

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023**

**HOUSE BILL 201
RATIFIED BILL**

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

The General Assembly of North Carolina enacts:

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

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

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

...

Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this subsection, of the death of a retired member of the Retirement System on or after January 1, 2015, there shall be paid a death benefit to the person or persons designated by the member or, ~~if the member has not designated a beneficiary, to the surviving spouse of the deceased retired member or,~~ if not survived by a designated ~~beneficiary or spouse,~~ beneficiary, 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 Board of Trustees on a fully contributory basis, through retirement allowance deductions or other methods adopted by the Board of Trustees, to a group death benefit trust fund, the North Carolina Teachers' and State Employees' Benefit Trust,



administered by the Board of Trustees 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 participants, ~~surviving spouses, beneficiaries,~~ and the members' estates in accordance with the Plan's benefit terms. The assets of the Benefit Trust are not subject to the claims of creditors of the employees and non-employees making contributions to the Benefit Trust, are not subject to the claims of any creditors of the Benefit Trust's trustees and administrators, and are not subject to the claims of creditors of members and beneficiaries. Benefit Trust assets may be used for reasonable expenses to administer benefits provided by the Fund as approved by the Board of Trustees. 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. Should death occur before the completion of 24 months of contributions required under this subsection, the deceased retired member's designated beneficiary or beneficiaries, ~~or surviving spouse if there is no surviving beneficiary,~~ or legal representative if not survived by a designated ~~beneficiary or spouse, beneficiary,~~ shall be paid the sum of the retired member's contributions required by this subsection plus interest to be determined by the Board of Trustees.

...."

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

"(*l6*) Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this subsection, of the death of a retired member of the Retirement System on or after January 1, 2015, there shall be paid a death benefit to the person or persons designated by the member or, ~~if the member has not designated a beneficiary, to the surviving spouse of the deceased retired member or,~~ if not survived by a designated ~~beneficiary or spouse, beneficiary,~~ 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 Board of Trustees on a fully contributory basis, through retirement allowance deductions or other methods adopted by the Board of Trustees, 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 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. Should death occur before the completion of 24 months of contributions required under this subsection, 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, beneficiary,~~ shall be paid the sum of the retired member's contributions required by this subsection plus interest to be determined by the Board of Trustees."

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

"§ 120-4.27. **Death benefit.**

...

Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired member of the Retirement System or Retirement Fund on or after January 1, 2015, there shall be paid a

death benefit to the person or persons designated by the member or, ~~if the member has not designated a beneficiary, to the surviving spouse of the deceased retired member or, if not survived by a designated beneficiary or spouse,~~ beneficiary, 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 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. Should death occur before the completion of 24 months of contributions required under this subsection, 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,~~ beneficiary, shall be paid the sum of the retired member's contributions required by this subsection plus interest to be determined by the Board of Trustees."

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

"(k) Upon the death of a retired member on or after January 1, 2015, there shall be paid a death benefit to the person or persons designated by the member or, ~~if the member has not designated a beneficiary, to the surviving spouse of the deceased retired member or, if not survived by a designated beneficiary or spouse,~~ beneficiary, 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 Board of Trustees on a fully contributory basis, through retirement allowance deductions or other methods adopted by the Board of Trustees, 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 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. Should death occur before the completion of 24 months of contributions required under this subsection, the deceased retired member's designated beneficiary or beneficiaries, ~~or surviving spouse if there is no surviving designated beneficiary,~~ or legal representative if not survived by a designated ~~beneficiary or spouse,~~ beneficiary, shall be paid

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

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

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

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

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

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

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

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

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

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

"(k) Medical Board. – The Board of Trustees shall designate a medical board to be composed of not less than three nor more than five physicians not eligible to participate in the Retirement System. The Board of Trustees may structure appointment requirements and term durations for those medical board members. If required, other physicians may be employed to report on special cases. The medical board shall arrange for and pass upon all medical examinations required under the provisions of this Chapter, and shall investigate all essential statements and certificates by or on behalf of a member in connection with an application for disability retirement, and shall report in writing to the Board of Trustees its conclusion and recommendations upon all the matters referred to ~~it~~ it, except as otherwise provided in this Chapter. A person serving on the medical board shall be immune individually from civil liability

for monetary damages, except to the extent covered by insurance, for any act or failure to act arising out of that service, except where any of the following apply:

