

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023**

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HOUSE BILL 201

Short Title: DST Admin Changes.-AB (Public)

Sponsors: Representative Carson Smith.

For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Pensions and Retirement, if favorable, State Government, if favorable, Rules, Calendar, and Operations of the House

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, 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, 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,



1 2015, there shall be paid a death benefit to the person or persons designated by the member or,
2 ~~if the member has not designated a beneficiary, to the surviving spouse of the deceased retired~~
3 ~~member or, if not survived by a designated beneficiary or spouse, beneficiary,~~ to the deceased
4 retired member's legal representative; provided the retired member has elected, when first
5 eligible, to make, and has continuously made, in advance of the member's death required
6 contributions as determined by the Board of Trustees on a fully contributory basis, through
7 retirement allowance deductions or other methods adopted by the Board of Trustees, to a group
8 death benefit trust fund, the North Carolina Teachers' and State Employees' Benefit Trust,
9 administered by the Board of Trustees Fund and Pension Accumulation Fund. Employer and
10 non-employer contributions to the Benefit Trust and earnings on those contributions are
11 irrevocable. The assets of the Benefit Trust are dedicated to providing benefits to participants,
12 surviving spouses, and the members' estates in accordance with the Plan's benefit terms. The
13 assets of the Benefit Trust are not subject to the claims of creditors of the employees and
14 non-employees making contributions to the Benefit Trust, are not subject to the claims of any
15 creditors of the Benefit Trust's trustees and administrators, and are not subject to the claims of
16 creditors of members and beneficiaries. Benefit Trust assets may be used for reasonable expenses
17 to administer benefits provided by the Fund as approved by the Board of Trustees. This death
18 benefit shall be a lump-sum payment in the amount of ten thousand dollars (\$10,000) upon the
19 completion of 24 months of contributions required under this subsection. Should death occur
20 before the completion of 24 months of contributions required under this subsection, the deceased
21 retired member's designated beneficiary or beneficiaries, ~~or surviving spouse if there is no~~
22 ~~surviving beneficiary,~~ or legal representative if not survived by a designated beneficiary or
23 spouse, shall be paid the sum of the retired member's contributions required by this subsection
24 plus interest to be determined by the Board of Trustees.

25"

26 **SECTION 1.2.** G.S. 128-27(16) reads as rewritten:

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

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

1 representative if not survived by a designated ~~beneficiary or spouse,~~ beneficiary, shall be paid
2 the sum of the retired member's contributions required by this subsection plus interest to be
3 determined by the Board of Trustees."

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

5 "**§ 120-4.27. Death benefit.**

6 ...

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

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

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

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

1 members and beneficiaries. Benefit Trust assets may be used for reasonable expenses to
2 administer benefits provided by the Fund as approved by the Board of Trustees.

3 The death benefit payable under this subsection shall be a lump-sum payment in the amount
4 of ten thousand dollars (\$10,000) upon the completion of 24 months of contributions required
5 under this subsection. Should death occur before the completion of 24 months of contributions
6 required under this subsection, the deceased retired member's designated beneficiary or
7 beneficiaries, ~~or surviving spouse if there is no surviving designated beneficiary~~, or legal
8 representative if not survived by a designated ~~beneficiary or spouse~~, beneficiary, shall be paid
9 the sum of the retired member's contributions required by this subsection plus interest to be
10 determined by the Board of Trustees."
11

12 **PART II. CHANGES RELATED TO THE SECOND SIX MONTHS OF SHORT-TERM** 13 **DISABILITY BENEFITS OF THE DISABILITY INCOME PLAN OF NORTH** 14 **CAROLINA TO BE REIMBURSED TO THE EMPLOYER BY THE PLAN**

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

16 "(d) For short-term disability benefits that begin before July 1, 2019, the provisions of this
17 section shall be administered by the employer and further, the benefits during the first six months
18 of the short-term disability period shall be the full responsibility of and paid by the employer;
19 Provided, further, that upon the completion of the initial six months of the short-term disability
20 period, the employer will continue to be responsible for the short-term benefits to the participant,
21 however, such employer shall notify the Plan, at the conclusion of the short-term disability period
22 or upon termination of short-term disability benefits, if earlier, of the amount of short-term
23 benefits and State Health Insurance premiums paid by the employer and the Plan shall reimburse
24 the employer the amounts so paid. The Plan shall not reimburse any employer for amounts related
25 to notifications made on or after January 1, 2024."
26

