

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023

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HOUSE BILL 201
Committee Substitute Favorable 3/21/23

Short Title: Retirement Admin. Changes Act of 2023-AB

(Public)

Sponsors:

Referred to:

February 27, 2023

A BILL TO BE ENTITLED

AN ACT MAKING ADMINISTRATIVE AND CONFORMING CHANGES TO THE LAWS GOVERNING THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, LEGISLATIVE RETIREMENT SYSTEM, CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, THE DISABILITY INCOME PLAN, AND TO OTHER RELATED STATUTES, AS RECOMMENDED BY THE DEPARTMENT OF STATE TREASURER.

The General Assembly of North Carolina enacts:

PART I. CHANGES RELATED TO THE CONTRIBUTORY DEATH BENEFIT FOR THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, LEGISLATIVE RETIREMENT SYSTEM, AND THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

SECTION 1.1. G.S. 135-5(*l*) reads as rewritten:

"(*l*) Death Benefit Plan. – There is hereby created a Group Life Insurance Plan (hereinafter called the "Plan") which is established as an employee welfare benefit plan that is separate and apart from the Retirement System and under which the members of the Retirement System shall participate and be eligible for group life insurance benefits. The Plan shall be part of the North Carolina Teachers' and State Employees' Benefit Trust, as established under G.S. 135-7(g). All receipts, transfers, appropriations, contributions, investment earnings, and other income belonging to the Plan shall be deposited in the Benefit Trust. All benefits and expenses against the Plan shall be disbursed from the Benefit Trust. Employer and non-employer contributions to the Benefit Trust and earnings on those contributions are irrevocable. The assets of the Benefit Trust are dedicated to providing benefits to participants, ~~surviving spouses,~~ beneficiaries, and the members' estates in accordance with the Plan's benefit terms. The assets of the Benefit Trust are not subject to the claims of creditors of the employees and non-employees making contributions to the Benefit Trust, are not subject to the claims of any creditors of the Benefit Trust's trustees and administrators, and are not subject to the claims of creditors of members and beneficiaries. Benefit Trust assets may be used for reasonable expenses to administer benefits provided by the Fund as approved by the Board of Trustees.

...

Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this subsection, of the death of a retired member of the Retirement System on or after January 1, 2015, there shall be paid a death benefit to the person or persons designated by the member or, ~~if the member has not designated a beneficiary, to the surviving spouse of the deceased retired~~



1 ~~member or~~, if not survived by a designated ~~beneficiary or spouse~~, beneficiary, to the deceased
2 retired member's legal representative; provided the retired member has elected, when first
3 eligible, to make, and has continuously made, in advance of the member's death required
4 contributions as determined by the Board of Trustees on a fully contributory basis, through
5 retirement allowance deductions or other methods adopted by the Board of Trustees, to a group
6 death benefit trust fund, the North Carolina Teachers' and State Employees' Benefit Trust,
7 administered by the Board of Trustees Fund and Pension Accumulation Fund. Employer and
8 non-employer contributions to the Benefit Trust and earnings on those contributions are
9 irrevocable. The assets of the Benefit Trust are dedicated to providing benefits to participants,
10 ~~surviving spouses~~, beneficiaries, and the members' estates in accordance with the Plan's benefit
11 terms. The assets of the Benefit Trust are not subject to the claims of creditors of the employees
12 and non-employees making contributions to the Benefit Trust, are not subject to the claims of
13 any creditors of the Benefit Trust's trustees and administrators, and are not subject to the claims
14 of creditors of members and beneficiaries. Benefit Trust assets may be used for reasonable
15 expenses to administer benefits provided by the Fund as approved by the Board of Trustees. This
16 death benefit shall be a lump-sum payment in the amount of ten thousand dollars (\$10,000) upon
17 the completion of 24 months of contributions required under this subsection. Should death occur
18 before the completion of 24 months of contributions required under this subsection, the deceased
19 retired member's designated beneficiary or beneficiaries, ~~or surviving spouse if there is no~~
20 ~~surviving beneficiary~~, or legal representative if not survived by a designated ~~beneficiary or~~
21 ~~spouse~~, beneficiary, shall be paid the sum of the retired member's contributions required by this
22 subsection plus interest to be determined by the Board of Trustees.

23"

24 **SECTION 1.2.** G.S. 128-27(*l6*) reads as rewritten:

25 "*(l6)* Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this
26 subsection, of the death of a retired member of the Retirement System on or after January 1,
27 2015, there shall be paid a death benefit to the person or persons designated by the member or,
28 ~~if the member has not designated a beneficiary, to the surviving spouse of the deceased retired~~
29 ~~member or~~, if not survived by a designated ~~beneficiary or spouse~~, beneficiary, to the deceased
30 retired member's legal representative; provided the retired member has elected, when first
31 eligible, to make, and has continuously made, in advance of the member's death required
32 contributions as determined by the Board of Trustees on a fully contributory basis, through
33 retirement allowance deductions or other methods adopted by the Board of Trustees, to a group
34 death benefit trust fund, the North Carolina Teachers' and State Employees' Benefit Trust,
35 administered by the Board of Trustees separate and apart from the Retirement System's Annuity
36 Savings Fund and Pension Accumulation Fund. Employer and non-employer contributions to the
37 Benefit Trust and earnings on those contributions are irrevocable. The assets of the Benefit Trust
38 are dedicated to providing benefits to members and beneficiaries in accordance with the Plan's
39 benefit terms. The assets of the Benefit Trust are not subject to the claims of creditors of the
40 employees and non-employees making contributions to the Benefit Trust, are not subject to the
41 claims of any creditors of the Benefit Trust's trustees and administrators, and are not subject to
42 the claims of creditors of members and beneficiaries. Benefit Trust assets may be used for
43 reasonable expenses to administer benefits provided by the Fund as approved by the Board of
44 Trustees.

