



HOUSE BILL 1126: 2026 DST Admin/Technical/Clarifying Changes.

2025-2026 General Assembly

Committee: House Pensions and Retirement. If favorable, **Date:** May 13, 2026
re-refer to State and Local Government. If
favorable, re-refer to Rules, Calendar, and
Operations of the House

Introduced by: Reps. Wheatley, Carson Smith **Prepared by:** Jason Moran-Bates
Analysis of: First Edition **Committee Staff**

OVERVIEW: *House Bill 1126 would make technical and clarifying changes throughout the General Statutes for the Teachers' and State Employees' Retirement System (TSERS) and Local Governmental Employees' Retirement System (LGERS). It would also do the following:*

- *Allow forfeited armed service retirement credit to be reclaimed.*
- *Exempt TSERS and LGERS death benefits from overpayment offsets.*
- *Allow TSERS and LGERS pension-spiking restoration payments to offsets after a return to service and subsequent re-retirement.*
- *Clarify the laws regarding TSERS and LGERS benefits and Legislative Retirement System members, death benefit beneficiaries, and use of Legislative Enactment Implementation Arrangement funds.*
- *Require submissions to the Firefighters' and Rescue Squad Workers' Pension fund to be made electronically.*
- *Pause the withdrawal of TSERS and LGERS contributions by suspected felons.*
- *Allow TSERS and LGERS Boards of Trustees to designate employees who are exempt from the State Human Resources Act.*
- *Allow the State Treasurer to retain private counsel to represent the retirement systems.*
- *Allow \$100 per diem payments to various Board of Trustees members.*
- *Make dependents on the State Health Plan eligible for maternity benefits.*

CURRENT LAW: Current law is underlined below.

BILL ANALYSIS:

PART I. ADMINISTRATIVE CHANGES TO RETIREMENT SYSTEMS

Section 1.1: Under current law, members of the Teachers' and State Employees' Retirement System (TSERS) and the Local Governmental Employees' Retirement System (LGERS) can apply to withdraw any amounts paid into the retirement system after leaving qualifying employment. If the members obtain qualifying employment later, they do not receive retirement credit for the previous employment, unless they purchase the creditable service back by paying the full liability increase to the retirement system.

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Section 1.1 of the bill would allow TSERS and LGERS members who purchase back credit for withdrawn service to also have any armed service credits restored.

Section 1.2 of the bill would clarify that fully contributory death benefits paid under TSERS and LGERS are not subject to be offset when the retirement plans try to reclaim overpayments.

Section 1.3: TSERS and LGERS members subject to a retirement allowance pension-spiking cap may make a lump sum payment into the retirement system to restore the retirement benefit to the uncapped amount.

Section 1.3 of the bill would allow TSERS and LGERS members who (i) made the lump sum payment to restore the uncapped retirement allowance, (ii) reentered service for at least three years, and (iii) had their retirement allowance recalculated based on the additional service to offset any retirement allowance cap they were subject to after the additional service on a dollar-for-dollar basis with the amount initially paid to restore the uncapped retirement allowance.

Section 1.4: Under current law, TSERS retirement benefits pause if a member who retired on an early or service retirement allowance is re-employed by a qualifying employer and makes more than the greater of (i) 50% of the pre-retirement salary, or (ii) \$20,000. Members of the Legislative Retirement System (LRS) are ineligible to receive benefits if they become members of TSERS or the Consolidated Judicial Retirement System (CJRS). LRS members who retire after September 1, 2005 cannot receive a retirement benefit that exceeds 75% of their highest annual salary.

Section 1.4 would clarify that the TSERS benefit pause does not apply to service as a member of LRS. As of July 1, 2026, LRS members would continue to receive benefits if they become members of TSERS or CJRS; however, LRS members whose benefits had already been suspended would not have benefits reinstated until withdrawing from TSERS or CJRS.

Section 1.5 would require submissions to the Firefighters' and Rescue Squad Workers' Pension fund to be made electronically.

Section 1.6: Under TSERS and LGERS, benefits are forfeited if a member commits a felony directly related to the member's office or employment.

Section 1.6 would allow the administrator of the Supplemental Income Retirement Plan for law enforcement officers to prohibit the withdrawal of contributions from a member's account for a period of 60 days while awaiting a determination of whether the felony-based forfeiture applies to the member.

Section 1.7 would allow the State Treasurer and the Boards of Trustees of TSERS and LGERS to establish compensation plans for designated employees of each retirement system, who would be exempt from many of the provisions of the State Human Resources Act.

Section 1.8: Under current law, the State Treasurer is allowed to designate private counsel to represent the interests of administration of TSERS benefits programs.

Section 1.8 would allow the State Treasurer to designate an attorney to be the legal advisor of TSERS, LGERS, and LRS. The State Treasurer would be allowed to designate private counsel to represent the interests of administration of LGERS and LRS benefits programs.

Section 1.9 would allow trustees of TSERS, LGERS, the Supplemental Retirement Board, and the ABLE Program to receive a per diem of \$100 during board sessions.

Section 1.10: Under current law, only one beneficiary is eligible to receive a return of a member's accumulated TSERS and LGERS contributions if the member dies before retiring.

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Section 1.10 clarifies that if there is more than one designated and living beneficiary when a member dies, and a beneficiary elects to renounce the share of the accumulated contributions, that renunciation will not result in another beneficiary becoming eligible to receive the accumulated contributions.

Section 1.11: The Legislative Enactment Implementation Arrangement (LEIA) was established in 2017 to provide for timely implementation of legislation impacting TSERS and LGERS. LEIA assets not used for that purpose in any given year are required to be transferred to the retirement systems as an additional employer contribution.

Section 1.11 would clarify that LEIA assets can be used (i) to implement retirement-related legislation and (ii) for administrative and information technology purposes necessary to prevent interruption of normal operation of the retirement systems.

PART II. STATE HEALTH PLAN

Section 2.1: Under current law, dependents on the State Health Plan (SHP) are not eligible for maternity benefits.

Section 2.1 would allow maternity benefits for dependents on the SHP.

Section 2.2: Current law requires Medicare to be the primary insurance carrier at all times for individuals who have both Medicare and the SHP.

Section 2.2 would allow the State Treasurer to make SHP primary insurance in instances when the administrative cost of coordinating benefits with Medicare exceeds the benefit of coordination.

Section 2.3 would exempt funds used for the operation of the SHP from the requirement that all funds deposited with the Treasurer remain on deposit until final disbursement to the ultimate payee.

PART III. NORTH CAROLINA INVESTMENT AUTHORITY CONFORMING CHANGES

Part III: Session Law 2025-6 (H506) created the North Carolina Investment Authority (NCIA) to manage investment of State assets and carry out various statutory duties that had been assigned to the State Treasurer.

Part III would make conforming changes throughout the General Statutes to (i) make the NCIA custodian of assets that had been in the custody of the State Treasurer, (ii) clarify that prohibitions on investment that had applied to the State Treasurer also apply to the NCIA, and (iii) clarify that performance-related bonuses paid to NCIA employees do not count in TSERS and LGERS compensation calculations.

PART IV. TECHNICAL AND CLARIFYING CHANGES

Part IV would make other technical and clarifying changes throughout the General Statutes.

EFFECTIVE DATE: The armed service credited restoration provisions would be effective January 1, 2027. The provisions regarding LRS benefit suspension would be effective July 1, 2026. The LEIA asset provisions would be effective July 1, 2026. The NCIA employee bonus clarifying changes would be effective retroactive to July 1, 2025. The remainder of the bill would be effective when it becomes law.