GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2011

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HOUSE BILL 730

Committee Substitute Favorable 6/8/11 Third Edition Engrossed 6/9/11 Senate Pensions & Retirement and Aging Committee Substitute Adopted 6/14/11

Short Title: Local Bds of Education/403(b) Option.

(Public)

Sponsors:

Referred to:

April 7, 2011

1 A BILL TO BE ENTITLED 2 AN ACT TO AUTHORIZE THE DEPARTMENT OF STATE TREASURER TO CREATE A 3 CENTRALIZED 403(B) RETIREMENT ANNUITY PLAN AS AN OPTION FOR 4 EMPLOYEES OF LOCAL BOARDS OF EDUCATION. 5 The General Assembly of North Carolina enacts: 6 SECTION 1. G.S. 115C-341 reads as rewritten: 7 "§ 115C-341. Annuity contracts. contracts from local boards of education. 8 Notwithstanding the provisions of this Chapter for the adoption of State and local salary 9 schedules for the pay of teachers, principals, superintendents, and other school employees, local 10 boards of education may enter into annual contracts with any employee of such board which provide for a reduction in salary below the total established compensation or salary schedule 11 12 for a term of one year. The local board of education shall use the funds derived from the 13 reduction in the salary of the employee to purchase a nonforfeitable annuity contract for the benefit of said employee. An employee who has agreed to a salary reduction for this purpose 14 15 shall not have the right to receive the amount of the salary reduction in cash or in any other way 16 except the annuity contract. Funds used by the local boards of education for the purchase of an 17 annuity contract shall not be in lieu of any amount earned by the employee before his election 18 for a salary reduction has become effective. 19 The agreement for salary reductions referred to herein shall be effected under any necessary 20 regulations and procedures adopted by the State Board of Education and on forms prepared by the State Board of Education. 21 22 Notwithstanding any other provisions of this section, the amount by which the salary of any 23 employee is reduced pursuant to this section shall be included in computing and making payroll 24 deductions for social security and retirement system purposes, and in computing and providing 25 matching funds for retirement system purposes. 26 In lieu of the annuity contracts provided for under this section, interests in custodial accounts pursuant to Section 401(f), Section 403(b)(7), and related sections of the Internal 27 Revenue Code of 1986 as amended may be purchased by local boards of education for the 28 29 benefit of qualified employees under this section with the funds derived from the reduction in

30 the salaries of such employees."

31 **SECTION 2.** Article 23 of Chapter 115C of the General Statutes is amended by 32 adding a new section to read:

33 "<u>§ 115C-341.2. Department of State Treasurer sponsored 403(b) option.</u>



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General Assembly Of North Carolina

2 of the Internal Revenue Code of 1986 retirement anuities and/or mutual funds to their 4 third-party vendor of retirement offerings as described in section 403(b) of the Internal 6 Revenue Code of 1986, as now and hereafter amended, pursuant to which employees of local 7 school boards may enter into nonforfiaible 403(b) plan options by way of salary reduction 8 as the "North Carolina Public School Teachers' and Professional Educators' Investment Plan." 9 The vendor authorized under this section shall be selected by use of State procurement 10 procedures, with the goal of attaining lower administrative fees and enhanced services for 11 protectores, with the goal of attaining lower administrative fees and enhanced services for 12 of their choice. 10 D The criteria in this subsection apply to the Department of State Treasurer's 403(b) 13 offerings to employees of local school boards under this section. 16 (1) Annuity contracts, trust accounts, and/or custodial accounts shall be 19 record-keeping, and administrative services. The third-party administrator 19 record-keeping, and administrative services. The worth Carolina Public School 21 Teachers' and Professional Educators' Investment Plan. 22 a. Maintain a written pl	1		ition to the opportunities for local boards of education to offer section 403(b)
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	51		enumerated in subdivision (1) of this subsection, any existing vendor of a

G	eneral Assemb	ly Of North Carolina Session 2011
1		403(b) with a participating employer must either agree to share data with the
2		State's 403(b) vendor under this provision (so as to permit oversight over
3		contribution limits, loans, and hardship withdrawals) or be directed by the
4		participating employer to cease accepting new contributions, loans, and
5		hardship withdrawals.
6	(3)	Investment options shall be solely determined by the Department of State
7		Treasurer and Board of Trustees for the North Carolina Supplemental
8		Retirement Plans consistent with section 403(b) of the Internal Revenue
9		Code of 1986, as amended.
10	(4)	Investment staff of the Department of State Treasurer may make
11		recommendations to the State Treasurer and Board of Trustees for the North
12		Carolina Supplemental Retirement Plans as to appropriate investment
13		options. The State Treasurer and Board of Trustees shall have sole
14		responsibility for the selection of the service provider for the North Carolina
15		Public School Teachers' and Professional Educators' Investment Plan.
16	(5)	All contributions made in accordance with the provisions of section 403(b)
17		of the Internal Revenue Code of 1986, as amended, and this section shall be
18		remitted directly to the administrator and held by the administrator in a
19		custodial account on behalf of each participating employee. Any investment
20		gains or losses shall be credited to those accounts. The forms of payment and
21		disbursement procedures shall be consistent with those generally offered by
22		similar annuity contracts, trust accounts, and custodial accounts and
23		applicable federal and State statutes governing those contracts and accounts.
24	<u>(6)</u>	Any local board of education may elect to make contributions to the
25		employee's account on behalf of the employee. The employer shall take
26		whatever action is necessary to implement this section.
27	<u>(7)</u>	The design and administration of annuity contracts, trust accounts, and
28		custodial accounts under this provision shall comply with all applicable
29		provisions of the Internal Revenue Code of 1986, as amended."
30	SECT	ION 3. This act becomes effective July 1, 2011.