

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001**

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**HOUSE BILL 333
Committee Substitute Favorable 4/16/01**

Short Title: Death Benefits to Legal Representative.

(Public)

Sponsors:

Referred to:

March 1, 2001

A BILL TO BE ENTITLED

1
2 AN ACT TO AMEND THE PROVISION FOR PAYMENT OF THE DEATH
3 BENEFIT UNDER THE TEACHERS' AND STATE EMPLOYEES'
4 RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT
5 SYSTEM, THE LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT
6 SYSTEM, AND THE LEGISLATIVE RETIREMENT SYSTEM.

7 The General Assembly of North Carolina enacts:

8 **SECTION 1.** G.S. 135-5(1) reads as rewritten:

9 "(l) Death Benefit Plan. – There is hereby created a Group Life Insurance Plan
10 (hereinafter called the "Plan") which is established as an employee welfare benefit plan
11 that is separate and apart from the Retirement System and under which the members of
12 the Retirement System shall participate and be eligible for group life insurance benefits.
13 Upon receipt of proof, satisfactory to the Board of Trustees in their capacity as trustees
14 under the Group Life Insurance Plan, of the death, in service, of a member who had
15 completed at least one full calendar year of membership in the Retirement System, there
16 shall be paid to such person as he shall have nominated by written designation duly
17 acknowledged and filed with the Board of Trustees, if such person is living at the time
18 of the member's death, otherwise to the member's legal representatives, a death benefit.
19 Such death benefit shall be equal to the greater of:

- 20 (1) The compensation on which contributions were made by the member
21 during the calendar year preceding the year in which his death occurs,
22 or
23 (2) The greatest compensation on which contributions were made by the
24 member during a 12-month period of service within the 24-month
25 period of service ending on the last day of the month preceding the
26 month in which his last day of actual service occurs;
27 (3), (4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049,
28 s. 2.

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

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

- 10 (1) After December 31, 1968 and after he has attained age 70; or
- 11 (2) After December 31, 1969 and after he has attained age 69; or
- 12 (3) After December 31, 1970 and after he has attained age 68; or
- 13 (4) After December 31, 1971 and after he has attained age 67; or
- 14 (5) After December 31, 1972 and after he has attained age 66; or
- 15 (6) After December 31, 1973 and after he has attained age 65; or
- 16 (7) After December 31, 1978, but before January 1, 1987, and after he has
17 attained age 70.

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

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

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

- 39 (1) For the purpose of determining eligibility only, in this subsection
40 "calendar year" shall mean any period of 12 consecutive months or, if
41 less, the period covered by an annual contract of employment. For all
42 other purposes in this subsection "calendar year" shall mean the 12
43 months beginning January 1 and ending December 31.

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

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

23 A member who is a beneficiary of the Disability Income Plan provided for in Article
24 6 of this Chapter shall be eligible for group life insurance benefits as provided in this
25 subsection, notwithstanding that the member is no longer an employee or teacher or that
26 the member's death occurs after the eligibility period after active service. The basis of
27 the death benefit payable hereunder shall be the higher of the death benefit computed as
28 above or a death benefit based on compensation used in computing the benefit payable
29 under G.S. 135-105 and G.S. 135-106, as may be adjusted for percentage post-disability
30 increases, all subject to the maximum dollar limitation as provided above. A member in
31 receipt of benefits from the Disability Income Plan under the provisions of G.S.
32 135-112 whose right to a benefit accrued under the former Disability Salary
33 Continuation Plan shall not be covered under the provisions of this paragraph.

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

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

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

31 **SECTION 2.** G.S. 135-64(h) reads as rewritten:

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

1 member's surviving spouse or legal representative if not survived by a spouse shall be
2 paid the sum of the retired member's contributions required by this subsection plus
3 interest to be determined by the Board of Trustees. Payment of this lump-sum amount
4 shall be made to the deceased retired member's surviving spouse, or to the member's
5 legal representative if the member is not survived by a spouse, provided the deceased
6 retired member had not, prior to the member's death, instructed the Board of Trustees in
7 writing that the member did not want the lump-sum payment made to the member's
8 surviving spouse, and that payment should be paid to the member's legal representative
9 as if the member were not survived by a spouse."

10 **SECTION 3.** G.S. 128-27(l 3) reads as rewritten:

11 "(l 3) Death Benefit for Retired Members. – Upon receipt of proof, satisfactory to
12 the Board of Trustees in its capacity under this subsection, of the death of a retired
13 member of the Retirement System on or after January 1, 1999, there shall be paid a
14 death benefit to the surviving spouse of the deceased retired member or to the deceased
15 retired member's legal representative if not survived by a spouse; provided the retired
16 member has elected, when first eligible, to make, and has continuously made, in
17 advance of his death required contributions as determined by the Board of Trustees on a
18 fully contributory basis through retirement allowance deductions or other methods
19 adopted by the Board of Trustees, to a group death benefit trust fund administered by
20 the Board of Trustees separate and apart from the Retirement System's Annuity Savings
21 Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment
22 in the amount of six thousand dollars (\$6,000) upon the completion of 24 months of
23 contributions required under this subsection. Should death occur before the completion
24 of 24 months of contributions required under this subsection, the deceased retired
25 member's surviving spouse or legal representative if not survived by a spouse shall be
26 paid the sum of the retired member's contributions required by this subsection plus
27 interest to be determined by the Board of Trustees. Payment of this lump-sum amount
28 shall be made to the deceased retired member's surviving spouse or to the member's
29 legal representative if the member is not survived by a spouse, provided the deceased
30 retired member had not, prior to the member's death, instructed the Board of Trustees in
31 writing that the member did not want the lump-sum payment made to the member's
32 surviving spouse, and that payment should be paid to the member's legal representative
33 as if the member were not survived by a spouse."

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

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

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

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

1 writing that the member did not want the lump-sum payment made to the member's
2 surviving spouse, and that payment should be paid to the member's legal representative
3 as if the member were not survived by a spouse."

4 **SECTION 5.** This act becomes effective July 1, 2001.