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

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

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

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

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

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

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

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

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

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

"(g) The Board of Trustees may extend the short-term disability benefits of a beneficiary beyond the benefit period of 365 days for an ~~additional~~ extended period of not more than 365 ~~days;~~ days. The extended period shall commence on the first day succeeding the conclusion of the first 365-day short-term disability period, provided the beneficiary or participant makes an application for such benefit within 180 days after the short-term disability period ceases, after

salary continuation payments cease, or after monthly payments for Workers' Compensation cease, whichever is later; and provided the Retirement Systems Division of the Department of State Treasurer determines that the beneficiary's disability is temporary and likely to end within the extended period of short-term disability benefits. During the extended period of short-term disability benefits, payment of benefits shall be made by the Plan directly to the beneficiary. This extended period of short-term disability benefits shall be treated in the same manner as long-term disability payments in G.S. 135-106(b) for the purposes of G.S. 135-108. The Department of State Treasurer shall adopt rules to implement the provisions of this subsection."

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

PART V. CHANGES RELATED TO THE PAYMENT OF THE FIRST RETIREMENT BENEFIT CHECK FOR BENEFICIARIES OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, LEGISLATIVE RETIREMENT SYSTEM, AND THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM

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

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

...

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

...."

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

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

...

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

...."

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

"§ 120-4.26. Benefit payment options.

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

...."

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

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

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

...

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

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

...."

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

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

"(g1) In the event of the death of a retired member while in receipt of a retirement allowance under the provisions of this Article, there shall be paid to such person or persons as the retiree 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 retiree's death, otherwise to the retiree's legal representatives, a death benefit equal to the excess, if any, of the accumulated contributions of the retiree at the date of retirement over the total of the retirement allowances paid prior to the death of the retiree. In the event that a retiree is receiving a Special Retirement Allowance under subsection (m1) of this section, there shall be paid to such person or persons as the retiree 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 retiree's death, otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if any, of the employee's voluntary contributions that were transferred from the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation Plan to this Retirement System over the total of the Special Retirement Allowances paid prior to the death of the retiree. For purposes of this paragraph, the term "accumulated contributions" excludes any amount transferred under subsection (m2) of this section.

...

In the event that a retirement allowance becomes payable to the principal beneficiary designated to receive a return of accumulated contributions pursuant to subsection (m) 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 the contingent beneficiary for return of accumulated contributions, if the person or persons are living at the time the payment falls due, otherwise 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 (m) 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. For purposes of this paragraph, the term "accumulated contributions" includes amounts of employee voluntary contributions that were transferred from the Supplemental Retirement Income Plan of North Carolina to this Retirement System at retirement by eligible law enforcement officers.

In the event a retiree purchases creditable service as provided in G.S. 135-4, there shall be paid to such person or persons as the retiree 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 retiree's death, otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if

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

In the event that a retirement allowance becomes payable to the designated survivor of a retired member under the provisions above and such retirement allowance to the survivor shall terminate upon the death of the survivor before the total of the increase in the retirement allowance attributable to the additional creditable service paid to the retiree and the designated survivor combined equals the cost of the creditable service purchased less the administrative fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree 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 such payment falls due, otherwise to the retiree's legal representative.

In the event that a retiree 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 member's ~~estate~~ legal representative."

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

"(g1) In the event of the death of a retired member while in receipt of a retirement allowance under the provisions of this Article, there shall be paid to such person or persons as the retiree 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 retiree's death, otherwise to the retiree's legal representatives, a death benefit equal to the excess, if any, of the accumulated contributions of the retiree at the date of retirement over the total of the retirement allowances paid prior to the death of the retiree. In the event that a retiree is receiving a Special Retirement Allowance under subsection (m1) of this section, there shall be paid to such person or persons as the retiree 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 retiree's death, otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if any, of the employee voluntary contributions that were transferred from the Supplemental Retirement Income Plan of North Carolina or the North Carolina Public Employee Deferred Compensation Plan to this Retirement System over the total of the Special Retirement Allowances paid prior to the death of the retiree. For purposes of this paragraph, the term "accumulated contributions" excludes any amount transferred under subsection (m2) of this section.

