

North Carolina Department of State Treasurer

Retirement Systems Division

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Benchmarking Survey of Death Benefit Processes in North Carolina's Peer Retirement Systems



SURVEY RECIPIENTS

In June 2006, an 11-question survey was distributed by email to the benefits administrators of the 16 retirement systems listed below. The questions were intended to detail the workload and management of death benefit programs in North Carolina's peer retirement systems. Ten systems completed the survey. Peer respondents are highlighted in **bold**.

- **Alabama Retirement Systems (ARS)**
- **Colorado Public Employees Retirement Association (COPERA)**
- **Public Employee Retirement System of Idaho**
- Kansas Public Employee Retirement System (KPERs)
- **Michigan Office of Retirement Services***
- Public Employees' Retirement System of Mississippi
- **Missouri State Employees Retirement System (MOSERS)**
- **New Jersey Division of Pensions and Benefits****
- **Ohio Public Employee Retirement System (OPERS)**
- **State Teachers Retirement System of Ohio**
- Pennsylvania Public School Employees' Retirement System
- South Carolina Retirement Systems (SCRS)
- Tennessee Consolidated Retirement System (TCRS)
- **Virginia Retirement System (VRS)**
- Washington State Retirement Systems (WSRS)
- **Wisconsin Retirement System (WRS)**

*includes Michigan School Employees Retirement System and the Michigan State Employees Retirement System

**includes the NJ Public Employees Retirement System and New Jersey Teachers' Pension and Annuity Fund

GENERAL SUMMARY

- Of the ten systems responding, all offer a death benefit; however, the benefit offered differs among the peer systems.
- Of the ten systems responding, only one has a fully automated process. The majority of peer systems use a semi-automated process while two systems lack automation.
- The number of death claims processed per year ranged from 300 to approximately 6,000.
- The average processing time ranged from 30 to 45 days.
- None of the ten systems outsource death claims processing, though five systems do rely on outside vendors for group life insurance policies and claim administration.
- The number of employees processing death claims ranged from 2 to 13, with an average of 5 employees. Amount of time spent processing claims varied among peers.

DETAILED RESULTS

Question 1: Does your state offer its employees and retirees a death benefit? Is it administered by the Retirement System? If yes, what death benefits are offered by your state's retirement system?

- Of the ten systems responding, all offer some form of death benefit.
- In five systems, the benefit is a return of contributions, though each system has different eligibility and matching constraints.
 - In Alabama, only pre-retirement members are eligible. Depending on length of service, member's can receive the previous year's salary or matching contributions. There is also a \$15,000 term life insurance benefit.
 - In Idaho, the amount of returned contributions is doubled for pre-retirement and disability retirees. Spouses of vested members may choose between a lump-sum distribution or a monthly annuity.
 - In Wisconsin, retirees receive all contributions plus interest, and may choose between a lump sum or annuity. Active members receive employee contributions plus the matching employer contributions.
- Two systems distribute a lump sum benefit. OH-STRS benefit is a \$1000 system-funded payout. OPERS lump-sum distribution ranges from \$500-\$2500, based on years of service.
- Three systems identified only survivor benefits (as a percentage of the retirement annuity) as a death benefit.
- Four of the ten systems offer some form of term or group life insurance.

Question 2: How is your system informed of a member's death? Please identify multiple methods if applicable.

Responding systems identified a range of informants. The most frequent included:

- Employer
- Family member or friend
- Public health departments
- Private vendors who verify records monthly.

In addition, the following informants were identified:

- Health insurance plan
- Assisted living/nursing home
- Funeral home
- Medicare death reports
- Obituaries
- Banks (returned direct deposits)

Systems receive death notifications in a variety of formats, with telephone and written correspondence being the most common. Those reported are:

- Telephone
- Written correspondence
- In person
- Email
- Death certificates
- Fax

Question 3: Can you describe your death claim process and if the process is different for active and retired members? Is this process outlined in a flow chart or another document?

