

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2019

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HOUSE BILL 1042

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

Sponsors: Representatives Howard, Jackson, Moore, and Carney (Primary Sponsors).  
*For a complete list of sponsors, refer to the North Carolina General Assembly web site.*

Referred to: Judiciary, if favorable, Rules, Calendar, and Operations of the House

April 28, 2020

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE DEATH BENEFIT FOR MEMBERS OF THE LEGISLATIVE RETIREMENT SYSTEM WHO DIE WHILE IN SERVICE AND TO MAKE 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 North Carolina Teachers' and State Employees' Benefit Trust shall be 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.

(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



1 a contract or contracts of group life insurance with any life insurance company or companies  
2 licensed and authorized to transact business in the State of North Carolina for the purpose of  
3 insuring the lives of qualified members in service, or by establishing or affiliating with a separate  
4 trust fund qualified under Section 501(c)(9) of the Internal Revenue Code of 1954, as amended.

5 (c) Death While in Service. – The designated beneficiary of a member who dies while in  
6 service after completing one year of creditable service shall receive a lump-sum payment of fifty  
7 thousand dollars (\$50,000). For purposes of this section, the phrase "in service" means currently  
8 servng as a member of the North Carolina General Assembly. For purposes of this section, the  
9 term "in service" also means service in the Uniformed Services, as that term is defined in section  
10 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law  
11 103-353, if that service begins during the member's term of office. If the member does not return  
12 immediately after that service in the Uniformed Services to employment with a covered employer  
13 in this System, then the member shall be deemed to have been "in service" until the date on which  
14 the member was first eligible to be separated or released from his or her involuntary military  
15 service.

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

19 (1) If the death of the retired member occurs or after July 1, 1988, but before  
20 January 1, 1999, there shall be paid a death benefit to the surviving spouse of  
21 a deceased retired member, or to the deceased retired member's legal  
22 representative if not survived by a spouse; provided the retired member has  
23 elected, when first eligible, to make, and has continuously made, in advance  
24 of his death required contributions as determined by the Retirement System  
25 on a fully contributory basis, through retirement allowance deductions or other  
26 methods adopted by the Retirement System, to a group death benefit trust fund  
27 administered by the Board of Trustees separate and apart from the Retirement  
28 System's Annuity Savings Fund and Pension Accumulation Fund. This death  
29 benefit shall be a lump-sum payment in the amount of five thousand dollars  
30 (\$5,000) upon the completion of twenty-four months of ~~contributions required~~  
31 ~~under this subsection.~~ required contributions. Should death occur before the  
32 completion of twenty-four months of ~~contributions required under this~~  
33 ~~subsection,~~ required contributions, then the deceased retired member's  
34 surviving spouse or legal representative if not survived by a spouse shall be  
35 paid the sum of the retired member's contributions required by this ~~subsection~~  
36 subdivision plus interest to be determined by the Board of Trustees.

37 (2) Upon receipt of ~~proof,~~ satisfactory to the Board of Trustees, of ~~If the death of~~  
38 a ~~the~~ retired member of the Retirement System or Retirement Fund occurs on  
39 or after January 1, 1999, but before July 1, 2004, there shall be paid a death  
40 benefit to the surviving spouse of a deceased retired member, or to the  
41 deceased retired member's legal representative if not survived by a spouse;  
42 provided the retired member has elected, when first eligible, to make, and has  
43 continuously made, in advance of his death required contributions as  
44 determined by the Retirement System on a fully contributory basis, through  
45 retirement allowance deductions or other methods adopted by the Retirement  
46 System, to a group death benefit trust fund administered by the Board of  
47 Trustees separate and apart from the Retirement System's Annuity Savings  
48 Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum  
49 payment in the amount of six thousand dollars (\$6,000) upon the completion  
50 of 24 months of ~~contributions required under this subsection.~~ required  
51 contributions. Should death occur before the completion of 24 months of

1 ~~contributions required under this subsection, required contributions, then the~~  
2 deceased retired member's surviving spouse or legal representative if not  
3 survived by a spouse shall be paid the sum of the retired member's  
4 contributions required by this ~~subsection~~ subdivision plus interest to be  
5 determined by the Board of Trustees.

