

**GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2015**

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**HOUSE BILL 517**

Short Title:   Assignment of Death Benefits. (Public)

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Sponsors:   Representatives Hunter, Alexander, and Boles (Primary Sponsors).  
*For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.*

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Referred to:   Judiciary I.

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April 2, 2015

A BILL TO BE ENTITLED

1  
2 AN ACT TO ALLOW FOR ASSIGNMENT OF THE ACTIVE EMPLOYEE DEATH  
3 BENEFIT AND THE CONTRIBUTORY DEATH BENEFIT TO PAY THE FUNERAL  
4 EXPENSES OF A DECEASED MEMBER OF THE TEACHERS' AND STATE  
5 EMPLOYEES' RETIREMENT SYSTEM, LOCAL GOVERNMENTAL EMPLOYEES'  
6 RETIREMENT SYSTEM, THE CONSOLIDATED JUDICIAL RETIREMENT SYSTEM,  
7 AND THE LEGISLATIVE RETIREMENT SYSTEM AND TO ALLOW FOR  
8 ASSIGNMENT OF THE SEPARATE INSURANCE BENEFIT TO PAY THE FUNERAL  
9 EXPENSES OF A DECEASED LAW ENFORCEMENT OFFICER.

10 The General Assembly of North Carolina enacts:

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

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

- 24           (1) The compensation on which contributions were made by the member during  
25 the calendar year preceding the year in which his death occurs, or  
26           (2) The greatest compensation on which contributions were made by the  
27 member during a 12-month period of service within the 24-month period of  
28 service ending on the last day of the month preceding the month in which his  
29 last day of actual service occurs;
- 30           (3), (4) Repealed by Session Laws 1983 (Regular Session, 1984), c. 1049, s. 2.

31 subject to a minimum of twenty-five thousand dollars (\$25,000) and to a maximum of fifty  
32 thousand dollars (\$50,000). Such death benefit shall be payable apart and separate from the  
33 payment of the member's accumulated contributions under the System on his death pursuant to  
34 the provisions of subsection (f) of this section. Notwithstanding any other provision of law, this  
35 benefit shall be assignable by the beneficiary to pay the funeral expenses of the deceased



1 member, with any balance refundable to the beneficiary by the funeral establishment to which  
2 the benefit is assigned. For the purpose of the Plan, a member shall be deemed to be in service  
3 at the date of his death if his death occurs within 180 days from the last day of his actual  
4 service.

5 ...

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 January 1,  
8 2015, there shall be paid a death benefit to the person or persons designated by the member or,  
9 if the member has not designated a beneficiary, to the surviving spouse of the deceased retired  
10 member or, if not survived by a designated beneficiary or spouse, to the deceased retired  
11 member's legal representative; provided the retired member has elected, when first eligible, to  
12 make, and has continuously made, in advance of his death required contributions as determined  
13 by the Board of Trustees on a fully contributory basis, through retirement allowance deductions  
14 or other methods adopted by the Board of Trustees, to a group death benefit trust fund  
15 administered by the Board of Trustees Fund and Pension Accumulation Fund. This death  
16 benefit shall be a lump-sum payment in the amount of ten thousand dollars (\$10,000) upon the  
17 completion of 24 months of contributions required under this subsection. Should death occur  
18 before the completion of 24 months of contributions required under this subsection, the  
19 deceased retired member's designated beneficiary or beneficiaries, or surviving spouse if there  
20 is no surviving beneficiary, or legal representative if not survived by a designated beneficiary  
21 or spouse, shall be paid the sum of the retired member's contributions required by this  
22 subsection plus interest to be determined by the Board of Trustees. Notwithstanding any other  
23 provision of law, this benefit shall be assignable by the beneficiary to pay the funeral expenses  
24 of the deceased member, with any balance refundable to the beneficiary by the funeral  
25 establishment to which the benefit is assigned."

