GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2021

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HOUSE BILL 86
PROPOSED COMMITTEE SUBSTITUTE H86-CSSHp-7 [v.1]

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Short Title: Increase In-Service Death Benefits/LRS. (Public)

Sponsors:

Referred to:

February 17, 2021

A BILL TO BE ENTITLED

AN ACT INCREASING THE DEATH BENEFIT FOR MEMBERS OF THE LEGISLATIVE RETIREMENT SYSTEM WHO DIE WHILE IN SERVICE, APPROPRIATING FUNDS TO THE GENERAL ASSEMBLY FOR THE INCREASED DEATH BENEFIT, AND MAKING TECHNICAL CHANGES TO REORGANIZE THE LEGISLATIVE RETIREMENT SYSTEM DEATH BENEFIT STATUTE.

The General Assembly of North Carolina enacts:

SECTION 1.(a) 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). 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.~~

(a) North Carolina Teachers' and State Employees' Benefit Trust. – The Board of Trustees shall administer the North Carolina Teachers' and State Employees' Benefit Trust separate and apart from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. Employer and nonemployer 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. Benefit Trust assets may be used for reasonable expenses to administer benefits provided by the Fund as approved by the Board of Trustees. The assets of the Benefit Trust are not subject to the claims of any of the following:

(1) Creditors of the employees and nonemployees making contributions to the Benefit Trust.

(2) Creditors of the Benefit Trust's trustees and administrators.

(3) Creditors of members and beneficiaries.

(b) Death Benefit Generally. – The death benefit provided by this section shall be designated a group life insurance benefit payable under an employee welfare benefit plan that is separate and apart from the Retirement System but under which the members of the Retirement

System shall participate and be eligible for group life insurance benefits. The Board of Trustees is authorized to provide the death benefit in the form of group life insurance either by purchasing a contract or contracts of group life insurance with any life insurance company or companies licensed and authorized to transact business in the State of North Carolina for the purpose of insuring the lives of qualified members in service, or by establishing or affiliating with a separate trust fund qualified under Section 501(c)(9) of the Internal Revenue Code of 1954, as amended.

(c) Death While in Service. – 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 fifty thousand dollars ($50,000). For purposes of this section, the phrase "in service" means a member who is either of the following:

(1) Currently serving as a member of the North Carolina General Assembly.

(2) Engaged in 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 member does not return immediately after that service in the Uniformed Services to employment with a covered employer in the Retirement System, then the member shall be deemed to have been "in service" until the date on which the member was first eligible to be separated or released from involuntary military service.

(d) Death of a Retired Member. – Upon receipt of ~~proof,~~ proof satisfactory to the Board of ~~Trustees,~~ Trustees of the death of a retired member of the Retirement System or Retirement ~~Fund~~ Fund, a death benefit shall be paid as follows:

(1) If the death of the retired member occurs on or after July 1, 1988, but before January 1, 1999, ~~there shall be paid~~ a death benefit shall be paid to the surviving spouse of ~~a~~ the deceased retired member, or to the deceased retired member's legal representative if not survived by a spouse; provided the retired member has elected, when first eligible, to make, and has continuously made, in advance of ~~his~~ the member's death required contributions as determined by the Retirement System on a fully contributory basis, through retirement allowance deductions or other methods adopted by the Retirement System, to a group death benefit trust fund administered by the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of five thousand dollars ($5,000) upon the completion of twenty-four months of ~~contributions required under this subsection.~~ required contributions. Should death occur before the completion of twenty-four months of ~~contributions required under this subsection,~~ required contributions, the deceased retired member's surviving spouse or legal representative if not survived by a spouse shall be paid the sum of the retired member's contributions required by this ~~subsection~~ subdivision plus interest to be determined by the Board of Trustees.

(2) ~~Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired member of the Retirement System or Retirement Fund~~ If the death of the retired member occurs on or after January 1, 1999, but before July 1, 2004, ~~there shall be paid~~ a death benefit shall be paid to the surviving spouse of ~~a~~ the deceased retired member, or to the deceased retired member's legal representative if not survived by a spouse; provided the retired member has elected, when first eligible, to make, and has continuously made, in advance of ~~his~~ the member's death required contributions as determined by the Retirement System on a fully contributory basis, through retirement allowance deductions or other methods adopted by the Retirement System, to a group

death benefit trust fund administered by the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of six thousand dollars ($6,000) upon the completion of 24 months of ~~contributions required under this subsection.~~ required contributions. Should death occur before the completion of 24 months of ~~contributions required under this subsection,~~ required contributions, the deceased retired member's surviving spouse or legal representative if not survived by a spouse shall be paid the sum of the retired member's contributions required by this ~~subsection~~ subdivision plus interest to be determined by the Board of Trustees.

