

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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HOUSE BILL 1691

Short Title: Payment of Death Benefits.

(Public)

Sponsors: Representatives Grady; Smith, Rayfield, Sherrill, and Preston.

Referred to: Rules, Calendar, and Operations of the House.

May 24, 2000

A BILL TO BE ENTITLED

AN ACT TO AMEND THE PROVISION FOR PAYMENT OF THE DEATH BENEFIT UNDER THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM.

The General Assembly of North Carolina enacts:

Section 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. Upon receipt of proof, satisfactory to the Board of Trustees in their capacity as trustees under the Group Life Insurance Plan, of the death, in service, of a member who had completed at least one full calendar year of membership in the Retirement System, there shall be paid to such person as he shall have nominated by written designation duly acknowledged and filed with the Board of Trustees, if such person is living at the time of the member's death, otherwise to the member's legal representatives, a death benefit. Such death benefit shall be equal to the greater of:

- 1 (1) The compensation on which contributions were made by the member
2 during the calendar year preceding the year in which his death occurs, or
3 (2) The greatest compensation on which contributions were made by the
4 member during a 12-month period of service within the 24-month
5 period of service ending on the last day of the month preceding the
6 month in which his last day of actual service occurs;
7 (3), (4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s.
8 2.

9 subject to a minimum of twenty-five thousand dollars (\$25,000) and to a maximum of
10 fifty thousand dollars (\$50,000). Such death benefit shall be payable apart and separate
11 from the payment of the member's accumulated contributions under the System on his
12 death pursuant to the provisions of subsection (f) of this section. For the purpose of the
13 Plan, a member shall be deemed to be in service at the date of his death if his death
14 occurs within 180 days from the last day of his actual service.

15 The death benefit provided in this subsection (1) shall not be payable,
16 notwithstanding the member's compliance with all the conditions set forth in the
17 preceding paragraph, if his death occurs

- 18 (1) After December 31, 1968 and after he has attained age 70; or
19 (2) After December 31, 1969 and after he has attained age 69; or
20 (3) After December 31, 1970 and after he has attained age 68; or
21 (4) After December 31, 1971 and after he has attained age 67; or
22 (5) After December 31, 1972 and after he has attained age 66; or
23 (6) After December 31, 1973 and after he has attained age 65; or
24 (7) After December 31, 1978, but before January 1, 1987, and after he has
25 attained age 70.

26 Notwithstanding the above provisions, the death benefit shall be payable on account
27 of the death of any member who died or dies on or after January 1, 1974, but before
28 January 1, 1979, after attaining age 65, if he or she had not yet attained age 65, if he or
29 she had not yet attained age 66, was at the time of death completing the work year for
30 those individuals under specific contract, or during the fiscal year for those individuals
31 not under specific contract, in which he or she attained 65, and otherwise met all
32 conditions for payment of the death benefit.

33 Notwithstanding the above provisions, the Board of Trustees may and is specifically
34 authorized to provide the death benefit according to the terms and conditions otherwise
35 appearing in this Plan in the form of group life insurance, either (i) by purchasing a
36 contract or contracts of group life insurance with any life insurance company or
37 companies licensed and authorized to transact business in this State for the purpose of
38 insuring the lives of members in service, or (ii) by establishing a separate trust fund
39 qualified under Section 501(c)(9) of the Internal Revenue Code of 1954, as amended, for
40 such purpose. To that end the Board of Trustees is authorized, empowered and directed to
41 investigate the desirability of utilizing group life insurance by either of the foregoing
42 methods for the purpose of providing the death benefit. If a separate trust fund is
43 established, it shall be operated in accordance with rules and regulations adopted by the

