

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023

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HOUSE BILL 270

Short Title: Death Benefits Parity. (Public)

Sponsors: Representative Howard.

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

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

March 7, 2023

A BILL TO BE ENTITLED
AN ACT ESTABLISHING DEATH BENEFITS PARITY FOR MEMBERS OF THE
TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL
GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, THE LEGISLATIVE
RETIREMENT SYSTEM, AND THE CONSOLIDATED JUDICIAL RETIREMENT
SYSTEM.

The General Assembly of North Carolina enacts:

**PART I. CHANGES TO ESTABLISH DEATH BENEFITS PARITY FOR STATE AND
LOCAL GOVERNMENT ACTIVE EMPLOYEES**

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 their capacity as trustees under the Group Life Insurance Plan, of the death, in service, of a member who had completed at least one full calendar year of membership in the Retirement System, there shall be paid to such person as the member shall have nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time of the member's death, otherwise to the member's legal



representatives, a death benefit. Such death benefit shall be equal to ~~the greater of:~~ fifty thousand dollars (\$50,000).

(1) ~~The compensation on which contributions were made by the member during the calendar year preceding the year in which his death occurs, or~~

(2) ~~The greatest compensation on which contributions were made by the member during a 12-month period of service within the 24-month period of service ending on the last day of the month preceding the month in which his last day of actual service occurs;~~

(3), (4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2.

~~subject to a minimum of twenty-five thousand dollars (\$25,000) and to a maximum of fifty thousand dollars (\$50,000).~~ Such death benefit shall be payable apart and separate from the payment of the member's accumulated contributions under the System on ~~his~~ the member's death pursuant to the provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be deemed to be in service ~~at on~~ on the date of ~~his~~ the member's death if ~~his~~ the member's death occurs within 180 days from the last day of ~~his~~ the member's actual service.

...."

SECTION 1.2. G.S. 128-27(l) reads as rewritten:

"(l) Death Benefit Plan. – The provisions of this subsection shall become effective for any employer only after an agreement to that effect has been executed by the employer and the Director of the Retirement System. 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 members and beneficiaries 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 their capacity as trustees under the Group Life Insurance Plan, of the death, in service, of a member who had completed at least one full calendar year of membership in the Retirement System, there shall be paid to such person as the member shall have nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit. Such death benefit shall be equal to ~~the greater of:~~ fifty thousand dollars (\$50,000).

(1) ~~The compensation on which contributions were made by the member during the calendar year preceding the year in which his death occurs, or~~

(2) ~~The greatest compensation on which contributions were made by the member during a 12-month period of service within the 24-month period of service ending on the last day of the month preceding the month in which his last day of actual service occurs;~~

(3) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2;

subject to a minimum of twenty-five thousand dollars (\$25,000) and a maximum of fifty thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the payment of the member's accumulated contributions under the System on ~~his-the member's~~ death pursuant to the provisions of subsection (f) of this section. For the purpose of the Plan, a member shall be deemed to be in service at the date of ~~his-death~~ if ~~his-the member's~~ death occurs within 180 days from the last day of ~~his-the member's~~ actual service.

...."

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

"§ 120-4.27. Death benefit.

The designated beneficiary of a member who dies while in service after completing one year of creditable service shall receive a lump-sum payment of an amount equal to ~~the deceased member's highest annual salary, to a maximum of fifteen thousand dollars (\$15,000). fifty thousand dollars (\$50,000).~~ For purposes of this death benefit "in service" means currently serving as a member of the North Carolina General Assembly. "In service" also means service in the Uniformed Services, as that term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, if that service begins during the member's term of office. If the participant does not return immediately after that service to employment with a covered employer in this System, then the participant shall be deemed "in service" until the date on which the participant was first eligible to be separated or released from ~~his or her~~ involuntary military service.

...."

PART II. CHANGES TO ESTABLISH A SURVIVOR'S ALTERNATE BENEFIT UNDER THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM (CJRS) AND TO MAKE DEATH BENEFITS FOR CJRS MEMBERS ON PAR WITH THOSE AVAILABLE TO MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM

SECTION 2.1. G.S. 135-63 reads as rewritten:

"§ 135-63. Benefits on death before retirement.