26 **SECTION 2.** G.S. 135-63(a) reads as rewritten:

27 "(a) Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a  
28 member in service, there shall be paid in a lump sum to such person as the member shall have  
29 nominated by electronic submission prior to completing 10 years of service in a form approved  
30 by the Board of Trustees or by written designation duly acknowledged and filed with the Board  
31 of Trustees, if such person is living at the time of the member's death, otherwise to the  
32 member's legal representatives, a death benefit equal to the sum of (i) the member's  
33 accumulated contributions, plus (ii) the member's final compensation; provided, however, that  
34 if the member has attained his fiftieth birthday with at least five years of membership service at  
35 his date of death, and if the designated recipient of the death benefits is the member's spouse  
36 who survives him, and if the spouse so elects, then the lump-sum death benefit provided for  
37 herein shall consist only of a payment equal to the member's final compensation and there shall  
38 be paid to the surviving spouse an annual retirement allowance, payable monthly, which shall  
39 commence on the first day of the calendar month coinciding with or next following the death of  
40 the member and shall be continued on the first day of each month thereafter until the  
41 remarriage or death of the spouse. The amount of any such retirement allowance shall be equal  
42 to one half of the amount of the retirement allowance to which the member would have been  
43 entitled had he retired under the provisions of G.S. 135-57(a) on the first day of the calendar  
44 month coinciding with or next following his date of death, reduced by two percent (2%) thereof  
45 for each full year, if any, by which the age of the member at his date of death exceeds that of  
46 his spouse. If the retirement allowance to the spouse shall terminate on the remarriage or death  
47 of the spouse before the total of the retirement allowance payments made equals the amount of  
48 the member's accumulated contributions at date of death, the excess of such accumulated  
49 contributions over the total of the retirement allowances paid to the spouse shall be paid in a  
50 lump sum to such person as the member shall have nominated by electronic submission in a  
51 form approved by the Board of Trustees or by written designation duly acknowledged and filed

1 with the Board of Trustees, if such person is living at the time such payment falls due,  
2 otherwise to the former member's legal representatives. Notwithstanding any other provision of  
3 law, this benefit shall be assignable by the beneficiary to pay the funeral expenses of the  
4 deceased member, with any balance refundable to the beneficiary by the funeral establishment  
5 to which the benefit is assigned."

6 **SECTION 3.** G.S. 135-64(k) reads as rewritten:

7 "(k) Upon the death of a retired member on or after January 1, 2015, there shall be paid a  
8 death benefit to the person or persons designated by the member or, if the member has not  
9 designated a beneficiary, to the surviving spouse of the deceased retired member or, if not  
10 survived by a designated beneficiary or spouse, to the deceased retired member's legal  
11 representative; provided the retired member has elected, when first eligible, to make, and has  
12 continuously made, in advance of his death required contributions as determined by the Board  
13 of Trustees on a fully contributory basis, through retirement allowance deductions or other  
14 methods adopted by the Board of Trustees, to a group death benefit trust fund administered by  
15 the Board of Trustees separate and apart from the Retirement System's Annuity Savings Fund  
16 and Pension Accumulation Fund. This death benefit shall be a lump-sum payment in the  
17 amount of ten thousand dollars (\$10,000) upon the completion of 24 months of contributions  
18 required under this subsection. Should death occur before the completion of 24 months of  
19 contributions required under this subsection, the deceased retired member's designated  
20 beneficiary or beneficiaries, or surviving spouse if there is no surviving designated beneficiary,  
21 or legal representative if not survived by a designated beneficiary or spouse, shall be paid the  
22 sum of the retired member's contributions required by this subsection plus interest to be  
23 determined by the Board of Trustees. Notwithstanding any other provision of law, this benefit  
24 shall be assignable by the beneficiary to pay the funeral expenses of the deceased member, with  
25 any balance refundable to the beneficiary by the funeral establishment to which the benefit is  
26 assigned."

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

28 "**§ 120-4.27. Death benefit.**

29 The designated beneficiary of a member who dies while in service after completing one  
30 year of creditable service shall receive a lump-sum payment of an amount equal to the deceased  
31 member's highest annual salary, to a maximum of fifteen thousand dollars (\$15,000). For  
32 purposes of this death benefit "in service" means currently serving as a member of the North  
33 Carolina General Assembly. "In service" also means service in the Uniformed Services, as that  
34 term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment  
35 Rights Act, Public Law 103-353, if that service begins during the member's term of office. If  
36 the participant does not return immediately after that service to employment with a covered  
37 employer in this System, then the participant shall be deemed "in service" until the date on  
38 which the participant was first eligible to be separated or released from his or her involuntary  
39 military service.

