

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2019

H.B. 1042  
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HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH10732-MRap-132A

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

(Public)

Sponsors: Representative Howard.

Referred to:

1 A BILL TO BE ENTITLED  
2 AN ACT TO INCREASE THE DEATH BENEFIT FOR MEMBERS OF THE LEGISLATIVE  
3 RETIREMENT SYSTEM WHO DIE WHILE IN SERVICE AND TO MAKE TECHNICAL  
4 CHANGES TO REORGANIZE THE LEGISLATIVE RETIREMENT SYSTEM DEATH  
5 BENEFIT STATUTE.

6 The General Assembly of North Carolina enacts:

7 **SECTION 1.(a)** G.S. 120-4.27 reads as rewritten:

8 **"§ 120-4.27. Death benefit.**

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

20 (a) North Carolina Teachers' and State Employees' Benefit Trust. – The North Carolina  
21 Teachers' and State Employees' Benefit Trust shall be administered by the Board of Trustees  
22 separate and apart from the Retirement System's Annuity Savings Fund and Pension  
23 Accumulation Fund. Employer and non-employer contributions to the Benefit Trust, and  
24 earnings on those contributions, are irrevocable. The assets of the Benefit Trust are dedicated to  
25 providing benefits to members and beneficiaries in accordance with the Plan's benefit terms. The  
26 assets of the Benefit Trust are not subject to the claims of creditors of the employees and  
27 non-employees making contributions to the Benefit Trust, are not subject to the claims of any  
28 creditors of the Benefit Trust's trustees and administrators, and are not subject to the claims of  
29 creditors of members and beneficiaries. Benefit Trust assets may be used for reasonable expenses  
30 to administer benefits provided by the Fund as approved by the Board of Trustees.

31 (b) Death Benefit Generally. – The death benefit provided by this section shall be  
32 designated a group life insurance benefit payable under an employee welfare benefit plan that is  
33 separate and apart from the Retirement System but under which the members of the Retirement  
34 System shall participate and be eligible for group life insurance benefits. The Board of Trustees  
35 is authorized to provide the death benefit in the form of group life insurance either by purchasing  
36 a contract or contracts of group life insurance with any life insurance company or companies



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

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

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

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

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

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

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

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

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

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

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

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

30 **"SECTION 3.15.(b)** Effective July 1, 2019, through December 31, 2019, the State's  
 31 employer contribution rates budgeted for retirement and related benefits as a percentage of  
 32 covered salaries for the 2019-2020 fiscal year for teachers and State employees, State law  
 33 enforcement officers (LEOs), the University and Community Colleges Optional Retirement  
 34 Programs (ORPs), the Consolidated Judicial Retirement System (CJRS), and the Legislative  
 35 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>
39 Retirement	12.97%	12.97%	6.84%	33.60%	26.46%
40 Disability	0.10%	0.10%	0.10%	0.00%	0.00%
41 Death	0.16%	0.16%	0.00%	0.00%	0.00%
42 Retiree Health	6.47%	6.47%	6.47%	6.47%	6.47%
43 NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%
44					
45 <b>Total Contribution</b>					
46 <b>Rate</b>	19.70%	24.70%	13.41%	40.07%	32.93%

47  
 48 The rate for teachers and State employees and State law enforcement officers includes  
 49 one one-hundredth percent (0.01%) for the Qualified Excess Benefit Arrangement."

50 **SECTION 2.(b)** Section 3.15 of S.L. 2019-209 is amended by adding a new  
 51 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>
Retirement	12.97%	12.97%	6.84%	33.60%	26.12%
Disability	0.10%	0.10%	0.10%	0.00%	0.00%
Death	0.16%	0.16%	0.00%	0.00%	0.93%
Retiree Health	6.47%	6.47%	6.47%	6.47%	6.47%
NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%
<b>Total Contribution Rate</b>	<b>19.70%</b>	<b>24.70%</b>	<b>13.41%</b>	<b>40.07%</b>	<b>33.52%</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>
Retirement	14.36%	14.36%	6.84%	36.00%	<del>29.00%</del> 28.66%
Disability	0.10%	0.10%	0.10%	0.00%	0.00%
Death	0.16%	0.16%	0.00%	0.00%	<del>0.00%</del> 0.93%
Retiree Health	6.82%	6.82%	6.82%	6.82%	6.82%
NC 401(k)	0.00%	5.00%	0.00%	0.00%	0.00%
<b>Total Contribution Rate</b>	<b>21.44%</b>	<b>26.44%</b>	<b>13.76%</b>	<b>42.82%</b>	<b><del>35.82%</del>36.41%</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.(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.