

**Legislative Retirement System
of North Carolina Policies**

Date: _____

Policy Number: 2016-1

Topic: Forfeitures – Code Section 401(a)(8)

I. Purpose:

To affirm that forfeitures will not be applied to increase the benefits any member would otherwise receive under the Legislative Retirement System of North Carolina (the “Plan”), as required by section 401(a)(8) of the Internal Revenue Code of 1986, as amended (the “Code”).

II. Policy:

Forfeitures arising under the Plan for any reason may not be applied to increase the benefits of any members at any time prior to the termination of the Plan as provided under Code section 401(a)(8) or any successor thereto.

III. Effective Date:

This Policy is effective as of the date on which Code section 401(a)(8) or a predecessor thereto first applied to the Plan.

**Legislative Retirement System
of North Carolina Policies**

Date: _____

Policy Number: 2016-2

Topic: Actuarial Assumptions – Code Section 401(a)(25)

I. Purpose:

To reflect the inclusion of actuarial assumptions used to determine benefits under the Legislative Retirement System of North Carolina (the “Plan”) as required by section 401(a)(25) of the Internal Revenue Code of 1986, as amended (the “Code”) and to clarify Section 120-4.8(2) of the General Statutes.

II. Policy:

For benefit commencements on and after January 1, 2012, and until this Policy is amended, the amount or level of any optional form of benefit under the Plan shall be calculated using the following actuarial assumptions. Such assumptions are hereby incorporated into this Policy.

Interest Rate: 7.25% per year

Mortality Rates:

Healthy Member:	Blend of 60% RP-2000 rates for Females with no setback, and 40% RP-2000 rates for Males, set forward one year
Disabled Member:	Blend of 60% RP-2000 (Disabled) rates for Females set forward one year, and 40% RP-2000 (Disabled) rates for Males, set back six years
Beneficiary:	Blend of 40% RP-2000 rates for Females set forward two years, and 60% RP-2000 rates for Males set forward one year
Projection:	Nondisabled mortality rates are projected with 19 years of improvement at Scale AA.

III. Effective Date

This Policy is effective as of the date on which Code section 401(a)(25) or a predecessor thereto first applied to the Plan.

**Legislative Retirement System
of North Carolina Policies**

Date: _____

Policy Number: 2016-3

Topic: Pension Protection Act of 2006 – Additional Items

I. Purpose:

To provide that the Legislative Retirement System of North Carolina (the “Plan”) will comply with certain changes to the Internal Revenue Code of 1986, as amended (the “Code”) made by the Pension Protection Act of 2006 (“PPA”) and to make optional changes to the Plan in accordance with PPA. This Policy is divided into two parts: (i) clarification of Section 120-4.9 of the General Statutes and revision of the governmental plan exemption from the non-discrimination rules under Code section 401(a)(5) and the Code section 401(a)(26) coverage rules, and (ii) clarification that the notice required by Code section 402(f) may be provided a maximum of 180 days before a benefit commences.

Other Policies may contain additional provisions intended to satisfy the requirements of PPA, including, but not limited to, *Policy #9 – 401(a)(31)*.

II. Policy:

A. Code Section 401(a)(5) and Code Section 401(a)(26)

Pursuant to Code section 401(a)(5)(G), Code sections 401(a)(3) and 401(a)(4) shall not apply to a governmental plan within the meaning of Code section 414(d). In addition, Code section 401(a)(26) shall not apply to the Plan because it is a governmental plan within the meaning of Code section 414(d).

B. Notice Required by Code Section 402(f)

The notice required by Code section 402(f) may be provided no less than 30 days and no more than 180 days before the date of a distribution. However, if the distributee, after having received the Code section 402(f) notice, affirmatively elects a distribution, a plan will not fail to satisfy Code section 402(f) merely because the distribution is made less than 30 days after the Code section 402(f) notice was provided to the distributee, provided that the Plan clearly indicates to the distributee that the distributee has a right to consider the decision of whether or not to elect a direct rollover for at least 30 days after the notice is provided.

