

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2003

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SENATE DRS65157-LL-56 (2/28)

Short Title: Supplemental Insurance for Retirees. (Public)

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Sponsors: Senator Garrou.

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Referred to:

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A BILL TO BE ENTITLED

AN ACT TO PROVIDE FOR COMPETITIVE SELECTION OF CERTAIN  
SUPPLEMENTAL INSURANCE PRODUCTS FOR RETIRED STATE  
EMPLOYEES.

The General Assembly of North Carolina enacts:

**SECTION 1.** Article 31 of Chapter 58 of the General Statutes is amended by adding a new section to read:

**"§ 58-31-61. Competitive selection of retirement benefit payment deduction supplemental insurance products paid for by retired State employees.**

(a) Duties of the Board of Trustees. – The Board of Trustees of the Teachers' and State Employees' Retirement System shall:

(1) Review insurance products currently offered through retirement benefit payment deduction to retired State employees to determine if those products meet the needs and desires of the retired employees.

(2) Select the types of insurance products that reflect the needs and desires of retired State employees.

(3) Competitively select the best insurance products of the types determined by the Department of State Treasurer and the Board of Trustees to reflect the needs and desires of the retired employees.

As used in this section, "insurance product" includes a prepaid legal services plan registered under G.S. 84-23.1.

(b) Conflicts of Interest. – The Board of Trustees shall be autonomous in its selection of insurance products and insurance companies and no member of the Board of Trustees having a conflict of interest in the selection of insurance products or insurance companies shall participate in the discussion or selection of the insurance products or insurance companies. Any decision rendered pursuant to this section by the Board of Trustees where the autonomy of the Board of Trustees or a conflict of interest

1 is questioned shall be subject to appeal to the State Treasurer's Office pursuant to the  
2 Administrative Procedure Act.

3 (c) Retirement Benefit Payment Deduction Slots. – The company or companies  
4 selected by the Board of Trustees shall be permitted to sell through retirement benefit  
5 payment deduction only the products specifically approved by the Board of Trustees.  
6 The assignment by the Board of Trustees of a retirement benefit payment deduction slot  
7 shall be for a period of not less than two years unless the insurance company shall be in  
8 violation of the terms of the written agreement specified in this subsection. The  
9 insurance company awarded a retirement benefit payment deduction slot shall, pursuant  
10 to a written agreement setting out the rights and duties of the insurance company, be  
11 afforded an adequate opportunity to solicit retired State employees by making such  
12 retired employees aware that a representative of the company will be available at a  
13 specified time and at a location convenient to the retired employees.

14 Notwithstanding any other provision of the General Statutes, once a retired  
15 employee has selected an insurance product for retirement benefit payment deduction,  
16 that product may not be removed from retirement benefit payment deduction for that  
17 employee without his or her specific written consent.

18 When retirement benefit payment deduction is no longer available, the insurance  
19 company may not terminate life insurance products purchased under the retirement  
20 benefit payment deduction plan without the retiree's specific written consent solely  
21 because the premium is no longer deducted from retirement benefit payments.

22 (d) Procedure for Selection of Insurance Product Proposals. – All insurance  
23 product proposals shall be sealed. The Board of Trustees shall open all proposals in  
24 public and record them in the minutes of the Board of Trustees, at which time the  
25 proposals become public records open to public inspection.

26 After the public opening, the Board of Trustees shall review the proposals,  
27 examining the cost and quality of the products, the reputation and capabilities of the  
28 insurance companies submitting the proposals, and other appropriate criteria. The Board  
29 of Trustees shall determine which proposal, if any, would meet the needs and desires of  
30 the retired employees and shall award a retirement benefit payment deduction slot to the  
31 company submitting the proposal that meets those needs and desires. The Board of  
32 Trustees may reject any or all proposals.

33 A company may seek to modify or withdraw a proposal only after the public  
34 opening and only on the basis that the proposal contains an unintentional clerical error  
35 as opposed to an error in judgment. A company seeking to modify or withdraw a  
36 proposal shall submit to the Board of Trustees a written request, with facts and evidence  
37 in support of its position, prior to the award of the retirement benefit payment deduction  
38 slot, but not later than two days after the public opening of the proposals. The Board of  
39 Trustees shall promptly review the request, examine the nature of the error, and  
40 determine whether to permit or deny the request.

41 (e) Committee of the Board. – The Board may designate a committee consisting  
42 of not less than five members of the Board to carry out the duties of the full Board set  
43 forth in this section. If a committee is designated to carry out the full Board's duties, it  
44 shall comply with all the provisions of this section and its determination on the award of

1 retirement benefit payment deduction slots to companies submitting proposals shall  
2 constitute a recommendation to the full Board rather than a final decision on the award.  
3 The full Board shall either adopt or reject each of the recommendations offered by the  
4 committee. Board adoption of a recommendation of the committee constitutes an award  
5 of a retirement benefit payment deduction slot for purposes of this section.

6 (f) Criminal Penalty. – It shall be a Class 3 misdemeanor for any member of the  
7 Board of Trustees having a conflict of interest in the selection of insurance products or  
8 insurance companies to attempt to influence the Board of Trustees in the selection of  
9 insurance products or insurance companies knowing or having reason to know that the  
10 member has a conflict of interest in the selection of insurance products or insurance  
11 companies, or for anyone to open a sealed insurance product proposal or disclose or  
12 exhibit the contents of a sealed insurance product proposal, prior to the public opening  
13 of the proposal. The Commissioner of Insurance shall have the authority to investigate  
14 complaints alleging acts subject to the criminal penalty and shall report the  
15 Commissioner's findings to the Attorney General of North Carolina.

16 (g) The Department of State Treasurer may employ clerical and professional staff  
17 and such other assistance as may be necessary to assist the Department of State  
18 Treasurer in carrying out its duties and responsibilities under this section. The  
19 administrative costs to the Department of State Treasurer of carrying out its duties and  
20 responsibilities under this section may be charged to participants or deducted from  
21 participants' accounts in accordance with nondiscriminatory procedures established by  
22 the Department of State Treasurer."

23 **SECTION 2.** This act becomes effective January 1, 2004.