



## MEMORANDUM

TO: Supplemental Retirement Board of Trustees

FROM: Reid Chisholm, Assistant General Counsel

DATE: December 1, 2022

SUBJECT: Proposed revisions to the Policies for Participants and Employers

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In August 2021, the Board adopted the Policies for Participants and Employers, which consist of the Policy Statement and 10 policies that directly affect the Supplemental Retirement Plans' ("SRP") participants and participating employers, as well as employers and employees who are considering participation. The policies are before the Board for the consideration of proposed revisions and for the review of the policies more generally.

Staff has reviewed the policies and proposes the following revisions:

1. Permitting plan beneficiaries to name beneficiaries;
2. Changing references to Prudential Retirement to Empower;
3. Removing references to the NC 403(b) Program; and
4. Updating the URL for SRP's participant website to [www.myNCPlans.com](http://www.myNCPlans.com).

The revision to permit beneficiaries to name beneficiaries is a companion to the proposed plan document revisions to the same effect.

The revisions affect the Policy Statement and nine of the 10 policies; only the Policy on Employer Participation did not require revision.

The Policies for Participants and Employers are attached to this memo in their entirety for the Board's review. The revisions are tracked.

The policies are posted [here](#) on the Board's web page on [www.myncretirement.com](http://www.myncretirement.com).

### **Recommendation**

Staff recommends the Board adopt the revisions to the Policies for Participants and Employers that are attached to this memo.

**Attachment – Policies for Participants and Employers with Revisions**



## POLICY STATEMENT

### North Carolina Supplemental Retirement Plans

Adopted: August 26, 2021

Last Revised: ~~December 1, 2022~~ August 26, 2021

The North Carolina Supplemental Retirement Plans are voluntary defined contribution retirement plans that are offered as an optional employment benefit to state and local governmental employees. The plans, which are tax-advantaged under various provisions of the Internal Revenue Code, consist of the Supplemental Retirement Income Plan of North Carolina (NC 401(k) Plan), ~~and the North Carolina Public Employee Deferred Compensation Plan (NC 457 Plan), and the North Carolina Public School Teachers' and Professional Educators' Investment Plan (NC-403(b) Program).~~ The Supplemental Retirement Plans are created by the North Carolina General Statutes and are governed by state statutes as well as the Internal Revenue Code.

N.C.G.S. Ch. 135, Art. 5 creates the Supplemental Retirement Board of Trustees as an independent governing body with a fiduciary duty to administer the plans – which includes administering the plans for the exclusive benefit of participants and beneficiaries. To this end, the Board has adopted plan documents for the Supplemental Retirement Plans, as required by federal law. In addition, the Board has adopted the following policies:

1. Participants and Beneficiaries;
2. Employer Participation;
3. Participant Contributions;
4. Employer Contributions;
5. Investments and Accounts;
6. Distributions;
7. Loans;
8. Domestic Relations Orders;
9. Plan Administration; and
10. Complaints and Requests.

The Board holds regularly scheduled public meetings each quarter, as well as special meetings as needed. The Board's Audit Subcommittee also meets twice per year. The meeting schedule, agenda, and materials are available at [www.myncretirement.com/governance/boards-trustees-and-committees/supplemental-retirement-board-trustees-meetings](http://www.myncretirement.com/governance/boards-trustees-and-committees/supplemental-retirement-board-trustees-meetings).

The Board and the Department may be contacted by email to [supplementalboard@nctreasurer.com](mailto:supplementalboard@nctreasurer.com) or by mail to North Carolina Department of State Treasurer, Attention: Supplemental Retirement Plans, 3200 Atlantic Avenue, Raleigh, NC 27604.



The plan documents and policies for the Supplemental Retirement Plans are available at [www.myncretirement.com/governance/boards-trustees-and-committees/supplemental-retirement-board-trustees-meetings](http://www.myncretirement.com/governance/boards-trustees-and-committees/supplemental-retirement-board-trustees-meetings).

Additional information about the Supplemental Retirement Plans is available at [www.myNCPlans.com](http://www.myNCPlans.com)~~https://ncplans.retirepru.com~~ and [www.myncretirement.com/supplemental-retirement-plans](http://www.myncretirement.com/supplemental-retirement-plans).

Additional information for employers is available at [www.myNCPlans.com](http://www.myNCPlans.com) under “Information for Employers.”~~https://ncplans.retirepru.com/employer.html~~.

References in the policies to the “recordkeeper” refer to the vendor retained by the Board and the Department to provide administrative services for the Supplemental Retirement Plans related to contributions, distributions, investments, and accounts. As of the date of this Policy Statement, the recordkeeper for the Supplemental Retirement Plans is ~~Empower~~~~Prudential Retirement~~. ~~Prudential Retirement~~~~Empower~~ may be contacted by telephone at 866-NCPlans (866-627-5267). In addition, contact information for ~~Empower’s~~~~Prudential Retirement’s~~ Retirement Education Counselors is available at ~~under “Information for Employers.”~~~~https://ncplans.retirepru.com/counselors.html~~.