45 The death benefit payable under this subsection shall be a lump-sum payment in the amount
46 of ten thousand dollars (\$10,000) upon the completion of 24 months of contributions required
47 under this subsection. Should death occur before the completion of 24 months of contributions
48 required under this subsection, the deceased retired member's designated beneficiary or
49 beneficiaries, ~~or surviving spouse if not survived by a designated beneficiary~~, or legal
50 representative if not survived by a designated ~~beneficiary or spouse~~, beneficiary, shall be paid

1 the sum of the retired member's contributions required by this subsection plus interest to be
2 determined by the Board of Trustees."

3 **SECTION 1.3.** G.S. 120-4.27 reads as rewritten:

4 "**§ 120-4.27. Death benefit.**

5 ...

6 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired member
7 of the Retirement System or Retirement Fund on or after January 1, 2015, there shall be paid a
8 death benefit to the person or persons designated by the member or, ~~if the member has not~~
9 ~~designated a beneficiary, to the surviving spouse of the deceased retired member or, if not~~
10 ~~survived by a designated beneficiary or spouse, beneficiary,~~ to the deceased retired member's
11 legal representative; provided the retired member has elected, when first eligible, to make, and
12 has continuously made, in advance of the member's death required contributions as determined
13 by the Retirement System on a fully contributory basis, through retirement allowance deductions
14 or other methods adopted by the Retirement System, to a group death benefit trust fund, the North
15 Carolina Teachers' and State Employees' Benefit Trust, administered by the Board of Trustees
16 separate and apart from the Retirement System's Annuity Savings Fund and Pension
17 Accumulation Fund. Employer and non-employer contributions to the Benefit Trust and earnings
18 on those contributions are irrevocable. The assets of the Benefit Trust are dedicated to providing
19 benefits to members and beneficiaries in accordance with the Plan's benefit terms. The assets of
20 the Benefit Trust are not subject to the claims of creditors of the employees and non-employees
21 making contributions to the Benefit Trust, are not subject to the claims of any creditors of the
22 Benefit Trust's trustees and administrators, and are not subject to the claims of creditors of
23 members and beneficiaries. Benefit Trust assets may be used for reasonable expenses to
24 administer benefits provided by the Fund as approved by the Board of Trustees.

25 The death benefit payable under this subsection shall be a lump-sum payment in the amount
26 of ten thousand dollars (\$10,000) upon the completion of 24 months of contributions required
27 under this subsection. Should death occur before the completion of 24 months of contributions
28 required under this subsection, the deceased retired member's designated beneficiary or
29 beneficiaries, ~~or surviving spouse if not survived by a designated beneficiary,~~ or legal
30 representative if not survived by a designated ~~beneficiary or spouse, beneficiary,~~ shall be paid
31 the sum of the retired member's contributions required by this subsection plus interest to be
32 determined by the Board of Trustees."

33 **SECTION 1.4.** G.S. 135-64(k) reads as rewritten:

34 "(k) Upon the death of a retired member on or after January 1, 2015, there shall be paid a
35 death benefit to the person or persons designated by the member or, ~~if the member has not~~
36 ~~designated a beneficiary, to the surviving spouse of the deceased retired member or, if not~~
37 ~~survived by a designated beneficiary or spouse, beneficiary,~~ to the deceased retired member's
38 legal representative; provided the retired member has elected, when first eligible, to make, and
39 has continuously made, in advance of the member's death required contributions as determined
40 by the Board of Trustees on a fully contributory basis, through retirement allowance deductions
41 or other methods adopted by the Board of Trustees, to a group death benefit trust fund, the North
42 Carolina Teachers' and State Employees' Benefit Trust, administered by the Board of Trustees
43 separate and apart from the Retirement System's Annuity Savings Fund and Pension
44 Accumulation Fund. Employer and non-employer contributions to the Benefit Trust and earnings
45 on those contributions are irrevocable. The assets of the Benefit Trust are dedicated to providing
46 benefits to members and beneficiaries in accordance with the Plan's benefit terms. The assets of
47 the Benefit Trust are not subject to the claims of creditors of the employees and non-employees
48 making contributions to the Benefit Trust, are not subject to the claims of any creditors of the
49 Benefit Trust's trustees and administrators, and are not subject to the claims of creditors of
50 members and beneficiaries. Benefit Trust assets may be used for reasonable expenses to
51 administer benefits provided by the Fund as approved by the Board of Trustees.

