 a. Sick leave shall not be counted in computing creditable service for the
- 2 purpose of determining eligibility ~~for disability retirement or~~ for a
- 3 vested deferred allowance.
- 4 b. Creditable service for unused sick leave shall be allowed only for sick
- 5 leave accrued monthly during employment under a duly adopted sick
- 6 leave policy and for which the member may be able to take credits and
- 7 be paid for sick leave without restriction. However, in no instance shall
- 8 unused sick leave be credited to a member's account at retirement if
- 9 the member's last day of actual service is more than five years prior to
- 10 the effective date of the member's retirement. ~~Further, any~~
- 11 c. Any agency with a sick leave policy that is more generous than that of
- 12 all State agencies subject to the rules of the Office of State Human
- 13 Resources shall proportionately adjust each of its retiring employees'
- 14 sick leave balance to the balance that employee would have had under
- 15 the rules of the Office of State Human Resources. Days of sick leave
- 16 standing to a member's credit at retirement shall be determined by
- 17 dividing the member's total hours of sick leave at retirement by the
- 18 hours per month ~~such the sick~~ leave was awarded under the employer's
- 19 duly adopted sick leave policy as the policy applied to the member
- 20 when the leave was accrued."

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

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

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

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

"(k) Medical Board. – The Board of Trustees shall designate a Medical Board to be composed of not less than three nor more than five physicians not eligible to participate in the Retirement System. The Board of Trustees may structure appointment requirements and term

1 durations for those Medical Board members. If required, other physicians may be employed to
2 report on special cases. The Medical Board shall arrange for and pass upon all medical
3 examinations required under this Chapter, shall investigate all essential statements and
4 certificates by or on behalf of a member in connection with an application for ~~disability~~
5 ~~retirement, benefits provided under the Disability Income Plan of North Carolina,~~ and shall report
6 in writing to the Board of Trustees its conclusion and recommendations upon all the matters
7 referred to it, except as otherwise provided in this Chapter. A person serving on the Medical
8 Board is immune individually from civil liability for monetary damages, except to the extent
9 covered by insurance, for any act or failure to act arising out of that service, unless any of the
10 following applies:

11"

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

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

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

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

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

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

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

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

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

34 "**§ 120-4.23. Reexamination for disability retirement allowance.**

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

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

48"

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

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

CONFORM TO ACTUAL PRACTICE/REPORTING OF EARNINGS

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

"§ 135-109. Reports of earnings.

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

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

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

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

TECHNICAL CHANGES IMPROVING CONSISTENCY WITH FEDERAL LAW

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

"§ 120-4.11. Membership.

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

...."

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

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

...

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

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

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

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

...."

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

"§ 135-108. Post disability benefit adjustments.

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

REMOVE NAMED FORMS FROM STATUTORY REFERENCES

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

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

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

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

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

REMOVE OBSOLETE FEE CAP LANGUAGE

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

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

...

- 1 (b) Criteria for Agreements. – An agreement covered by this section is void and
 2 unenforceable if it does not meet all of the following criteria:
 3 (1) Is in writing and clearly sets forth the nature of the property and the services
 4 to be rendered.
 5 (2) Is signed by the owner, with signature notarized.
 6 (2a) Is signed by a licensed private investigator authorized to bind the property
 7 finder, with signature notarized.
 8 (3) Describes the property, which includes the type of property, the property ID
 9 held by the State Treasurer, and the name of the holder.
 10 (4) States that there may be other claims to the property that may reduce the share
 11 of the owner.
 12 (5) States the value of the property, to the extent known, before and after the fee
 13 or other compensation has been deducted.
 14 (6) States clearly the fees and costs for services. Total fees and costs ~~shall be~~
 15 ~~limited as follows:~~shall not exceed one thousand dollars (\$1,000) or twenty
 16 percent (20%) of the value of the property recovered, whichever is less.
 17 a. ~~For an agreement covered by this section other than one covered by~~
 18 ~~G.S. 28A 22-11, total fees and costs shall not exceed one thousand~~
 19 ~~dollars (\$1,000) or twenty percent (20%) of the value of the property~~
 20 ~~recovered, whichever is less.~~
 21 b. ~~For an agreement subject to G.S. 28A 22-11 by an heir, unknown or~~
 22 ~~known but unlocated, the primary purpose of which is to locate or~~
 23 ~~recover, or assist in the recovery, of a share in a decedent's estate, or~~
 24 ~~surplus funds in a special proceeding, total fees and costs shall not~~
 25 ~~exceed twenty percent (20%) of the value of the property recovered.~~
 26"

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

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

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

32 "Article 3.