Revision History and Effective Dates

Version	Effective Date	Description of Changes
1.0	August 26, 2021	Original version
<u>1.1</u>	<u>December 1, 2022</u>	<u>Changed Prudential Retirement to Empower, removed reference to NC 403(b) Program, and updated URL (www.myNCPlans.com).</u>

Approved by the North Carolina Supplemental Retirement Board of Trustees:

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Secretary of the Board

# POLICY ON COMPLAINTS AND REQUESTS

## North Carolina Supplemental Retirement Plans

Adopted: August 26, 2021

Last Revised: ~~December 1, 2022~~ August 26, 2021

### Scope

This policy covers the process for submitting and responding to complaints, requests for policy and plan document changes, and requests for the interpretation and application of policies and plan document provisions. Participants, employers, and eligible employees may submit complaints and requests. Complaints may be submitted to the Department, the Board, or the recordkeeper. Requests must be submitted to the Department or the Board. The Board may vote to waive any provision of this policy.

### Contact Information

Complaints and requests must be submitted by one of the methods listed below.

1. Complaint submissions to the recordkeeper (~~EmpowerPrudential Retirement~~)
  - a. By email to ~~ncplans@empower.com~~[ncplans@prudential.com](mailto:ncplans@prudential.com)
  - b. By email to a Retirement Education Counselor (REC). Contact information for each REC is available at [www.myNCPlans.com](http://www.myNCPlans.com) under “Information for Employers.” ~~https://ncplans.retirepru.com/counselors.html~~
  - c. By mail to ~~EmpowerPrudential Retirement~~, Attention: NC Supplemental Retirement Plans, P.O. Box 5340, Scranton, PA 18505
2. Complaint and request submissions to the Department
  - a. By email to [supplementalboard@nctreasurer.com](mailto:supplementalboard@nctreasurer.com)
  - b. By mail to North Carolina Department of State Treasurer, Attention: Supplemental Retirement Plans, 3200 Atlantic Avenue, Raleigh, NC 27604
3. Complaint and request submissions to the Board
  - a. By email to [supplementalboard@nctreasurer.com](mailto:supplementalboard@nctreasurer.com)
  - b. By mail to North Carolina Department of State Treasurer, Attention: Supplemental Retirement Plans, 3200 Atlantic Avenue, Raleigh, NC 27604
  - c. At a Board meeting. The schedule of Board meetings is located at <https://www.myncretirement.com/governance/boards-trustees-and-committees/supplemental-retirement-board-trustees-meetings>.

### Complaints

1. The recordkeeper has the initial responsibility for receiving and attempting to resolve a complaint. If the recordkeeper is unable to resolve a complaint, then the recordkeeper will notify the Department.
2. In addition, a participant, employer, or eligible employee may submit a complaint to the Department at any time.

3. Departmental staff will attempt to resolve the complaint, either directly with the participant, employer, or eligible employee or in conjunction with the recordkeeper.
4. Staff will submit the complaint to the SRP Appeals Committee for a final agency decision if staff is unable to resolve the complaint or litigation is reasonably likely.
  - a. The members of the SRP Appeals Committee are the Executive Director of the Retirement Systems Division, the General Counsel (or designee), the Director of the Supplemental Savings Programs, the Assistant General Counsel for the Supplemental Retirement Plans, and the Compliance Officer for the Supplemental Retirement Plans. An attorney from the Office of the Attorney General may participate at the request of the Executive Director or the General Counsel. A majority of the members of the SRP Appeals Committee must participate in the decisions.
  - b. The SRP Appeals Committee will issue a written final agency decision to the participant, employer, or eligible employee within 15 business days but may extend the response period as necessary to collect additional information, consult with staff, the recordkeeper, and other parties, receive legal advice, or otherwise reach a decision.
  - c. The written final agency decision will include the specific reasons for the SRP Appeals Committee's decision.
  - d. The final agency decision will constitute the official final determination of the matter by the Department on behalf of itself and the Board.
5. A participant, employer, or eligible employee may appeal the Department's final agency decision to the extent, and in the manner, provided by North Carolina law.
- ~~6. For the NC 403(b) Program, the plan sponsor (i.e., the school district or community college) is responsible for resolving complaints that are not related to the services provided by the Department, the Board, or the recordkeeper.~~

**Requests for policy and plan document changes**

1. A request must be in writing and contain the following information:
  - a. The name, email address, mailing address, and telephone number of the requestor; and
  - b. The specific policy or plan document change that is being requested, which may include proposed text for the policy or plan document.
2. A requestor may submit additional information regarding the request, including the reason for the requested change and the cost and other expected effects of the requested change.

The additional information may be submitted in writing to the Department or the Board or in person at a Board meeting.

