

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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SENATE BILL 784  
Second Edition Engrossed 4/12/89

Short Title: Flexible Benefit Plans.

(Public)

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Sponsors: Senators Royall; Conder, Hunt of Moore, Johnson of Wake, Odom, Plyler, Sherron, and Ward.

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Referred to: State Personnel.

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April 5, 1989

A BILL TO BE ENTITLED

1 AN ACT TO AUTHORIZE FLEXIBLE COMPENSATION PLANS FOR STATE  
2 AGENCY EMPLOYEES, UNIVERSITY EMPLOYEES, COMMUNITY  
3 COLLEGE EMPLOYEES, AND PUBLIC SCHOOL EMPLOYEES.

4 The General Assembly of North Carolina enacts:

5 Section 1. Article 23 of Chapter 115C of the General Statutes is amended by  
6 adding a new section to read:

7 **"§ 115C-341.1. Flexible Compensation Plan.**

8 Notwithstanding any other provisions of law relating to the salaries of employees of  
9 local boards of education, the State Board of Education is authorized to provide a plan  
10 of flexible compensation to eligible employees of local school administrative units for  
11 benefits available under Section 125 and related sections of the Internal Revenue Code  
12 of 1986 as amended. This plan shall not include those benefits provided to employees  
13 under Articles 1, 3, and 6 of Chapter 135 of the General Statutes nor any vacation leave,  
14 sick leave, or any other leave that may be carried forward from year to year by  
15 employees as a form of deferred compensation. In providing a plan of flexible  
16 compensation, the State Board may authorize local school administrative units to enter  
17 into agreements with their employees for reductions in the salaries of employees  
18 electing to participate in the plan of flexible compensation provided by this section.  
19 Should the State Board decide to contract with a third party to administer the terms and  
20 conditions of a plan of flexible compensation as provided by this section, it may select  
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1 such a contractor only upon a thorough and completely advertised competitive  
2 procurement process."

3 Sec. 2. Article 2 of Chapter 115D of the General Statutes is amended by  
4 adding a new section to read:

5 **"§ 115D-25.1. Flexible Compensation Plan.**

6 Notwithstanding any other provisions of law relating to the salaries of employees of  
7 community college boards of trustees, the State Board of Community Colleges is  
8 authorized to provide a plan of flexible compensation to eligible employees of  
9 constituent institutions for benefits available under Section 125 and related sections of  
10 the Internal Revenue Code of 1986 as amended. This plan shall not include those  
11 benefits provided to employees under Articles 1, 3, and 6 of Chapter 135 of the General  
12 Statutes nor any vacation leave, sick leave, or any other leave that may be carried  
13 forward from year to year by employees as a form of deferred compensation. In  
14 providing a plan of flexible compensation, the State Board may authorize constituent  
15 institutions to enter into agreements with their employees for reductions in the salaries  
16 of employees electing to participate in the plan of flexible compensation provided by  
17 this section. Should the State Board decide to contract with a third party to administer  
18 the terms and conditions of a plan of flexible compensation as provided by this section,  
19 it may select such a contractor only upon a thorough and completely advertised  
20 competitive procurement process."

21 Sec. 3. Article 1 of Chapter 116 of the General Statutes is amended by  
22 adding a new section to read:

23 **"§ 116-17.1. Flexible Compensation Plan.**

24 Notwithstanding any other provisions of law relating to the salaries of employees of  
25 The University of North Carolina, the Board of Governors of The University of North  
26 Carolina is authorized to provide a plan of flexible compensation to eligible employees  
27 of constituent institutions for benefits available under Section 125 and related sections  
28 of the Internal Revenue Code of 1986 as amended. This plan shall not include those  
29 benefits provided to employees under Articles 1, 3, and 6 of Chapter 135 of the General  
30 Statutes nor any vacation leave, sick leave, or any other leave that may be carried  
31 forward from year to year by employees as a form of deferred compensation. In  
32 providing a plan of flexible compensation, the Board of Governors may authorize  
33 constituent institutions to enter into agreements with their employees for reductions in  
34 the salaries of employees electing to participate in the plan of flexible compensation  
35 provided by this section. Should the Board of Governors decide to contract with a third  
36 party to administer the terms and conditions of a plan of flexible compensation as  
37 provided by this section, it may select such a contractor only upon a thorough and  
38 completely advertised competitive procurement process."