33 "The Local Government Budget and Fiscal Control Act.

34 "Part 1. Budgets.

35 **"§ 159-7. Short title; definitions; local acts superseded.**

36 ...

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

44"

45 **MUNICIPAL INCORPORATIONS SUBCOMMITTEE REFERENCES**

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

47 **"§ 120-167. Additional criteria; population.**

48 ~~The Commission—Municipal Incorporations Subcommittee~~ may not make a positive
 49 recommendation unless the proposed municipality has a permanent population of at least 100
 50 and a population density (either permanent or seasonal) of at least 250 persons per square mile."
 51

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

2 "**§ 120-170. Findings as to services.**

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

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

10 "**§ 120-171. Procedures if findings made.**

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

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

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

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

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

32 "**§ 120-172. Referendum.**

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

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

39 "**§ 120-173. Modification of petition.**

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

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

45 "**§ 120-174. Deadline for recommendations.**

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

49
50 **MISCELLANEOUS TECHNICAL CORRECTIONS**

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

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

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

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

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

10 "**§ 120-4.25. Return of accumulated contributions.**

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

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

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

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

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

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

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

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

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

49
50 **PART V. UNCLAIMED PROPERTY**

ALLOW CONTINGENCY FEES FOR VENDOR AUDITORS

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

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

The Treasurer may employ the services of such independent consultants, real estate managers and other persons possessing specialized skills or knowledge as the Treasurer deems necessary or appropriate for the administration of this Chapter, ~~including including enforcement~~, valuation, maintenance, upkeep, management, sale and conveyance of property and determination of sources of unreported abandoned property. ~~The Treasurer may also employ the services of an attorney to perform a title search or to provide an accurate legal description of real property which the Treasurer has reason to believe may have escheated.~~ Persons whose services are employed by the Treasurer pursuant to this section to determine sources and amounts of unreported property are subject to the same policies, including confidentiality and ethics, as employees of the Department of State Treasurer assigned to determine sources and amounts of unreported property. ~~If the Treasurer contracts with any other person to conduct an audit under this Chapter, the audit shall not be performed on a contingent fee basis or any other similar method that may impair an auditor's independence or the perception of the auditor's independence by the public. Notwithstanding the preceding sentence, the Treasurer may contract with any other person on a contingent fee basis to conduct audits of life insurance companies where the audit is being conducted for the purpose of identifying unclaimed death benefits or to conduct audits of holders of unredeemed bond funds.~~ Compensation of persons whose services may be employed pursuant to this section on a contingent fee basis shall be limited to twelve percent (12%) of the final assessment."

CLARIFY PROPERTY FINDER DEFINITION

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

"§ 116B-52. Definitions.

In this Chapter:

...

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

...."

MODIFY NOTICE REQUIREMENTS

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

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

...

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

...."

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

1
2 **CLARIFY DUTIES OF A PROPERTY HOLDER SUBJECT TO NORTH CAROLINA**
3 **UNCLAIMED PROPERTY ACT**

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

5 **"§ 116B-60. Report of abandoned property; certification by holders with tax return.**

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

11 (b) For amounts due to the apparent owner of property of the value of ~~fifty dollars~~
12 ~~(\$50.00)~~ twenty-five dollars (\$25.00) or more, ~~the~~ and for property subject to
13 G.S. 116B-53(c)(4), 116B-53(c)(5), and 116B-53(c)(5a), regardless of the amount, the report
14 must be verified and must contain the following, if known by the holder:

15 ...

16 (b1) With the exception of property subject to G.S. 116B-53(c)(4), 116B-53(c)(5), and
17 116B-53(c)(5a), amounts due an apparent owner less than ~~fifty dollars (\$50.00)~~ twenty-five
18 dollars (\$25.00) may be reported in an aggregate amount without furnishing any of the
19 information required by subsection (b) of this section.