1 Board of Trustees and all investment earnings on the trust fund shall be credited to such
2 fund.

3 In administration of the death benefit the following shall apply:

- 4 (1) For the purpose of determining eligibility only, in this subsection
5 "calendar year" shall mean any period of 12 consecutive months or, if
6 less, the period covered by an annual contract of employment. For all
7 other purposes in this subsection "calendar year" shall mean the 12
8 months beginning January 1 and ending December 31.
- 9 (2) Last day of actual service shall be:
- 10 a. When employment has been terminated, the last day the member
11 actually worked.
- 12 b. When employment has not been terminated, the date on which an
13 absent member's sick and annual leave expire, unless he is on
14 approved leave of absence and is in service under the provisions
15 of G.S. 135-4(h).
- 16 (3) For a period when a member is on leave of absence, his status with
17 respect to the death benefit will be determined by the provisions of G.S.
18 135-4(h).
- 19 (4) A member on leave of absence from his position as a teacher or State
20 employee for the purpose of serving as a member or officer of the
21 General Assembly shall be deemed to be in service during sessions of
22 the General Assembly and thereby covered by the provisions of the
23 death benefit. The amount of the death benefit for such member shall be
24 the equivalent of the salary to which the member would have been
25 entitled as a teacher or State employee during the 12-month period
26 immediately prior to the month in which death occurred, not to be less
27 than twenty-five thousand dollars (\$25,000) nor to exceed fifty thousand
28 dollars (\$50,000).

29 The provisions of the Retirement System pertaining to Administration, G.S. 135-6,
30 and management of funds, G.S. 135-7, are hereby made applicable to the Plan.

31 A member who is a beneficiary of the Disability Income Plan provided for in Article
32 6 of this Chapter shall be eligible for group life insurance benefits as provided in this
33 subsection, notwithstanding that the member is no longer an employee or teacher or that
34 the member's death occurs after the eligibility period after active service. The basis of the
35 death benefit payable hereunder shall be the higher of the death benefit computed as
36 above or a death benefit based on compensation used in computing the benefit payable
37 under G.S. 135-105 and G.S. 135-106, as may be adjusted for percentage post-disability
38 increases, all subject to the maximum dollar limitation as provided above. A member in
39 receipt of benefits from the Disability Income Plan under the provisions of G.S. 135-112
40 whose right to a benefit accrued under the former Disability Salary Continuation Plan
41 shall not be covered under the provisions of this paragraph.

42 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this
43 subsection, of the death of a retired member of the Retirement System on or after July 1,

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

16 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this
17 subsection, of the death of a retired member of the Retirement System on or after January
18 1, 1999, there shall be paid a death benefit to the surviving spouse of the deceased retired
19 member or to the deceased retired member's legal representative if not survived by a
20 spouse; provided the retired member has elected, when first eligible, to make, and has
21 continuously made, in advance of his death required contributions as determined by the
22 Board of Trustees on a fully contributory basis, through retirement allowance deductions
23 or other methods adopted by the Board of Trustees, to a group death benefit trust fund
24 administered by the Board of Trustees separate and apart from the Retirement System's
25 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a
26 lump-sum payment in the amount of six thousand dollars (\$6,000) upon the completion
27 of 24 months of contributions required under this subsection. Should death occur before
28 the completion of 24 months of contributions required under this subsection, the deceased
29 retired member's surviving spouse or legal representative if not survived by a spouse shall
30 be paid the sum of the retired member's contributions required by this subsection plus
31 interest to be determined by the Board of Trustees. Payment of this lump-sum amount
32 shall be made to the deceased retired member's surviving spouse or to the member's legal
33 representative if the member is not survived by a spouse, provided the deceased retired
34 member had not, prior to the member's death, instructed the Board of Trustees in writing
35 that the member did not want the lump-sum payment made to the member's surviving
36 spouse, and that payment should be paid to the member's legal representative as if the
37 member were not survived by a spouse."

38 Section 2. G.S. 135-64(h) reads as rewritten:

39 "(h) Upon the death of a retired member on or after January 1, 1999, there shall be
40 paid a death 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; provided the
42 retired member has elected, when first eligible, to make, and has continuously made, in
43 advance of his death required contributions as determined by the Board of Trustees on a

1 fully contributory basis, through retirement allowance deductions or other methods
2 adopted by the Board of Trustees, to a group death benefit trust fund administered by the
3 Board of Trustees separate and apart from the Retirement System's Annuity Savings
4 Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment
5 in the amount of six thousand dollars (\$6,000) upon the completion of 24 months of
6 contributions required under this subsection. Should death occur before the completion of
7 24 months of contributions required under this subsection, the deceased retired member's
8 surviving spouse or legal representative if not survived by a spouse shall be paid the sum
9 of the retired member's contributions required by this subsection plus interest to be
10 determined by the Board of Trustees. Payment of this lump-sum amount shall be made to
11 the deceased retired member's surviving spouse, or to the member's legal representative if
12 the member is not survived by a spouse provided the deceased retired member had not,
13 prior to the member's death, instructed the Board of Trustees in writing that the member
14 did not want the lump-sum payment made to the member's surviving spouse, and that
15 payment should be paid to the member's legal representative as if the member were not
16 survived by a spouse."

