



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

2025-2026 General Assembly

Committee: House State and Local Government. If **Date:** May 19, 2026
favorable, re-refer to Rules, Calendar, and
Operations of the House

Introduced by: Reps. Wheatley, Carson Smith **Prepared by:** Michael Whitfield
Analysis of: PCS to First Edition Committee Co-Counsel
H1126-CSDCp-24

OVERVIEW: *The Proposed Committee Substitute to 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 offset 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 Supplemental Income Retirement Plan 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.*
- *Make administrative changes to the statutes dealing with unclaimed property, state and local government finance, and the North Carolina Capital Facilities Finance Agency.*
- *Modify the procedural requirements related to actuarial notes before committees of the General Assembly.*

CURRENT LAW: Current law is underlined below.

BILL ANALYSIS:

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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.

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 their retirement benefits 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.

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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.

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 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.

PART V. UNCLAIMED PROPERTY

Part V would make the following changes relating to unclaimed property:

- The Treasurer would be allowed to pay auditors on a contingency fee basis.
- Holders of abandoned property would have to provide notice to the apparent owner if the property had a value over \$25 and file a report with the Treasurer, who could request additional information if necessary.

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- Business entities who hold abandoned property claimed by an apparent owner would have to certify whether the property belonged to that owner on a form attested to by two officers of the business entity. That certification would be binding on the owner.

PART VI. STATE AND LOCAL GOVERNMENT FINANCE

Part VI would make the following changes to statutes relating to the finances of state and local governments:

- Funds held by the Department of Revenue from the town of Speed's sales tax distribution would be released after a plan of action to distribute the town's assets and liabilities is approved.
- The sunset on the town of Spencer Mountain's charter suspension would be extended from June 30, 2026, to June 30, 2029.
- Counties and municipalities wishing to appeal notifications of noncompliance with tax withholding would have the appeal heard in front of the Local Government Commission as soon as practicable after July 1.
- The State Treasurer would be removed from the NC Global Transpark Authority Board of Directors.

Part VI would also require the State and Local Government Finance Division of the Department of State Treasurer to 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. An interim report on the study must be made 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 by January 31, 2027, with a final report due on October 1, 2027. The report must include at least the following:

- Existing statutory complexity and inconsistencies.
- The ability for local government to comply with statutory requirements.
- The need for training of local staff and local elected officials.
- Enforcement gaps in current statutory language.
- How to address the varying financial management challenges faced by governments of varying sizes.

Part VI would also require actuarial notes before committees of the General Assembly that would substantially affect the cost to or the revenues of any retirement system or benefits program for State employees be produced and prepared by the actuary of the system or program proposed to be modified by the associated bill. Currently, the Fiscal Research Division is responsible for preparing the actuarial notes.

PART VII. NORTH CAROLINA CAPITAL FACILITIES FINANCE AGENCY

Part VII would make the following changes to the North Carolina Capital Facilities Finance Agency:

- Charter and religious schools would be added as participating institutions.
- The Treasurer would serve as the chair of the board of directors of the Agency. Currently, the Governor appoints a chair and vice chair.
- Public hearings for the issuance of bonds would follow the requirements in 26 U.S.C. § 147(f) and its supporting regulations.

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.

Jason Moran-Bates, Staff Attorney with the Legislative Analysis Division, contributed substantially to this summary.