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

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

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

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

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

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

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

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

51 **"§ 116B-67. Claim for property paid or delivered to the Treasurer.**

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

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

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

20 "**§ 116B-77. Interest and penalties; waiver.**

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

30 **SECTION 5.4.(d)** Subsection (a) of this section becomes effective December 1,
31 2026, and applies to property presumed abandoned on or after that date. The remainder of this
32 section becomes effective when it becomes law.

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

34 **TOWN OF SPEED/SALES TAX**

35
36 **SECTION 6.1.** Notwithstanding G.S. 159-34(h), funds currently being withheld by
37 the Department of Revenue from the Town of Speed's sales tax distributions under
38 G.S. 159-34(g) shall be released by the Department to the Town within 45 days after the Local
39 Government Commission's approval under G.S. 160A-866 of a plan of action to distribute the
40 Town's assets and liabilities. However, if the conditions of G.S. 159-34(h) are met before the
41 Local Government Commission approves a plan of action under G.S. 160A-866, the Department
42 of Revenue may act under G.S. 159-34(h) to release the funds as required by that section.
43
44

45 **TOWN OF SPENCER MOUNTAIN/EXTEND THE SUNSET ON SUSPENSION OF** 46 **CHARTER**

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

49 "**SECTION 3.** This act becomes effective July 1, 2016, and expires ~~June 30, 2026.~~ June 30,
50 2029."
51

1 **LGC MEETING REQUIREMENT FLEXIBILITY/SALES TAX WITHHOLDING**
2 **APPEALS**

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

4 "**§ 159-34. Annual independent audit; rules and regulations.**

5 ...

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

21"

22
23 **REMOVE STATE TREASURER AS EX OFFICIO NONVOTING MEMBER OF**
24 **BOARD OF DIRECTORS OF NC GLOBAL TRANSPARK AUTHORITY**

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

26 "**§ 63A-3. Creation of Authority and Board.**

27 ...

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

- 30 (1) Six members appointed by the Governor. One member shall be representative
31 of the economic development industry, two members shall be representative
32 of the commercial real estate development industry, two members shall be
33 representative of the banking and finance industry, and one member shall be
34 representative of environmental interests.
- 35 (2) Three members appointed by the General Assembly upon the
36 recommendation of the Speaker of the House of Representatives in
37 accordance with G.S. 120-121. One member shall be representative of the
38 aerospace and aviation industry, one member shall be representative of
39 advanced manufacturing industries, and one member shall be representative
40 of the logistics and supply chain management industry.
- 41 (3) Three members appointed by the General Assembly upon the
42 recommendation of the President Pro Tempore of the Senate in accordance
43 with G.S. 120-121. One member shall be representative of the aerospace and
44 aviation industry, one member shall be representative of the emergency
45 response and disaster relief industries, and one member shall be representative
46 of the defense and security industry.
- 47 (4) ~~The State Treasurer, who shall serve as an ex officio nonvoting member.~~
- 48 (5) The President of the North Carolina System of Community Colleges or the
49 President's designee, provided that the President of the North Carolina
50 Community Colleges may instead appoint to the Board of Directors one
51 member of the board of trustees of a community college or one president of a

community college. If such an appointment is made, the appointee shall serve at the pleasure of the President.

- (6) The President of The University of North Carolina or the President's designee, provided that the President of the University of North Carolina may instead appoint to the Board of Directors one member of the board of trustees of a constituent institution of The University of North Carolina, or one chancellor of a constituent institution of The University of North Carolina. If such an appointment is made, the appointee shall serve at the pleasure of the President.
- (7) The Chairman of the State Ports Authority.
- (8) One member appointed by the board of county commissioners of any county in which the cargo airport complex site is located.
- (9) One member appointed by the city council of the city which is a county seat of any county in which the cargo airport complex site is located.
- (10) The Commissioner of Agriculture or the Commissioner's designee.
- (11) The Secretary of the Department of Commerce or the Secretary's designee.

...."

STUDY LOCAL GOVERNMENT BUDGET AND FISCAL CONTROL ACT

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

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

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

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

MODIFY GENERAL ASSEMBLY ACTUARIAL NOTE PROCEDURE

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

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

...