3. Review by the Department.
  - a. The Department will acknowledge a written request upon receipt.
  - b. The Department will review the request and respond to the requestor within 60 days; however, the Department may continue its consideration of the request for successive 30-day periods upon notice to the requestor.
  - c. If the Department denies the request, it will notify the requestor of its decision in writing (including email), including the reason(s) for the denial.
  - d. Alternatively, the Department may present the request to the Board for its consideration. The Department will notify the requestor of its decision and the meeting at which the Board will consider the request.
4. Initial Board meeting.
  - a. If the Department decides to present a request to the Board, the request will be included as soon as reasonably possible on the agenda for a quarterly Board meeting.
  - b. Alternatively, a requestor, including one whose request was denied by the Department, may present a request to the Board in person.
  - c. The written submission, if any, will be included in the Board's meeting materials, and the request and the Board's action will be recorded in the meeting minutes.
  - d. The Board may take one of the following actions:
    - i. Approve the request, either as presented or as amended;
    - ii. Deny the request; or
    - iii. Defer the request to the next quarterly Board meeting to allow time for public comments, the collection of additional information, and/or the drafting of proposed text by the Department.
5. If the Board defers a decision at the initial Board meeting, the Department will do the following pending the next quarterly Board meeting:
  - a. Post on the Department's website the request, including any proposed text, and the process for the public to provide written comments; and
  - b. Receive written comments on the request.

6. If the Board defers a decision at the initial Board meeting, then at the next quarterly Board meeting:
  - a. The request will be included on the agenda;
  - b. The Board's meeting materials will include the requestor's written submission, any public comments received by the Department, any proposed policy or plan document text, and any additional information from the Department regarding the request;
  - c. The Board will take one of the actions described in Part 4.d; however, if the Board again defers a final decision on the request, the Board will include in its deferral motion the specific reasons for the deferral; and
  - d. The action of the Board will be included in the meeting minutes.
7. The Department will communicate the Board's final decision to the requestor in writing.
8. The Board may vote to waive any provision of this section as part of its consideration of a request.
9. This section does not limit the right of the Board to make any change to any policy or plan document at any time.



## **Requests for policy and plan document interpretations and applications**

1. The section applies to requests by participants, employers, and eligible employees for the Department and the Board to do one of the following:
  - a. Resolve a conflict, or perceived conflict, between two provisions of a policy and/or plan document; or
  - b. Determine the application of a policy or plan document to a specific set of facts.
2. A request for interpretation (i.e., Part 1.a) must be in writing and contain the following information:
  - a. The name, email address, and mailing address of the requestor;
  - b. The specific policy and/or plan document provisions for which an interpretation is being requested; and
  - c. A specific statement of the conflict or perceived conflict for which an interpretation is being requested.
3. A request for application (i.e., Part 1.b) must be in writing and contain the following information:
  - a. The name, email address, mailing address, and telephone number of the requestor;
  - b. The specific policy and/or plan document provision for which a determination of application is being requested; and
  - c. A statement of the manner in which the requestor is affected, or thinks that the requestor may be affected, by the policy or plan document provision.
4. The Department is responsible for receiving, deciding, and responding to requests on behalf of the Board.
5. The Department will collect the information and involve the staff members and external parties that it considers necessary or beneficial to deciding the issue.
6. The Department will report requests and decisions to the Board at its quarterly meetings and may propose policy and plan document changes to the Board as a result of the requests.
7. This section does not limit the right of the Board to make any change to any policy or plan document at any time.

Revision History and Effective Dates

Version	Effective Date	Description of Changes
1.0	August 26, 2021	Original version
<u>1.1</u>	<u>December 1, 2022</u>	<u>Changed Prudential Retirement to Empower.</u>

Approved by the North Carolina Supplemental Retirement Board of Trustees:

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Secretary of the Board

## POLICY ON PLAN ADMINISTRATION

### North Carolina Supplemental Retirement Plans

Adopted: August 26, 2021

Last Revised: ~~August 26, 2021~~ December 1, 2022

1. The Department and the recordkeeper may provide a participant's name, mailing address, telephone number, email address, and account information, as well as other information applicable to the administration of the Supplemental Retirement Plans, to each other; to a vendor retained by the administrator or the third-party administrator; upon the request or consent of the participant; or as permitted or required by law. The recordkeeper is ~~Empower~~Prudential Retirement as of the date of this policy.
2. Forfeited contributions, and investment gains on the forfeited contributions, will be placed in a plan forfeiture account for the benefit of the employer that made the contributions. Funds in a forfeiture account can only be used by the employer to offset its future contributions to the plan.
3. The Department or the recordkeeper will impose an account restriction in the following situations:
  - a. The receipt of a domestic relations order, draft domestic relations order, or other court order that applies to the account;
  - b. The account contains, or may contain, funds from employer or employee contributions as a result of mistake or negligent or fraudulent act or omission;
  - c. The account contains funds that are subject to forfeiture pursuant to state or federal law, including employer contributions and court costs for convicted law enforcement officers pursuant to N.C.G.S. § 143-166.30(g1) or N.C.G.S. § 143-166.50(e2).
4. An account restriction prohibits a distribution from, or a change of investments in, an account or part of an account.
5. The Department or the recordkeeper will remove an account restriction upon one of the following, as applicable:
  - a. The administration of a domestic relations order;
  - b. In the case of a draft domestic relations order, after 90 days unless the Department or the recordkeeper receives a domestic relations order or other court order that applies to the account;
  - c. The receipt of a court order that removes an alternate payee's right to assets in the account;
  - d. The receipt of a court order that requires the removal of the account restriction; or

- e. Following the return of assets to an employer or the transfer of assets to an employer's forfeiture account.