40 The death benefit provided by this section shall be designated a group life insurance benefit  
41 payable under an employee welfare benefit plan that is separate and apart from the Retirement  
42 System but under which the members of the Retirement System shall participate and be eligible  
43 for group life insurance benefits. The Board of Trustees is authorized to provide the death  
44 benefit in the form of group life insurance either by purchasing a contract or contracts of group  
45 life insurance with any life insurance company or companies licensed and authorized to  
46 transact business in the State of North Carolina for the purpose of insuring the lives of qualified  
47 members in service, or by establishing or affiliating with a separate trust fund qualified under  
48 Section 501(c)(9) of the Internal Revenue Code of 1954, as amended. Notwithstanding any  
49 other provision of law, this benefit shall be assignable by the beneficiary to pay the funeral  
50 expenses of the deceased member, with any balance refundable to the beneficiary by the funeral  
51 establishment to which the benefit is assigned.

1 ...  
2 Upon receipt of proof, satisfactory to the Board of Trustees, of the death of a retired  
3 member of the Retirement System or Retirement Fund on or after January 1, 2015, there shall  
4 be paid a death benefit to the person or persons designated by the member or, if the member  
5 has not designated a beneficiary, to the surviving spouse of the deceased retired member or, if  
6 not survived by a designated beneficiary or spouse, to the deceased retired member's legal  
7 representative; provided the retired member has elected, when first eligible, to make, and has  
8 continuously made, in advance of his death required contributions as determined by the  
9 Retirement System on a fully contributory basis, through retirement allowance deductions or  
10 other methods adopted by the Retirement System, to a group death benefit trust fund  
11 administered by the Board of Trustees separate and apart from the Retirement System's  
12 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum  
13 payment in the amount of ten thousand dollars (\$10,000) upon the completion of 24 months of  
14 contributions required under this subsection. Should death occur before the completion of 24  
15 months of contributions required under this subsection, the deceased retired member's  
16 designated beneficiary or beneficiaries, or surviving spouse if not survived by a designated  
17 beneficiary, or legal representative if not survived by a designated beneficiary or spouse, shall  
18 be paid the sum of the retired member's contributions required by this subsection plus interest  
19 to be determined by the Board of Trustees. Notwithstanding any other provision of law, this  
20 benefit shall be assignable by the beneficiary to pay the funeral expenses of the deceased  
21 member, with any balance refundable to the beneficiary by the funeral establishment to which  
22 the benefit is assigned."

23 **SECTION 5.** G.S. 128-27(l6) reads as rewritten:

24 "(l6) Upon receipt of proof, satisfactory to the Board of Trustees in its capacity under this  
25 subsection, of the death of a retired member of the Retirement System on or after January 1,  
26 2015, there shall be paid a death benefit to the person or persons designated by the member or,  
27 if the member has not designated a beneficiary, to the surviving spouse of the deceased retired  
28 member or, if not survived by a designated beneficiary or spouse, to the deceased retired  
29 member's legal representative; provided the retired member has elected, when first eligible, to  
30 make, and has continuously made, in advance of his death required contributions as determined  
31 by the Board of Trustees on a fully contributory basis, through retirement allowance deductions  
32 or other methods adopted by the Board of Trustees, to a group death benefit trust fund  
33 administered by the Board of Trustees separate and apart from the Retirement System's  
34 Annuity Savings Fund and Pension Accumulation Fund. This death benefit shall be a lump-sum  
35 payment 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 of 24  
37 months of contributions required under this subsection, the deceased retired member's  
38 designated beneficiary or beneficiaries, or surviving spouse if not survived by a designated  
39 beneficiary, or legal representative if not survived by a designated beneficiary or spouse, shall  
40 be paid the sum of the retired member's contributions required by this subsection plus interest  
41 to be determined by the Board of Trustees. Notwithstanding any other provision of law, this  
42 benefit shall be assignable by the beneficiary to pay the funeral expenses of the deceased  
43 member, with any balance refundable to the beneficiary by the funeral establishment to which  
44 the benefit is assigned."

45 **SECTION 6.** G.S. 143-166.60 is amended by adding a new subsection to read:

46 "(e1) Notwithstanding any other provision of law, the separate insurance benefits paid  
47 pursuant to this Article shall be assignable by the beneficiary to pay the funeral expenses of the  
48 deceased member, with any balance refundable to the beneficiary by the funeral establishment  
49 to which the benefit is assigned."

50 **SECTION 7.** This act is effective when it becomes law and applies to benefits  
51 payable on or after that date.