

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2019

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SENATE BILL 599

Pensions and Retirement and Aging Committee Substitute Adopted 5/2/19

Short Title: State and Local Disability Benefit Reform.

(Public)

Sponsors:

Referred to:

April 4, 2019

1 A BILL TO BE ENTITLED  
2 AN ACT TO MODERNIZE THE MEDICAL REVIEW BOARD AND TO MAKE  
3 TECHNICAL AND CONFORMING CHANGES.

4 The General Assembly of North Carolina enacts:

5  
6 **PART I. MODERNIZING THE MEDICAL REVIEW BOARD**

7 **SECTION 1.(a)** G.S. 135-1(12) reads as rewritten:

8 "(12) "Medical ~~board~~" Review Board" shall mean the board of physicians provided  
9 for in G.S. 135-6."

10 **SECTION 1.(b)** G.S. 135-101(10) reads as rewritten:

11 "(10) "Medical Review Board" shall mean the board of physicians as provided in  
12 ~~G.S. 135-102(d)~~. G.S. 135-6."

13 **SECTION 1.(c)** G.S. 128-21(12) reads as rewritten:

14 "(12) "Medical ~~board~~" Review Board" shall mean the board of physicians provided  
15 for in ~~G.S. 128-28, subsection (l)~~. G.S. 128-28(l)."

16 **SECTION 1.(d)** G.S. 135-53(10) reads as rewritten:

17 "(10) "Medical ~~board~~" Review Board" shall mean the board of physicians provided  
18 for in G.S. 135-6."

19 **SECTION 1.(e)** G.S. 120-4.8(8) reads as rewritten:

20 "(8) "Medical Review Board" means the board of physicians provided for in ~~G.S.~~  
21 ~~135-6, which shall determine disability as provided in this~~  
22 ~~Article~~. G.S. 135-6."

23 **SECTION 1.(f)** G.S. 135-6(k) reads as rewritten:

24 "(k) Medical Review Board. – The Board of Trustees shall designate a ~~medical board~~  
25 Medical Review Board to be composed of not less than three ~~not more than five~~ physicians not  
26 eligible to participate in the Retirement System. The Board of Trustees may structure  
27 appointment requirements and term durations for those ~~medical board~~ Medical Review Board  
28 members. ~~If required, other physicians may be employed to report on special cases. The medical~~  
29 ~~board shall arrange for and pass upon all medical examinations required under the provisions of~~  
30 ~~this Chapter, and shall investigate all essential statements and certificates by or on behalf of a~~  
31 ~~member in connection with an application for disability retirement, and shall report in writing to~~  
32 ~~the Board of Trustees its conclusion and recommendations upon all the matters referred to it. A~~  
33 ~~person serving on the medical board~~ Medical Review Board shall be immune individually from  
34 civil liability for monetary damages, except to the extent covered by insurance, for any act or  
35 failure to act arising out of that service, except where any of the following apply:

36 (1) The person was not acting within the scope of that person's official duties.



- 1 (2) The person was not acting in good faith.  
 2 (3) The person committed gross negligence or willful or wanton misconduct that  
 3 resulted in the damages or injury.  
 4 (4) The person derived an improper financial benefit, either directly or indirectly,  
 5 from the transaction.  
 6 (5) The person incurred the liability from the operation of a motor vehicle."

7 **SECTION 1.(g)** G.S. 135-6 is amended by adding a new subsection to read:

8 "(k1) Duties of the Medical Review Board. – The Medical Review Board shall have the  
 9 following duties and powers:

- 10 (1) Arrange for and review medical examinations required under the provision of  
 11 this Chapter.  
 12 (2) Review applications for disability retirement or disability income benefits  
 13 under Article 6 of this Chapter.  
 14 (3) Delegate the review of any medical examinations, records, applications, or  
 15 other documents to other licensed health care providers. Any certifications  
 16 required to be made by the Medical Review Board may not be delegated;  
 17 however, the Medical Review Board may rely upon the determinations of a  
 18 third party in making that certification.  
 19 (4) Require independent medical examinations, vocational assessments, gainful  
 20 employment determinations, or other assessments necessary for the Medical  
 21 Review Board to make any determinations required under this Chapter. The  
 22 Medical Review Board may contract with entities outside of the Department  
 23 to conduct any assessment determined to be necessary by the Medical Review  
 24 Board. Any certifications required to be made by the Medical Review Board  
 25 may not be delegated; however, the Medical Review Board may rely upon the  
 26 determinations of a third party in making that certification.  
 27 (5) Expedite reviews and determinations in accordance with rules adopted by the  
 28 State Treasurer and the Board of Trustees."