Revision History and Effective Dates

Version	Effective Date	Description of Changes
1.0	August 26, 2021	Original version
<u>1.1</u>	<u>December 1, 2022</u>	<u>Changed Prudential Retirement to Empower.</u>

Approved by the North Carolina Supplemental Retirement Board of Trustees:

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Secretary of the Board

## **POLICY ON EMPLOYER PARTICIPATION**

### **North Carolina Supplemental Retirement Plans**

Adopted: August 26, 2021

Last Revised: August 26, 2021

1. An employer must provide the recordkeeper with the names and contact information of its employees who are responsible for working with the recordkeeper to administer the Supplemental Retirement Plans. The employer contacts include employees whom the employer has designated to manage payroll, to receive communications from the recordkeeper and the Department, to act on behalf of the employer, and to have access to information regarding the employer and its employees and participants. An employer is responsible for ensuring that the names and contact information of its employer contacts are current.
2. The Department and the recordkeeper are entitled to rely on the names and contact information of employer contacts that are on file with the recordkeeper.
3. An employer is responsible for receiving employees' deferral (contribution) elections and loan repayment amounts (collectively, "Employee Payments") as provided by the recordkeeper, withholding and processing Employee Payments, and remitting Employee Payments to the recordkeeper. An employer is also responsible for remitting any employer contributions to the recordkeeper.
4. An employer is responsible for providing the recordkeeper with a list of current eligible employees and their contact information (to the extent that an employer has such information) and employment status. As part of the foregoing responsibility, an employer must notify the recordkeeper of any change in employment or plan eligibility status of its employees who are participants, including retirement, other separation from employment, military service, other leave, and return from leave. An employer is responsible for ensuring that the information required by this paragraph is current.
5. An employer must use the recordkeeper's procedures, methods, and forms (whether electronic or paper) for remitting funds to the recordkeeper and exchanging information and communicating with the recordkeeper.
6. An employer must comply with the plan documents, policies, and state and federal laws for the Supplemental Retirement Plans. In addition, an employer must cooperate with the Department and the recordkeeper to ensure that the Supplemental Retirement Plans comply with the plan documents, policies, and state and federal laws for the Supplemental Retirement Plans, including providing the Department or the recordkeeper with participants' current and historical compensation, deferral, and loan repayment amounts.
7. If an employer fails to remit an employer or employee contribution to the recordkeeper that was required by a plan document or state or federal law, the employer is responsible for paying any such missed contributions, including any investment gains. The amount of

missed contributions, including any gains, will be calculated by the Department or the recordkeeper according to the plan document and state and federal law.

Revision History and Effective Dates

Version	Effective Date	Description of Changes
1.0	August 26, 2021	Original version

Approved by the North Carolina Supplemental Retirement Board of Trustees:

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Secretary of the Board

# POLICY ON EMPLOYER CONTRIBUTIONS

## North Carolina Supplemental Retirement Plans

Adopted: August 26, 2021

Last Revised: August 26, 2021

1. Employer contributions to the Supplemental Retirement Plans are permitted only as described in the plan documents.
2. Prior to providing employer contributions, an employer must submit a written description of the employer contributions program to the recordkeeper and receive written approval (including email) from the recordkeeper. The description must include the groups, if any, into which eligible employees are separated and the method for calculating contributions. The recordkeeper is ~~Prudential Retirement~~ **Empower** as of the date of this policy.
3. An employer is required to determine which, if any, of its employees are law enforcement officers, including for purposes of the contributions to the NC 401(k) Plan that are required by G.S. 143-166.30(e) and G.S. 143-166.50(e), and to notify the recordkeeper of such determinations and any changes to such determinations.

### Revision History and Effective Dates

Version	Effective Date	Description of Changes
1.0	August 26, 2021	Original version
<b><u>1.1</u></b>	<b><u>December 1, 2022</u></b>	<b><u>Changed Prudential Retirement to Empower.</u></b>

Approved by the North Carolina Supplemental Retirement Board of Trustees:

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Secretary of the Board

# POLICY ON PARTICIPATION AND BENEFICIARIES

## North Carolina Supplemental Retirement Plans

Adopted: August 26, 2021

Last Revised: ~~August 26, 2021~~ December 1, 2022

### Enrollment and Information

1. To enroll in a Supplemental Retirement Plan, a participant must use the process and complete the form (which may be online or by telephone) that are provided by the plans' recordkeeper. Paper forms must be received by the recordkeeper within 90 days of the participant's signature. The recordkeeper is ~~Empower~~Prudential Retirement as of the date of this policy.
2. A participant is responsible for providing, and keeping current, a current mailing address, telephone number, and email address to the recordkeeper. The Department and the recordkeeper are entitled to rely on a participant's contact information that is on file with the recordkeeper.
3. A participant must communicate with the recordkeeper by using the communication methods and procedures established by the recordkeeper.

