

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2003

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HOUSE DRH50360-LL-156 (4/12)

Short Title: Increase Retirees' Contributory Death Benefit. (Public)

Sponsors: Representatives Bell and G. Wilson (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO INCREASE THE CONTRIBUTORY DEATH BENEFIT FOR RETIRED MEMBERS OF THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT SYSTEM, AND THE CONSOLIDATED JUDICIAL 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) The compensation on which contributions were made by the member during the calendar year preceding the year in which his death occurs, or
- (2) The greatest compensation on which contributions were made by the member during a 12-month period of service within the 24-month period of service ending on the last day of the month preceding the month in which his last day of actual service occurs;

1 (3), (4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049,
2 s. 2.

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

9 The death benefit provided in this subsection (l) shall not be payable,
10 notwithstanding the member's compliance with all the conditions set forth in the
11 preceding paragraph, if his death occurs

12 (1) After December 31, 1968 and after he has attained age 70; or

13 (2) After December 31, 1969 and after he has attained age 69; or

14 (3) After December 31, 1970 and after he has attained age 68; or

15 (4) After December 31, 1971 and after he has attained age 67; or

16 (5) After December 31, 1972 and after he has attained age 66; or

17 (6) After December 31, 1973 and after he has attained age 65; or

18 (7) After December 31, 1978, but before January 1, 1987, and after he has
19 attained age 70.

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

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

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

41 (1) For the purpose of determining eligibility only, in this subsection
42 "calendar year" shall mean any period of 12 consecutive months or, if
43 less, the period covered by an annual contract of employment. For all

1 other purposes in this subsection "calendar year" shall mean the 12
2 months beginning January 1 and ending December 31.

3 (2) Last day of actual service shall be:

4 a. When employment has been terminated, the last day the
5 member actually worked.

6 b. When employment has not been terminated, the date on which
7 an absent member's sick and annual leave expire, unless he is
8 on approved leave of absence and is in service under the
9 provisions of G.S. 135-4(h).

10 (3) For a period when a member is on leave of absence, his status with
11 respect to the death benefit will be determined by the provisions of
12 G.S. 135-4(h).

13 (4) A member on leave of absence from his position as a teacher or State
14 employee for the purpose of serving as a member or officer of the
15 General Assembly shall be deemed to be in service during sessions of
16 the General Assembly and thereby covered by the provisions of the
17 death benefit. The amount of the death benefit for such member shall
18 be the equivalent of the salary to which the member would have been
19 entitled as a teacher or State employee during the 12-month period
20 immediately prior to the month in which death occurred, not to be less
21 than twenty-five thousand dollars (\$25,000) nor to exceed fifty
22 thousand dollars (\$50,000).

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

25 A member who is a beneficiary of the Disability Income Plan provided for in Article
26 6 of this Chapter shall be eligible for group life insurance benefits as provided in this
27 subsection, notwithstanding that the member is no longer an employee or teacher or that
28 the member's death occurs after the eligibility period after active service. The basis of
29 the death benefit payable hereunder shall be the higher of the death benefit computed as
30 above or a death benefit based on compensation used in computing the benefit payable
31 under G.S. 135-105 and G.S. 135-106, as may be adjusted for percentage post-disability
32 increases, all subject to the maximum dollar limitation as provided above. A member in
33 receipt of benefits from the Disability Income Plan under the provisions of
34 G.S. 135-112 whose right to a benefit accrued under the former Disability Salary
35 Continuation Plan shall not be covered under the provisions of this paragraph.

36 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this
37 subsection, of the death of a retired member of the Retirement System on or after July 1,
38 1988, but before January 1, 1999, there shall be paid a death benefit to the surviving
39 spouse of the deceased retired member or to the deceased retired member's legal
40 representative if not survived by a spouse; provided the retired member has elected,
41 when first eligible, to make, and has continuously made, in advance of his death
42 required contributions as determined by the Board of Trustees on a fully contributory
43 basis, through retirement allowance deductions or other methods adopted by the Board
44 of Trustees, to a group death benefit trust fund administered by the Board of Trustees

1 separate and apart from the Retirement System's Annuity Savings Fund and Pension
2 Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of
3 five thousand dollars (\$5,000) upon the completion of twenty-four months of
4 contributions required under this subsection. Should death occur before the completion
5 of twenty-four months of contributions required under this subsection, the deceased
6 retired member's surviving spouse or legal representative if not survived by a spouse
7 shall be paid the sum of the retired member's contributions required by this subsection
8 plus interest to be determined by the Board of Trustees.