17 Section 3. G.S. 128-27(13) reads as rewritten:

18 "(13) Death Benefit for Retired Members. – Upon receipt of proof,
19 satisfactory to the Board of Trustees in its capacity under this
20 subsection, of the death of a retired member of the Retirement System
21 on or after January 1, 1999, there shall be paid a death benefit to the
22 surviving spouse of the deceased retired member or to the deceased
23 retired member's legal representative if not survived by a spouse;
24 provided the retired member has elected, when first eligible, to make,
25 and has continuously made, in advance of his death required
26 contributions as determined by the Board of Trustees on a fully
27 contributory basis through retirement allowance deductions or other
28 methods adopted by the Board of Trustees, to a group death benefit trust
29 fund administered by the Board of Trustees separate and apart from the
30 Retirement System's Annuity Savings Fund and Pension Accumulation
31 Fund. This death benefit shall be a lump-sum payment in the amount of
32 six thousand dollars (\$6,000) upon the completion of 24 months of
33 contributions required under this subsection. Should death occur before
34 the completion of 24 months of contributions required under this
35 subsection, the deceased retired member's surviving spouse or legal
36 representative if not survived by a spouse shall be paid the sum of the
37 retired member's contributions required by this subsection plus interest
38 to be determined by the Board of Trustees. Payment of this lump-sum
39 amount shall be made to the deceased retired member's surviving spouse
40 or to the member's legal representative if the member is not survived by
41 a spouse, provided the deceased retired member had not, prior to the
42 member's death, instructed the Board of Trustees in writing that the
43 member did not want the lump-sum payment made to the member's

1 surviving spouse, and that payment should be paid to the member's legal
2 representative as if the member were not survived by a spouse."

3 Section 4. G.S. 120-4.7 reads as rewritten:

4 **"§ 120-4.27. Death benefit.**

5 The designated beneficiary of a member who dies while in service after completing
6 one year of creditable service shall receive a lump-sum payment of an amount equal to
7 the deceased member's highest annual salary, to a maximum of fifteen thousand dollars
8 (\$15,000). For purposes of this death benefit "in service" means currently serving as a
9 member of the North Carolina General Assembly.

10 The death benefit provided by this section shall be designated a group life insurance
11 benefit payable under an employee welfare benefit plan that is separate and apart from
12 the Retirement System but under which the members of the Retirement System shall
13 participate and be eligible for group life insurance benefits. The Board of Trustees is
14 authorized to provide the death benefit in the form of group life insurance either by
15 purchasing a contract or contracts of group life insurance with any life insurance
16 company or companies licensed and authorized to transact business in the State of North
17 Carolina for the purpose of insuring the lives of qualified members in service, or by
18 establishing or affiliating with a separate trust fund qualified under Section 501(c)(9) of
19 the Internal Revenue Code of 1954, as amended.

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

36 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired
37 member of the Retirement System or Retirement Fund on or after January 1, 1999, there
38 shall be paid a death benefit to the surviving spouse of a deceased retired member, or to
39 the deceased retired member's legal representative if not survived by a spouse; provided
40 the retired member has elected, when first eligible, to make, and has continuously made,
41 in advance of his death required contributions as determined by the Retirement System
42 on a fully contributory basis, through retirement allowance deductions or other methods
43 adopted by the Retirement System, to a group death benefit trust fund administered by

1 the Board of Trustees separate and apart from the Retirement System's Annuity Savings
2 Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment
3 in the amount of six thousand dollars (\$6,000) upon the completion of 24 months of
4 contributions required under this subsection. Should death occur before the completion of
5 24 months of contributions required under this subsection, the deceased retired member's
6 surviving spouse or legal representative if not survived by a spouse shall be paid the sum
7 of the retired member's contributions required by this subsection plus interest to be
8 determined by the Board of Trustees. Payment of this lump-sum amount shall be made to
9 the deceased retired member's surviving spouse or to the member's legal representative if
10 the member is not survived by a spouse, provided the deceased retired member had not,
11 prior to the member's death, instructed the Board of Trustees in writing that the member
12 did not want the lump-sum payment made to the member's surviving spouse, and that
13 payment should be paid to the member's legal representative as if the member were not
14 survived by a spouse."

15 Section 5. This act becomes effective July 1, 2000.