29 **SECTION 1.(h)** G.S. 128-28(l) reads as rewritten:

30 "(l) Medical Review Board. – The Board of Trustees shall designate a Medical Review  
 31 Board to be composed of not less than three ~~nor more than five~~ physicians not eligible to  
 32 participate in the Retirement System. The Board of Trustees may structure appointment  
 33 requirements and term durations for ~~those medical board~~ the Medical Review Board members.  
 34 If required, other physicians may be employed to report on special cases. The Medical Board  
 35 shall arrange for and pass upon all medical examinations required under the provisions of this  
 36 Chapter, and shall investigate all essential statements and certificates by or on behalf of a member  
 37 in connection with an application for disability retirement, and shall report in writing to the Board  
 38 of Trustees its conclusion and recommendations upon all the matters referred to it. A person  
 39 -serving on the medical board shall be immune individually from civil liability for monetary  
 40 damages, except to the extent covered by insurance, for any act or failure to act arising out of  
 41 that service, except where any of the following apply:

- 42 (1) The person was not acting within the scope of that person's official duties.  
 43 (2) The person was not acting in good faith.  
 44 (3) The person committed gross negligence or willful or wanton misconduct that  
 45 resulted in the damages or injury.  
 46 (4) The person derived an improper financial benefit, either directly or indirectly,  
 47 from the transaction.  
 48 (5) The person incurred the liability from the operation of a motor vehicle."

49 **SECTION 1.(i)** G.S. 128-28 is amended by adding a new subsection to read:

50 "(l1) Duties of the Medical Review Board. – The Medical Review Board shall have the  
 51 following duties and powers:

- 1           (1)    Arrange for and review medical examinations required under the provision of  
2           this Chapter.
- 3           (2)    Review applications for disability retirement or disability income benefits  
4           under this Article.
- 5           (3)    Delegate the review of any medical examinations, records, applications, or  
6           other documents to other licensed health care providers. Any certifications  
7           required to be made by the Medical Review Board may not be delegated;  
8           however, the Medical Review Board may rely upon the determinations of a  
9           third party in making that certification.
- 10          (4)    Require independent medical examinations, vocational assessments, gainful  
11          employment determinations, or other assessments necessary for the Medical  
12          Review Board to make any determinations required under this Chapter. The  
13          Medical Review Board may contract with entities outside of the Department  
14          to conduct any assessment determined to be necessary by the Medical Review  
15          Board. Any certifications required to be made by the Medical Review Board  
16          may not be delegated; however, the Medical Review Board may rely upon the  
17          determinations of a third party in making that certification.
- 18          (5)    Expedite reviews and determinations in accordance with rules adopted by the  
19          State Treasurer and the Board of Trustees."

20           **SECTION 1.(j)** G.S. 135-102(d) reads as rewritten:

21           "~~(d) The Department of State Treasurer and the Board of Trustees shall designate a~~  
22 ~~Medical Board to be composed of not fewer than three nor more than five physicians not eligible~~  
23 ~~for benefits under the Plan. Other physicians, medical clinics, institutions or agencies may be~~  
24 ~~employed to conduct such medical examinations and tests necessary to provide the Medical~~  
25 ~~Board with clinical evidence as may be needed to determine eligibility for benefits under the~~  
26 ~~Plan. The~~ If directed by the Board of Trustees, then the Medical Review Board shall investigate  
27 the results of medical examinations, clinical evidence, all essential statements and certifications  
28 by and on behalf of applicants for benefits and shall report in writing to the Board of Trustees  
29 the conclusions and recommendations upon all matters referred to it. In accordance with  
30 subsection (c) of this section, the Board of Trustees may also appoint agents, contractors, and  
31 employees as the Board of Trustees deems advisable to investigate the results of medical  
32 examinations, clinical evidence, all essential statements and certifications by and on behalf of  
33 applicants for benefits. In order to accomplish the purposes outlined in this subsection, the  
34 Retirement Systems Division of the Department of State Treasurer is authorized to increase  
35 receipts from the assets of the Disability Income Plan of North Carolina or to pay costs associated  
36 with the administration of these changes directly from the plan assets."