1 The death benefit payable under this subsection shall be a lump-sum payment in the amount
2 of ten thousand dollars (\$10,000) upon the completion of 24 months of contributions required
3 under this subsection. Should death occur before the completion of 24 months of contributions
4 required under this subsection, the deceased retired member's designated beneficiary or
5 beneficiaries, ~~or surviving spouse if there is no surviving designated beneficiary, or legal~~
6 ~~representative if not survived by a designated beneficiary or spouse, beneficiary,~~ shall be paid
7 the sum of the retired member's contributions required by this subsection plus interest to be
8 determined by the Board of Trustees."
9

10 **PART II. CHANGES RELATED TO THE SECOND SIX MONTHS OF SHORT-TERM**
11 **DISABILITY BENEFITS OF THE DISABILITY INCOME PLAN OF NORTH**
12 **CAROLINA TO BE REIMBURSED TO THE EMPLOYER BY THE PLAN**

13 **SECTION 2.1.** G.S. 135-105(d) reads as rewritten:

14 "(d) For short-term disability benefits that begin before July 1, 2019, the provisions of this
15 section shall be administered by the employer and ~~further, the~~ benefits during the first initial six
16 months of the short-term disability period shall be the full responsibility of and paid by the
17 ~~employer; Provided, further, that upon the employer.~~

18 For short-term disability benefits that began before July 1, 2019, upon completion of the
19 initial six months of the short-term disability period, the employer will continue to be responsible
20 for the short-term benefits to the participant, however, such the employer shall notify the Plan,
21 at the conclusion of the short-term disability period period, or upon termination of short-term
22 disability benefits, if earlier, of the amount of short-term benefits and the State Health Insurance
23 premiums paid by the employer and the Plan shall reimburse the employer the amounts so paid.
24 The Plan shall not reimburse any employer for amounts related to notifications made on or after
25 January 1, 2024."

26 **SECTION 2.2.** The Board of Trustees shall adopt rules to implement the provisions
27 of this Part.
28

29 **PART III. CHANGES RELATED TO THE REVIEW AND APPROVAL OF**
30 **SHORT-TERM DISABILITY BENEFITS OF THE DISABILITY INCOME PLAN OF**
31 **NORTH CAROLINA BY THE RETIREMENT SYSTEMS DIVISION**

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

33 "(5) Any member who is eligible for and is being paid a benefit under the Disability
34 Income Plan as provided in G.S. 135-105 or G.S. 135-106 shall be deemed a
35 member in service and may not retire under the provisions of this section. Any
36 member who has made electronic submission or written application for
37 long-term or extended short-term benefits under the Disability Income Plan as
38 provided in G.S. 135-105 or G.S. 135-106, and who has been rejected by the
39 Plan's Medical Board for a long-term benefit or the Retirement Systems
40 Division of the Department of State Treasurer for an extended short-term
41 benefit shall have 90 days from the date of notification of the rejection to
42 convert his application to an early or service retirement application, provided
43 that the member meets the eligibility requirements, effective the first day of
44 the month following the month in which short-term disability benefits ended
45 or the first day of the month following the month in which any salary
46 continuation as may be provided in G.S. 135-104 ended, whichever is later."

47 **SECTION 3.2.** G.S. 135-6(k) reads as rewritten:

48 "(k) Medical Board. – The Board of Trustees shall designate a medical board to be
49 composed of not less than three nor more than five physicians not eligible to participate in the
50 Retirement System. The Board of Trustees may structure appointment requirements and term
51 durations for those medical board members. If required, other physicians may be employed to

1 report on special cases. The medical board shall arrange for and pass upon all medical
2 examinations required under the provisions of this Chapter, and shall investigate all essential
3 statements and certificates by or on behalf of a member in connection with an application for
4 disability retirement, and shall report in writing to the Board of Trustees its conclusion and
5 recommendations upon all the matters referred to ~~it~~it, ~~except as otherwise provided in this~~
6 Chapter. A person serving on the medical board shall be immune individually from civil liability
7 for monetary damages, except to the extent covered by insurance, for any act or failure to act
8 arising out of that service, except where any of the following apply:

- 9 (1) The person was not acting within the scope of that person's official duties.
- 10 (2) The person was not acting in good faith.
- 11 (3) The person committed gross negligence or willful or wanton misconduct that
12 resulted in the damages or injury.
- 13 (4) The person derived an improper financial benefit, either directly or indirectly,
14 from the transaction.
- 15 (5) The person incurred the liability from the operation of a motor vehicle."

16 **SECTION 3.3.** G.S. 135-102(d) reads as rewritten:

17 "(d) The Department of State Treasurer and the Board of Trustees shall designate a
18 Medical Board to be composed of not fewer than three nor more than five physicians not eligible
19 for benefits under the Plan. Other physicians, medical clinics, institutions or agencies may be
20 employed to conduct such medical examinations and tests necessary to provide the Medical
21 Board with clinical evidence as may be needed to determine eligibility for benefits under the
22 Plan. The Medical Board shall investigate the results of medical examinations, clinical evidence,
23 all essential statements and certifications by and on behalf of applicants for benefits and shall
24 report in writing to the Board of Trustees the conclusions and recommendations upon all matters
25 referred to ~~it~~it, ~~except as otherwise provided in this Chapter~~."

