



North Carolina
Total Retirement Plans
401k | 457 | 403b



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STATE TREASURER OF NORTH CAROLINA
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DRAFT MINUTES
SUPPLEMENTAL RETIREMENT BOARD OF TRUSTEES

A special meeting of the Supplemental Retirement Board of Trustees was called to order at 2:00 p.m., April 20, 2020, by the Acting Chair, Executive Director Tom Causey, on behalf of State Treasurer Dale R. Folwell, CPA. The meeting was held via teleconference. The Chair indicated there would be a public comment period for organizations and individuals to address the Board later in the agenda.

Members Present

The board members present via telephone were: Executive Director Tom Causey, Acting Chair, Treasurer Dale R. Folwell, Melinda Baran, Steve Beam, Lorraine Johnson, Michael Lewis, Nigel Long, Jim Lumsden, Nels Roseland, and Chevella Thomas.

Members Absent

All members were present.

Guests Present

The guests attending were: Greg Wilcox from BNYMellon, Elizabeth Hood from Callan, Ann Cashman, Mary Conti, Matt Herrmann, Aaron Koval, and Michael McCann from Prudential. Pete Langanki from Galliard.

Department of State Treasurer Staff Present

The staff members present were: Mary Buonfiglio, Reid Chisholm, Chris Farr, Christy Farrelly, Joan Fontes, Patti Hall, Alan Jaquith, Rekha Krishnan, Fran Lawrence, Loren de Mey, April Morris, and Sam Watts.

Ethics Awareness and Identification of Conflicts or Potential Conflicts of Interest

The Acting Chair asked, pursuant to the ethics rules, about conflicts of interest of board members. No conflicts of interest were identified by the board members.

Adoption of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provisions

The Acting Chair recognized Ms. Mary Buonfiglio to present the agenda for this special board meeting. Ms. Buonfiglio presented the agenda as reviewing and discussing the adoption of modifications to the plan documents for the Supplemental Retirement Plans to allow for adoption of provisions provided in the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 3/27/2020. She shared that some provisions of the CARES Act are optional and some are automatic. Ms. Mary Buonfiglio said the meeting materials had been provided in advance to the Board via Directorpoint. No members had any difficulty accessing the materials.

Ms. Buonfiglio presented and explained the coronavirus-related distributions (CRDs) & Loans Decision Tree and the various topics to be discussed, including distributions, loans, maximum dollar amounts of distributions and loans, self-certification, and loan payment deferrals.

Ms. Buonfiglio presented the SRP staff recommendation that the Board not increase the maximum loan amount from the current maximum of the lesser of \$50,000 or 50% of the participant's account balance. Staff supported CRDs but recommended that withdrawal amounts be capped at \$50,000. Ms. Buonfiglio reminded the board that the primary purpose of the Supplemental Retirement Plans is to help members prepare for retirement readiness. She shared that typically less loan availability has led to greater retirement readiness among our members.

A robust discussion ensued among board members. Board members presented a consensus that they preferred to offer the greatest amount of flexibility to participants unless there is a very compelling reason for not doing so. Mr. McCann from Prudential shared that Prudential is seeing a range of responses from their clients, depending on industry and geographic location. At this point, only a few employers have inquired about the process of reducing employer contributions.

The Treasurer shared that he believes it is not too early to say that the depth and breadth of the impact on the state budget from Covid-19 is unlike anything we have seen before and that revenue has fallen off a cliff. Mr. Roseland shared that local government entities are experiencing significant strains on income, especially with the drop in sales tax revenue.

The Executive Director commented on the impact of loans and withdrawals on retirement readiness and stated that the impact on people's lives will be felt for years to come.

Ms. Buonfiglio clarified the discussion on loans, explaining that members are borrowing their own money and the plans are not negatively impacted by a member's failure to repay the loan. She also explained that any participants whose retirement accounts are "Bailey vested" could be impacted if they withdraw their entire account balance. The account would then be considered closed. The participants would no longer have the benefit of Bailey vesting in the future with any new retirement plan contributions.

Ms. Buonfiglio explained that any corona-related distributions (CRDs) or loans must be completed by participants calling and speaking to a representative at Prudential and certifying over the telephone that they are eligible for a CRD. At this point, online options would not be offered. She also clarified that Prudential representatives are empowered to educate members, but may not provide financial advice.

At the request of the Acting Chair, Reid Chisholm presented the Draft Resolution for Discussion of CARES Act Adoption and suggested a motion, based on the preceding discussion, that the Resolution be modified to increase the maximum CRD withdrawal and loan amounts to \$100,000 and to permit CRD-eligible participants to take a second loan only during the 180-day period beginning on 3/27/2020.