...

In the event that a retirement allowance becomes payable to the principal beneficiary designated to receive a return of accumulated contributions pursuant to subsection (m) 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 the contingent beneficiary for return of accumulated contributions, if the person or persons are living at the time the payment falls due, otherwise 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 (m) 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. For purposes of this paragraph, the term "accumulated contributions" includes

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

In the event a retiree purchases creditable service as provided in G.S. 128-26, there shall be paid to such person or persons as the retiree 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 retiree's death, otherwise to the retiree's legal representatives, an additional death benefit equal to the excess, if any, of the cost of the creditable service purchased less the administrative fee, if any, over the total of the increase in the retirement allowance attributable to the additional creditable service, paid from the month following the month in which payment was received to the death of the retiree.

In the event that a retirement allowance becomes payable to the designated survivor of a retired member under the provisions above, and such retirement allowance to the survivor shall terminate upon the death of the survivor before the total of the increase in the retirement allowance attributable to the additional creditable service paid to the retiree and the designated survivor combined equals the cost of the creditable service purchased less the administrative fee, the excess, if any, shall be paid in a lump sum to such person or persons as the retiree 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 such payment falls due, otherwise to the retiree's legal representative.

In the event that a retiree 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 ~~member's estate~~ member's legal representative."

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

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

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

In the event that a retirement allowance becomes payable to ~~the one and only one~~ the principal beneficiary designated to receive a return of accumulated contributions pursuant to this subsection and that beneficiary dies before the total of the retirement allowances paid equals the amount of those accumulated contributions over the total of the retirement allowances paid to the beneficiary, the allowance shall be paid in a lump sum to the person or persons the member has designated as the contingent beneficiary for return of accumulated contributions, if the person or persons are living at the time the payment falls due, otherwise to ~~the one and only one~~ 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 (m) 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."

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

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

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

- (1) The Retirement Systems Division, as provided under subsection (b) of this section, offsets any return of contributions, lump sum death benefit payment, retroactive benefit adjustment payment for periods before the determination of the overpayment, or other one-time payment accruing under this Chapter, by the full amount of the payment as computed after payment deductions, and applies the offset toward the overpayment;
- (2) The Retirement Systems Division, as provided under subsection (b) of this section, offsets any recurring monthly benefit accruing under this Chapter for periods coincident with or following the determination of the overpayment as follows:
 - a. By no more than twenty-five percent (25%) of the monthly benefit as computed after payment deductions and not less than eight and one-half percent (8.5%) of the monthly benefit as computed after payment deductions;
 - b. Or by offsetting the amount of the overpayment in two or fewer monthly benefit payments when the overpayment amount is less than five hundred dollars (\$500);
- (3) The wage offset as provided under subsection (c) of this section is applied as required; and
- (4) The setoff debt provisions of Chapter 105A of the General Statutes are applied as required."

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

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

- (1) The Retirement Systems Division, as provided under subsection (b) of this section, offsets any return of contributions, lump sum death benefit payment, retroactive benefit adjustment payment for periods before the determination of the overpayment, or other one-time payment accruing under this Chapter, by the full amount of the payment as computed after payment deductions, and applies the offset toward the overpayment;
- (2) The Retirement Systems Division, as provided under subsection (b) of this section, offsets any recurring monthly benefit accruing under this Chapter for periods coincident with or following the determination of the overpayment as follows:
 - a. By no more than twenty-five percent (25%) of the monthly benefit as computed after payment deductions and not less than eight and one-half percent (8.5%) of the monthly benefit as computed after payment deductions;
 - b. Or by offsetting the amount of the overpayment in two or fewer monthly benefit payments when the overpayment amount is less than five hundred dollars (\$500);
- (3) The wage offset as provided under subsection (c) of this section is applied as required; and
- (4) The setoff debt provisions of Chapter 105A of the General Statutes are applied as required."

PART IX. SEVERABILITY

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

PART X. EFFECTIVE DATE

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

In the General Assembly read three times and ratified this the 13th day of July, 2023.

s/ Phil Berger
President Pro Tempore of the Senate

s/ Jason Saine
Presiding Officer of the House of Representatives

Roy Cooper
Governor

Approved _____m. this _____ day of _____, 2023