



HOUSE BILL 201: Retirement Administrative Changes Act of 2023.

2023-2024 General Assembly

Committee:		Date:	November 20, 2023
Introduced by:		Prepared by:	Theresa Matula
Analysis of:	S.L. 2023-105		Legislative Analyst

OVERVIEW: *S.L. 2023-105 makes the following administrative changes:*

- *Changes the contributory death benefit for the Teachers' and State Employees' Retirement System (TSERS), the Local Governmental Employees' Retirement System (LGERS), the Legislative Retirement System (LRS), and the Consolidated Judicial Retirement System (CJRS).*
- *Makes changes to the second six months of short-term disability, to the review and approval of short-term disability benefits, and to the application for extended short-term disability benefits under the Disability Income Plan (DIP) of North Carolina.*
- *Allows the first retirement benefit check to be paid direct deposit rather than mailed.*
- *Clarifies assets of the retirement systems trust fund will be used for the exclusive benefit of persons entitled to benefits under the plan and in accordance with the Internal Revenue Code.*
- *Amends the survivors alternate benefit beneficiary default for TSERS, LGERS, and LRS.*
- *Amends the law pertaining to overpayment of funds when the overpayment is caused by administrative error.*

The act became effective January 1, 2024.

BILL ANALYSIS:

Part I. Changes Related to the Contributory Death Benefit for the TSERS, LGERS, LRS, and CJRS

– Part I amends TSERS, LGERS, LRS, and CJRS, to provide that the death benefit of a retired member is paid to the person or persons designated by the member as the beneficiary or beneficiaries. When there is not a surviving designated beneficiary, the death benefit is paid to the deceased retired member's legal representative.

Part II. Changes Related to the Second Six Months of Short-Term Disability Benefits of the DIP to be Reimbursed to the Employer by the Plan

– Part II amends the statute pertaining to short-term disability benefits that began before July 1, 2019, to require an employer to notify the Plan before July 1, 2024, of the short-term benefits and the State Health Insurance premiums paid by the employer after the initial six months because the Plan will not reimburse any employer for amounts related to notifications made on or after July 1, 2024. The Board of Trustees is required to 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 DIP

– Part III amends TSERS and DIP statutes to provide that the Retirement Systems Division of the

Jeffrey Hudson
Director



Legislative Analysis
Division
919-733-2578

House Bill 201

Page 2

Department of State Treasurer can make a determination of eligibility for short-term disability benefits and extended short-term disability benefits. The Board of Trustees is required to adopt rules to implement the provisions of this Part.

Part IV. Changes Related to the Application for Extended Short-Term Disability Benefits through the DIP – Part IV provides that an extended short-term disability benefit period will begin on the first day following the conclusion of the first 365-day short-term disability period, provided the beneficiary or participant makes an application 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. The extended period of short-term disability benefits will be treated in the same manner as long-term disability payments for purposes of post-disability benefit adjustments. The Board of Trustees is required to 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 TSERS, LGERS, LRS, and CJRS – Part V amends the statutes to allow the first retirement benefit payment to be made by direct deposit and applies the same prohibition on changes as is currently in place for checks once they have been cashed.

Part VI. Changes related to the Retirement Systems Master Trust and Management of Funds – Part VI amends the statutes to clarify that the master trust to which all receipts, transfers, appropriations, contributions, investment earnings, and other income belonging to the Plans is deposited, will be used for the exclusive benefit of persons entitled to benefits under the Plan and that in no event, including dissolution, will assets be distributed to any entity that is not a state, a political subdivision of the state, or other entity allowed under Internal Revenue Code.

Part VII. Changes Related to the Survivors Alternate Benefit Beneficiary Default for the TSERS, LGERS, and LRS – Part VII amends the TSERS, LGERS, and LRS statutes to provide that when a retirement allowance becomes payable to a contingent beneficiary and that beneficiary dies before all the necessary funds are paid, the balance will be paid to the contingent beneficiary's legal representative.

Part VIII. Changes Related to the Recovery of Funds Overpaid to Beneficiaries by the Retirement Systems Division – Current law (G.S. 143-64.80) requires an overpayment of State funds to be recouped. Part VIII amends TSERS and LGERS retirement statutes to provide that when the Board of Trustees determines there was an overpayment of funds entirely due to administrative error on the part of the Retirement Systems Division, the requirement under G.S. 143-64.80 is being met as long as the State: offsets the return of contributions, lump sum death benefit payment, and retroactive benefit adjustment by the full amount; offsets recurring monthly benefits by withholding at least 8.5% and no more than 25%, or offsets the amount of the overpayment in two or fewer monthly payments when the overpayment is less than \$500; and the wage and setoff debt provisions are applied as required.

Part IX. Severability – Section 9 contains the severability provisions of the act.

EFFECTIVE DATE: The act became effective January 1, 2024.