Article 8.

Death Benefit Plan for State Employees and Retirees.

§ 135-153. Definitions.

The following definitions apply in this Article:

(1) Benefit Trust. – The North Carolina Teachers' and State Employees' Benefit Trust under G.S. 135-154.

(2) Death Benefit Plan. – The Death Benefit Plan for State Employees and Retirees under this Article.

(3) Disability Income Plan. – The Disability Income Plan of North Carolina under Article 6 of this Chapter.

(4) Reserved for future codification purposes.

(5) Reserved for future codification purposes.

(6) Participating plans. – All of the following:

a. The Death Benefit Plan.

b. The Local Governmental Death Benefit Plan under Part 2 of Article 3 of Chapter 128 of the General Statutes.

c. Contributory death benefits available to retired members of the Consolidated Judicial Retirement System under G.S. 135-64.

d. Contributory death benefits available to retired members of the Legislative Retirement System under G.S. 120-4.27.

e. The Separate Insurance Benefits Plan under G.S. 143-166.60.

(7) Reserved for future codification purposes.

(8) Reserved for future codification purposes.

(9) Workers' compensation benefits. – Excluding any payments for a permanent partial disability rating, disability income benefits provided under Chapter 97 of the General Statutes. (2025-11, s. 3.)

§ 135-154. North Carolina Teachers' and State Employees' Benefit Trust.

(a) Benefit Trust. – A trust fund, the North Carolina Teachers' and State Employees' Benefit Trust, is created as a master trust to which all receipts, transfers, appropriations, contributions, investment earnings, and other income belonging to participating plans shall be deposited, and from which all benefits and expenses against those participating plans shall be disbursed. It is the intent of the General Assembly that this master trust fund provide an irrevocable source of funding to be used, to the extent the fund's assets are sufficient, only for benefits payable to the members, participants, and beneficiaries of the participating plans and reasonable expenses for the administration of the participating plans. The Boards of Trustees of the Teachers' and State Employees' Retirement System and the Local Governmental Employees' Retirement System shall be the trustee of the Benefit Trust.

(b) No Commingling of Funds. – Within the Benefit Trust, the funds of each of the participating plans shall be accounted for separately and not commingled.

(c) Assets. – Assets of one participating plan cannot be used to pay for liabilities of another participating plan within the Benefit Trust. The assets of the Benefit Trust shall be used only for the exclusive benefit of persons who are or may be entitled to benefits under the participating plans. In no event, including dissolution, shall any assets of the Benefit Trust be distributed to any entity that is not a state, a political subdivision of a state, or another entity the income of which is excludable from its gross income by application of section 115(1) of the Internal Revenue Code. The assets of the Benefit Trust are not subject to the claims of creditors of any of the following:

(1) An employer or nonemployer making contributions to the Benefit Trust.
(2) A trustee or administrator of the Benefit Trust.
(3) A member.
(4) Participants or beneficiaries of any participating plan.

(d) Contributions. – Employer and nonemployer contributions to the Benefit Trust and earnings on those contributions are irrevocable.

(e) Separate Fund for Line of Duty Death Benefits. – The Board of Trustees may make additional funding available to the Department of State Treasurer to ensure the timely payment of death benefits awarded by the Industrial Commission under the Public Safety Employees' Death Benefits Act, Article 12A of Chapter 143 of the General Statutes, by depositing a percentage of the State's employer contribution rate established for the benefits provided under G.S. 135-165 into a separate fund from the Benefits Trust. This percentage shall not exceed four hundredths percent (0.04%) in any given fiscal year. The Department of State Treasurer is authorized to use the funds deposited into this separate fund for the sole purpose of paying for death benefits awarded by the Industrial Commission under the Public Safety Employees' Death Benefits Act and may do so only if all other State funds appropriated to the Department for the fiscal year for the payment of those death benefits have been fully expended. Any funds deposited by the Department of State Treasurer into a separate fund in accordance with this subsection that remain unspent as of June 30 of the same fiscal year shall be transferred to the Benefit Fund as an additional employer contribution. (2025-11, ss. 1(a)-(g), 3, 16(a); 2025-25, s. 42.1.)

§ 135-155. Death Benefit Plan established.

(a) Death Benefit Plan for State Employees and Retirees. – There is established the Death Benefit Plan for State Employees and Retirees, a group life insurance plan that is an employee welfare benefit plan that is separate and apart from the Retirement System.

(b) Benefit Trust. – The Death Benefit Plan shall be part of the Benefit Trust. All receipts, transfers, appropriations, contributions, investment earnings, and other income belonging to the Death Benefit Plan shall be deposited in the Benefit Trust. All benefits and expenses against the Death Benefit Plan shall be disbursed from the Benefit Trust. (2025-11, ss. 1(a), (h), (i), 3.)

§ 135-160. Administration of Death Benefit Plan.