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

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

45 (5) ~~Upon receipt of proof, satisfactory to the Board of Trustees, of~~ If the death of  
46 ~~a the retired member of the Retirement System or Retirement Fund occurs~~ on  
47 or after January 1, 2015, there shall be paid a death benefit to the person or  
48 persons designated by the member or, if the member has not designated a  
49 beneficiary, to the surviving spouse of the deceased retired member or, if not  
50 survived by a designated beneficiary or spouse, to the deceased retired  
51 member's legal representative; provided the retired member has elected, when

1 first eligible, to make, and has continuously made, in advance of the member's  
 2 death required contributions as determined by the Retirement System on a  
 3 fully contributory basis, through retirement allowance deductions or other  
 4 methods adopted by the Retirement System, to a ~~group death benefit trust~~  
 5 ~~fund, the North Carolina Teachers' and State Employees' Benefit Trust,~~  
 6 ~~administered by the Board of Trustees separate and apart from the Retirement~~  
 7 ~~System's Annuity Savings Fund and Pension Accumulation Fund. Employer~~  
 8 ~~and non-employer contributions to the Benefit Trust and earnings on those~~  
 9 ~~contributions are irrevocable. The assets of the Benefit Trust are dedicated to~~  
 10 ~~providing benefits to members and beneficiaries in accordance with the Plan's~~  
 11 ~~benefit terms. The assets of the Benefit Trust are not subject to the claims of~~  
 12 ~~creditors of the employees and non-employees making contributions to the~~  
 13 ~~Benefit Trust, are not subject to the claims of any creditors of the Benefit~~  
 14 ~~Trust's trustees and administrators, and are not subject to the claims of~~  
 15 ~~creditors of members and beneficiaries. Benefit Trust assets may be used for~~  
 16 ~~reasonable expenses to administer benefits provided by the Fund as approved~~  
 17 ~~by the Board of Trustees. Trust. The death benefit payable under this~~  
 18 ~~subsection-subdivision shall be a lump-sum payment in the amount of ten~~  
 19 ~~thousand dollars (\$10,000) upon the completion of 24 months of ~~contributions~~~~  
 20 ~~required under this subsection. Should required contributions. If the ~~death~~~~  
 21 ~~occur occurs before the completion of 24 months of ~~contributions required~~~~  
 22 ~~under this subsection, required contributions, then the deceased retired~~  
 23 ~~member's designated beneficiary or beneficiaries, or surviving spouse if not~~  
 24 ~~survived by a designated beneficiary, or legal representative if not survived~~  
 25 ~~by a designated beneficiary or spouse, shall be paid the sum of the retired~~  
 26 ~~member's contributions required by this ~~subsection-subdivision~~ plus interest~~  
 27 ~~to be determined by the Board of Trustees."~~

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

30 **SECTION 2.(a)** Section 3.15(b) of S.L. 2019-209 reads as rewritten:

31 **"SECTION 3.15.(b)** Effective July 1, 2019, through December 31, 2019, the State's  
 32 employer contribution rates budgeted for retirement and related benefits as a percentage of  
 33 covered salaries for the 2019-2020 fiscal year for teachers and State employees, State law  
 34 enforcement officers (LEOs), the University and Community Colleges Optional Retirement  
 35 Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative  
 36 Retirement System (LRS) are as set forth below:

	<b>Teachers and State Employees</b>	<b>State LEOs</b>	<b>ORPs</b>	<b>CJRS</b>	<b>LRS</b>
40 Retirement	12.97%	12.97%	6.84%	33.60%	26.46%
41 Disability	0.10%	0.10%	0.10%	0.00%	0.00%
42 Death	0.16%	0.16%	0.00%	0.00%	0.00%
43 Retiree Health	6.47%	6.47%	6.47%	6.47%	6.47%
44 NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%
45					
46 <b>Total Contribution</b>					
47 <b>Rate</b>	19.70%	24.70%	13.41%	40.07%	32.93%

48  
 49 The rate for teachers and State employees and State law enforcement officers includes  
 50 one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement."