37           **SECTION 1.(k)** G.S. 135-110(a)(3) reads as rewritten:

38           "(3) Disability Income Plan of North Carolina Trust Fund assets may be used for  
39           reasonable expenses to determine eligibility for or administer benefits  
40           provided by the Fund as approved by the Board of Trustees."

41           **SECTION 1.(l)** G.S. 135-106(a) reads as rewritten:

42           "(a) Upon the application of a beneficiary or participant or of his or her legal representative  
43           or any person deemed by the Board of Trustees to represent the participant or beneficiary, any  
44           beneficiary or participant who has had five or more years of membership service may receive  
45           long-term disability benefits from the Plan upon approval by the Board of Trustees, commencing  
46           on the first day succeeding the conclusion of the short-term disability period provided for in  
47           G.S. 135-105, provided the beneficiary or participant makes application for such benefit within  
48           180 days after the short-term disability period ceases, after salary continuation payments cease  
49           or after monthly payments for Workers' Compensation cease, whichever is later; Provided, that  
50           the beneficiary or participant withdraws from active service by terminating employment as a  
51           teacher or State employee; Provided, that the Board of Trustees or the Medical Review Board

1 shall certify that such beneficiary or participant is mentally or physically incapacitated for the  
2 further performance of duty, that such incapacity was incurred at the time of active employment  
3 and has been continuous thereafter, and that such incapacity is likely to be permanent; Provided  
4 further that the the Board of Trustees or the Medical Review Board shall not certify any  
5 beneficiary or participant as disabled who is in receipt of any payments on account of the same  
6 incapacity which existed when the beneficiary first established membership in the Retirement  
7 System. The Board of Trustees may extend this 180-day filing requirement upon receipt of clear  
8 and convincing evidence that application was delayed through no fault of the disabled beneficiary  
9 or participant and was delayed due to the employers' miscalculation of the end of the 180-day  
10 filing period. However, in no instance shall the filing period be extended beyond an additional  
11 180 days.

12 The Board of Trustees may require each beneficiary who becomes eligible to receive a  
13 long-term disability benefit to have an annual medical review or examination for the first five  
14 years and thereafter once every three years after the commencement of benefits under this  
15 section. However, the Board of Trustees may require more frequent examinations and ~~upon the~~  
16 ~~advice of the Medical Board~~ shall determine which cases require such examination. Should any  
17 beneficiary refuse to submit to any examination required by this subsection or by the Medical  
18 Review Board, the long-term disability benefit shall be suspended until the beneficiary submits  
19 to an examination, and should this refusal last for one year, the benefit may be terminated by the  
20 Board of Trustees. If the Medical Review Board finds that a beneficiary is no longer mentally or  
21 physically incapacitated for the further performance of duty, the Medical Review Board shall so  
22 certify this finding to the Board of Trustees, and the Board of Trustees may terminate the  
23 beneficiary's long-term disability benefits effective on the last day of the month in which the  
24 Medical Review Board certifies that the beneficiary is no longer disabled.

25 As to the requirement of five years of membership service, any participant or beneficiary who  
26 does not have five years of membership service within the 96 calendar months prior to conclusion  
27 of the short-term disability period or cessation of salary continuation payments, whichever is  
28 later, shall not be eligible for long-term disability benefits.

29 Notwithstanding the requirement that the incapacity was incurred at the time of active  
30 employment, any participant who becomes disabled while on an employer approved leave of  
31 absence and who is eligible for and in receipt of temporary total benefits under The North  
32 Carolina Workers' Compensation Act, Article 1 of Chapter 97 of the General Statutes, will be  
33 eligible for all benefits provided under this Article."