### Beneficiaries

1. A participant, including an alternate payee or beneficiary who becomes a participant, may designate or change one or more beneficiaries. ~~A beneficiary who becomes a participant is not permitted to name a beneficiary.~~
2. To designate a beneficiary (including changing a beneficiary), a participant must use the process and complete the form (which may be online or by telephone) that are provided by the Department or the recordkeeper. Paper forms must be notarized and must be received by the recordkeeper within 90 days of the participant's signature.
3. If a participant designates two or more beneficiaries, then the participant must provide a percentage of the participant's account that each beneficiary shall receive. If the percentages are not provided by the beneficiary, then the beneficiaries shall receive equal shares. If the percentages do not equal 100%, then the beneficiary designations are invalid and will not replace the current beneficiary designations, if any, that are on file with the recordkeeper.
4. If a primary beneficiary pre-deceases the participant, then the beneficiary's share of the participant's benefit will be paid in equal shares to any remaining primary beneficiaries. If a contingent beneficiary pre-deceases the participant, then the beneficiary's share of the participant's benefit will be paid in equal shares to any remaining contingent beneficiaries. A "primary beneficiary" is a beneficiary that is first in line to receive the participant's account upon the death of the participant. A "contingent beneficiary" is a beneficiary that



receives the participant's account only if there is no living primary beneficiary at the time of the participant's death.

5. The estate of the participant shall be the beneficiary if, at the time of the participant's death, the participant has not designated a living beneficiary with the recordkeeper.
6. To claim as a beneficiary from a Supplemental Retirement Plan, a beneficiary must use the process and complete the form (which may be an online form) that are provided by the plans' recordkeeper. Paper forms must be received by the recordkeeper within 90 days of the participant's signature. The funds in a deceased participant's account shall be paid to a beneficiary's estate if the beneficiary survives the participant but dies before the recordkeeper receives a valid, timely beneficiary claim form from the beneficiary.
7. A beneficiary other than an estate may waive the right to receive a benefit payable under a plan.

### **Termination**

1. A person's participation in the NC 401(k) Plan is terminated only if the person has no assets in the NC 401(k) Plan *and* the person is no longer eligible to defer compensation into the NC 401(k) Plan. Participation in the NC 401(k) Plan *shall not terminate* due to separation from employment with one participating employer and beginning employment with another participating employer.
2. A person's participation in the NC 457 Plan is terminated only if the person has no assets in the NC 457 Plan *and* the person is no longer eligible to defer compensation into the NC 457 Plan. Participation in the NC 457 Plan *shall not terminate* due to separation from employment with one participating employer and beginning employment with another participating employer.

### **Revision History and Effective Dates**

Version	Effective Date	Description of Changes
1.0	August 26, 2021	Original version
<b>2.0</b>	<b>December 1, 2022</b>	<b>A beneficiary can name a beneficiary</b>

Approved by the North Carolina Supplemental Retirement Board of Trustees:

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Secretary of the Board

# POLICY ON PARTICIPANT CONTRIBUTIONS

## North Carolina Supplemental Retirement Plans

Adopted: August 26, 2021

Last Revised: ~~August 26, 2021~~ December 1, 2022

1. A participant is responsible for establishing and changing, including terminating, the amount of the participant's compensation that is contributed to a plan.
2. When establishing and changing contributions, participants must use the process and complete the form (which may be online or by telephone) that are provided by the Department or the plans' recordkeeper. Paper forms must be received by the plans' recordkeeper within 90 days of the participant's signature. The recordkeeper is ~~Prudential Retirement~~ Empower as of the date of this policy.
3. A participant may roll over (contribute) a distribution from the NC 401(k) Plan or another retirement plan to the NC 401(k) Plan to the extent permitted by Tax Code Section 402(c).
4. A participant may roll over (contribute) a distribution from the NC 457 Plan or another retirement plan to the NC 457 Plan to the extent permitted by Tax Code Section 402(c) and 457(e)(16).
5. Neither an alternate payee nor a beneficiary is permitted to contribute to the NC 401(k) Plan or the NC 457 Plan.

### Revision History and Effective Dates

Version	Effective Date	Description of Changes
1.0	August 26, 2021	Original version
<u>1.1</u>	<u>December 1, 2022</u>	<u>Clarified that alternate payees and beneficiaries are not permitted to contribute to the plans. Changed Prudential Retirement to Empower.</u>

Approved by the North Carolina Supplemental Retirement Board of Trustees:

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Secretary of the Board

## POLICY ON INVESTMENTS AND ACCOUNTS

### North Carolina Supplemental Retirement Plans

Adopted: August 26, 2021

Last Revised: December 1, 2022 August 26, 2021

1. The Supplemental Retirement Plans are voluntary, self-directed defined contribution plans, and participants are solely responsible for selecting their investments. For clarity, such responsibility is not diminished by the placement of a participant's assets in a plan's default investment or the transfer of assets pursuant to the elimination of an investment option.
2. When selecting their investments, participants must use the process and complete the form (which may be online or by telephone) that are provided by the Department or the plans' recordkeeper. Paper forms must be received by the recordkeeper within 90 days of the participant's signature. The recordkeeper is EmpowerPrudential Retirement as of the date of this policy.
3. Contributions to a participant's account in a Supplemental Retirement Plan are invested in the plan's default investment option (as described in the plan's investment policy statement), unless otherwise directed by the participant.
4. The Board and the Department may add, change, or eliminate a plan's investment options (including the investment mandates and underlying investment managers), default investment option, or asset allocation service. If an investment option, default investment option, or asset allocation service is eliminated, participants' assets will be moved to a replacement investment. The asset allocation service is GoalMaker as of the date of this policy.
5. The Board and the Department may re-enroll participants in the default investment option (including future contributions and current account balances). The Department will provide notice to participants prior to re-enrollment, and participants may opt out of re-enrollment by providing notice to the recordkeeper by using the process and form (which may be online or by telephone) provided by the Department of the recordkeeper. Re-enrollment may occur no more than once per year.
6. Participants will receive a paper and/or online account statement once every three months and ongoing online access to their account information.
7. Participants will have access to an online description of each investment option in the Supplemental Retirement Plans.

