

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1997

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SENATE BILL 1464*

Short Title: Increase Retiree Death Benefit.

(Public)

Sponsors: Senators Jenkins; Ballance, Cooper, Lucas, Martin of Pitt, Miller, Odom, Rand, Reeves, Shaw of Cumberland, and Weinstein.

Referred to: Pensions & Retirement and Insurance.

May 28, 1998

A BILL TO BE ENTITLED

**AN ACT TO INCREASE THE CONTRIBUTORY DEATH BENEFIT FOR RETIREES
IN THE TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM, THE
CONSOLIDATED JUDICIAL RETIREMENT SYSTEM, THE LEGISLATIVE
RETIREMENT SYSTEM, AND THE LOCAL GOVERNMENTAL 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7 (3), (4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s.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."

32 Section 2. G.S. 135-64(g) reads as rewritten:

33 "(g) Upon the death of a retired member on or after July 1, 1988, but before
34 January 1, 1999, there shall be paid a death benefit to the surviving spouse of a deceased
35 retired member or to the deceased retired member's legal representative if not survived by
36 a spouse; provided the retired member has elected, when first eligible, to make, and has
37 continuously made, in advance of his death required contributions as determined by the
38 Board of Trustees on a fully contributory basis, through retirement allowance deductions
39 or other methods adopted by the Board of Trustees, to a group death benefit trust fund
40 administered by the Board of Trustees separate and apart from the Retirement System's
41 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a
42 lump-sum payment in the amount of five thousand dollars (\$5,000) upon the completion
43 of 24 months of contributions required under this subsection. Should death occur before

1 the completion of 24 months of contributions required under this subsection, the deceased
2 retired member's surviving spouse or legal representative if not survived by a spouse shall
3 be paid the sum of the retired member's contributions required by this subsection plus
4 interest to be determined by the Board of Trustees."

5 Section 3. G.S. 135-64 is amended by adding a new subsection to read:

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

21 Section 4. G.S. 120-4.27 reads as rewritten:

22 **"§ 120-4.27. Death benefit.**

23 The designated beneficiary of a member who dies while in service after completing
24 one year of creditable service shall receive a lump-sum payment of an amount equal to
25 the deceased member's highest annual salary, to a maximum of fifteen thousand dollars
26 (\$15,000). For purposes of this death benefit "in service" means currently serving as a
27 member of the North Carolina General Assembly.

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

38 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired
39 member of the Retirement System or Retirement Fund on or after July 1, 1988, but before
40 January 1, 1999, there shall be paid a death benefit to the surviving spouse of a deceased
41 retired member, or to the deceased retired member's legal representative if not survived
42 by a spouse; provided the retired member has elected, when first eligible, to make, and
43 has continuously made, in advance of his death required contributions as determined by

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

12 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired
13 member of the Retirement System or Retirement Fund on or after January 1, 1999, there
14 shall be paid a death benefit to the surviving spouse of a deceased retired member, or to
15 the deceased retired member's legal representative if not survived by a spouse; provided
16 the retired member has elected, when first eligible, to make, and has continuously made,
17 in advance of his death required contributions as determined by the Retirement System
18 on a fully contributory basis, through retirement allowance deductions or other methods
19 adopted by the Retirement System, 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."

28 Section 5. G.S. 128-27(12) reads as rewritten:

29 "(12) Death Benefit for Retired Members. – Upon receipt of proof, satisfactory to the
30 Board of Trustees in its capacity under this subsection, of the death of a retired member
31 of the Retirement System on or after July 1, 1988, but before January 1, 1999, there shall
32 be paid a death benefit to the surviving spouse of the deceased retired member or to the
33 deceased retired member's legal representative if not survived by a spouse; provided the
34 retired member has elected, when first eligible, to make, and has continuously made, in
35 advance of his death required contributions as determined by the Board of Trustees on a
36 fully contributory basis through retirement allowance deductions or other methods
37 adopted by the Board of Trustees, to a group death benefit trust fund administered by the
38 Board of Trustees separate and apart from the Retirement System's Annuity Savings
39 Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum payment
40 in the amount of five thousand dollars (\$5,000) upon the completion of 24 months of
41 contributions required under this subsection. Should death occur before the completion of
42 24 months of contributions required under this subsection, the deceased retired member's
43 surviving spouse or legal representative if not survived by a spouse shall be paid the sum

1 of the retired member's contributions required by this subsection plus interest to be
2 determined by the Board of Trustees."

3 Section 6. G.S. 128-27 is amended by adding a new subsection to read:

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

21 Section 7. This act becomes effective January 1, 1999.