34 **SECTION 1.(n)** G.S. 136-106(d) reads as rewritten:

35 "(d) Notwithstanding the foregoing, a participant or beneficiary who has ~~applied for and~~  
36 ~~been approved by the Medical Board~~ for long-term disability benefits may make an irrevocable  
37 election, ~~within 90 days from the date of notification of such approval, and~~ prior to receipt of any  
38 long-term disability benefit payments, to receive a return of accumulated contributions from the  
39 Retirement System or to forfeit all pending and accrued rights to the long-term disability benefit  
40 including any ancillary benefits and retire on an early service retirement allowance, effective  
41 with the on the later of the following dates:

- 42 (1) The first day of the month following the end of the short-term period, ~~or~~  
43 ~~receive a return of accumulated contributions from the Retirement System if~~  
44 applicable.
- 45 (2) The first day of the month following the month in which the member  
46 terminated the member's employment.
- 47 (3) The first day of the month following the month in which the beneficiary was  
48 approved for long-term disability benefits, whichever is later."

49 **SECTION 1.(o)** G.S. 128-27(c) reads as rewritten:

50 "(c) Disability Retirement Benefits. – Upon the application of a member or of his  
51 employer, any member who has had five or more years of creditable service may be retired by

1 the Board of Trustees, on the first day of any calendar month, not less than one day nor more  
 2 than 120 days next following the date of filing such application, on a disability retirement  
 3 allowance: Provided, that the ~~medical board,~~ Board of Trustees or the Medical Review Board,  
 4 after a medical examination of such member, shall certify that such member is mentally or  
 5 physically incapacitated for the further performance of duty, that such incapacity was incurred at  
 6 the time of active employment and has been continuous thereafter, that such incapacity is likely  
 7 to be permanent, and that such member should be retired; Provided further the ~~medical board~~  
 8 Board of Trustees or the Medical Review Board shall determine if the member is able to engage  
 9 in gainful employment and, if so, the member may still be retired and the disability retirement  
 10 allowance as a result thereof shall be reduced as in subsection (e) below. Provided further, that  
 11 the Board of Trustees or the Medical Review Board shall not certify any member as disabled  
 12 who:

13 ...."

14 **SECTION 1.(p)** G.S. 120-4.22(b) reads as rewritten:

15 "(b) Medical Certification. – After a medical examination of the member, the ~~medical~~  
 16 ~~board shall certify to the Board of Trustees~~ the Board of Trustees or the Medical Review Board  
 17 shall certify that the member is mentally or physically incapacitated for further performance of  
 18 duty as a member of the General Assembly, that the incapacity was incurred at the time of active  
 19 employment and has been continuous thereafter, that the incapacity is likely to be permanent and  
 20 whether the member should be retired."

21 **SECTION 1.(q)** G.S. 135-59(a) reads as rewritten:

22 "(a) Upon application by or on behalf of the member, any member in service who has  
 23 completed five or more years of creditable service and who has not attained his or her sixty-fifth  
 24 birthday may be retired by the Board of Trustees, on the first day of any calendar month, not less  
 25 than one day nor more than 120 days next following the date of filing such application, on a  
 26 disability retirement allowance; provided, that the ~~medical board,~~ Board of Trustees or the  
 27 Medical Review Board, after a medical examination of such member, shall certify that such  
 28 member is mentally or physically incapacitated for the further performance of duty, that such  
 29 incapacity was incurred at the time of active employment and has been continuous thereafter,  
 30 that such incapacity is likely to be permanent, and that such member should be retired; and,  
 31 provided further, that if a member is removed by the Supreme Court for mental or physical  
 32 incapacity under the provisions of G.S. 7A-376, ~~no action is required by the medical board~~  
 33 medical examination is required under this section and, provided further, the ~~medical board~~  
 34 Board of Trustees or the Medical Review Board shall determine if the member is able to engage  
 35 in gainful employment and, if so, the member shall still be retired and the disability retirement  
 36 allowance as a result thereof shall be reduced as in G.S. 135-60(d). Provided further, that ~~the~~  
 37 ~~medical board shall not certify any member~~ no member shall be certified as disabled who  
 38 meets either of the following criteria:

- 39 (1) Applies for disability retirement based upon a mental or physical incapacity  
 40 which existed when the member first established membership in the ~~system;~~  
 41 ~~or system.~~
- 42 (2) Is in receipt of any payments on account of the same disability which existed  
 43 when the member first established membership in the system.