(a) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a member ~~in service, service, who earned the first month of membership service credit prior to July 1, 2024, and had not withdrawn contributions for such membership service in the Retirement System,~~ there shall be paid in a lump sum to such person as the member shall have nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit equal to the sum of (i) the member's accumulated contributions, plus (ii) the member's final compensation; provided, however, that if the member has attained his or her fiftieth birthday with at least five years of membership service at the member's date of death, and if the designated recipient of the death benefits is the member's spouse who survives him or her, and if the spouse so elects, then the lump-sum death benefit provided for herein shall consist only of a payment equal to the member's final compensation and there shall be paid to the surviving spouse an annual retirement allowance, payable monthly, which shall commence on the first day of the calendar month coinciding with or next following the death of the member and shall be continued on the first day of each month thereafter until the remarriage or death of the spouse. The amount of any such retirement allowance shall be equal to one half of the amount of the retirement allowance to which the member would have been entitled had the member retired under the provisions of ~~G.S. 135-57(a)~~ subsection (a) of G.S. 135-57 on the first day of the calendar month coinciding with or next following the member's date of death, reduced by two percent (2%) thereof for each full year, if any, by which the age of the member at his or her date of death exceeds that of the

member's spouse. If the retirement allowance to the spouse shall terminate on the remarriage or death of the spouse before the total of the retirement allowance payments made equals the amount of the member's accumulated contributions at date of death, the excess of such accumulated contributions over the total of the retirement allowances paid to the spouse shall be paid in a lump sum to such person as the member shall have nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time such payment falls due, otherwise to the former member's legal representatives.

(a1) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a member or former member who earned the first month of membership service credit on or after July 1, 2024, or forfeited all creditable service in the Retirement System earned prior to July 1, 2024, by receiving a return of contributions, there shall be paid to such person or persons as the member or former member shall have nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person or persons are living at the time of the member's or former member's death, otherwise to the member's or former member's legal representatives, the amount of the member's or former member's accumulated contributions at the time of the member's or former member's death, unless the beneficiary elects to receive an alternate benefit provided under subsection (a2) of this section.

(a2) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a member in service who earned the first month of membership service credit on or after July 1, 2024, or forfeited all creditable service in the Retirement System earned prior to July 1, 2024, by receiving a return of contributions, the beneficiary entitled to receive a return of the member's accumulated contributions pursuant to subsection (a1) of this section may instead elect to receive the reduced retirement allowance under the provisions of Option 2 prescribed by subsection (g) of G.S. 135-5. The election of Option 2 shall provide for a retirement allowance computed by assuming that the member retired on the first day of the month following the date of the member's death, provided that all four of the following conditions apply:

(1) The member had either:

- a. Attained such age or creditable service, or both, to be eligible to commence retirement with an early or service retirement allowance;
- or
- b. Attained 16 years of creditable service, in which case the retirement allowance shall be computed in accordance with subsection (b) of G.S. 135-58, notwithstanding the requirement of obtaining age 50.

(2) At the time of the member's death, only one beneficiary was eligible to receive a return of accumulated contributions under subsection (a1) of this section.

(3) The member had not instructed the Board of Trustees, in writing, that the member did not wish for the provisions of this subsection to apply.

(4) The member had not begun receiving a retirement allowance as provided under this Article.

(a3) All of the following apply to the alternate survivor benefit described in subsection (a2) of this section:

(1) A member is considered to be in service on the date of death if the death occurs within 180 days from the last date of actual service.

(2) The last date of actual service means:

- a. When employment has been terminated, the last date the member actually worked.
- b. When employment has not been terminated, the date on which an absent member's sick and annual leave expire, unless the member is on an approved leave of absence. An approved leave of absence means

any period when a member is on leave of absence and is receiving less than the member's full compensation. The member will be deemed to be in service only if the member is contributing to the Retirement System. If the member is so contributing, the annual rate of compensation paid to the member immediately prior to the commencement of the leave of absence will be deemed to be the actual compensation rate of the employee during the leave of absence.

c. When a member's employment is interrupted by reason of service in the Uniformed Services, as that term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, and the member does not return immediately after that service to employment with a covered employer in the Retirement System, the date on which the member was first eligible to be separated or released from involuntary military service.

(3) Any terminal payments made after the member's date of death that meet the definition of compensation shall be credited to the month prior to the member's month of death. These terminal payments do not include salary or wages paid for work performed during the month of the member's death.

...