27 **PART III. CHANGES RELATED TO THE REVIEW AND APPROVAL OF** 28 **SHORT-TERM DISABILITY BENEFITS OF THE DISABILITY INCOME PLAN OF** 29 **NORTH CAROLINA BY THE RETIREMENT SYSTEMS DIVISION**

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

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

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

46 "(k) Medical Board. – The Board of Trustees shall designate a medical board to be
47 composed of not less than three nor more than five physicians not eligible to participate in the
48 Retirement System. The Board of Trustees may structure appointment requirements and term
49 durations for those medical board members. If required, other physicians may be employed to
50 report on special cases. The medical board shall arrange for and pass upon all medical
51 examinations required under the provisions of this Chapter, and shall investigate all essential

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

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

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

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

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

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

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

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

44
45 **PART IV. CHANGES RELATED TO THE PAYMENT OF THE FIRST RETIREMENT**
46 **BENEFIT CHECK FOR BENEFICIARIES OF THE TEACHERS' AND STATE**
47 **EMPLOYEES' RETIREMENT SYSTEM, LOCAL GOVERNMENTAL EMPLOYEES'**
48 **RETIREMENT SYSTEM, LEGISLATIVE RETIREMENT SYSTEM, AND THE**
49 **CONSOLIDATED JUDICIAL RETIREMENT SYSTEM**

50 **SECTION 4.1.** G.S. 135-5(g) reads as rewritten:

1 "(g) Election of Optional Allowance. – With the provision that until the first payment on
 2 account of any benefit becomes normally ~~due, or the member's first retirement check has been~~
 3 ~~eashed, due and the first payment date has occurred,~~ any member may elect to receive his or her
 4 benefits in a retirement allowance payable throughout life, or the member may elect to receive
 5 the actuarial equivalent of such retirement allowance, including any special retirement allowance,
 6 in a reduced allowance payable throughout life under the provisions of one of the options set
 7 forth below. The election of Option 2, 3, or 6 or nomination of the person thereunder shall be
 8 revoked if such person nominated dies prior to the date the first payment becomes normally ~~due~~
 9 ~~or until the member's first retirement check has been eashed. due and the first payment date has~~
 10 occurred. Such election may be revoked by the member prior to the date the first payment
 11 becomes normally ~~due or until the member's first retirement check has been eashed. due and the~~
 12 first payment date has occurred. Provided, however, in the event a member has elected Option 2,
 13 3, or 5 and nominated his or her spouse to receive a retirement allowance upon the member's
 14 death, and the spouse predeceases the member after the first payment becomes normally ~~due or~~
 15 ~~the first retirement check has been eashed, due and the first payment date has occurred,~~ if the
 16 member remarries he or she may request to nominate a new spouse to receive the retirement
 17 allowance under the previously elected option, within 90 days of the remarriage, and may
 18 nominate a new spouse to receive the retirement allowance under the previously elected option
 19 by written designation duly acknowledged and filed with the Board of Trustees within 120 days
 20 of the remarriage. The new nomination shall be effective on the first day of the month in which
 21 it is made and shall provide for a retirement allowance computed to be the actuarial equivalent
 22 of the retirement allowance in effect immediately prior to the effective date of the new
 23 nomination. Any member having elected Option 2, 3, 5, or 6 and nominated his or her spouse to
 24 receive a retirement allowance upon the member's death may, after divorce from his or her
 25 spouse, revoke the nomination and elect a new option, effective on the first day of the month in
 26 which the new option is elected, providing for a retirement allowance computed to be the
 27 actuarial equivalent of the retirement allowance in effect immediately prior to the effective date
 28 of the new option. Except as provided in this section, the member may not change the member's
 29 retirement benefit option or the member's designated beneficiary for survivor benefits, if any,
 30 after ~~the member has eashed the first retirement check or after the 25th day of the month~~
 31 ~~following the month in which the first check is mailed, whichever comes first. the first payment~~
 32 on account of any benefit becomes normally due and the first payment date has occurred.

33 ...

34 Upon the death of a member after the effective date of a retirement for which the member
 35 has been approved and following receipt by the Board of Trustees of an election of benefits (Form
 36 6-E or Form 7-E) but prior to ~~the eashing of the first benefit check, when the first payment on~~
 37 account of any benefit becomes normally due and the first benefit payment has occurred, the
 38 retirement benefit shall be payable as provided by the member's election of benefits under this
 39 subsection.