III. Effective Date:

This Policy is effective as of July 1, 2007.

**Legislative Retirement System
of North Carolina Policies**

Date: _____

Policy Number: 2016-4

Topic: Heroes Earnings Assistance and Relief Tax Act of 2008

I. Purpose:

To affirm that the Legislative Retirement System of North Carolina (the "Plan") will comply with the requirements of the Heroes Earnings Assistance and Relief Tax Act of 2008 (the "HEART Act").

II. Policy:

To the extent required by section 401(a) of the Internal Revenue Code of 1986, as amended, (the "Code"), if a member dies while performing qualified military service (as defined in Code section 414(u)) the survivors of the member shall be entitled to any additional benefits as determined under Code section 401(a)(37) provided under the Plan had the member resumed his or her prior employment with an employer that maintains the system and then terminated employment on account of death. "Additional benefits" under this Policy shall not include benefit accruals relating to the period of qualified military service.

III. Effective Date:

This Policy is effective for deaths occurring on or after January 1, 2007.

**Legislative Retirement System
of North Carolina Policies**

Date: _____

Policy Number: 2016-5

Topic: Purchase of Service Credit/Repayments – Code Sections 415(k)(3) and 415(n)

I. Purpose:

To affirm that the Legislative Retirement System of North Carolina (the “Plan”), to the extent that purchases of permissive service credit and/or repayments of previously paid out benefits are permitted, will comply with applicable Internal Revenue Code (“Code”) requirements.

II. Policy:

A. General Rule

Repayments of previously paid out benefits shall comply with Code section 415(k)(3) and any Treasury Regulations thereunder. Purchases of permissive service credit shall comply with Code section 415(n) and any Treasury Regulations thereunder. Rollover contributions shall comply with applicable Code provisions and Treasury Regulations thereunder.

B. Plan-to-Plan Transfer

With regard to plan-to-plan transfers under Code section 415(n), the Plan will accept funds from any of the following eligible transfer plans:

- (1) The Supplemental Retirement Income Plans A, B, or C of North Carolina, for the purchase of service credits;
- (2) A Code section 401(a) defined contribution plan maintained by the State of North Carolina, a political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, for the purchase of service credits;
- (3) An annuity contract described in Code section 403(b) for the purchase of service credits; and
- (4) An eligible deferred compensation plan under Code section 457(b) maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state, for the purchase of service credits.

C. Rollover Contributions

With regard to the receipt of eligible rollover distributions, the Plan will accept rollover contributions that are "eligible rollover distributions" as described in Code section 402(c), 402A(c), 408, and the Treasury Regulations thereunder, including after-tax and Roth contributions, as applicable.

D. Documentation

A member must provide such documentation as may be required by the Plan before a plan-to-plan transfer or a rollover contribution will be accepted by the Plan. The Plan is under no obligation to accept a plan-to-plan transfer or a rollover contribution unless any information it deems necessary to substantiate such transfer or contribution is provided.

III. Effective Date:

The relevant provisions of this Policy are effective as of the date on which Code sections 415(k)(3) and/or 415(n) or a predecessor thereto first applied to the Plan.

**Legislative Retirement System
of North Carolina Policies**

Date: _____

Policy Number: 2016-6

Topic: Maximum Contribution/Benefit Limits – Code Section 415

I. Purpose:

To affirm that benefits under the trust fund of the Legislative Retirement System of North Carolina (the "Plan") will be limited to the maximum permissible amount of benefits that may be payable under the Internal Revenue Code of 1986, as amended (the "Code") and to clarify Section 120-4.31(b) of the General Statutes. This Policy includes a defined benefit limitation policy, which is written in two parts: (i) to provide that benefits under the Plan will comply with the Final Treasury Regulations under Code section 415, as published April 5, 2007, as of the applicable effective date of the Final Treasury Regulations, and (ii) to affirm that benefits under the Plan prior to the effective date of the April 5, 2007, regulation complied with Code section 415.