On behalf of the Acting Chair, Mr. Chisholm presented a motion to change Section A of the Draft Resolution to permit coronavirus-related distributions up to \$100,000. Mr. Nels Roseland so moved, and Mr. Steve Beam seconded. The motion passed unanimously. All of the votes at the meeting were roll call votes.

The Chair entertained a motion to approve Section A of the Draft Resolution, permitting coronavirus-related distributions. Ms. Melinda Baran so moved, and Ms. Chevella Thomas seconded. The motion passed unanimously.

The Chair entertained a motion to approve Section B of the Draft Resolution, permitting repayment of coronavirus-related distributions. Mr. Beam so moved, and Mr. Jim Lumsden seconded. The motion passed unanimously.

The Chair entertained a motion to approve Section C of the Draft Resolution, permitting loans under the provisions of the CARES ACT and to permit a second loan to CRD-eligible participants. Mr. Beam so moved, and Ms. Lorraine Johnson seconded. All were in favor, except for Ms. Chevella Thomas, who voted against this provision. The motion passed with one dissent.

The Chair entertained a motion to approve all remaining sections of the Draft Resolution, covering deferral of loan payments, participant self-certification, authorizing SRP staff to draft the amendment, and authorizing SRP staff to take administrative steps to implement the Resolution. Ms. Baran so moved, and Ms. Thomas seconded. The motion passed unanimously.

Mr. Chisholm stated that the Draft Resolution had been approved as amended and that he would send out the final version.

The Treasurer thanked the Board for their work and their expertise.

The Acting Chair stated that the next board meeting will be held on Thursday, May 28, 2020, at 9:00 a.m. ET and shared that he will advise regarding format for the next meeting.

Board of Trustees Comments

No comments were offered.

Public Comments

No comments were offered.

Adjournment

There being no further business before the Board, the meeting was adjourned by acclamation at 3:42 p.m.

Chair

Secretary

RESOLUTION OF THE SUPPLEMENTAL RETIREMENT BOARD OF TRUSTEES

WHEREAS, the North Carolina Department of State Treasurer (the “Department”) and the North Carolina Supplemental Retirement Board of Trustees (the “Board”) administer the Supplemental Retirement Income Plan of North Carolina (the “NC 401(k) Plan”), the North Carolina Public Employee Deferred Compensation Plan (the “NC 457 Plan”), and the North Carolina Public School Teachers’ and Professional Educators’ Investment Plan (the “NC 403(b) Program,” and with the NC 401(k) and NC 457 Plans, the “Supplemental Retirement Plans”);

WHEREAS, the NC 401(k) Plan and the NC 457 Plan are defined contribution plans sponsored by the State of North Carolina in which state and local governmental employers in North Carolina participate;

WHEREAS, the NC 403(b) Program offers investment options and recordkeeping services, and an optional plan document, to North Carolina school districts and community colleges that sponsor defined contribution plans under Internal Revenue Code (the “Code”) section 403(b);

WHEREAS, the mission of the Supplemental Retirement Plans is to promote the retirement goals and retirement readiness of the current and former North Carolina public servants, and their beneficiaries, who comprise the plans’ participants;

WHEREAS, in general, distributions from the NC 401(k) Plan are allowed only upon a participant’s (1) retirement or other termination of employment; (2) obtaining the age of 59½; or (3) hardship (as provided in the Code);

WHEREAS, in general, distributions from the NC 457 Plan are allowed only upon a participant’s (1) retirement or other termination of employment; (2) obtaining the age of 70½; or (3) unforeseen emergency (as provided in the Code);

WHEREAS, distributions from the 403(b) plans that participate in the NC 403(b) Program are established by the school districts and community colleges that sponsor the plans, consistent with the requirements of the Code, which in general permit distributions only as listed above for the NC 401(k) Plan;

WHEREAS, the Supplemental Retirement Plans allow participants to take loans from their accounts up to the maximum amount permitted by the Code;

WHEREAS, the Federal Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), enacted on March 27, 2020, creates special distribution and loan opportunities in defined contribution plans for certain plan participants who are affected by the current coronavirus pandemic;

WHEREAS, the CARES Act allows plan sponsors to implement these special distribution and loan opportunities immediately, while giving sponsors of governmental plans until December 31, 2024 to amend plan documents to incorporate these provisions;

WHEREAS, the Board wishes to support those participants affected by the current coronavirus pandemic while continuing to support the retirement goals and retirement readiness of the participants in the Supplemental Retirement Plans;

WHEREAS, the Board wishes to permit participants to take coronavirus-related distributions (as defined in the CARES Act, "CRDs") up to a maximum of \$100,000 from the NC 401(k) Plan and the NC 457 Plan;

