

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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SENATE BILL 600  
Pensions & Retirement Committee Substitute Adopted 5/5/89

Short Title: Educator Annuity Contracts.

(Public)

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Sponsors:

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Referred to:

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March 22, 1989

1 A BILL TO BE ENTITLED  
2 AN ACT TO PERMIT THE STATE'S EMPLOYERS OF EDUCATION PERSONNEL  
3 TO PURCHASE MUTUAL FUND SHARES IN LIEU OF ANNUITY  
4 CONTRACTS.

5 The General Assembly of North Carolina enacts:

6 Section 1. G.S. 115C-341 reads as rewritten:

7 "**§ 115C-341. Annuity contracts.**

8 Notwithstanding the provisions of this Chapter for the adoption of State and local  
9 salary schedules for the pay of teachers, principals, superintendents, and other school  
10 employees, local boards of education may enter into annual contracts with any  
11 employee of such board which provide for a reduction in salary below the total  
12 established compensation or salary schedule for a term of one year. The local board of  
13 education shall use the funds derived from the reduction in the salary of the employee to  
14 purchase a nonforfeitable annuity contract for the benefit of said employee. An  
15 employee who has agreed to a salary reduction for this purpose shall not have the right  
16 to receive the amount of the salary reduction in cash or in any other way except the  
17 annuity contract. Funds used by the local boards of education for the purchase of an  
18 annuity contract shall not be in lieu of any amount earned by the employee before his  
19 election for a salary reduction has become effective.

20 The agreement for salary reductions referred to herein shall be effected under any  
21 necessary regulations and procedures adopted by the State Board of Education and on  
22 forms prepared by the State Board of Education.

1 Notwithstanding any other provisions of this section, the amount by which the salary  
2 of any employee is reduced pursuant to this section shall be included in computing and  
3 making payroll deductions for social security and retirement system purposes, and in  
4 computing and providing matching funds for retirement system purposes.

5 In lieu of the annuity contracts provided for under this section, interests in custodial  
6 accounts pursuant to Section 401(f), Section 403(b)(7), and related sections of the  
7 Internal Revenue Code of 1986 as amended may be purchased for the benefit of  
8 qualified employees under this section with the funds derived from the reduction in the  
9 salaries of such employees."

10 Sec. 2. G.S. 115D-25 reads as rewritten:

11 **"§ 115D-25. Purchase of annuity or retirement income contracts for employees.**

12 Notwithstanding any provision of law relating to salaries or salary schedules for the  
13 pay of faculty members, administrative officers, or any other employees of community  
14 colleges, the board of trustees of any of the above institutions may authorize the finance  
15 officer or agent of same to enter into annual contracts with any of the above officers,  
16 agents and employees which provide for reductions in salaries below the total  
17 established compensation or salary schedule for a term of one year. The financial  
18 officer or agent shall use the funds derived from the reduction in the salary of the  
19 officer, agent or employee to purchase a nonforfeitable annuity or retirement income  
20 contract for the benefit of said officer, agent or employee. An officer, agent or  
21 employee who has agreed to a salary reduction for this purpose shall not have the right  
22 to receive the amount of the salary reduction in cash or in any other way except the  
23 annuity or retirement income contract. Funds used for the purchase of an annuity or  
24 retirement income contract shall not be in lieu of any amount earned by the officer,  
25 agent or employee before his election for a salary reduction has become effective. The  
26 agreement for salary reductions referred to in this section shall be effected under any  
27 necessary regulations and procedures adopted by the State Board of Community  
28 Colleges and on forms prepared by the State Board of Community Colleges.  
29 Notwithstanding any other provisions of this section or law, the amount by which the  
30 salary of an officer, agent or employee is reduced pursuant to this section shall not be  
31 excluded, but shall be included, in computing and making payroll deductions for social  
32 security and retirement system purposes, and in computing and providing matching  
33 funds for retirement system purposes.

34 In lieu of the annuity and related contracts provided for under this section, interests  
35 in custodial accounts pursuant to Section 401(f), Section 403(b)(7), and related sections  
36 of the Internal Revenue Code of 1986 as amended may be purchased for the benefit of  
37 qualified employees under this section with the funds derived from the reduction in the  
38 salaries of such employees."

39 Sec. 3. G.S. 116-17 reads as rewritten:

40 **"§ 116-17. Purchase of annuity or retirement income contracts for faculty**  
41 **members, officers and employees.**

42 Notwithstanding any provision of law relating to salaries and/or salary schedules for  
43 the pay of faculty members, administrative officers, or any other employees of  
44 universities, colleges and institutions of higher learning as named and set forth in this

1 Article, and other State agencies qualified as educational institutions under section  
2 501(c)(3) of the United States Internal Revenue Code, the governing boards of any such  
3 universities, colleges and institutions of higher learning may authorize the business  
4 officer or agent of same to enter into annual contracts with any of the faculty members,  
5 administrative officers and employees of said institutions of higher learning which  
6 provide for a reduction in salary below the total established compensation or salary  
7 schedule for a term of one year. The financial officer or agent shall use the funds  
8 derived from the reduction in the salary of the faculty member, administrative officer or  
9 employee to purchase a nonforfeitable annuity or retirement income contract for the  
10 benefit of said faculty member, administrative officer or employee of said universities,  
11 colleges and institutions of higher learning. A faculty member, administrative officer or  
12 employee who has agreed to a salary reduction for this purpose shall not have the right  
13 to receive the amount of the salary reduction in cash or in any other way except the  
14 annuity or retirement income contract. Funds used for the purchase of an annuity or  
15 retirement income contract shall not be in lieu of any amount earned by the faculty  
16 member, administrative officer or employee before his election for a salary reduction  
17 has become effective. The agreement for salary reductions referred to herein shall be  
18 effected under any necessary regulations and procedures adopted by the various  
19 governing boards of the various institutions of higher learning and on forms prepared by  
20 said governing boards. Notwithstanding any other provision of this section or law, the  
21 amount by which the salary of any faculty member, administrative officer or employee  
22 is reduced pursuant to this section shall not be excluded, but shall be included, in  
23 computing and making payroll deductions for social security and retirement system  
24 purposes, and in computing and providing matching funds for retirement system  
25 purposes.

26 In lieu of the annuity and related contracts provided for under this section, interests  
27 in custodial accounts pursuant to Section 401(f), Section 403(b)(7), and related sections  
28 of the Internal Revenue Code of 1986 as amended may be purchased for the benefit of  
29 qualified employees under this section with the funds derived from the reduction in the  
30 salaries of such employees."

31 Sec. 4. This act shall become effective January 1, 1990.