Revision History and Effective Dates

Version	Effective Date	Description of Changes
1.0	August 26, 2021	Original version
<u>1.1</u>	<u>December 1, 2022</u>	<u>Changed Prudential Retirement to Empower.</u>

Approved by the North Carolina Supplemental Retirement Board of Trustees:

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Secretary of the Board

## POLICY ON DISTRIBUTIONS

### North Carolina Supplemental Retirement Plans

Adopted: August 26, 2021

Last Revised: ~~August 26, 2021~~ December 1, 2022

1. To take a distribution from a Supplemental Retirement Plan, a participant must use the process and complete the form (which may be an online form) that are provided by the plans' recordkeeper. Paper forms must be received by the recordkeeper within 90 days of the participant's signature. The recordkeeper is ~~Prudential Retirement~~ Empower as of the date of this policy.
2. A participant may separate from employment with (including retiring from) one participating employer in the NC 401(k) Plan and then become employed by another participating employer in the NC 401(k) Plan. In such a situation, a participant is not permitted to take a distribution from the NC 401(k) Plan following re-employment with a participating employer, unless the participant is eligible for an in-service distribution under the Internal Revenue Code and the plan document. The same restriction applies to the NC 457 Plan as well.

#### Revision History and Effective Dates

Version	Effective Date	Description of Changes
1.0	August 26, 2021	Original version
<u>1.1</u>	<u>December 1, 2022</u>	<u>Changed Prudential Retirement to Empower.</u>

Approved by the North Carolina Supplemental Retirement Board of Trustees:

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Secretary of the Board

## POLICY ON LOANS

### North Carolina Supplemental Retirement Plans

Amended and Restated: August 26, 2021  
Last Revised: ~~December 1~~ May 26, 2022

#### 1. Loans Fees.

- a. Application fee. The recordkeeper will charge participants a one-time, nonrefundable application fee of \$60 for each new loan. The recordkeeper is ~~Empower~~ Prudential Retirement as of the effective date of this policy.
- b. Coupon book fee. The recordkeeper will a charge one-time, nonrefundable fee of \$100 for a coupon book and re-amortization following a participant's separation from employment. See Section 17.b below. The coupon book is an option offered by the recordkeeper as a convenience; a coupon book, and therefore the fee, are not required for a participant to repay a loan following separation from employment. This fee will not be charged if a participant establishes loan payments via ACH/EFT directly from the participant's bank.
- c. Maintenance fee. The plans do not charge a loan maintenance fee but may impose such fee by amending this policy. However, the maintenance fee will apply only to loans issued following the effective date of the fee.
- d. The Department or the Board may increase a fee, but such fee will apply only to loans issued following the effective date of the increased fee.

#### 2. Application Methods. Participants may apply for loans by telephone (866-627-5267) or online (~~www.myNCPlans.com~~ www.neplans.prudential.com).

#### 3. Disclosure of Outstanding Loans. When applying for a loan, a participant must notify the recordkeeper of the participant's defined contribution plan loans and their amounts, including any loans that have been deemed distributed, that are outstanding or that have been outstanding within the past 12 months, whether such loans are from the Supplemental Retirement Plans or other defined contribution plans.

#### 4. Maximum Loan Amount.

- a. A participant with an account balance of \$20,000 or less can borrow the lesser of (i) 100% of the account balance; or (ii) \$10,000.
- b. A participant with an account balance greater than \$20,000 can borrow the lesser of the following:

- i. \$50,000, reduced by the excess, if any, of the participant's highest outstanding loan balance from the Supplemental Retirement Plans during the one-year period ending on the day before the date on which such loan is made; or
    - ii. 50% of the participant's account balance.
  - c. Pursuant to Internal Revenue Code Sections 72(p)(2)(A) & (D), the maximum loan amount may be reduced by a participant's previous loans from defined contribution plans other than the Supplemental Retirement Plans. A participant is solely responsible for complying with these restrictions and reducing the requested loan amount from the Supplemental Retirement Plans accordingly.
5. Minimum Loan Amount. The minimum loan amount is \$1,000.
6. Maximum Number of Loans. A participant may have a maximum of one outstanding loan from each Supplemental Retirement Plan at any given time. An "outstanding loan" includes a loan for which a deemed distribution has occurred following a participant's default and the defaulted loan has not been repaid or offset.
7. Interest Rate. The interest rate for a loan is equal to the prime loan rate, as reported by the U.S. Federal Reserve on the last business day of the prior calendar quarter, plus one percentage point. The Department or the Board may change the method for determining the interest rate, but such change will apply only to loans issued following the effective date of the new method.
8. Term of a Loan.
  - a. General. The maximum term of a loan is five years, except as otherwise provided in this policy. The minimum loan term is one year.
  - b. Residential loan. Notwithstanding part (a), the maximum term of a loan is 15 years if the loan is used to acquire a participant's principal residence. In order to determine whether a loan will be used to purchase a participant's principal residence, a participant must submit the following to the recordkeeper: (i) a copy of the purchase contract; or (ii) a signed statement from the participant that the loan will be used to purchase or build the participant's principal residence within a specific period of time.
9. Refinancing. The refinancing of a loan is not permitted.
10. Timing of a Loan. No loan may be made to a participant sooner than seven calendar days after the satisfaction or termination of a prior loan (including offset) from the same Supplemental Retirement Plan.

