

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2007

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HOUSE BILL 779
Committee Substitute Favorable 4/25/07

Short Title: Increase Contributory Death Benefit.-AB

(Public)

Sponsors:

Referred to:

March 15, 2007

A BILL TO BE ENTITLED

1
2 AN ACT TO INCREASE THE CONTRIBUTORY DEATH BENEFIT PAYABLE ON
3 BEHALF OF RETIRED MEMBERS OF THE TEACHERS' AND STATE
4 EMPLOYEES' RETIREMENT SYSTEM, THE LOCAL GOVERNMENTAL
5 EMPLOYEES' RETIREMENT SYSTEM, THE LEGISLATIVE RETIREMENT
6 SYSTEM, AND THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM.

7 The General Assembly of North Carolina enacts:

8 **SECTION 1.** G.S. 135-5(l) 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27 (3), (4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049,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.
- 44 (2) Last day of actual service shall be:

- 1 a. When employment has been terminated, the last day the
2 member actually worked.
- 3 b. When employment has not been terminated, the date on which
4 an absent member's sick and annual leave expire, unless he is
5 on approved leave of absence and is in service under the
6 provisions of G.S. 135-4(h).

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

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

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

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

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

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

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

23 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this
24 subsection, of the death of a retired member of the Retirement System on or after July 1,
25 2004, but before July 1, 2007, there shall be paid a death benefit to the surviving spouse
26 of the deceased retired member or to the deceased retired member's legal representative
27 if not survived by a spouse; provided the retired member has elected, when first eligible,
28 to make, and has continuously made, in advance of his death required contributions as
29 determined by the Board of Trustees on a fully contributory basis, through retirement
30 allowance deductions or other methods adopted by the Board of Trustees, to a group
31 death benefit trust fund administered by the Board of Trustees Fund and Pension
32 Accumulation Fund. This death benefit shall be a lump-sum payment in the amount of
33 nine thousand dollars (\$9,000) upon the completion of 24 months of contributions
34 required under this subsection. Should death occur before the completion of 24 months
35 of contributions required under this subsection, the deceased retired member's surviving
36 spouse or legal 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 to be determined
38 by the Board of Trustees.

39 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this
40 subsection, of the death of a retired member of the Retirement System on or after July 1,
41 2007, there shall be paid a death benefit to the surviving spouse of the deceased retired
42 member or to the deceased retired member's legal representative if not survived by a
43 spouse; provided the retired member has elected, when first eligible, to make, and has
44 continuously made, in advance of his death required contributions as determined by the

1 Board of Trustees on a fully contributory basis, through retirement allowance
2 deductions or other methods adopted by the Board of Trustees, to a group death benefit
3 trust fund administered by the Board of Trustees Fund and Pension Accumulation Fund.
4 This death benefit shall be a lump-sum payment in the amount of ten thousand dollars
5 (\$10,000) upon the completion of 24 months of contributions required under this
6 subsection. Should death occur before the completion of 24 months of contributions
7 required under this subsection, the deceased retired member's surviving spouse or legal
8 representative if not survived by a spouse shall be paid the sum of the retired member's
9 contributions required by this subsection plus interest to be determined by the Board of
10 Trustees."

11 **SECTION 2.** G.S. 128-27(14) reads as rewritten:

12 "(14) Death Benefit for Retired Members. – Upon receipt of proof, satisfactory to
13 the Board of Trustees in its capacity under this subsection, of the death of a retired
14 member of the Retirement System on or after July 1, 2004, but before July 1, 2007,
15 there shall be paid a death benefit to the surviving spouse of the deceased retired
16 member or to the deceased retired member's legal representative if not survived by a
17 spouse; provided the retired member has elected, when first eligible, to make, and has
18 continuously made, in advance of his death required contributions as determined by the
19 Board of Trustees on a fully contributory basis through retirement allowance deductions
20 or other methods adopted by the Board of Trustees, to a group death benefit trust fund
21 administered by the Board of Trustees separate and apart from the Retirement System's
22 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a
23 lump-sum payment in the amount of nine thousand dollars (\$9,000) 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 Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this
30 subsection, of the death of a retired member of the Retirement System on or after July 1,
31 2007, there shall be paid a death benefit to the surviving spouse of the deceased retired
32 member or to the deceased retired member's legal representative if not survived by a
33 spouse; provided the retired member has elected, when first eligible, to make, and has
34 continuously made, in advance of his death required contributions as determined by the
35 Board of Trustees on a fully contributory basis through retirement allowance deductions
36 or other methods adopted by the Board of Trustees, to a group death benefit trust fund
37 administered by the Board of Trustees separate and apart from the Retirement System's
38 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a
39 lump-sum payment in the amount of ten thousand dollars (\$10,000) upon the
40 completion of 24 months of contributions required under this subsection. Should death
41 occur before the completion of 24 months of contributions required under this
42 subsection, the deceased retired member's surviving spouse or legal representative if not
43 survived by a spouse shall be paid the sum of the retired member's contributions
44 required by this subsection plus interest to be determined by the Board of Trustees."

1 **SECTION 3.** G.S. 120-4.27 reads as rewritten:

2 "**§ 120-4.27. Death benefit.**

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

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

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

35 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired
36 member of the Retirement System or Retirement Fund on or after January 1, 1999, but
37 before July 1, 2004, there shall be paid a death benefit to the surviving spouse of a
38 deceased retired member, or to the deceased retired member's legal representative if not
39 survived by a spouse; provided the retired member has elected, when first eligible, to
40 make, and has continuously made, in advance of his death required contributions as
41 determined by the Retirement System on a fully contributory basis, through retirement
42 allowance deductions or other methods adopted by the Retirement System, to a group
43 death benefit trust fund administered by the Board of Trustees separate and apart from
44 the Retirement System's Annuity Savings Fund and Pension Accumulation Fund. This

1 death benefit shall be a lump-sum payment in the amount of six thousand dollars
2 (\$6,000) upon the completion of 24 months of contributions required under this
3 subsection. Should death occur before the completion of 24 months of contributions
4 required under this subsection, the deceased retired member's surviving spouse or legal
5 representative if not survived by a spouse shall be paid the sum of the retired member's
6 contributions required by this subsection plus interest to be determined by the Board of
7 Trustees.

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, 2004, but
10 before July 1, 2007, 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 nine thousand dollars
19 (\$9,000) 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.

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 July 1, 2007, 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 ten thousand dollars (\$10,000) 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."

41 **SECTION 4.** G.S. 135-64(j) reads as rewritten:

42 "(i) Upon the death of a retired member on or after July 1, 2004, but before July
43 1, 2007, there shall be paid a death benefit to the surviving spouse of a deceased retired
44 member or to the deceased retired member's legal representative if not survived by a

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

13 Upon the death of a retired member on or after July 1, 2007, there shall be paid a
14 death benefit to the surviving spouse of a 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 ten thousand dollars (\$10,000) 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.** This act becomes effective July 1, 2007, and applies to eligible
29 retirees who die on or after that date.