



RETIREMENT SYSTEMS DIVISION

STEVEN C. TOOLE
EXECUTIVE DIRECTOR

MEMORANDUM

TO: Supplemental Retirement Board of Trustees

FROM: Reid Chisholm, Assistant General Counsel

DATE: December 6, 2018

SUBJECT: Relief for victims of Hurricanes Florence and Michael

The Internal Revenue Service has announced that the relief provided last year for victims of Hurricane Maria and the California wildfires (Announcement 2017-15) is available for victims of Hurricanes Florence and Michael. The relief for Hurricanes Florence and Michael is similar to the relief provided by the IRS, and approved by the board, for Hurricane Harvey in 2017, Hurricane Matthew in 2016, and Hurricane Sandy in 2012.

The IRS's announcement grants temporary relief to plan sponsors to provide loans and hardship distributions to victims of Hurricanes Florence and Michael. In particular,

1. The relief applies to any hardship resulting from Hurricane Florence or Michael, not just the types included in the plan documents or applicable statutes or regulations;
2. Plan administrators are not required to follow the documentation and other procedural requirements for loans and hardships so long as they make a good faith, diligent effort under the circumstances to do so and they make a reasonable attempt to assemble the required documentation as soon as practicable;
3. The distributions must be made no later than March 15, 2019; and
4. No post-distribution contribution restrictions are required.

The relief applies to a plan participant whose:

1. Principal residence on the incident date as specified by FEMA (e.g., September 7, 2018 for Hurricane Florence in North Carolina, the "Incident Date") was located in one of the counties that have been identified for individual assistance by FEMA because of the devastation caused by Hurricane Florence or Michael (the "Covered Area"); or
2. Place of employment was located in the Covered Area on the Incident Date; or

3. Lineal ascendant or descendant, dependent, or spouse had a principal residence or place of employment in the Covered Area on the Incident Date.

The IRS announcement allows plan sponsors to amend plan documents retroactively to incorporate the relief. The board would have until December 31, 2020 to make any necessary revisions to the plan documents, although staff expects to present plan amendments to the board at its meeting on March 21, 2019.

Staff recommends that the board approve the implementation of the hardship withdrawal relief granted by the IRS for Hurricanes Florence and Michael in the NC 401(k) Plan and the NC 457 Plan. Participants are already permitted to take one loan in the NC 401(k) Plan and one in the NC 457 Plan, and staff does not recommend adding an additional loan specifically for hurricane relief.