



HOUSE BILL 264: Community Colleges 403(b) Plan.

2015-2016 General Assembly

Committee:

Introduced by:

Analysis of: S.L. 2015-169

Date:

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Legislative Analyst

SUMMARY: *S.L. 2015-169 amends the law governing community colleges to allow local boards of trustees to offer their employees the opportunity to participate in the North Carolina Public School Teachers' and Professional Educators' Investment Plan as operated by the Department of State Treasurer.*

This act became effective October 1, 2015.

CURRENT LAW: Under current law, the board of trustees of a community college may authorize the purchase of annuity or retirement income contracts for the benefit of faculty members, administrative officers, or any other employees of the community college. Funds for this purchase are derived from a reduction in the officer or employee's salary.

In lieu of the annuity or related contract, interests in a custodial account pursuant to Section 401(f), Section 403(b)(7) and related sections of the Internal Revenue Code may be purchased for the benefit of qualified employees with the funds derived from the reduction in salaries of these employees.

BILL ANALYSIS:

Section 1 of House Bill 264 clarifies that local boards of trustees can continue to purchase interests in custodial accounts for the benefit of their employees pursuant to sections of the Internal Revenue Code using funds derived from salary reductions.

In addition to the authority described in Section 1, **Section 2** of the act adds a new section to the law authorizing local boards of trustees to offer participation in the North Carolina Public School Teachers' and Professional Educators' Investment Plan as operated by the Department of State Treasurer. The act also clarifies that local boards of trustees are employers.

The following criteria apply to the Department of State Treasurer's 403(b) offerings to community college employees under this section:

- Annuity contracts, trust accounts, and/or custodial accounts must be administered by a qualified third-party administrator to provide custodial, record-keeping and administrative services
- Governance and oversight of the Plan will be performed by the Department of State Treasurer and the Board of Trustees of the North Carolina Supplemental Retirement Plans.
- Investment options must be solely determined by the Department of State Treasurer and the Board of the Supplemental Retirement Plans consistent with section 403(b) of the Internal Revenue Code.

O. Walker Reagan
Director



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- Investment staff of the Department of State Treasurer may make recommendations as to appropriate investment options, but the State Treasurer and the Board of Trustees have sole responsibility for selection of the service provider.
- All contributions made under this section must be remitted directly to the administrator and held in a custodial account on behalf of the participating employee. Any investment gains or losses must be credited to those accounts.
- Any local board of trustees may elect to make contributions to the employee's account on behalf of the employee.
- The design and administration of annuity contracts, trust accounts, and custodial accounts under this section must comply with applicable provisions of the Internal Revenue Code.

EFFECTIVE DATE: This act became effective October 1, 2015.

Karen Cochrane-Brown, staff to the House Pensions Committee, substantially contributed to this summary.