44 The Board of Trustees shall require each employee upon enrolling in the Retirement System  
 45 to provide information on the membership application concerning any mental or physical  
 46 incapacities existing at the time the member enrolls.

47 Notwithstanding the foregoing to the contrary, any beneficiary who commenced retirement  
 48 with an early or service retirement benefit has the right, within three years of this retirement, to  
 49 convert to an allowance with disability retirement benefits without modification of any election  
 50 of optional allowance previously made; provided, the beneficiary presents clear and convincing  
 51 evidence that the beneficiary would have met all applicable requirements for disability retirement

1 benefits while still in service as a member. The allowance on account of disability retirement  
2 benefits to the beneficiary shall be retroactive to the effective date of early or service retirement."

3 **SECTION 1.(r)** G.S. 135-60(c) reads as rewritten:

4 "(c) ~~Should the medical board certify to the Board of Trustees that a disability beneficiary~~  
5 If prior to his the sixty-fifth birthday of a beneficiary of disability benefits, the Board of Trustees  
6 or the Medical Review Board determines that the beneficiary has recovered to the extent that he  
7 the beneficiary would not satisfy the requirements for disability retirement if he the beneficiary  
8 were an active member of the Retirement System, or if ~~his the beneficiary's~~ disability shall be  
9 assumed to have terminated in accordance with subsection (b) above, ~~his then that beneficiary's~~  
10 disability retirement allowance shall thereupon cease, he or she shall be restored as a member of  
11 the Retirement System, and the period during which he or she was in receipt of a disability  
12 retirement allowance shall not be included in his that member's creditable service."

### 14 PART III. TECHNICAL CHANGES

15 **SECTION 3.(a)** G.S. 128-27(e)(4) reads as rewritten:

16 "(4) As a condition to the receipt of the disability retirement allowance provided  
17 for in G.S. 128-27(d), (d1), ~~(d2) and (d3)~~ (d2), (d3), and (d4), each member  
18 retired on a disability retirement allowance shall, on or before April 15 of each  
19 calendar year, provide the Board of Trustees with a statement of his or her  
20 income received as compensation for services, including fees, commissions  
21 or similar items, and income received from business, for the previous calendar  
22 year. Such statement shall be filed on a form as required by the Board of  
23 Trustees. The benefit payable to a beneficiary who does not or refuses to  
24 provide the information requested within 120 days after such request shall not  
25 be paid a benefit until the information so requested is provided, and should  
26 such refusal or failure to provide such information continue for 180 days after  
27 such request, the right of a beneficiary to a benefit under the Article may be  
28 terminated.

29 The Director of the State Retirement Systems shall contact any State or federal agency  
30 which can provide information to substantiate the statement required to be  
31 submitted by this subdivision and may enter into agreements for the exchange  
32 of information."

33 **SECTION 3.(b)** G.S. 135-5(l) reads as rewritten:

34 "(l) ~~Death Benefit Plan. – There is hereby created a Group Life Insurance Plan (hereinafter~~  
35 ~~called the "Plan") which Plan, hereinafter referred to as the "Plan," that is established as an~~  
36 employee welfare benefit plan that is separate and apart from the Retirement System and under  
37 which the members of the Retirement System shall participate and be eligible for group life  
38 insurance benefits. The Plan shall be part of the North Carolina Teachers' and State Employees'  
39 Benefit Trust, as established under G.S. 135-7(g). All receipts, transfers, appropriations,  
40 contributions, investment earnings, and other income belonging to the Plan shall be deposited in  
41 the Benefit Trust. All benefits and expenses against the Plan shall be disbursed from the Benefit  
42 Trust. Employer and non-employer contributions to the Benefit Trust and earnings on those  
43 contributions are irrevocable. The assets of the Benefit Trust are dedicated to providing benefits  
44 to participants, surviving spouses, and the members' estates in accordance with the Plan's benefit  
45 terms. The assets of the Benefit Trust are not subject to the claims of creditors of the employees  
46 and non-employees making contributions to the Benefit Trust, are not subject to the claims of  
47 any creditors of the Benefit Trust's trustees and administrators, and are not subject to the claims  
48 of creditors of members and beneficiaries. Benefit Trust assets may be used for reasonable  
49 expenses to administer benefits provided by the Fund as approved by the Board of Trustees.