26 **SECTION 3.4.** G.S. 135-105(f) reads as rewritten:

27 "(f) A participant or beneficiary of short-term disability benefits or his legal representative
28 or any person deemed by the Board of Trustees to represent the participant or beneficiary, or the
29 employer of the participant or beneficiary, may request the Board of Trustees to have ~~the Medical~~
30 ~~Board~~the Retirement Systems Division of the Department of State Treasurer make a
31 determination of eligibility for the short-term disability benefits as provided in this section or to
32 make a preliminary determination of eligibility for the long-term disability benefits as provided
33 in G.S. 135-106. A preliminary determination of eligibility for long-term disability benefits shall
34 not preclude the requirement that the Medical Board make a determination of eligibility for
35 long-term disability benefits."

36 **SECTION 3.5.** G.S. 135-105(g) reads as rewritten:

37 "(g) The Board of Trustees may extend the short-term disability benefits of a beneficiary
38 beyond the benefit period of 365 days for an additional period of not more than 365 days;
39 ~~provided the Medical Board~~the Retirement Systems Division of the Department of State
40 Treasurer determines that the beneficiary's disability is temporary and likely to end within the
41 extended period of short-term disability benefits. During the extended period of short-term
42 disability benefits, payment of benefits shall be made by the Plan directly to the beneficiary. This
43 extended period of short-term disability benefits shall be treated in the same manner as long-term
44 disability payments for the purposes of G.S. 135-108."

45 **SECTION 3.6.** The Board of Trustees shall adopt rules to implement the provisions
46 of this Part.

47
48 **PART IV. CHANGES RELATED TO THE APPLICATION FOR EXTENDED**
49 **SHORT-TERM DISABILITY BENEFITS THROUGH THE DISABILITY INCOME**
50 **PLAN OF NORTH CAROLINA**

1 **SECTION 4.1.** G.S. 135-105(g), as amended by Section 3.5 of this act, reads as
2 rewritten:

3 "(g) The Board of Trustees may extend the short-term disability benefits of a beneficiary
4 beyond the benefit period of 365 days for an ~~additional extended~~ period of not more than 365
5 ~~days; days.~~ The extended period shall commence on the first day succeeding the conclusion of
6 the first 365-day short-term disability period, provided the beneficiary or participant makes an
7 application for such benefit within 180 days after the short-term disability period ceases, after
8 salary continuation payments cease, or after monthly payments for Workers' Compensation
9 cease, whichever is later; and provided the Retirement Systems Division of the Department of
10 State Treasurer determines that the beneficiary's disability is temporary and likely to end within
11 the extended period of short-term disability benefits. During the extended period of short-term
12 disability benefits, payment of benefits shall be made by the Plan directly to the beneficiary. This
13 extended period of short-term disability benefits shall be treated in the same manner as long-term
14 disability payments in G.S. 135-106(b) for the purposes of G.S. 135-108. The Department of
15 State Treasurer shall adopt rules to implement the provisions of this subsection."

16 **SECTION 4.2.** The Board of Trustees shall adopt rules to implement the provisions
17 of this Part.

18
19 **PART V. CHANGES RELATED TO THE PAYMENT OF THE FIRST RETIREMENT**
20 **BENEFIT CHECK FOR BENEFICIARIES OF THE TEACHERS' AND STATE**
21 **EMPLOYEES' RETIREMENT SYSTEM, LOCAL GOVERNMENTAL EMPLOYEES'**
22 **RETIREMENT SYSTEM, LEGISLATIVE RETIREMENT SYSTEM, AND THE**
23 **CONSOLIDATED JUDICIAL RETIREMENT SYSTEM**

24 **SECTION 5.1.** G.S. 135-5(g) reads as rewritten:

25 "(g) Election of Optional Allowance. – With the provision that until the first payment on
26 account of any benefit becomes normally ~~due, or the member's first retirement check has been~~
27 ~~cash~~ed, due and the first payment date has occurred, any member may elect to receive his or her
28 benefits in a retirement allowance payable throughout life, or the member may elect to receive
29 the actuarial equivalent of such retirement allowance, including any special retirement allowance,
30 in a reduced allowance payable throughout life under the provisions of one of the options set
31 forth below. The election of Option 2, 3, or 6 or nomination of the person thereunder shall be
32 revoked if such person nominated dies prior to the date the first payment becomes normally ~~due~~
33 ~~or until the member's first retirement check has been cashed.~~ due and the first payment date has
34 occurred. Such election may be revoked by the member prior to the date the first payment
35 becomes normally ~~due or until the member's first retirement check has been cashed.~~ due and the
36 first payment date has occurred. Provided, however, in the event a member has elected Option 2,
37 3, or 5 and nominated his or her spouse to receive a retirement allowance upon the member's
38 death, and the spouse predeceases the member after the first payment becomes normally ~~due or~~
39 ~~the first retirement check has been cashed,~~ due and the first payment date has occurred, if the
40 member remarries he or she may request to nominate a new spouse to receive the retirement
41 allowance under the previously elected option, within 90 days of the remarriage, and may
42 nominate a new spouse to receive the retirement allowance under the previously elected option
43 by written designation duly acknowledged and filed with the Board of Trustees within 120 days
44 of the remarriage. The new nomination shall be effective on the first day of the month in which
45 it is made and shall provide for a retirement allowance computed to be the actuarial equivalent
46 of the retirement allowance in effect immediately prior to the effective date of the new
47 nomination. Any member having elected Option 2, 3, 5, or 6 and nominated his or her spouse to
48 receive a retirement allowance upon the member's death may, after divorce from his or her
49 spouse, revoke the nomination and elect a new option, effective on the first day of the month in
50 which the new option is elected, providing for a retirement allowance computed to be the
51 actuarial equivalent of the retirement allowance in effect immediately prior to the effective date

1 of the new option. Except as provided in this section, the member may not change the member's
2 retirement benefit option or the member's designated beneficiary for survivor benefits, if any,
3 ~~after the member has cashed the first retirement check or after the 25th day of the month~~
4 ~~following the month in which the first check is mailed, whichever comes first.~~ the first payment
5 on account of any benefit becomes normally due and the first payment date has occurred.
6

6 ...