(a) Provisions Applicable. – The Death Benefit Plan is administered by the Board of Trustees. The provisions of G.S. 135-6 and G.S. 135-7 are applicable to the Death Benefit Plan.

(b) Effect of Vote Related to Contributory Death Benefit. – No decision of the Board of Trustees related to the fully contributory death benefit for retirees provided for under any of the following takes effect unless and until this same decision has been made and voted on by the Board of Trustees of the Local Governmental Employees Retirement System:

(1) G.S. 120-4.27.
(2) G.S. 135-64.
(3) G.S. 134-166.60.

(c) Rulemaking. – The Board of Trustees may adopt temporary or permanent rules, as necessary, for all aspects of administration of this Article. (2025-11, ss. 1(a), (j), (j1), 3; 2025-25, s. 18(b).)

§ 135-165. Death benefit for in-service members.

(a) Eligibility. – A member who is not retired and who has completed at least one full year of membership in the Retirement System is a participant in, and eligible for death benefits under, the Death Benefit Plan in accordance with this section.

(b) Benefits Upon Death While in Service. – If a member eligible for benefits under this section dies while in service, then, upon receipt of proof of the death that is satisfactory to the Board of Trustees, a lump sum death benefit amount shall be paid.

(c) Death Benefit Amount. – Subject to a minimum of twenty-five thousand dollars ($25,000) and to a maximum of fifty thousand dollars ($50,000), the lump sum death benefit amount payable under this section is equal to the greater of the following amounts:

(1) The compensation on which contributions to the Retirement System were made by the member during the calendar year preceding the year in which the member's death occurred.

(2) The greatest compensation on which contributions to the Retirement System were made by the member during a 12-month period of service within the 24-month period of service ending on the last day of the month preceding the month in which the member's last day of actual service occurred.

(d) Members Deemed to be in Service. – For the purpose of this section, a member shall be deemed to be in service at the date of the member's death if the death occurs within 180 days from the last day of actual service, as determined in accordance with G.S. 135-170. (2025-11, ss. 1(a), (k)-(m), 3.)

§ 135-170. Last day of actual service; death benefit for in-service members.

To determine the last day of actual service for the purposes of the death benefit for in-service members, all of the following apply:

(1) Uninterrupted service. – For a member with uninterrupted service, the last day of actual service is the date on which an absent member's sick and annual leave expire, unless the member is on an approved leave of absence and is deemed to be in service under G.S. 135-4(h). If a member is deemed to be in service under G.S. 135-4(h), then the last day of actual service is the last day for which the member made a contribution to the Retirement System.

(2) Interrupted service. – All of the following apply to a member whose service has been interrupted:

a. For a member whose service is interrupted by reason of service in the Uniformed Services, as that term is defined in section 4303(16) of the Uniformed Services Employment and Reemployment Rights Act, Public Law 103-353, and the member does not return immediately after that service to employment with a covered employer in the Retirement System, the last day of actual service is the date on which the member was first eligible to be separated or released from his or her involuntary military service.

b. For a member who is on an approved leave of absence, but is not deemed to be in service under G.S. 135-4(h), the last day of actual service is either the last day for which the member made a contribution to the Retirement System or the date on which the member's sick and annual leave expired, whichever is later.

c. A member on leave of absence from a position as a teacher or State employee for the purpose of serving as a member or officer of the North Carolina General Assembly shall be deemed to be in service during sessions of the General Assembly and eligible for the death benefit under G.S. 135-165. The last day of actual service shall be the most recent legislative day of the applicable General Assembly session or the last day the member performed work as a teacher or State employee, whichever is later. Notwithstanding G.S. 135-165(c), the amount of the death benefit for a member who is on a leave of absence due to General Assembly service shall be the equivalent of the salary to which the member would have been entitled as a teacher or State employee during the 12-month period immediately prior to the month in which death occurred, subject to a minimum of twenty-five thousand dollars ($25,000) and a maximum of fifty thousand dollars ($50,000).

d. All of the following apply for a member who is either (i) receiving workers' compensation benefits during the period for which the member would have been otherwise eligible to receive short-term benefits or extended short-term benefits under G.S. 135-105 or (ii) a beneficiary under the Disability Income Plan:

1. If the date the member last performed work as a teacher or State employee occurred within 180 days of the date the member died, then the last day of actual service is the last day the member performed that work.
2. If the date the member last performed worked as a teacher or State employee occurred more than 180 days from the date the member died, then that member shall not be deemed in active service for the purposes of G.S. 135-165.

(3) Terminated service. – For a member whose employment has been terminated for reasons other than retirement, whether by the employer or the employee, the last day of actual service is the last day the member performed work as a teacher or State employee. (2025-11, ss. 1(a), (n)-(r), 3.)

§ 135-175. Fully contributory death benefit for retired members.