40 "

41 **SECTION 4.2.** G.S. 128-27(g) reads as rewritten:

42 "(g) Election of Optional Allowance. – With the provision that until the first payment on
 43 account of any benefit becomes normally ~~due, or the member's first retirement check has been~~
 44 ~~eashed, due and the first payment date has occurred,~~ any member may elect to receive his or her
 45 benefits in a retirement allowance payable throughout life, or the member may elect to receive
 46 the actuarial equivalent of such retirement allowance, including any special retirement allowance,
 47 in a reduced allowance payable throughout life under the provisions of one of the Options set
 48 forth below. The election of Option 2, 3, or 6 or nomination of the person thereunder shall be
 49 revoked if such person nominated dies prior to the date the first payment becomes normally ~~due~~
 50 ~~or the first retirement check has been eashed. due and the first payment date has occurred.~~ Such
 51 election may be revoked by the member prior to the date the first payment becomes normally ~~due~~

1 ~~or the member's first retirement check has been cashed, due and the first payment date has~~
2 occurred. Provided, however, in the event a member has elected Option 2, 3, or 5 and nominated
3 his or her spouse to receive a retirement allowance upon the member's death, and the spouse
4 predeceases the member after the first payment becomes normally ~~due or the first retirement~~
5 check has been cashed, due and the first payment date has occurred, if the member remarries he
6 or she may request to nominate a new spouse to receive the retirement allowance under the
7 previously elected option, within 90 days of the remarriage, and may nominate a new spouse to
8 receive the retirement allowance under the previously elected option by written designation duly
9 acknowledged and filed with the Board of Trustees within 120 days of the remarriage. The new
10 nomination shall be effective on the first day of the month in which it is made and shall provide
11 for a retirement allowance computed to be the actuarial equivalent of the retirement allowance
12 in effect immediately prior to the effective date of the new nomination. Any member having
13 elected Option 2, 3, 5, or 6 and nominated his or her spouse to receive a retirement allowance
14 upon the member's death may, after divorce from his or her spouse, revoke the nomination and
15 elect a new option, effective on the first day of the month in which the new option is elected,
16 providing for a retirement allowance computed to be the actuarial equivalent of the retirement
17 allowance in effect immediately prior to the effective date of the new option. Except as provided
18 in this section, the member may not change the member's retirement benefit option or the
19 member's designated beneficiary for survivor benefits, if any, ~~after the member has cashed the~~
20 first retirement check or after the 25th day of the month following the month in which the first
21 check is mailed, whichever comes first, after the first payment on account of any benefit becomes
22 normally due and the first payment date has occurred.

23 ...

24 Upon the death of a member after the effective date of a retirement for which the member
25 has been approved and following receipt by the Board of Trustees of an election of benefits (Form
26 6-E or Form 7-E) but prior to ~~the cashing of the first benefit check, when the first payment on~~
27 account of any benefit becomes normally due and the first benefit payment has occurred, the
28 retirement benefit shall be payable as provided by the member's election of benefits under this
29 subsection.

30"

31 **SECTION 4.3.** G.S. 120-4.26 reads as rewritten:

32 **"§ 120-4.26. Benefit payment options.**

33 Any member may elect to receive his or her benefits in a retirement allowance payable
34 throughout life, ~~or he the member~~ may elect to receive the actuarial equivalent of the retirement
35 allowance in a reduced allowance payable throughout life under the provisions of one of the
36 options set forth below. No election may be made after the first payment becomes ~~due, or the~~
37 first retirement check cashed, normally due and the first payment date has occurred, nor may an
38 election be revoked or a nomination changed. The election of Option 2 or Option 3 or the
39 nomination of the person thereunder shall be revoked if the person nominated dies prior to the
40 date the first payment becomes normally ~~due or until the first retirement check has been cashed,~~
41 due and the first payment date has occurred. The election may be revoked by the member prior
42 to the date the first payment becomes normally ~~due or until his first retirement check has been~~
43 cashied, due and the first payment date has occurred. Provided, however, in the event a member
44 has elected Option 2 or Option 3 and nominated his or her spouse to receive a retirement
45 allowance upon the member's death, and the spouse predeceases the member after the first
46 payment becomes normally ~~due or the first retirement check has been cashed, due or the first~~
47 payment date has occurred, if the member remarries he or she may nominate a new spouse to
48 receive the retirement allowance under the previously elected option, within 90 days of the
49 remarriage. The new nomination shall be effective on the first day of the month in which it is
50 made and shall provide for a retirement allowance computed to be the actuarial equivalent of the
51 retirement allowance in effect immediately prior to the effective date of the new nomination. Any