11. Rollovers.

- a. A participant is prohibited from rolling over a loan from the participant's previous employer to the Supplemental Retirement Plans, and the Supplemental Retirement Plans will not accept such loans.
- b. A participant is prohibited from rolling over a loan from the Supplemental Retirement Plans to another plan and any attempt to do so will result in a default of the loan.
- c. Notwithstanding subsections (a) and (b), a participating employer may elect to transfer participants' loans to the Supplemental Retirement Plans as part of the transfer of participants' accounts from another plan subject to the approval of the Department and the recordkeeper.
- d. If a participant rolls over the entire account balance from one Supplemental Retirement Plan to another, then the participant also may roll over any loan in the account.

12. Note and Pledge/Assignment. A participant must agree to (a) the terms of the loan as set forth in a promissory note for the loan; and (b) the pledge or assignment of the portion of the participant's account balance that is used as security for the loan. Negotiation of the loan check by the participant signifies the participant's acceptance of the loan terms in (a) and the pledge or assignment in (b).

13. Spousal Consent. A participant is not required to obtain consent from his or her spouse to take a loan and use a portion of the participant's account balance as security for the loan amount, regardless of the amount of the participant's account balance.

14. Loan Fund (Account).

- a. All loans are made (i) in cash; (ii) from pre-tax contributions (to the extent sufficient to meet the loan amount); and (iii) on a proportionate basis from all of the participant's investments.
- b. The outstanding loan balance is segregated from the participant's account balance and held by the recordkeeper in a separate loan fund (or loan account).
- c. A loan is treated as a separate investment on behalf of the participant.

15. Investment of Repayments. Payments of principal and interest on a loan are credited to the participant's account balance and are invested according to the participant's investment allocation for current contributions. If the participant is not contributing to the plan at the



time of a repayment, then the repayment amount will be invested on a proportionate basis in all of the participant's investments.

16. Repayments While Employed.

- a. Loan repayments will begin as soon administratively practicable, but no later than two months, following the issuance of the loan.
- b. During a participant's employment with a participating employer in the Supplemental Retirement Plans, the employer will withhold loan repayments from the participant's pay according to the employer's payroll schedule and will remit the repayments to the recordkeeper.
- c. Notwithstanding part (b), a participant remains responsible for making loan repayments directly to the recordkeeper by check or other method (e.g., ACH/EFT) authorized by the Department of the Board. If the employer does not, or is unable to, withhold loan repayments from payroll and/or remit loan repayments to the recordkeeper, then to the extent authorized by the Department or the Board and approved by the recordkeeper, a participant may make loan repayments directly to the recordkeeper no less frequently than quarterly on a revised schedule of amount and payment dates calculated by the recordkeeper to repay the loan in full with interest and in substantially equal payments over the remaining original period of the loan.

17. Separation from Employment.

- a. Repayments. Following separation from employment, a participant may (i) repay the outstanding loan balance in full; or (ii) continue repaying the loan by making repayments directly to the recordkeeper by check or other method (e.g., ACH/EFT) authorized by the Department of the Board. If the participant elects to continue repaying the loan, then the participant must make regular payments no less frequently than quarterly on a schedule of amount and payment dates calculated to repay the loan in full with interest and in substantially equal payments over the remaining original period of the loan.
- b. Coupon book and re-amortization. To assist the participant in direct billing repayments following separation from employment, a participant may request a coupon book and a re-amortization of the loan from the recordkeeper, provided that the re-amortization requires payment dates and amounts calculated by the recordkeeper to repay the loan in full with interest and in substantially equal payments over the remaining original period of the loan. The recordkeeper charges a one-time, nonrefundable fee of \$100 for the coupon book and re-amortization. The participant must request the coupon book and re-amortization within 90 days of separation from employment.