II. Policy:

A. Current Policy

Effective for limitation years beginning on or after July 1, 2009, the following rules shall apply:

- (1) The defined benefit payable to a member of the Plan shall not exceed the applicable dollar limits under Code section 415(b), as periodically adjusted by the Secretary of the Treasury pursuant to Code section 415(d). This adjustment shall also apply to a member who has severed (i.e., terminated) or, if earlier, had an annuity starting date. Benefits that are subject to Code section 415(b) shall comply with the foregoing limit in each year during which payments are made. The foregoing limit shall be adjusted pursuant to the requirements of Code sections 415(b)(2)(C) and (D) relating to the commencement of benefits at a date prior to age 62 or after age 65, subject to other applicable rules under Code section 415.
- (2) The application of the rules in this Section II.A shall not cause the maximum annual retirement allowance for any member to be less than the member's accrued benefit under all applicable defined benefit plans as of the end of the last limitation year beginning before July 1, 2009, under provisions of the Plan that were both adopted and in effect before April 5, 2007. The preceding sentence applies only if the provisions of the Plan

that were both adopted and in effect before April 5, 2007 satisfied the applicable requirements of statutory provisions, regulations, and other published guidance relating to Code section 415 in effect as of the end of the last limitation year beginning before January 1, 2009, as described in Treasury Regulation section 1.415(a)-1(g)(4).

- (3) No adjustment shall be required to a benefit subject to an automatic benefit increase feature described in Treasury Regulation section 1.415(b)-1(c)(5).
- (4) If a member is, or has ever been, a participant in another qualified defined benefit plan (without regard to whether the plan has been terminated) maintained by the member's employer, as determined pursuant to Code sections 414(b), 415(c), and 415, the sum of the member's benefits payable annually in the form of a straight life annuity from all such plans may not exceed the limit described in item (1) above. Where the member's employer-provided benefits under all such defined benefit plans (determined as of the same age) would exceed the limit described in (1) above applicable at that age, the benefits accrued under all such other plans shall be reduced first in order to avoid exceeding the limit and shall be reduced under the Plan only to the extent that the reduction under such other plans is insufficient to avoid exceeding the limit.
- (5) The defined benefit payable to a member under the Plan shall be determined in accordance with the requirements of Code section 415(b) and the Treasury Regulations thereunder. The limitation year is set forth in Section 120-4.31(b) of the General Statutes.
- (6) Notwithstanding any provision of the Plan to the contrary, the Plan shall comply with Code section 415 and the Treasury Regulations thereunder, as they apply to governmental plans.

B. Prior Policy

Notwithstanding any provision of the Plan to the contrary, the Plan shall comply with Code section 415 and applicable Treasury Regulations thereunder.

III. Effective Date:

This Policy is effective as of the date on which Code section 415 first applied to the Plan.

**Legislative Retirement System
of North Carolina Policies**

Date: _____

Policy Number: 2016-7

Topic: Required Minimum Distributions – Code Section 401(a)(9)

I. Purpose:

To clarify Section 120-4.31(c) of the General Statutes and that, as provided in the Pension Protection Act of 2006 and Treasury Regulation section 1.401(a)(9)-1, Q&A-2(d), the Legislative Retirement System of North Carolina (the “Plan”), as a governmental plan defined in section 414(d) of the Internal Revenue Code of 1986, as amended (the “Code”), is treated as having complied with Code section 401(a)(9) for all years to which Code section 401(a)(9) applies to the Plan if the Plan complies with a reasonable and good faith interpretation of Code section 401(a)(9).

II. Policy:

Notwithstanding any provision of the Plan to the contrary, the Plan shall comply with Code section 401(a)(9), including the minimum distribution incidental benefits rule of Code section 401(a)(9)(G), pursuant to a reasonable and good faith interpretation of Code section 401(a)(9).

III. Effective Date:

This Policy is effective as of the date on which Code section 401(a)(9) or a predecessor thereto first applied to the Plan.