1 member having elected Options 2 or 3 and nominated his or her spouse to receive a retirement
2 allowance upon the member's death may, after divorce from his or her spouse, revoke the
3 nomination and elect a new option, effective on the first day of the month in which the new option
4 is elected, providing for a retirement allowance computed to be the actuarial equivalent to the
5 retirement allowance in effect immediately prior to the effective date of the new option.

6"

7
8 **PART V. CHANGES RELATED TO THE APPLICATION FOR EXTENDED**
9 **SHORT-TERM DISABILITY BENEFITS THROUGH THE DISABILITY INCOME**
10 **PLAN OF NORTH CAROLINA**

11 **SECTION 5.** G.S. 135-105(g), as amended by Section 3.5 of this act, reads as
12 rewritten:

13 "(g) The Board of Trustees may extend the short-term disability benefits of a beneficiary
14 beyond the benefit period of 365 days for an additional period of not more than 365 ~~days;~~ days,
15 commencing on the first day succeeding the conclusion of the short-term disability period
16 provided for in this section, provided the beneficiary or participant makes an application for such
17 benefit within 180 days after the short-term disability period ceases, after salary continuation
18 payments cease, or after monthly payments for Workers' Compensation cease, whichever is later;
19 and provided further the Retirement Systems Division of the Department of State Treasurer
20 determines that the beneficiary's disability is temporary and likely to end within the extended
21 period of short-term disability benefits. During the extended period of short-term disability
22 benefits, payment of benefits shall be made by the Plan directly to the beneficiary. This extended
23 period of short-term disability benefits shall be treated in the same manner as long-term disability
24 payments for the purposes of G.S. 135-108. The Department of State Treasurer shall adopt rules
25 to implement the provisions of this subsection."
26

27 **PART VI. CHANGES RELATED TO THE RETIREMENT SYSTEMS MASTER TRUST**
28 **AND MANAGEMENT OF FUNDS**

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

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

36 ...

37 (2) A trust fund, the North Carolina Teachers' and State Employees' Benefit Trust,
38 is hereby created as a master trust to which all receipts, transfers,
39 appropriations, contributions, investment earnings, and other income
40 belonging to the Plans shall be deposited, and from which all benefits and
41 expenses against the Plans shall be disbursed. The Boards of Trustees of the
42 Teachers' and State Employees' Retirement System and the Local
43 Governmental Employees' Retirement System shall be the trustee of the Trust.
44 Within the Benefit Trust, the funds of the Plans shall be accounted for
45 separately and not commingled. Assets of one plan cannot be used to pay for
46 liabilities of another plan within the Trust. The assets of the trust fund shall be
47 used only for the exclusive benefit of persons who are or may be entitled to
48 benefits under the Plans. In no event, including dissolution, will the assets of
49 the trust fund be distributed to any entity that is not a state, a political
50 subdivision of a state, or another entity the income of which is excludable

1 from its gross income by application of section 115(1) of the Internal Revenue
2 Code.

3"
4

5 **PART VII. CHANGES RELATED TO THE SURVIVORS ALTERNATE BENEFIT**
6 **BENEFICIARY DEFAULT FOR THE TEACHERS' AND STATE EMPLOYEES'**
7 **RETIREMENT SYSTEM, LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT**
8 **SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM**

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

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

28 ...

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

47 In the event a retiree purchases creditable service as provided in G.S. 135-4, there shall be
48 paid to such person or persons as the retiree shall have nominated by electronic submission in a
49 form approved by the Board of Trustees or by written designation duly acknowledged and filed
50 with the Board of Trustees, if such person or persons are living at the time of the retiree's death,
51 otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if

1 any, of the cost of the creditable service purchased less the administrative fee, if any, over the
2 total of the increase in the retirement allowance attributable to the additional creditable service,
3 paid from the month following the month in which payment was received to the death of the
4 retiree.

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

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

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

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

36 ...

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

1 amounts of employee voluntary contributions that were transferred from the Supplemental
2 Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible
3 law enforcement officers.