50 (1) The following provisions apply to the Plan's administration of the death  
51 benefit for certain members in service:

1                   a.       Upon receipt of proof, satisfactory to the Board of Trustees in their  
2                   capacity as trustees under the Group Life Insurance Plan, of the death,  
3                   in service, of a member who had completed at least one full calendar  
4                   year of membership in the Retirement System, ~~there a death benefit~~  
5                   shall be paid to ~~such the person as the member shall have~~ nominated  
6                   by the member by electronic submission in a form approved by the  
7                   Board of Trustees or by written designation duly acknowledged and  
8                   filed with the Board of Trustees, if ~~such that nominated~~ person is living  
9                   at the time of the member's death, otherwise to the member's legal  
10                  representatives, a death benefit. Such representatives. The death  
11                  benefit shall be equal to the greater ~~of~~ of the following, subject to a  
12                  minimum of twenty-five thousand dollars (\$25,000) and to a  
13                  maximum of fifty thousand dollars (\$50,000):

14                  ~~(1)~~1.     The compensation on which contributions were made by the  
15                  member during the calendar year preceding the year in which  
16                  ~~his the member's death occurs, or~~ occurs.  
17                  ~~(2)~~2.     The greatest compensation on which contributions were made  
18                  by the member during a 12-month period of service within the  
19                  24-month period of service ending on the last day of the month  
20                  preceding the month in which his last day of actual service  
21                  ~~occurs; occurs.~~  
22                  ~~subject to a minimum of twenty five thousand dollars (\$25,000) and to a maximum of fifty~~  
23                  ~~thousand dollars (\$50,000). Such~~

24                  b.       The death benefit shall be payable apart and separate from the payment  
25                  of the member's accumulated contributions under the System on his at  
26                  the member's death pursuant to the provisions of subsection (f) of this  
27                  section.

28                  c.       ~~For the purpose of the Plan, a A member shall be deemed to be in~~  
29                  service at the date of ~~his the member's~~ death if his the death occurs  
30                  within 180 days from the member's last day of his actual service.

31                  ~~The death benefit provided in this subsection (f) shall not be payable, notwithstanding~~  
32                  ~~the member's compliance with all the conditions set forth in the preceding~~  
33                  ~~paragraph, if his death occurs~~

34                  (1)     ~~After December 31, 1968 and after he has attained age 70; or~~  
35                  (2)     ~~After December 31, 1969 and after he has attained age 69; or~~  
36                  (3)     ~~After December 31, 1970 and after he has attained age 68; or~~  
37                  (4)     ~~After December 31, 1971 and after he has attained age 67; or~~  
38                  (5)     ~~After December 31, 1972 and after he has attained age 66; or~~  
39                  (6)     ~~After December 31, 1973 and after he has attained age 65; or~~  
40                  (7)     ~~After December 31, 1978, but before January 1, 1987, and after he has attained~~  
41                  ~~age 70.~~

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

48                  ~~Notwithstanding the above provisions, the Board of Trustees may and is specifically~~  
49                  ~~authorized to provide the death benefit according to the terms and conditions otherwise appearing~~  
50                  ~~in this Plan in the form of group life insurance, either (i) by purchasing a contract or contracts of~~  
51                  ~~group life insurance with any life insurance company or companies licensed and authorized to~~

1 transact business in this State for the purpose of insuring the lives of members in service, or (ii)  
2 by establishing a separate trust fund qualified under Section 501(c)(9) of the Internal Revenue  
3 Code of 1954, as amended, for such purpose. To that end the Board of Trustees is authorized,  
4 empowered and directed to investigate the desirability of utilizing group life insurance by either  
5 of the foregoing methods for the purpose of providing the death benefit. If a separate trust fund  
6 is established, it shall be operated in accordance with rules and regulations adopted by the Board  
7 of Trustees and all investment earnings on the trust fund shall be credited to such fund.

8 ~~In administration of the death benefit the following shall apply:~~

9 ~~(1)d.~~ For the purpose of determining eligibility only, ~~in this subsection the~~  
10 term "calendar year" shall mean any period of 12 consecutive months  
11 or, if less, the period covered by an annual contract of employment.  
12 For all other purposes in this ~~subsection~~ subdivision, the term  
13 "calendar year" shall mean the 12 months beginning January 1 and  
14 ending December 31.