(3) ~~Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired member of the Retirement System or Retirement Fund~~ If the death of the retired member occurs on or after July 1, 2004, but before July 1, 2007, ~~there shall be paid~~ a death benefit shall be paid to the surviving spouse of ~~a~~ the deceased retired member, or to the deceased retired member's legal representative if not survived by a spouse; provided the retired member has elected, when first eligible, to make, and has continuously made, in advance of ~~his~~ the member's death required contributions as determined by the Retirement System on a fully contributory basis, through retirement allowance deductions or other methods adopted by the Retirement System, to a group death benefit trust fund administered by the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of nine thousand dollars ($9,000) upon the completion of 24 months of ~~contributions required under this subsection.~~ required contributions. Should death occur before the completion of 24 months of ~~contributions required under this subsection,~~ required contributions, the deceased retired member's surviving spouse or legal representative if not survived by a spouse shall be paid the sum of the retired member's contributions required by this ~~subsection~~ subdivision plus interest to be determined by the Board of Trustees.

(4) ~~Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired member of the Retirement System or Retirement Fund~~ If the death of the retired member occurs on or after July 1, 2007, but before January 1, 2015, ~~there shall be paid~~ a death benefit shall be paid to the surviving spouse of ~~a~~ the deceased retired member, or to the deceased retired member's legal representative if not survived by a spouse; provided the retired member has elected, when first eligible, to make, and has continuously made, in advance of ~~his~~ the member's death required contributions as determined by the Retirement System on a fully contributory basis, through retirement allowance deductions or other methods adopted by the Retirement System, to a group death benefit trust fund administered by the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of ten thousand dollars ($10,000) upon the completion of 24 months of ~~contributions required under this subsection.~~ required contributions. Should death occur before the completion of 24 months of ~~contributions required under this subsection,~~ required contributions, the deceased retired member's surviving spouse or legal representative if not survived by a spouse shall be paid the sum of the retired member's contributions required by this ~~subsection~~ subdivision plus interest to be determined by the Board of Trustees.

(5) ~~Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired member of the Retirement System or Retirement Fund~~ If the death of the retired member occurs on or after January 1, 2015, ~~there shall be paid~~ a death benefit shall be paid 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 member or, if not survived by a designated beneficiary or spouse, to the deceased retired member's legal representative; provided the retired member has elected, when first eligible, to make, and has continuously made, in advance of the member's death required contributions as determined by the Retirement System on a fully contributory basis, through retirement allowance deductions or other methods adopted by the Retirement System, to a group death benefit trust fund, the North Carolina Teachers' and State Employees' Benefit Trust, administered by the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. ~~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.~~ The death benefit payable under this ~~subsection~~ subdivision shall be a lump-sum payment in the amount of ten thousand dollars ($10,000) upon the completion of 24 months of ~~contributions required under this subsection.~~ required contributions. Should death occur before the completion of 24 months of ~~contributions required under this subsection,~~ required contributions, the deceased retired member's designated beneficiary or beneficiaries, or surviving spouse if not survived by a designated beneficiary, or legal representative if not survived by a designated beneficiary or spouse, shall be paid the sum of the retired member's contributions required by this ~~subsection~~ subdivision plus interest to be determined by the Board of Trustees."

SECTION 1.(b) This section is retroactively effective to January 1, 2020, and applies to eligible deaths occurring on or after that date.

SECTION 2.(a) There is appropriated from the General Fund to the General Assembly the sum of twenty-three thousand eight hundred ninety-two dollars ($23,892) in recurring funds and the sum of eleven thousand nine hundred forty-six dollars ($11,946) in nonrecurring funds for the 2020-2021 fiscal year for the Legislative Retirement System death benefit under G.S. 120-4.27, as amended by this act.

SECTION 2.(b) From the funds appropriated in subsection (a) of this section, the General Assembly shall make a contribution to the Teachers' and State Employees' Benefit Trust in the amount of thirty-five thousand eight hundred thirty-eight dollars ($35,838) by June 30, 2021, for the Legislative Retirement System death benefit under G.S. 120-4.27, as amended by this act.

SECTION 2.(c) It is the intent of the General Assembly to make adjustments to the required employer salary–related contributions for the 2021-2022 fiscal year to reflect the provisions of this act.

SECTION 3. Except as otherwise provided, this act is effective when it becomes law.