7 Upon the death of a member after the effective date of a retirement for which the member
8 has been approved and following receipt by the Board of Trustees of an election of benefits (Form
9 6-E or Form 7-E) but prior to ~~the cashing of the first benefit check,~~ when the first payment on
10 account of any benefit becomes normally due and the first benefit payment has occurred, the
11 retirement benefit shall be payable as provided by the member's election of benefits under this
12 subsection.

13"

14 **SECTION 5.2.** G.S. 128-27(g) reads as rewritten:

15 "(g) Election of Optional Allowance. – With the provision that until the first payment on
16 account of any benefit becomes normally ~~due,~~ due and the first payment date has occurred,
17 ~~or the member's first retirement check has been~~
18 ~~cashied,~~ due and the first payment date has occurred, any member may elect to receive his or her
19 benefits in a retirement allowance payable throughout life, or the member may elect to receive
20 the actuarial equivalent of such retirement allowance, including any special retirement allowance,
21 in a reduced allowance payable throughout life under the provisions of one of the Options set
22 forth below. The election of Option 2, 3, or 6 or nomination of the person thereunder shall be
23 revoked if such person nominated dies prior to the date the first payment becomes normally ~~due~~
24 ~~or the first retirement check has been cashed,~~ due and the first payment date has occurred. Such
25 election may be revoked by the member prior to the date the first payment becomes normally ~~due~~
26 ~~or the member's first retirement check has been cashed,~~ due and the first payment date has
27 occurred. Provided, however, in the event a member has elected Option 2, 3, or 5 and nominated
28 his or her spouse to receive a retirement allowance upon the member's death, and the spouse
29 predeceases the member after the first payment becomes normally ~~due or the first retirement~~
30 ~~check has been cashed,~~ due and the first payment date has occurred, if the member remarries he
31 or she may request to nominate a new spouse to receive the retirement allowance under the
32 previously elected option, within 90 days of the remarriage, and may nominate a new spouse to
33 receive the retirement allowance under the previously elected option by written designation duly
34 acknowledged and filed with the Board of Trustees within 120 days of the remarriage. The new
35 nomination shall be effective on the first day of the month in which it is made and shall provide
36 for a retirement allowance computed to be the actuarial equivalent of the retirement allowance
37 in effect immediately prior to the effective date of the new nomination. Any member having
38 elected Option 2, 3, 5, or 6 and nominated his or her spouse to receive a retirement allowance
39 upon the member's death may, after divorce from his or her spouse, revoke the nomination and
40 elect a new option, effective on the first day of the month in which the new option is elected,
41 providing for a retirement allowance computed to be the actuarial equivalent of the retirement
42 allowance in effect immediately prior to the effective date of the new option. Except as provided
43 in this section, the member may not change the member's retirement benefit option or the
44 member's designated beneficiary for survivor benefits, if any, ~~after the member has cashed the~~
45 ~~first retirement check or after the 25th day of the month following the month in which the first~~
46 ~~check is mailed, whichever comes first.~~ after the first payment on account of any benefit becomes
47 normally due and the first payment date has occurred.

47 ...

48 Upon the death of a member after the effective date of a retirement for which the member
49 has been approved and following receipt by the Board of Trustees of an election of benefits (Form
50 6-E or Form 7-E) but prior to ~~the cashing of the first benefit check,~~ when the first payment on
51 account of any benefit becomes normally due and the first benefit payment has occurred, the

1 retirement benefit shall be payable as provided by the member's election of benefits under this
2 subsection.

3"

4 **SECTION 5.3.** G.S. 120-4.26 reads as rewritten:

5 "**§ 120-4.26. Benefit payment options.**

6 Any member may elect to receive ~~his~~their benefits in a retirement allowance payable
7 throughout life, or ~~he~~the member may elect to receive the actuarial equivalent of the retirement
8 allowance in a reduced allowance payable throughout life under the provisions of one of the
9 options set forth below. No election may be made after the first payment becomes ~~due, or the~~
10 ~~first retirement check cashed, normally due and the first payment date has occurred,~~ nor may an
11 election be revoked or a nomination changed. The election of Option 2 or Option 3 or the
12 nomination of the person thereunder shall be revoked if the person nominated dies prior to the
13 date the first payment becomes normally ~~due or until the first retirement check has been cashed,~~
14 ~~due and the first payment date has occurred.~~ The election may be revoked by the member prior
15 to the date the first payment becomes normally ~~due or until his first retirement check has been~~
16 ~~cashied, due and the first payment date has occurred.~~ Provided, however, in the event a member
17 has elected Option 2 or Option 3 and nominated his or her spouse to receive a retirement
18 allowance upon the member's death, and the spouse predeceases the member after the first
19 payment becomes normally ~~due or the first retirement check has been cashed,~~ due or the first
20 payment date has occurred, if the member remarries he or she may nominate a new spouse to
21 receive the retirement allowance under the previously elected option, within 90 days of the
22 remarriage. The new nomination shall be effective on the first day of the month in which it is
23 made and shall provide for a retirement allowance computed to be the actuarial equivalent of the
24 retirement allowance in effect immediately prior to the effective date of the new nomination. Any
25 member having elected Options 2 or 3 and nominated his or her spouse to receive a retirement
26 allowance upon the member's death may, after divorce from his or her spouse, revoke the
27 nomination and elect a new option, effective on the first day of the month in which the new option
28 is elected, providing for a retirement allowance computed to be the actuarial equivalent to the
29 retirement allowance in effect immediately prior to the effective date of the new option.

30"

31
32 **PART VI. CHANGES RELATED TO THE RETIREMENT SYSTEMS MASTER TRUST**
33 **AND MANAGEMENT OF FUNDS**

34 **SECTION 6.** G.S. 135-7(g) reads as rewritten:

35 "(g) It is the intent of the General Assembly that a master trust fund be created that
36 provides an irrevocable source of funding to be used, to the extent the fund's assets are sufficient,
37 only for death benefits and disability benefits to the Plans' members, participants, and
38 beneficiaries, pursuant to G.S. 120-4.27, G.S. 128-27(l), subsections (l2) through (l6) of
39 G.S. 128-27, 135-5(l), 135-64(k), and 143-166.60. Accordingly, the following provisions apply
40 to the Trust:

41 ...

- 42 (2) A trust fund, the North Carolina Teachers' and State Employees' Benefit Trust,
43 is hereby created as a master trust to which all receipts, transfers,
44 appropriations, contributions, investment earnings, and other income
45 belonging to the Plans shall be deposited, and from which all benefits and
46 expenses against the Plans shall be disbursed. The Boards of Trustees of the
47 Teachers' and State Employees' Retirement System and the Local
48 Governmental Employees' Retirement System shall be the trustee of the Trust.
49 Within the Benefit Trust, the funds of the Plans shall be accounted for
50 separately and not commingled. Assets of one plan cannot be used to pay for
51 liabilities of another plan within the Trust. The assets of the trust fund shall be

1 used only for the exclusive benefit of persons who are or may be entitled to
2 benefits under the Plans. In no event, including dissolution, will the assets of
3 the trust fund be distributed to any entity that is not a state, a political
4 subdivision of a state, or another entity the income of which is excludable
5 from its gross income by application of section 115(1) of the Internal Revenue
6 Code.

7 "

8
9 **PART VII. CHANGES RELATED TO THE SURVIVORS ALTERNATE BENEFIT**
10 **BENEFICIARY DEFAULT FOR THE TEACHERS' AND STATE EMPLOYEES'**
11 **RETIREMENT SYSTEM, LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT**
12 **SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM**

13 **SECTION 7.1.** G.S. 135-5(g1) reads as rewritten:

14 "(g1) In the event of the death of a retired member while in receipt of a retirement allowance
15 under the provisions of this Article, there shall be paid to such person or persons as the retiree
16 shall have nominated by electronic submission in a form approved by the Board of Trustees or
17 by written designation duly acknowledged and filed with the Board of Trustees, if such person
18 or persons are living at the time of the retiree's death, otherwise to the retiree's legal
19 representatives, a death benefit equal to the excess, if any, of the accumulated contributions of
20 the retiree at the date of retirement over the total of the retirement allowances paid prior to the
21 death of the retiree. In the event that a retiree is receiving a Special Retirement Allowance under
22 subsection (m1) of this section, there shall be paid to such person or persons as the retiree shall
23 have nominated by electronic submission in a form approved by the Board of Trustees or by
24 written designation duly acknowledged and filed with the Board of Trustees, if such person or
25 persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives,
26 an additional death benefit equal to the excess, if any, of the employee's voluntary contributions
27 that were transferred from the Supplemental Retirement Income Plan of North Carolina or the
28 North Carolina Public Employee Deferred Compensation Plan to this Retirement System over
29 the total of the Special Retirement Allowances paid prior to the death of the retiree. For purposes
30 of this paragraph, the term "accumulated contributions" excludes any amount transferred under
31 subsection (m2) of this section.

32 ...

33 In the event that a retirement allowance becomes payable to the principal beneficiary
34 designated to receive a return of accumulated contributions pursuant to subsection (m) of this
35 section and that beneficiary dies before the total of the retirement allowances paid equals the
36 amount of the accumulated contributions of the member at the date of the member's death, the
37 excess of those accumulated contributions over the total of the retirement allowances paid to the
38 beneficiary shall be paid in a lump sum to the person or persons the member has designated as
39 the contingent beneficiary for return of accumulated contributions, if the person or persons are
40 living at the time the payment falls due, otherwise to the principal beneficiary's legal
41 representative. In the event that a retirement allowance becomes payable to the contingent
42 beneficiary designated to receive a return of accumulated contributions pursuant to subsection
43 (m) of this section and that beneficiary dies before the total of the retirement allowances paid
44 equals the amount of the accumulated contributions of the member at the date of the member's
45 death, the excess of those accumulated contributions over the total of the retirement allowances
46 paid to the beneficiary shall be paid in a lump sum to the contingent beneficiary's legal
47 representative. For purposes of this paragraph, the term "accumulated contributions" includes
48 amounts of employee voluntary contributions that were transferred from the Supplemental
49 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible
50 law enforcement officers.