**Legislative Retirement System
of North Carolina Policies**

Date: _____

Policy Number: 2016-8

Topic: USERRA – Code Section 414(u)

I. Purpose

To clarify that the Legislative Retirement System of North Carolina (the “Plan”) will comply with the requirements of the Uniformed Services Employment and Reemployment Rights Act of 1994.

II. Policy

Contributions, benefits and service credit with respect to qualified military service will be provided in accordance with Code section 414(u).

III. Effective Date

This Policy is effective as of the date on which USERRA first applied to the Plan.

**Legislative Retirement System
of North Carolina Policies**

Date: _____

Policy Number: 2016-9

Topic: Eligible Rollover Distributions – Code Section 401(a)(31)

I. Purpose:

To clarify that the Legislative Retirement System of North Carolina (the “Plan”) will comply with the requirements of section 401(a)(31) of the Internal Revenue Code of 1986, as amended (the “Code”), and to clarify Section 120-4.31(d) of the General Statutes.

II. Policy:

A. Current Policy

- (1) Notwithstanding any provision of the Plan, any “eligible rollover distribution” (within the meaning of Code section 402(c)(4)) may be rolled over to an “eligible retirement plan.”
- (2) For purposes of subsection (1) an “eligible retirement plan” is an individual retirement account described in Code section 408(a), an individual retirement annuity described in Code section 408(b), an annuity plan described in Code section 403(a), or a qualified trust described in Code section 401(a), that accepts a distributee’s eligible rollover distribution. The term “eligible retirement plan” shall also mean an annuity contract described in Code section 403(b) and an eligible plan under Code section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan. The general definition of “eligible retirement plan” shall also apply in the case of a distribution to a surviving spouse, or to a spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code section 414(p).
- (3) For purposes of subsection (1), an “eligible rollover distribution” is any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the distributee or the joint lives (or joint life expectancies)

of the distributee and the distributee's designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Code section 401(a)(9); any distribution made upon the hardship of a member or beneficiary; any distribution which is less than \$200; and the portion of any other distribution(s) that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

A portion of a distribution shall not fail to be an "eligible rollover distribution" merely because the portion consists of after-tax employee contributions which are not includible in gross income. However, such portion may be transferred only to (1) an individual retirement account or annuity described in Code section 408(a) or Code section 408(b); (2) for taxable years beginning after December 31, 2001 and before January 1, 2007, to a qualified trust which is part of a defined contribution plan that agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible; or (3) for taxable years beginning after December 31, 2006, to a qualified trust or to an annuity contract described in Code section 403(b), if such trust or contract provides for separate accounting for amounts so transferred (including interest thereon), including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible. Effective for distributions after December 31, 2007, a portion of a distribution shall not fail to be an "eligible rollover distribution" merely because it is transferred to a Roth individual retirement account as described in Code section 408A(a).

- (4) The election and rollover of an "eligible rollover distribution" shall be effected in a manner consistent with Code section 401(a)(31).
- (5) Notwithstanding the foregoing, effective August 31, 2007, a non-spouse beneficiary may elect to make a direct rollover to an inherited individual retirement account or annuity described in Code section 408(a) or Code section 408(b) that is established on behalf of the beneficiary. Such rollover shall be made in a manner consistent with the Code section 402(c)(11) and any other applicable guidance.
- (6) Notwithstanding any provision of the Plan to the contrary, if a terminated member does not make a distribution election and the value of the terminated member's accrued benefit exceeds \$1,000 on the actual date of distribution, to the extent required by Code section 401(a)(31)(B), such amount shall be distributed in a direct rollover to an individual retirement plan in accordance with Code section 401(a)(31)(B), as soon as administratively practicable after the member's termination date.

- (7) Notwithstanding any provision of the Plan to the contrary, the Plan shall comply with Code section 401(a)(31) and applicable Treasury Regulations thereunder.

B. Prior Policy

Notwithstanding any provision of the Plan to the contrary, the Plan shall comply with Code section 401(a)(31) and applicable Treasury Regulations thereunder.