(f) Upon the death of a member who earned the first month of membership service credit on or after July 1, 2024, or forfeited all creditable service in the Retirement System earned prior to July 1, 2024, by receiving a return of contributions, if a retirement allowance becomes payable to the principal beneficiary who is designated to receive a return of accumulated contributions pursuant to subsection (a2) of this section, and that beneficiary dies before the total of the retirement allowances paid equals the amount of the accumulated contributions of the member at the date of the member's death, the excess of those accumulated contributions over the total of the retirement allowances paid to the beneficiary shall be paid in a lump sum to the person or persons the member has designated as a contingent beneficiary for the return of accumulated contributions, if the person or persons are living at the time the payment becomes payable. If no contingent beneficiary is living at the time the lump sum becomes payable, the lump sum shall be paid to the principal beneficiary's legal representative.

In the event that a retirement allowance becomes payable to the contingent beneficiary designated to receive a return of accumulated contributions pursuant to subsection (a2) of this section and that beneficiary dies before the total of the retirement allowances paid equals the amount of the accumulated contributions of the member at the date of the member's death, the excess of those accumulated contributions over the total of the retirement allowances paid to the beneficiary shall be paid in a lump sum to the contingent beneficiary's legal representative.

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

(g) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a member in service who earned the first month of membership service credit on or after July 1, 2024, or forfeited all creditable service in the Retirement System earned prior to July 1, 2024, by receiving a return of contributions and had completed at least one full calendar year of membership in the Retirement System, there shall be paid to such person as the member shall have nominated by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit equal to the sum of fifty thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the payment of the member's accumulated contributions pursuant to subsection (a1) of this section. A member shall be deemed to be in service at the date of death if the member's death

occurs within 180 days from the member's last date of actual service. The last date of actual service means:

- (1) When employment has been terminated, the last date the member actually worked.
- (2) When employment has not been terminated, the date on which an absent member's sick and annual leave expire, unless the member is on an approved leave of absence. An approved leave of absence means any period when a member is on leave of absence and is receiving less than the member's full compensation. The member will be deemed to be in service only if the member is contributing to the Retirement System. If the member is so contributing, the annual rate of compensation paid to the member immediately prior to the commencement of the leave of absence will be deemed to be the actual compensation rate of the employee during the leave of absence.
- (3) When a member's employment is interrupted by reason of service in the Uniformed Services, as that term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, and the member does not return immediately after that service to employment with a covered employer in the Retirement System, the date on which the member was first eligible to be separated or released from involuntary military service."

SECTION 2.2. G.S. 135-64 reads as rewritten:

"§ 135-64. Benefits on death after retirement.

(a) ~~In the event of the death of a former member who earned the first month of membership service credit prior to July 1, 2024, and had not withdrawn contributions for such membership service in the Retirement System, dies~~ while in receipt of a retirement allowance pursuant to ~~his~~ the former member's retirement under the provisions of G.S. 135-57, or after a former member's sixty-fifth birthday while in receipt of a retirement allowance pursuant to ~~his~~ the former member's retirement under the provisions of G.S. 135-59, there shall be paid to the former member's surviving spouse, if any, an annual retirement allowance, payable monthly, which shall commence on the first day of the calendar month next following the date of death of the former member and shall be continued on the first day of each month thereafter until the remarriage or death of the spouse. The amount of any such allowance shall be equal to one half of the allowance that was payable to the former member for the month immediately prior to ~~his~~ the month of death, or which would have been so payable had an optional mode of payment not been elected under the provisions of G.S. 135-61, reduced by two percent (2%) thereof for each full year, if any, by which the age of the former member at date of death exceeds that of his spouse.

(b) ~~In the event of the death of a that a former member vested as of July 1, 2024, dies~~ prior to ~~his~~ the member's sixty-fifth birthday while in receipt of a retirement allowance pursuant to ~~his~~ retirement under the provisions of G.S. 135-59, there shall be paid to the former member's surviving spouse, if any, an annual retirement allowance, payable monthly, which shall commence on the first day of the calendar month next following the date of death of the former member and shall be continued on the first day of each month thereafter until the remarriage or death of the spouse. The amount of any such allowance shall be equal to one half of the allowance to which the former member would have been entitled under the provisions of G.S. 135-58 if he had remained in service from his disability retirement date to his date of death with no change in his final compensation or status and had then retired, reduced by two percent (2%) thereof for each full year, if any, by which the age of the former member at date of death exceeds that of his spouse.