1 In the event a retiree purchases creditable service as provided in G.S. 135-4, there shall be
2 paid to such person or persons as the retiree shall have nominated by electronic submission in a
3 form approved by the Board of Trustees or by written designation duly acknowledged and filed
4 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,
5 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if
6 any, of the cost of the creditable service purchased less the administrative fee, if any, over the
7 total of the increase in the retirement allowance attributable to the additional creditable service,
8 paid from the month following the month in which payment was received to the death of the
9 retiree.

10 In the event that a retirement allowance becomes payable to the designated survivor of a
11 retired member under the provisions above and such retirement allowance to the survivor shall
12 terminate upon the death of the survivor before the total of the increase in the retirement
13 allowance attributable to the additional creditable service paid to the retiree and the designated
14 survivor combined equals the cost of the creditable service purchased less the administrative fee,
15 the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall have
16 nominated by electronic submission in a form approved by the Board of Trustees or by written
17 designation duly acknowledged and filed with the Board of Trustees, if such person or persons
18 are living at the time such payment falls due, otherwise to the retiree's legal representative.

19 In the event that a retiree dies without having designated a beneficiary to receive a benefit
20 under the provisions of this subsection, any such benefit that becomes payable shall be paid to
21 the member's ~~estate~~ legal representative."

22 **SECTION 7.2.** G.S. 128-27(g1) reads as rewritten:

23 "(g1) In the event of the death of a retired member while in receipt of a retirement allowance
24 under the provisions of this Article, there shall be paid to such person or persons as the retiree
25 shall have nominated by electronic submission in a form approved by the Board of Trustees or
26 by written designation duly acknowledged and filed with the Board of Trustees, if such person
27 or persons are living at the time of the retiree's death, otherwise to the retiree's legal
28 representatives, a death benefit equal to the excess, if any, of the accumulated contributions of
29 the retiree at the date of retirement over the total of the retirement allowances paid prior to the
30 death of the retiree. In the event that a retiree is receiving a Special Retirement Allowance under
31 subsection (m1) of this section, there shall be paid to such person or persons as the retiree shall
32 have nominated by electronic submission in a form approved by the Board of Trustees or by
33 written designation duly acknowledged and filed with the Board of Trustees, if such person or
34 persons are living at the time of the retiree's death, otherwise to the retiree's legal representatives,
35 an additional death benefit equal to the excess, if any, of the employee voluntary contributions
36 that were transferred from the Supplemental Retirement Income Plan of North Carolina or the
37 North Carolina Public Employee Deferred Compensation Plan to this Retirement System over
38 the total of the Special Retirement Allowances paid prior to the death of the retiree. For purposes
39 of this paragraph, the term "accumulated contributions" excludes any amount transferred under
40 subsection (m2) of this section.

41 ...

42 In the event that a retirement allowance becomes payable to the principal beneficiary
43 designated to receive a return of accumulated contributions pursuant to subsection (m) of this
44 section and that beneficiary dies before the total of the retirement allowances paid equals the
45 amount of the accumulated contributions of the member at the date of the member's death, the
46 excess of those accumulated contributions over the total of the retirement allowances paid to the
47 beneficiary shall be paid in a lump sum to the person or persons the member has designated as
48 the contingent beneficiary for return of accumulated contributions, if the person or persons are
49 living at the time the payment falls due, otherwise to the principal beneficiary's legal
50 representative. In the event that a retirement allowance becomes payable to the contingent
51 beneficiary designated to receive a return of accumulated contributions pursuant to subsection

1 (m) of this section and that beneficiary dies before the total of the retirement allowances paid
2 equals the amount of the accumulated contributions of the member at the date of the member's
3 death, the excess of those accumulated contributions over the total of the retirement allowances
4 paid to the beneficiary shall be paid in a lump sum to the contingent beneficiary's legal
5 representative. For purposes of this paragraph, the term "accumulated contributions" includes
6 amounts of employee voluntary contributions that were transferred from the Supplemental
7 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible
8 law enforcement officers.

9 In the event a retiree purchases creditable service as provided in G.S. 128-26, there shall be
10 paid to such person or persons as the retiree shall have nominated by electronic submission in a
11 form approved by the Board of Trustees or by written designation duly acknowledged and filed
12 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,
13 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if
14 any, of the cost of the creditable service purchased less the administrative fee, if any, over the
15 total of the increase in the retirement allowance attributable to the additional creditable service,
16 paid from the month following the month in which payment was received to the death of the
17 retiree.