- Only two of the ten systems indicated that the death claim process was significantly different for active and retired members. However, options available to active and retired members differ in some systems, requiring different application forms, etc.
- In the majority of systems, the death notification begins an administrative process involving communication with beneficiaries (for confirmation and to provide necessary paperwork), determination of eligibility, and initiation of payment.
- Two systems processes are determined by group life insurance policies.
- One system sets a series of review dates (totaling 3.5 months) after initiating contact with beneficiaries. If no response is received, the account is closed after the expiration of the final review period.

Question 4: How long has your current death claim process been in place?

Responses varied among the peer systems:

- New Jersey stated the death process has been in place since the 1950s and Idaho since 1965.
- Ohio STRS, Virginia, and Wisconsin all modified the death process in the late 1990s.
- Michigan is currently reengineering their process.

Question 5: How many death claims are processed on an annual basis?

- The lowest number of death claims processed per year was approximately 300. Two states reported this level.
- New Jersey averaged the highest number of death claims processed each year with approximately 8,500 (7,500 retired and 1,000 active deaths per year).
- Complete ranking is as follows:
 1. New Jersey: 8,500
 2. Michigan: 5,000-6,000
 3. Ohio – STRS: Approximately 5,000
 4. Ohio – OPERS: Approximately 5,000
 5. Wisconsin: 4,500
 6. Virginia: 3,500
 7. Colorado: 2,700
 8. Idaho: 1,100
 9. Missouri: 300-500
 10. Alabama: 300

Question 6: On average, how many days does it take between receiving a death notice to the distribution of the benefit?

- Many systems indicated that if all documentation was returned, a 7-10 day turn-around was feasible.
- The average total processing time was 30 to 45 days.
- New Jersey has the lowest processing time at 2 weeks.
- The highest processing time reported was 60 days.

Question 7: Is your death claim process automated? If so, to what degree and what technology do you use in conjunction with personnel resources? If not, what level of technology do you currently use?

- Two systems reported no automation.
- Seven of the systems reported partial automation. Data input and counselor interaction is still required. Common practices include:
 - Workflows using imaged documents, instead of paper copies.
 - Benefit calculation and initiation and generation of payment records; macros for letter generation.
 - New Jersey uses a mainframe application that flows from report of death to the initiation of group life insurance or pension benefit payment.
- Currently Michigan is re-engineering their process to automate letter generation and use imaged documents.

Question 8: Is any aspect of your death claim process outsourced? If so, please describe what is performed externally. What kind of organization performs this outsourced function?

- Six of the ten systems report no outsourcing of the death claim process.
- Four systems outsource group life insurance policies and claim administration to insurance companies.

Question 9: How many employees are responsible for processing death claims? Do these employees have other responsibilities in addition to death claim processing? If so, please explain and provide an approximate percentage of their time spent handling death claims.

- For the responding peer systems, employees involved in death claim processing range from 2 to 13 individuals
- A majority of the systems indicated that employees that process death claims also have additional responsibilities. System estimates of time spent handling claims include:
 - Colorado: Six employees spend 50 percent of their time processing death claims for retirees; five employees spend 25 percent of their time processing death claims for

- members. (One additional employee is responsible for handling claims for the optional group life insurance plan.)
- Missouri: Two employees spend 15-20 percent of their time processing death claims.
 - Ohio-STRS: Six employees spend 80 percent of their time processing death claims.
 - OPERS: There are thirteen cross-trained employees; twelve percent of their time is spent processing death claims.

Question 10: How are death claims communicated to external agencies that provide other benefits such as health coverage? (Email, on-line capabilities, etc.)

- A majority of the systems used some form of electronic reporting, including email, electronic feeds, online programs and links, or online reports to other departments.
- One system provides information using export batch on tape (with email and written correspondence being used in rare instances.)
- One system has an on-site person representing the third party administrator that handles notification of external agencies.
- One system reported no formal system for notifying external agencies.

Question 11: What are the most difficult challenges you face in administering your death claim process?

Common feedback included:

- Reviewing the member's file to determine the level of benefit available to the beneficiary.
- Receiving required paperwork in a timely manner from survivors of members and retirees.
- Receiving reimbursement for overpayments.
- Not having a fully automated claim processing system for sending letters to beneficiaries, follow-up procedures, and backlog reports.