9 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this
10 subsection, of the death of a retired member of the Retirement System on or after
11 January 1, 1999, but before July 1, 2004, there shall be paid a death benefit to the
12 surviving spouse of the deceased retired member or to the deceased retired member's
13 legal representative if not survived by a spouse; provided the retired member has
14 elected, when first eligible, to make, and has continuously made, in advance of his death
15 required contributions as determined by the Board of Trustees on a fully contributory
16 basis, through retirement allowance deductions or other methods adopted by the Board
17 of Trustees, to a group death benefit trust fund administered by the Board of Trustees
18 separate and apart from the Retirement System's Annuity Savings Fund and Pension
19 Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of
20 six thousand dollars (\$6,000) upon the completion of 24 months of contributions
21 required under this subsection. Should death occur before the completion of 24 months
22 of contributions required under this subsection, the deceased retired member's surviving
23 spouse or legal representative if not survived by a spouse shall be paid the sum of the
24 retired member's contributions required by this subsection plus interest to be determined
25 by the Board of Trustees.

26 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this
27 subsection, of the death of a retired member of the Retirement System on or after July 1,
28 2004, there shall be paid a death benefit to the surviving spouse of the deceased retired
29 member or to the deceased retired member's legal representative if not survived by a
30 spouse; provided the retired member has elected, when first eligible, to make, and has
31 continuously made, in advance of his death required contributions as determined by the
32 Board of Trustees on a fully contributory basis, through retirement allowance
33 deductions or other methods adopted by the Board of Trustees, to a group death benefit
34 trust fund administered by the Board of Trustees separate and apart from the Retirement
35 System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit
36 shall be a lump-sum payment in the amount of nine thousand dollars (\$9,000) upon the
37 completion of 24 months of contributions required under this subsection. Should death
38 occur before the completion of 24 months of contributions required under this
39 subsection, the deceased retired member's surviving spouse or legal representative if not
40 survived by a spouse shall be paid the sum of the retired member's contributions
41 required by this subsection plus interest to be determined by the Board of Trustees."

42 **SECTION 2.** G.S. 128-27(13) reads as rewritten:

43 "(13) Death Benefit for Retired Members. – Upon receipt of proof, satisfactory to
44 the Board of Trustees in its capacity under this subsection, of the death of a retired

1 member of the Retirement System on or after January 1, 1999, but before July 1, 2004,
2 there shall be paid a death benefit to the surviving spouse of the deceased retired
3 member or to the deceased retired member's legal representative if not survived by a
4 spouse; provided the retired member has elected, when first eligible, to make, and has
5 continuously made, in advance of his death required contributions as determined by the
6 Board of Trustees on a fully contributory basis through retirement allowance deductions
7 or other methods adopted by the Board of Trustees, to a group death benefit trust fund
8 administered by the Board of Trustees separate and apart from the Retirement System's
9 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a
10 lump sum payment in the amount of six thousand dollars (\$6,000) upon the completion
11 of 24 months of contributions required under this subsection. Should death occur before
12 the completion of 24 months of contributions required under this subsection, the
13 deceased retired member's surviving spouse or legal representative if not survived by a
14 spouse shall be paid the sum of the retired member's contributions required by this
15 subsection plus interest to be determined by the Board of Trustees."

16 **SECTION 3.** G.S. 128-27 is amended by adding a new subsection to read:

17 "(14) Death Benefit for Retired Members. – Upon receipt of proof, satisfactory to
18 the Board of Trustees in its capacity under this subsection, of the death of a retired
19 member of the Retirement System on or after July 1, 2004, there shall be paid a death
20 benefit to the surviving spouse of the deceased retired member or to the deceased retired
21 member's legal representative if not survived by a spouse; provided the retired member
22 has elected, when first eligible, to make, and has continuously made, in advance of his
23 death required contributions as determined by the Board of Trustees on a fully
24 contributory basis through retirement allowance deductions or other methods adopted
25 by the Board of Trustees, to a group death benefit trust fund administered by the Board
26 of Trustees separate and apart from the Retirement System's Annuity Savings Fund and
27 Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the
28 amount of nine thousand dollars (\$9,000) upon the completion of 24 months of
29 contributions required under this subsection. Should death occur before the completion
30 of 24 months of contributions required under this subsection, the deceased retired
31 member's surviving spouse or legal representative if not survived by a spouse shall be
32 paid the sum of the retired member's contributions required by this subsection plus
33 interest to be determined by the Board of Trustees."

34 **SECTION 4.** G.S. 120-4.27 reads as rewritten:

35 **"§ 120-4.27. Death benefit.**

36 The designated beneficiary of a member who dies while in service after completing
37 one year of creditable service shall receive a lump-sum payment of an amount equal to
38 the deceased member's highest annual salary, to a maximum of fifteen thousand dollars
39 (\$15,000). For purposes of this death benefit "in service" means currently serving as a
40 member of the North Carolina General Assembly.