18 In the event that a retirement allowance becomes payable to the designated survivor of a
19 retired member under the provisions above, and such retirement allowance to the survivor shall
20 terminate upon the death of the survivor before the total of the increase in the retirement
21 allowance attributable to the additional creditable service paid to the retiree and the designated
22 survivor combined equals the cost of the creditable service purchased less the administrative fee,
23 the excess, if any, shall be paid in a lump sum to such person or persons as the retiree shall have
24 nominated by electronic submission in a form approved by the Board of Trustees or by written
25 designation duly acknowledged and filed with the Board of Trustees, if such person or persons
26 are living at the time such payment falls due, otherwise to the retiree's legal representative.

27 In the event that a retiree dies without having designated a beneficiary to receive a benefit
28 under the provisions of this subsection, any such benefit that becomes payable shall be paid to
29 ~~the member's estate.~~ member's legal representative."

30 **SECTION 7.3.** G.S. 120-4.28 reads as rewritten:

31 **"§ 120-4.28. Survivor's alternate benefit.**

32 The designated beneficiary of a member who dies in service before retirement but after age
33 60 and after completing five years of creditable service or after completing 12 years of creditable
34 service is entitled to Option 2 prescribed by G.S. 120-4.26.

35 In the event that a retirement allowance becomes payable to ~~the one and only one~~ the principal
36 beneficiary designated to receive a return of accumulated contributions pursuant to this
37 subsection and that beneficiary dies before the total of the retirement allowances paid equals the
38 amount of those accumulated contributions over the total of the retirement allowances paid to the
39 beneficiary, the allowance shall be paid in a lump sum to the person or persons the member has
40 designated as the contingent beneficiary for return of accumulated contributions, if the person or
41 persons are living at the time the payment falls due, otherwise to ~~the one and only one~~ the
42 principal beneficiary's legal representative. In the event that a retirement allowance becomes
43 payable to the contingent beneficiary designated to receive a return of accumulated contributions
44 pursuant to subsection (m) of this section and that beneficiary dies before the total of the
45 retirement allowances paid equals the amount of the accumulated contributions of the member at
46 the date of the member's death, the excess of those accumulated contributions over the total of
47 the retirement allowances paid to the beneficiary shall be paid in a lump sum to the contingent
48 beneficiary's legal representative."

49
50 **PART VIII. CHANGES RELATED TO THE RECOVERY OF FUNDS OVERPAID TO**
51 **BENEFICIARIES BY THE NORTH CAROLINA RETIREMENT SYSTEMS DIVISION**

1 **SECTION 8.1.** G.S. 128-31 is amended by adding a new subsection to read:

2 "(c1) Notwithstanding G.S. 143-64.80(b), in the case of an overpayment of benefits under
3 this Chapter that the Board of Trustees determines was entirely due to administrative error on the
4 part of the Retirement Systems Division, the Retirement Systems Division shall be deemed to
5 satisfy its duty to pursue repayment of the overpayment if all of the following occur:

- 6 (1) The Retirement Systems Division, as provided under subsection (b) of this
7 section, offsets any return of contributions, lump sum death benefit payment,
8 retroactive benefit adjustment payment for periods before the determination
9 of the overpayment, or other one-time payment accruing under this Chapter,
10 by the full amount of the payment as computed after payment deductions, and
11 applies the offset toward the overpayment;
12 (2) The Retirement Systems Division, as provided under subsection (b) of this
13 section, offsets any recurring monthly benefit accruing under this Chapter for
14 periods coincident with or following the determination of the overpayment,
15 by not less than twenty-five percent (25%) of the monthly benefit as computed
16 after payment deductions, and applies the offset toward the overpayment;
17 (3) The wage offset as provided under subsection (c) of this section is applied as
18 required; and
19 (4) The setoff debt provisions of Chapter 105A of the General Statutes are applied
20 as required."
21

22 **SECTION 8.2.** G.S. 135-9 is amended by adding a new subsection to read:

23 "(c1) Notwithstanding G.S. 143-64.80(b), in the case of an overpayment of benefits under
24 this Chapter that the Board of Trustees determines was entirely due to administrative error on the
25 part of the Retirement Systems Division, the Retirement Systems Division shall be deemed to
26 satisfy its duty to pursue repayment of the overpayment if all of the following occur:

- 27 (1) The Retirement Systems Division, as provided under subsection (b) of this
28 section, offsets any return of contributions, lump sum death benefit payment,
29 retroactive benefit adjustment payment for periods before the determination
30 of the overpayment, or other one-time payment accruing under this Chapter,
31 by the full amount of the payment as computed after payment deductions, and
32 applies the offset toward the overpayment;
33 (2) The Retirement Systems Division, as provided under subsection (b) of this
34 section, offsets any recurring monthly benefit accruing under this Chapter for
35 periods coincident with or following the determination of the overpayment,
36 by not less than twenty-five percent (25%) of the monthly benefit as computed
37 after payment deductions, and applies the offset toward the overpayment;
38 (3) The wage offset as provided under subsection (c) of this section is applied as
39 required; and
40 (4) The setoff debt provisions of Chapter 105A of the General Statutes are applied
41 as required."
42

43 **PART IX. SEVERABILITY**

44 **SECTION 9.** If any provision of this act or its application is held invalid, the
45 invalidity does not affect other provisions or applications of this act that can be given effect
46 without the invalid provisions or applications and, to this end, the provisions of this act are
47 severable.
48

49 **PART X. EFFECTIVE DATE**

50 **SECTION 10.** This act becomes effective January 1, 2024.