WHEREAS, the Board wishes to permit a participant to repay a CRD within three years of taking the distribution, regardless of whether the participant took the CRD from a Supplemental Retirement Plan or another eligible plan;

WHEREAS, the Board wishes to amend the *Loan Policy for the NC 401(k) and NC 457 Plans* (the "Loan Policy") to the provisions of the CARES Act that defer the loan repayments of certain CRD-eligible participants for one year;

WHEREAS, the Board wishes to permit participants to self-certify that they are CRD-eligible, as provided in the CARES Act;

WHEREAS, the Board wishes to support CRDs and the repayment of CRDs for those 403(b) plans in the NC 403(b) Program that elect to offer them;

WHEREAS, the Board acknowledges that guidance and regulations from the Federal government regarding these CARES Act provisions ("Federal Guidance") have yet to be promulgated and recognizes the regulatory and compliance uncertainty regarding the implementation of these provisions, but in order to assist those who are affected by the current coronavirus pandemic, the Board wishes to proceed as quickly as administratively possible to implement these provisions in the Supplemental Retirement Plans

NOW, THEREFORE, be it

RESOLVED, that:

A. Coronavirus-related Distributions

1. Through December 31, 2020, participants in the NC 401(k) Plan and the NC 457 Plan shall be permitted to take coronavirus-related distributions ("CRDs"), as defined in Section 2202(a)(4)(A) of the CARES Act, up to a maximum of \$100,000. The \$100,000 maximum is a combined maximum between the NC 401(k) Plan and the NC 457 Plan.
2. The NC 403(b) Program shall provide CRDs to participants to the extent that sponsors of the participating 403(b) plans permit CRDs, consistent with the CARES Act and the Code. The amount of any CRDs taken by a participant from the NC 403(b) Program shall be deducted from the \$100,000 maximum that the participant is permitted to take in CRDs from the NC 401(k) and NC 457 Plans.

B. Repayment of Coronavirus-related Distributions

1. Within three years of taking a CRD from one of the Supplemental Retirement Plans, a participant shall be permitted to repay the amount of the CRD to one of the Supplemental Retirement Plans to the extent provided in Section 2202(a)(3) of the CARES Act.

2. Within three years of taking a CRD from a plan other than one of the Supplemental Retirement Plans, a participant shall be permitted to repay the amount of the CRD to one of the Supplemental Retirement Plans to the extent provided in Section 2202(a)(3) of the CARES Act.

C. Increased Loan Maximum

1. For 180 days beginning on March 27, 2020, raise the maximum loan amount for CRD-eligible participants to the lesser of \$100,000 or 100% of the participant's account balance.
2. Permit a CRD-eligible participant to take a second loan for 180 days beginning on March 27, 2020.

D. Deferral of Loan Repayments

1. The Board hereby incorporates into the Loan Policy the provisions of Section 2202(b)(2) of the Cares Act, which extends the loan term by one year for CRD-eligible participants who have a loan repayment date scheduled for the period between March 27, 2020 and December 31, 2020 (the "Loan Deferral Provisions")
2. The Board directs the Department and Prudential Retirement Insurance and Annuity Company ("Prudential"), the third-party administrator for the Supplemental Retirement Plans, to implement the Loan Deferral Provisions in the administration of the Loan Policy for CRD-eligible participants who request a loan deferral on or before December 31, 2020.

E. Self-certification by Participants

1. The Supplemental Retirement Plans shall permit a participant to self-certify, without the need of supporting documentation, that the participant satisfies the requirements for a CRD in Section 2202(a)(4)(A)(ii).
2. The Supplemental Retirement Plans may rely on a participant's self-certification, without further inquiry, that the participant satisfies the requirements for a CRD in Section 2202(a)(4)(A)(ii).

F. Amendments to Plan Documents

1. The Department shall draft amendments to the plan documents of the Supplemental Retirement Plans and the Loan Policy to incorporate the provisions and implementation of this resolution.
2. The Department shall present such amendments to the Board for approval on or before December 31, 2020, unless otherwise directed by the Board.

G. Direction and Authorization

1. The Department and Prudential shall implement this resolution according to the CARES Act, the Code, and any Federal Guidance.

2. The Board directs and authorizes staff to take any reasonable administrative measures that are necessary or advisable to implement this resolution, including directions to Prudential.
3. At the next regularly scheduled Board meeting (currently scheduled for May 28, 2020), the Department shall provide an update regarding the implementation of this resolution.

Approved by the Board, this 20th day of April, 2020.

/s/ Mary Buonfiglio

Mary Buonfiglio, Secretary
North Carolina Supplemental Retirement Board of Trustees