SECTION 2.(b) Section 3.15 of S.L. 2019-209 is amended by adding a new subsection to read:

"SECTION 3.15.(b1) Effective January 1, 2020, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2019-2020 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

	<u>Teachers and State Employees</u>	<u>State LEOs</u>	<u>ORPs</u>	<u>CJRS</u>	<u>LRS</u>
<u>Retirement</u>	<u>12.97%</u>	<u>12.97%</u>	<u>6.84%</u>	<u>33.60%</u>	<u>26.12%</u>
<u>Disability</u>	<u>0.10%</u>	<u>0.10%</u>	<u>0.10%</u>	<u>0.00%</u>	<u>0.00%</u>
<u>Death</u>	<u>0.16%</u>	<u>0.16%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.93%</u>
<u>Retiree Health</u>	<u>6.47%</u>	<u>6.47%</u>	<u>6.47%</u>	<u>6.47%</u>	<u>6.47%</u>
<u>NC 401(k)</u>	<u>0.00%</u>	<u>5.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
<b><u>Total Contribution Rate</u></b>	<b><u>19.70%</u></b>	<b><u>24.70%</u></b>	<b><u>13.41%</u></b>	<b><u>40.07%</u></b>	<b><u>33.52%</u></b>

The rate for teachers and State employees and State law enforcement officers includes one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement."

SECTION 2.(c) Section 3.15(c) of S.L. 2019-209 reads as rewritten:

"SECTION 3.15.(c) Effective July 1, 2020, the State's employer contribution rates budgeted for retirement and related benefits as a percentage of covered salaries for the 2020-2021 fiscal year for teachers and State employees, State law enforcement officers (LEOs), the University and Community Colleges Optional Retirement Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative Retirement System (LRS) are as set forth below:

	<u>Teachers and State Employees</u>	<u>State LEOs</u>	<u>ORPs</u>	<u>CJRS</u>	<u>LRS</u>
<u>Retirement</u>	<u>14.36%</u>	<u>14.36%</u>	<u>6.84%</u>	<u>36.00%</u>	<del>29.00%</del> <u>28.66%</u>
<u>Disability</u>	<u>0.10%</u>	<u>0.10%</u>	<u>0.10%</u>	<u>0.00%</u>	<u>0.00%</u>
<u>Death</u>	<u>0.16%</u>	<u>0.16%</u>	<u>0.00%</u>	<u>0.00%</u>	<del>0.00%</del> <u>0.93%</u>
<u>Retiree Health</u>	<u>6.82%</u>	<u>6.82%</u>	<u>6.82%</u>	<u>6.82%</u>	<u>6.82%</u>
<u>NC 401(k)</u>	<u>0.00%</u>	<u>5.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
<b><u>Total Contribution Rate</u></b>	<b><u>21.44%</u></b>	<b><u>26.44%</u></b>	<b><u>13.76%</u></b>	<b><u>42.82%</u></b>	<del>35.82%</del> <u>36.41%</u>

The rate for teachers and State employees and State law enforcement officers includes one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement."

SECTION 2.(d) There is appropriated from the General Fund to the General Assembly the sum of ten thousand six hundred seventy-nine dollars (\$10,679) in recurring funds for the 2019-2020 fiscal year and the sum of twenty-one thousand three hundred fifty-eight dollars (\$21,358) in recurring funds for the 2020-2021 fiscal year for the purpose of paying the salary-related contributions related to the Legislative Retirement System death benefit under Section 1 of this act.

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