(c) ~~In the event of the death of a former member who earned the first month of membership service credit prior to July 1, 2024, and had not withdrawn contributions for such~~

1 membership service in the Retirement System, dies while in receipt of a retirement allowance
2 under the provisions of G.S. 135-58, 135-60, or 135-61, if such former member is not survived
3 by a spouse to whom a retirement allowance is payable under the provisions of subsection (a) or
4 subsection (b) above, nor survived by a beneficiary to whom a monthly survivorship benefit is
5 payable under one of the optional modes of payment under G.S. 135-61, there shall be paid to
6 such person as the member shall have nominated by electronic submission in a form approved
7 by the Board of Trustees or by written designation duly acknowledged and filed with the Board
8 of Trustees, if such person is living at the time of the member's death, otherwise to the member's
9 legal representatives, a death benefit equal to the excess, if any, of the accumulated contributions
10 of the member at his date of retirement over the total of the retirement allowances paid to him
11 prior to his death.

12 (d) In the event that a retirement allowance becomes payable to the spouse of a former
13 member who earned the first month of membership service credit prior to July 1, 2024, and had
14 not withdrawn contributions for such membership service in the Retirement System, becomes
15 entitled to a retirement allowance under the provisions of subsection (a) or subsection (b) above,
16 of this section, or to the designated survivor of such a former member becomes entitled to
17 payment under one of the optional modes of payment under G.S. 135-61, and such retirement
18 allowance to the spouse shall terminate on the remarriage or death of the spouse, or on the death
19 of the designated survivor, before the total of the retirement allowances paid to the former
20 member and his spouse or designated survivor combined equals the amount of the member's
21 accumulated contributions at his date of retirement, the excess of such accumulated contributions
22 over the total of the retirement allowances paid to the former member and his spouse or
23 designated survivor combined shall be paid in a lump sum to such person as the member shall
24 have nominated by electronic submission in a form approved by the Board of Trustees or by
25 written designation duly acknowledged and filed with the Board of Trustees, if such person is
26 living at the time such payment falls due, otherwise to the former member's legal representatives.

27 (e) In the event of the death of a retired former judge who earned the first month of
28 membership service credit prior to July 1, 2024, and had not withdrawn contributions for such
29 membership service in the Retirement System, dies while in receipt of a retirement allowance
30 under the provisions of G.S. 135-58(d), there shall be paid to the former judge's surviving spouse,
31 if any, an annual retirement allowance payable monthly, which shall commence on the first day
32 of the calendar month next following the date of death of the former judge and shall be continued
33 on the first day of each month thereafter until the remarriage or death of the spouse. The amount
34 of any such allowance shall be equal to one half of the allowance that was payable to the former
35 judge for the month immediately prior to his month of death, reduced by two percent (2%) thereof
36 for each full year, if any, by which the age of the former judge at date of death exceeds that of
37 his spouse.

38 (e1) In the event a retired member who earned the first month of membership service credit
39 prior to July 1, 2024, and had not withdrawn contributions for such membership service in the
40 Retirement System, dies while that retired member was in receipt of a retirement allowance under
41 the provisions of this Article, there shall be paid to such person or persons as the retired member
42 shall have nominated by electronic submission in a form approved by the Board of Trustees or
43 by written designation duly acknowledged and filed with the Board of Trustees, if such person
44 or persons are living at the time of the retired member's death, otherwise to the retired member's
45 legal representatives, a death benefit equal to the excess, if any, of the accumulated contributions
46 of the retiree at the date of retirement over the total of the retirement allowances paid prior to the
47 death of the retired member.

48 In the event that a retirement allowance becomes payable to the designated survivor of a
49 retired member under G.S. 135-61 and such retirement allowance to the survivor shall terminate
50 upon the death of the survivor before the total of the retirement allowances paid to the retiree and
51 the designated survivor combined equals the amount of the accumulated contributions of the

1 retiree at the date of retirement, the excess, if any, of such accumulated contributions over the
2 total of the retirement allowances paid to the retiree and the survivor combined shall be paid in a
3 lump sum to such person or persons as the retiree shall have nominated by electronic submission
4 in a form approved by the Board of Trustees or by written designation duly acknowledged and
5 filed with the Board of Trustees, if such person or persons are living at the time such payment
6 falls due, otherwise to the retiree's legal representative.

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9 **PART III. EFFECTIVE DATE**

10 **SECTION 3.1.** This act becomes effective July 1, 2024.