(a) Participation and Premiums. – All retired members may elect to participate in the Death Benefit Plan and therefore become eligible to receive death benefits under the Death Benefit Plan in accordance with this section. Elections shall be made prior to death and no later than 60 calendar days from the effective date of the member's retirement. Elections shall be received by the Board of Trustees prior to the death of the retired member. Retired members electing to receive a fully contributory death benefit under the Death Benefit Plan shall continuously pay monthly premiums on a fully contributory basis, as determined by the Board of Trustees, to the Benefit Trust. Premium payments shall be made through retirement allowance deductions or other methods adopted by the Board of Trustees.

(b) Benefits Upon Death. – If a retired member who has elected to receive a fully contributory death benefit under to this section dies, then, upon receipt of proof of the death that is satisfactory to the Board of Trustees, a lump sum death benefit amount shall be paid.

(c) Death Benefit Amount. – The lump sum death benefit payable under this section shall be one of the following amounts:

(1) If the death occurred on or after the first day of the twenty-fifth month of coverage under this section, the amount payable is ten thousand dollars ($10,000).

(2) If the death occurred before the first day of the twenty-fifth month of coverage under this section, the amount payable is the sum of the retired member's premium payments made in accordance with this section plus interest in an amount to be determined by the Board of Trustees. (2025-11, ss. 1(a), (s), (t), 3.)

§ 135-180. Death benefits; workers' compensation benefits and Disability Income Plan beneficiaries.

(a) Eligibility. – A member who is a beneficiary of the Disability Income Plan or in receipt of workers' compensation benefits during the period for which the member would have otherwise been eligible to receive short-term benefits or extended short-term benefits under G.S. 135-105 is eligible for death benefits under the Death Benefit Plan in accordance with this section if all of the following criteria are met:

(1) The member is not retired.

(2) The member is not eligible for death benefits under G.S. 135-165.

(3) The member dies on or after 181 days from the last day the member performed work as a teacher or State employee but prior to the date the workers' compensation benefits or benefits under the Disability Income Plan would have ended.

(b) Benefits Upon Death. – Upon receipt of proof of the death of a member eligible for benefits under subsection (a) of this section that is satisfactory to the Board of Trustees, a lump sum death benefit amount shall be paid.

(c) Benefit Amount. – The basis of the death benefit payable under this section shall be the higher of the death benefit amount calculated in accordance with G.S. 135-165(c) or the death benefit amount based on compensation used in computing the benefit payable under G.S. 135-105 and G.S. 135-106, as may be adjusted for percentage post-disability increases, but shall not exceed the maximum dollar limitation for the death benefit for in-service members under G.S. 135-165.

(d) Exceptions. – A member in receipt of benefits from the Disability Income Plan under the provisions of G.S. 135-112 whose right to a benefit accrued under the former Disability Salary Continuation Plan shall not be entitled to benefits under the Death Benefit Plan under this Article. (2025-11, ss. 1(a), (u)-(w), 3.)

§ 135-185. Beneficiaries under the Death Benefit Plan.

(a) Designation. – A member shall designate a beneficiary or beneficiaries for each applicable benefit payable under this Article by electronic submission in a form approved by the Board of Trustees or by written designation duly acknowledged and filed with the Board of Trustees.

(b) Benefits Payable. – Each applicable benefit payable under this Article shall be paid to the designated beneficiary or beneficiaries to receive the benefit. If no beneficiaries are designated or living at the time of the member's death, then the benefit shall be paid to the member's legal representative. (2025-11, ss. 1(a), 3.)

§ 135-190. Reciprocity of Death Benefit Plan.

(a) Reciprocity of Death Benefit Plan. – Only for the purpose of determining eligibility for the death benefits provided for under this Article, membership service standing to the credit of (i) a member of the Legislative Retirement System or the Consolidated Judicial Retirement System or (ii) a retired member of the Legislative Retirement System or the Consolidated Judicial Retirement System whose retirement benefit was suspended upon entrance into membership in the Teachers' and State Employees' Retirement System shall be added to the membership service standing to the credit of a member of the Teachers' and State Employees' Retirement System.

(b) Prohibitions. – Membership service under this section shall not be counted twice for the same period of time. (2025-11, ss. 1(a), (x), (y), 3.)

§ 135-195. Accumulated contributions separate.

Death benefit amounts payable under this Article shall be payable apart and separate from the payment of the member's accumulated contributions under the Retirement System on the member's death pursuant to the provisions of subsection (f) of G.S. 135-5. (2025-11, ss. 1(a), (z), 3.)

§ 135-200. Benefits disallowed under this Article.

Notwithstanding anything in this Article to the contrary, no death benefit provided for under this Article shall be paid at the death of a member if a death benefit is paid related to that member under G.S. 135-63. (2025-11, ss. 1(a), (aa), 3.)