41 The death benefit provided by this section shall be designated a group life insurance
42 benefit payable under an employee welfare benefit plan that is separate and apart from
43 the Retirement System but under which the members of the Retirement System shall
44 participate and be eligible for group life insurance benefits. The Board of Trustees is

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

7 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired
8 member of the Retirement System or Retirement Fund on or after July 1, 1988, but
9 before January 1, 1999, there shall be paid a death benefit to the surviving spouse of a
10 deceased retired member, or to the deceased retired member's legal representative if not
11 survived by a spouse; provided the retired member has elected, when first eligible, to
12 make, and has continuously made, in advance of his death required contributions as
13 determined by the Retirement System on a fully contributory basis, through retirement
14 allowance deductions or other methods adopted by the Retirement System, to a group
15 death benefit trust fund administered by the Board of Trustees separate and apart from
16 the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This
17 death benefit shall be a lump-sum payment in the amount of five thousand dollars
18 (\$5,000) upon the completion of twenty-four months of contributions required under
19 this subsection. Should death occur before the completion of twenty-four months of
20 contributions required under this subsection, the deceased retired member's surviving
21 spouse or legal representative if not survived by a spouse shall be paid the sum of the
22 retired member's contributions required by this subsection plus interest to be determined
23 by the Board of Trustees.

24 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired
25 member of the Retirement System or Retirement Fund on or after January 1, 1999, but
26 before July 1, 2004, there shall be paid a death benefit to the surviving spouse of a
27 deceased retired member, or to the deceased retired member's legal representative if not
28 survived by a spouse; provided the retired member has elected, when first eligible, to
29 make, and has continuously made, in advance of his death required contributions as
30 determined by the Retirement System on a fully contributory basis, through retirement
31 allowance deductions or other methods adopted by the Retirement System, to a group
32 death benefit trust fund administered by the Board of Trustees separate and apart from
33 the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This
34 death benefit shall be a lump-sum payment in the amount of six thousand dollars
35 (\$6,000) upon the completion of 24 months of contributions required under this
36 subsection. Should death occur before the completion of 24 months of contributions
37 required under this subsection, the deceased retired member's surviving spouse or legal
38 representative if not survived by a spouse shall be paid the sum of the retired member's
39 contributions required by this subsection plus interest to be determined by the Board of
40 Trustees.

41 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired
42 member of the Retirement System or Retirement Fund on or after July 1, 2004, there
43 shall be paid a death benefit to the surviving spouse of a deceased retired member, or to
44 the deceased retired member's legal representative if not survived by a spouse; provided

1 the retired member has elected, when first eligible, to make, and has continuously made,
2 in advance of his death required contributions as determined by the Retirement System
3 on a fully contributory basis, through retirement allowance deductions or other methods
4 adopted by the Retirement System, to a group death benefit trust fund administered by
5 the Board of Trustees separate and apart from the Retirement System's Annuity Savings
6 Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment
7 in the amount of nine thousand dollars (\$9,000) upon the completion of 24 months of
8 contributions required under this subsection. Should death occur before the completion
9 of 24 months of contributions required under this subsection, the deceased retired
10 member's surviving spouse or legal representative if not survived by a spouse shall be
11 paid the sum of the retired member's contributions required by this subsection plus
12 interest to be determined by the Board of Trustees."

13 **SECTION 5.** G.S. 135-64(h) reads as rewritten:

14 "(h) Upon the death of a retired member on or after January 1, 1999, but before
15 July 1, 2004, there shall be paid a death benefit to the surviving spouse of a deceased
16 retired member or to the deceased retired member's legal representative if not survived
17 by a spouse; provided the retired member has elected, when first eligible, to make, and
18 has continuously made, in advance of his death required contributions as determined by
19 the Board of Trustees on a fully contributory basis, through retirement allowance
20 deductions or other methods adopted by the Board of Trustees, to a group death benefit
21 trust fund administered by the Board of Trustees separate and apart from the Retirement
22 System's Annuity Savings Fund and Pension Accumulation Fund. This death benefit
23 shall be a lump-sum payment in the amount of six thousand dollars (\$6,000) upon the
24 completion of 24 months of contributions required under this subsection. Should death
25 occur before the completion of 24 months of contributions required under this
26 subsection, the deceased retired member's surviving spouse or legal representative if not
27 survived by a spouse shall be paid the sum of the retired member's contributions
28 required by this subsection plus interest to be determined by the Board of Trustees."

29 **SECTION 6.** G.S. 135-64 is amended by adding a new subsection to read:

30 "(i) Upon the death of a retired member on or after July 1, 2004, there shall be
31 paid a death benefit to the surviving spouse of a deceased retired member or to the
32 deceased retired member's legal representative if not survived by a spouse; provided the
33 retired member has elected, when first eligible, to make, and has continuously made, in
34 advance of his death required contributions as determined by the Board of Trustees on a
35 fully contributory basis, through retirement allowance deductions or other methods
36 adopted by the Board of Trustees, to a group death benefit trust fund administered by
37 the Board of Trustees separate and apart from the Retirement System's Annuity Savings
38 Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment
39 in the amount of nine thousand dollars (\$9,000) upon the completion of 24 months of
40 contributions required under this subsection. Should death occur before the completion
41 of 24 months of contributions required under this subsection, the deceased retired
42 member's surviving spouse or legal representative if not survived by a spouse shall be
43 paid the sum of the retired member's contributions required by this subsection plus
44 interest to be determined by the Board of Trustees."

1 **SECTION 7.** This act becomes effective July 1, 2004, and applies to persons
2 dying on or after that date.