15 ~~(2)e.~~ Last For the purposes of administering the Plan, the last day of actual  
16 service shall be determined as follows:

17 ~~a.1.~~ When employment has been terminated, the last day the  
18 member actually worked.

19 ~~b.2.~~ When employment has not been terminated, the date on which  
20 an absent member's sick and annual leave expire, unless ~~he the~~  
21 member is on approved leave of absence and is in service under  
22 the provisions of G.S. 135-4(h).

23 ~~e.3.~~ When a participant's employment is interrupted by reason of  
24 service in the Uniformed Services, as that term is defined in  
25 section 4303(16) of the Uniformed Services Employment and  
26 Reemployment Rights Act, Public Law 103-353, and the  
27 participant does not return immediately after that service to  
28 employment with a covered employer in this System, the date  
29 on which the participant was first eligible to be separated or  
30 released from his or her involuntary military service.

31 ~~(3)4.~~ If a member is on leave of absence, his then  
32 the member's status with respect to the death benefit will be  
33 determined by the provisions of G.S. 135-4(h).

34 ~~(4)f.~~ A member on leave of absence from his or her position as a teacher or  
35 State employee for the purpose of serving as a member or officer of  
36 the General Assembly shall be deemed to be in service during sessions  
37 of the General Assembly and thereby covered by the provisions of the  
38 death benefit. The amount of the death benefit for such member shall  
39 be the equivalent of the salary to which the member would have been  
40 entitled as a teacher or State employee during the 12-month period  
41 immediately prior to the month in which death occurred, not to be less  
42 than twenty-five thousand dollars (\$25,000) nor to exceed fifty  
43 thousand dollars (\$50,000).

44 g. The provisions of the Retirement System pertaining to Administration,  
45 G.S. 135-6, and management of funds, G.S. 135-7, are ~~hereby made~~  
46 applicable to the Plan.

47 h. A member who is a beneficiary of the Disability Income Plan provided  
48 for in Article 6 of this Chapter, or a member who is in receipt of  
49 Workers' Compensation during the period for which he or she would  
50 have otherwise been eligible to receive short-term benefits ~~or extended~~  
51 ~~short-term benefits~~ as provided in G.S. 135-105 and dies on or after



1 181 days from the last day of his or her actual service but prior to the  
2 date the benefits as provided in G.S. 135-105 would have ended, shall  
3 be considered in service for the purposes of this subdivision and shall  
4 be eligible for group life insurance benefits as provided in this  
5 subsection, subdivision, notwithstanding that the member is no longer  
6 an employee or teacher or that the member's death occurs after the  
7 eligibility period after active service. The basis of the death benefit  
8 payable hereunder shall be the higher of the death benefit computed as  
9 above or a death benefit based on compensation used in computing the  
10 benefit payable under G.S. 135-105 and G.S. 135-106, as may be  
11 adjusted for percentage post-disability increases, all subject to the  
12 maximum dollar limitation as provided above. A member in receipt of  
13 benefits from the Disability Income Plan under the provisions of  
14 G.S. 135-112 whose right to a benefit accrued under the former  
15 Disability Salary Continuation Plan shall not be covered under the  
16 provisions of this paragraph-sub-subdivision.

17 (2) The following provisions apply to the Plan's administration of an optional  
18 death benefit for certain retired members:

19 a. Upon receipt of proof, satisfactory to the Board of Trustees in its  
20 capacity under this subsection, subdivision, of the death of a retired  
21 member of the Retirement System on or after July 1, 1988, but before  
22 January 1, 1999, 2015, who has completed 24 months of contributions,  
23 there shall be paid a-the following death benefit to the surviving spouse  
24 of the deceased retired member or to the deceased retired member's  
25 legal representative if not survived by a spouse; provided the retired  
26 member has elected, when first eligible, to make, and has continuously  
27 made, in advance of his-the member's death required contributions as  
28 determined by the Board of Trustees on a fully contributory basis,  
29 through retirement allowance deductions or other methods adopted by  
30 the Board of Trustees, to a group death benefit trust fund administered  
31 by the Board of Trustees separate and apart from the Retirement  
32 System's Annuity Savings Fund and Pension Accumulation  
33 Fund.Fund:

- 34 1. For retired members who were deceased on or after July 1,  
35 1998, but before January 1, 1999, This-the death benefit shall  
36 be a lump-sum payment in the amount of five thousand dollars  
37 (\$5,000) upon the completion of twenty four months of  
38 contributions required under this subsection.(\$5,000).
- 39 2. For retired members who were deceased on or after January 1,  
40 1999, but before July 1, 2004, the death benefit shall be a  
41 lump-sum payment in the amount of six thousand dollars  
42 (\$6,000).
- 43 3. For retired members who were deceased on or after July 1,  
44 2004, but before July 1, 2007, the death benefit shall be a  
45 lump-sum payment in the amount of nine thousand dollars  
46 (\$9,000).
- 47 4. For retired members who were deceased on or after July 1,  
48 2007, but before January 1, 2015, the death benefit shall be a  
49 lump-sum payment in the amount of ten thousand dollars  
50 (\$10,000).

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

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

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

45          ~~Upon receipt of proof, satisfactory to the Board of Trustees in its capacity~~  
46          ~~under this subsection, of the death of a retired member of the Retirement~~  
47          ~~System on or after July 1, 2007, but before January 1, 2015, there shall be paid~~  
48          ~~a death benefit to the surviving spouse of the deceased retired member or to~~  
49          ~~the deceased retired member's legal representative if not survived by a spouse;~~  
50          ~~provided the retired member has elected, when first eligible, to make, and has~~  
51          ~~continuously made, in advance of his death required contributions as~~

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

12 b. Upon receipt of proof, satisfactory to the Board of Trustees in its  
13 capacity under this subsection, subdivision, of the death of a retired  
14 member of the Retirement System on or after January 1, 2015, who  
15 has completed 24 months of contributions, there shall be paid a death  
16 benefit to the person or persons designated by the member or, if the  
17 member has not designated a beneficiary, to the surviving spouse of  
18 the deceased retired member or, if not survived by a designated  
19 beneficiary or spouse, to the deceased retired member's legal  
20 representative; provided the retired member has elected, when first  
21 eligible, to make, and has continuously made, in advance of the  
22 member's death required contributions as determined by the Board of  
23 Trustees on a fully contributory basis, through retirement allowance  
24 deductions or other methods adopted by the Board of Trustees, to a  
25 group death benefit trust fund, the North Carolina Teachers' and State  
26 Employees' Benefit Trust, administered by the Board of Trustees Fund  
27 and Pension Accumulation Fund. Employer and non-employer  
28 contributions to the Benefit Trust and earnings on those contributions  
29 are irrevocable. The assets of the Benefit Trust are dedicated to  
30 providing benefits to participants, surviving spouses, and the members'  
31 estates in accordance with the Plan's benefit terms. The assets of the  
32 Benefit Trust are not subject to the claims of creditors of the  
33 employees and non-employees making contributions to the Benefit  
34 Trust, are not subject to the claims of any creditors of the Benefit  
35 Trust's trustees and administrators, and are not subject to the claims of  
36 creditors of members and beneficiaries. Benefit Trust assets may be  
37 used for reasonable expenses to administer benefits provided by the  
38 Fund as approved by the Board of Trustees.

39 This death benefit shall be a lump-sum payment in the amount of ten thousand  
40 dollars (\$10,000) upon the completion of 24 months of contributions  
41 required under this subsection. (\$10,000).

42 ~~Should death occur~~ If the retired member's death occurs before the completion  
43 of 24 months of contributions required under this subsection,  
44 contributions, then the deceased retired member's designated  
45 beneficiary or beneficiaries, or surviving spouse if there is no  
46 surviving beneficiary, or legal representative if not survived by a  
47 designated beneficiary or spouse, shall be paid the sum of the retired  
48 member's contributions required by this subsection-sub-subdivision  
49 plus interest to be determined by the Board of Trustees."  
50

#### 51 PART IV. EFFECTIVE DATE

1                   **SECTION 4.** Except as otherwise provided, this act is effective when it becomes  
2 law.