III. Effective Date:

This Policy is originally effective as of January 1, 1993.

**Legislative Retirement System
of North Carolina Policies**

Date: _____

Policy Number: 2016-10

Topic: Vesting – Pre-ERISA Code Sections 401(a)(4) and 401(a)(7)

I. Purpose:

To clarify Section 120-4.30 of the General Statutes and to provide that the Legislative Retirement System of North Carolina (the “Plan”) will meet the requirements of pre-ERISA sections 401(a)(4) and 401(a)(7) of the Internal Revenue Code of 1986, as amended (the “Code”) which requires 100% vesting in the event of termination of the Plan or a complete or permanent discontinuance of contributions.

II. Policy:

Notwithstanding any provision of the Plan to the contrary, the Plan must meet the vesting requirements of Code section 401(a)(4) and Code section 401(a)(7) as in effect on September 1, 1974. In the event of the termination of Plan or a complete or permanent discontinuance of contributions thereunder, any individual who is a member at such time shall be 100% vested in his or her accrued benefits under the Plan to the extent required by Code section 401(a)(7) as in effect on September 1, 1974.

III. Effective Date:

This Policy is effective as of the date on which pre-ERISA Code sections 401(a)(4) and 401(a)(7) or a predecessor thereto first applied to the Plan.

**Legislative Retirement System
of North Carolina Policies**

Date: _____

Policy Number: 2016-11

Topic: Trust Requirement – Code Section 401(a)(1)

I. Purpose

To clarify Section 120-4.9 of the General Statutes and to affirm contributions made to the Legislative Retirement System of North Carolina (the “Plan”) are made to a trust for the purpose of distributing the trust’s principal and income to members in accordance with the Plan.

II. Policy

Contributions to the Plan will be made to a trust for the purpose of distributing the trust’s principal and income to members in accordance with the Plan.

III. Effective Date

This Policy is effective as of the date on which Code section 401(a)(1) or a predecessor thereto first applied to the Plan.

**Legislative Retirement System
of North Carolina Policies**

Date: _____

Policy Number: 2016-12

Topic: Exclusive Benefit and Reversions – Code Section 401(a)(2)

I. Purpose:

To clarify that, in accordance with section 401(a)(2) of the Internal Revenue Code of 1986, as amended (the “Code”), the corpus or income of the trust fund of the Legislative Retirement System of North Carolina (the “Plan”) may not be diverted to or used for purposes other than for the exclusive benefit of members and beneficiaries, prior to the satisfaction of all liabilities under the Plan and to clarify Section 120-4.9 of the General Statutes.

II. Policy:

Notwithstanding any other provision of law, no funds in the retirement fund shall be expended for any purpose other than the expense of administration of the system, investments for the benefit of the system, and the provision of benefits to the members and retired members of the system and their survivors and beneficiaries; provided, however, that reversions will be permitted to the extent allowed under the Code and any related guidance thereunder, including, but not limited to, a mistake of fact as permitted under applicable Internal Revenue Service guidance.

III. Effective Date:

This Policy is effective as of the date on which Code section 401(a)(2) or a predecessor thereto first applied to the Plan.

**Legislative Retirement System
of North Carolina Policies**

Date: _____

Policy Number: 2016-13

Topic: Maximum Compensation – Code Section 401(a)(17)

I. Purpose

To affirm that the Legislative Retirement System of North Carolina (the “Plan”) will comply with the requirements of section 401(a)(17) of the Internal Revenue Code of 1986, as amended (the “Code”) and to clarify Section 120-4.31(a) of the General Statutes.

II. Policy

Notwithstanding any provision of the Plan to the contrary, the Plan shall comply with Code section 401(a)(17) and any applicable Treasury Regulations thereunder, including, but not limited to, the special rules applicable to pre-July 1, 1996, Members of the Plan. For plan years prior to the 2002 plan year, the applicable Code section 401(a)(17) limit shall be \$200,000.

III. Effective Date

This Policy is effective as of July 1, 1996.