

MEMORANDUM

TO: NC Supplemental Retirement Board of Trustees

FROM: Reid Chisholm, Assistant General Counsel

DATE: May 6, 2020

SUBJECT: Amendment to the plan document for the NC 457 Plan

The plan document for the NC 457 Plan includes the following distribution option:

“Payments equal to payments made by the issuer of a retirement annuity policy acquired by the Employer...”

Prudential Retirement interpreted this provision as the sale of a Prudential annuity to a participant. Over the last 5 years four annuities have been provided to participants in the NC 457 Plan.

However, the Department’s interpretation of the plan document is that this provision is intended to provide distributions based on calculations pursuant to an annuity – not the actual sale of an annuity to a participant. The Department has instructed Prudential Retirement to cease offering annuities as a distribution option for participants in the NC 457 Plan, and Prudential Retirement has ceased such sales.

However, Prudential Retirement does not offer a distribution based on calculations pursuant to an annuity; therefore, staff recommends that the Board approve the amendments in the attachment, which remove the distribution option referenced above.

Attachment – Amendments to the Plan Document for the NC 457 Plan

**North Carolina Public Employee Deferred Compensation Plan
(NC 457 Plan)**

Revised May 28, 2020



Section 5.2 Payment Options

As provided in Sections 5.1, 5.4 and 5.5, a Participant or Beneficiary may elect to have the value of the Participant's Account distributed in accordance with one of the following payment options, provided that such option is consistent with the limitations set forth in Section 5.3:

- (a) Equal monthly, quarterly, semi-annual or annual payments in an amount chosen by the Participant, continuing until his or her Account is exhausted;
- (b) One lump-sum payment or a partial lump-sum payment of at least \$500;
- (c) Approximately equal monthly, quarterly, semi-annual or annual payments, calculated to continue for a period certain chosen by the Participant or Beneficiary;
- (d) Annual payments equal to the life-expectancy-based minimum distributions required under Code § 401(a)(9), including the incidental death benefit requirements of Code § 401(a)(9)(G);
- (e) [Intentionally Left Blank];
- (f) A split distribution under which payments under options (a), (b), (c) or (e) commence or are made at the same time, as elected by the Participant under Section 5.1, provided that all payments commence (or are made) by the latest benefit commencement date under Section 5.1;
- (g) A split distribution under which payments under options (a), (b), (c) or (e) commence or are made at different times, as elected by the Participant or Beneficiary, as applicable, provided that all payments commence (or are made) by the latest benefit commencement date required under the Plan; and
- (h) Subject to Section 5.3, any payment option elected by the Participant or Beneficiary, as applicable, and agreed to by the Plan Administrator and Third-party Administrator.

If a Participant or Beneficiary fails to make a timely election of a payment option, benefits shall be paid (1) in a lump sum or as otherwise permitted by the Plan, as selected by the Plan Administrator; or (2) as required by Applicable Law.