(b) ~~The author of each bill or resolution shall present a copy of the bill or resolution, with his request for an actuarial note, to the Fiscal Research Division which shall have the duty to prepare said actuarial note as promptly as possible. Actuarial notes shall be prepared and transmitted to the author or authors no later than two weeks after the request for the actuarial note~~

1 is made, unless an extension of time is agreed to by the author or authors as being necessary in
 2 preparation of the note. Any person who signs an actuarial note knowing it to contain false
 3 information shall be fined not more than five hundred dollars (\$500.00) or imprisoned not more
 4 than six months, or both.

5 ...

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

21 ...

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

28
 29 **PART VII. NORTH CAROLINA CAPITAL FACILITIES FINANCE AGENCY**

30
 31 **ADD CHARTER SCHOOLS AND RELIGIOUS SCHOOLS AS PARTICIPATING**
 32 **INSTITUTIONS**

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

34 **"§ 159D-37. Definitions.**

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

37 ...

38 (4a) "Institution for elementary and secondary education" means a nonprofit
 39 institution within the State of North Carolina authorized by law and engaged
 40 or to be engaged in the providing of kindergarten, elementary, or secondary
 41 education, or any combination of ~~these~~ these including, without limitation,
 42 charter schools.

43 ...

44 (6a) "Project" means any one or more buildings, structures, equipment,
 45 improvements, additions, extensions, enlargements, or other facilities
 46 comprising any of the following:

- 47 a. Educational facilities used by an institution for higher education or an
 48 institution for elementary and secondary education, including
 49 dormitories and other housing facilities, housing facilities for student
 50 nurses, dining halls and other food preparation and food service
 51 facilities, student unions, administration buildings, academic

1 buildings, libraries, laboratories, research facilities, classrooms,
 2 athletic facilities, health care facilities, laundry facilities, and other
 3 structures or facilities related to these facilities or required or useful
 4 for the instruction of students, the conducting of research, or the
 5 operation of the institution.

6 b. Student housing facilities to be owned or operated by an owner or
 7 operator other than an institution for higher education or an institution
 8 for elementary and secondary education.

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

10 The term "project" includes landscaping, site preparation, furniture,
 11 equipment and machinery, and other similar items necessary or convenient for
 12 operation of a particular facility in the manner for which its use is intended.
 13 The term also includes all appurtenances and incidental facilities, such as
 14 headquarters or office facilities, maintenance, storage, or utility facilities,
 15 parking facilities, and other facilities related to, required, or useful for the
 16 operation of the project or essential or convenient for the orderly conduct of
 17 the facility. The term "project" does not include the cost of items that
 18 customarily result in a current operating charge, such as books, fuel, or
 19 supplies. ~~The term does not include any facility used or to be used for sectarian~~
 20 ~~instruction or as a place of religious worship nor any facility that is used or to~~
 21 ~~be used primarily in connection with any part of the program of a school or~~
 22 ~~department of divinity for any religious denomination.~~

23 (6b) "Special purpose institution" means a for-profit or not-for-profit ~~corporation~~
 24 ~~or corporation, limited liability company, or similar entity~~ that undertakes any
 25 of the activities set forth in ~~sub-subdivisions (6a)b. and (6a)c.~~ subdivision (6a)
 26 of this section.

27"

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

29 **"§ 159D-38. Capital facilities finance agency.**

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

1 the office of the Secretary of State. ~~The Governor shall designate from among the members of~~
2 ~~the board of directors a chair and a vice chair, whose terms extend to the earlier of either two~~
3 ~~years or the date of expiration of their then current terms as members.~~ The State Treasurer shall
4 serve as chair of the board of directors of the agency. The board of directors shall elect and
5 appoint and prescribe the duties of a secretary-treasurer and any other officers it considers
6 necessary or advisable, which officers need not be members of the board of directors."
7

8 MODERNIZE PUBLIC HEARING AND NOTICE REQUIREMENTS

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

10 "§ 159D-45. Bonds and notes.

11 ...

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

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

29"

30 PART VIII. EFFECTIVE DATE

31 SECTION 8.1. Except as otherwise provided, this act is effective when it becomes
32 law.
33