39 Sec. 4. G.S. 143-34.1 reads as rewritten:

40 **"§ 143-34.1. Payrolls submitted to the Director of the Budget; approval of payment**  
41 **of vouchers; payment of required employer salary-related contributions**  
42 **for retirement benefits, death benefits, disability salary continuation and**  
43 **Social Security; support of hospital and medical insurance programs for**  
44 **retired members of certain associations, organizations, boards, etc.**

1 All payrolls of all departments, institutions, and agencies of the State government  
2 shall, prior to the issuance of vouchers in payment therefor, be submitted to the Director  
3 of the Budget, who shall check the same against the appropriations to such departments,  
4 institutions and agencies for such purposes, and if found to be within said  
5 appropriations, he shall approve the same and return one to the department, institution  
6 or agency submitting same and transmit one copy to the State Controller, and no  
7 voucher in payment of said payroll or any item thereon shall be honored or paid except  
8 and to the extent that the same has been approved by the Director of the Budget.

9 Required employer salary-related contributions for retirement benefits, death  
10 benefits, disability salary continuation and Social Security for employees whose salaries  
11 are paid from general fund or highway fund revenues, or from department, office,  
12 institutional or agency receipts, or from non-State funds, shall be paid from the same  
13 source as the source of the employees' salaries. In those instances in which an  
14 employee's salary is paid in part from the general fund, or the highway fund, and in part  
15 from the department, office, institutional or agency receipts, or from non-State funds,  
16 the required salary-related contributions shall be paid from the general fund, or the  
17 highway fund, only to the extent of the proportionate part paid from the general fund, or  
18 highway fund, in support of the salary of such employee, and the remainder of the  
19 employer's contribution requirements shall be paid from the same source which supplies  
20 the remainder of such employee's salary. The requirements of this section as to the  
21 source of payment are also applicable to payments on behalf of the employee for  
22 hospital-medical insurance, longevity payments, salary increments, and legislative  
23 salary increases. The State Controller shall approve the method of payment by State  
24 departments, offices, institutions and agencies for employer salary-related requirements  
25 of this section, and determine the applicability of the section to an employer's salary-  
26 related contribution or payment in behalf of an employee.

27 Notwithstanding any other provisions of law relating to the salaries of officers and  
28 employees of departments, institutions, and agencies of State government, the Director  
29 of the Budget is authorized to provide a plan of flexible compensation to eligible  
30 officers and employees of State departments, institutions, and agencies not covered by  
31 the provisions of G.S. 116-17.1 for benefits available under Section 125 and related  
32 sections of the Internal Revenue Code of 1986 as amended. This plan shall not include  
33 those benefits provided to employees and officers under Article 1A of Chapter 120 of  
34 the General Statutes and Articles 1, 3, 4, and 6 of Chapter 135 of the General Statutes  
35 nor any vacation leave, sick leave, or any other leave that may be carried forward from  
36 year to year by employees as a form of deferred compensation. In providing a plan of  
37 flexible compensation, the Director of the Budget may authorize State departments,  
38 institutions, and agencies to enter into agreements with their employees for reductions  
39 in the salaries of employees electing to participate in the plan of flexible compensation  
40 provided by this section. Should the Director of the Budget decide to contract with a  
41 third party to administer the terms and conditions of a plan of flexible compensation as  
42 provided by this section, it may select such a contractor only upon a thorough and  
43 completely advertised competitive procurement process."

44 Sec. 5. This act shall become effective January 1, 1990.