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

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

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

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

26 "**§ 120-4.28. Survivor's alternate benefit.**

27 The designated beneficiary of a member who dies in service before retirement but after age
28 60 and after completing five years of creditable service or after completing 12 years of creditable
29 service is entitled to Option 2 prescribed by G.S. 120-4.26.

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

44
45 **PART VIII. CHANGES RELATED TO THE USE OF EQUITABLE METHODS OF**
46 **OFFSET FOR CALCULATING BENEFITS UNDER THE DISABILITY INCOME**
47 **PLAN OF NORTH CAROLINA FOR TEACHERS AND STATE EMPLOYEES**
48 **RECEIVING WORKERS' COMPENSATION MONTHLY BENEFITS AND LUMP**
49 **SUM PAYMENTS**

50 **SECTION 8.1.** G.S. 135-106 is amended by adding a new subsection to read:

1 "(b1) For purposes of reducing the amount of the long-term disability benefit to which a
2 participant or beneficiary is entitled while receiving workers' compensation benefits, all of the
3 following apply:

4 (1) If the participant or beneficiary is entitled to a weekly workers' compensation
5 payment, the monthly payment for workers' compensation shall be determined
6 by multiplying the weekly payment by 52 and dividing by 12 and the
7 long-term disability benefit shall be reduced by the monthly payment for
8 workers' compensation effective on the first day of the month following the
9 month of initial entitlement for workers' compensation.

10 (2) If the participant or beneficiary is entitled to a lump sum workers'
11 compensation payment equal to a stated weekly or monthly amount for a given
12 number of weeks or months, the monthly payment for workers' compensation
13 shall be determined using the stated weekly or monthly amount and the
14 long-term disability benefit shall be reduced by the monthly payment for
15 workers' compensation effective on the first day of the month following the
16 month of the lump sum payment.

17 (3) If the participant or beneficiary is entitled to a lump sum workers'
18 compensation payment that is not in reference to a stated weekly or monthly
19 amount, the monthly payment for workers' compensation shall be determined
20 by dividing the lump sum by 500 weeks to arrive at a weekly payment, then
21 multiplying by 52 and dividing by 12, and the long-term disability benefit
22 shall be reduced by the monthly payment for workers' compensation effective
23 on the first day of the month following the month of the lump sum payment.

24 (4) In the case of monthly reduction in the long-term disability benefit arising
25 from a lump sum workers' compensation payment, once the total reductions,
26 without interest, are at least equal to the entirety of the lump sum payment,
27 the member may contact the Retirement Systems Division to request cessation
28 of the monthly payment reduction. The Retirement Systems Division shall
29 cease the reduction after verifying that the total reductions are at least equal
30 to the entirety of the lump sum payment. If the Retirement Systems Division
31 determines that the total reductions are greater than the lump sum payment,
32 the Retirement Systems Division shall distribute the excess amount to the
33 member in a lump sum payment."

34 **SECTION 8.2.** This Part applies to participants or beneficiaries who become entitled
35 to receive workers' compensation benefits on or after July 1, 2023.

36
37 **PART IX. CHANGES RELATED TO THE RECOVERY OF FUNDS OVERPAID TO**
38 **BENEFICIARIES BY THE NORTH CAROLINA RETIREMENT SYSTEMS DIVISION**

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

40 "(e) Notwithstanding any provisions to the contrary, any overpayment of benefits or
41 erroneous payments to a member in a State-administered retirement system or the former
42 Disability Salary Continuation Plan or the Disability Income Plan of North Carolina, including
43 any benefits paid to, or State Health Plan premiums or claims paid on behalf of, any member or
44 beneficiary who was determined to have been ineligible for those benefits or unentitled to those
45 amounts due to an administrative error of the Retirement Systems Division, the Retirement
46 System shall notify the member or beneficiary of the amount owed due to the administrative
47 error. Any member or beneficiary in receipt of the written notice shall have not less than
48 twenty-five percent (25%) of the net retirement allowance withheld toward the amount owed to
49 the Retirement System until that amount has been paid in full. The amounts recovered under this
50 subsection shall fulfill the duty of the Retirement System to pursue overpayments of State funds

1 by all lawful means available as provided in subsection (b) of G.S. 143-64.80 and shall be
2 deemed to be repaying the amount owed within a reasonable period of time."

3

4 **PART X. EFFECTIVE DATE**

5 **SECTION 10.** Except as otherwise provided, this act becomes effective January 1,
6 2024.