- c. **Special Separation Allowance.** If the former employer of a retired law enforcement officer (“LEO”) pays Special Separation Allowance (“SSA”) payments to the LEO through the employer’s payroll, the employer may withhold loan payments from the LEO’s SSA payments unless otherwise notified in writing by the LEO.
  - d. **Deemed Distribution and Offset.** Following separation from employment, if a participant does not repay the loan as required by this section, then the recordkeeper will report the outstanding balance to the Internal Revenue Service as a distribution for tax purposes, and will offset the outstanding balance, on the sooner of (i) the date on which the participant takes a full distribution of the plan account; or (ii) the occurrence of a deemed distribution pursuant to Section 22.
18. **Prepayments.** A participant may repay a loan in full at any time without penalty. Any amount paid in excess of the scheduled payment will be applied first to interest and then to principal, unless otherwise specified by the participant. Prepayments will not change the amount or timing of subsequent payments due prior to payoff of the loan but will simply reduce the total number of payments to be made, unless otherwise specified by the participant.
19. **Suspension of Loan Repayments During a General Leave of Absence.** A participant with an outstanding loan balance may suspend repayments for up to 12 months for any period during which the participant is on an authorized leave of absence (i) without pay; or (ii) with reduced pay that is less than the required repayment amount. Upon the participant’s return to employment (or at the end of the 12-month period, if earlier), the participant shall resume making repayments on the loan, based on one of the following two alternatives.
- a. **Payment Alternative #1.** The participant may increase the monthly payments to an amount that is sufficient to repay the loan in full, including interest that accrues during the leave of absence, over the remaining term of the loan.
  - b. **Payment Alternative #2.** The participant may re-amortize the outstanding loan amount, including interest that accrues during the leave of absence, over a period not to exceed five (5) years from the original date of the loan (the “Five-Year Term”); provided that the payment amounts after the suspension period are not less than before the suspension.
20. **Suspension of Loan Repayments During Military Service.** A participant may elect to have loan repayments suspended during a period during which the participant is performing military service (i.e., service in the uniformed services). The payment alternatives in Item 19 apply to such participant, except that:
- a. The Five-Year Term may be extended by the amount of time the participant was performing military service; and
  - b. The interest rate may not exceed 6% during the period of military service; provided that the participant provides the recordkeeper with written notice and a copy of

his/her military orders no later than 180 days after the date the participant completes such military service.

21. Default and Grace Period.

- a. If a participant's loan repayment is not received from the employer or the participant as required by the repayment schedule, the loan will be considered in default, unless payment is made within the grace period.
- b. The grace period lasts 90 days after the date on which a loan repayment was due; however, the grace period may be extended by the Department to the end of the calendar quarter following the calendar quarter in which the repayment was originally due.
- c. Interest continues to accrue on the amount of the loan in default until the sooner of (i) the date that the loan is offset; or (ii) the date that loan repayments are made current.

22. Deemed Distributions. The recordkeeper will report the outstanding loan balance to the Internal Revenue Service as a deemed distribution upon the occurrence of one of the following:

- a. Failure to make a repayment within the grace period;
- b. Failure to repay the loan in full within 90 days of the participant's death;
- c. Any statement or representation by the participant in connection with the loan that is inaccurate or incomplete in any material respect;
- d. Failure by the participant to comply with the provisions of the note, this policy, and the plan document, other loan documentation, or applicable law (including the Internal Revenue Code); or
- e. Termination of the plan.

23. Offset.

- a. A loan that has been deemed distributed will be offset when the participant is entitled to an immediate distribution from his/her plan account balance of an amount that is at least equal to the outstanding loan balance.
- b. For the purpose of an offset, a loan default will be treated as an immediately distributable event to the extent that applicable law (including the Internal Revenue Code) does not prohibit an actual distribution of the type of contributions that would be offset.

- c. Prior to the offset of a defaulted loan, the participant may repay the outstanding loan balance (including accrued interest through the date of repayment), even if the loan has been deemed distributed and reported to the Internal Revenue Service.
- d. The amount of a loan that is offset is reported to the Internal Revenue Service as a distribution only to the extent that such amount was not reported previously.
- e. The amount of a loan that is offset does not include the interest that accrues following a deemed distribution.

~~24. For the NC 403(b) Program, the school districts and community colleges that sponsor the 403(b) plans are responsible for approving loans.~~

~~25.24.~~ CARES Act Provisions. This section applies to the extent permitted by the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Public Law 116-136).

- a. CRD-eligible participant. A “CRD-eligible participant” is a participant who qualifies for a “coronavirus-related distribution” pursuant to Section 2202(a)(4)(A)(ii) of the CARES Act.
- b. Increased loan maximum. From March 27, 2020 through September 22, 2020, the maximum loan amount for a CRD-eligible participant is the lesser of \$100,000 or 100% of the participant’s account balance.
- c. Second loan. From March 27, 2020 through September 22, 2020, a CRD-eligible participant is permitted to take a second loan from each plan.
- d. Loan deferral. If a CRD-eligible participant has an outstanding loan repayment due in the period from March 27, 2020 through December 31, 2020, the participant can defer this repayment through the end of 2020 and restart repayment in January 2021. The term of the loan shall be extended as follows:
  - i. For deferral requests through July 5, 2020, the term shall be extended to account for the number of pay periods in 2020 for which payments were deferred; and
  - ii. For deferral requests from July 6, 2020 through December 31, 2020, the term shall be extended for 12 months from the end of the current term.

However, interest continues to accrue during the deferral period. Following the deferral period, the recordkeeper shall re-amortize the loan such that the loan shall be repaid with interest in full in substantially equal payments over the remaining term of the loan.

~~26.25.~~ Limited Second Loan for NC 457 Plan. From April 17, 2009 through April 22, 2019, a participant was permitted to take a second loan from the NC 457 Plan if such

participant defaulted on the first loan and the loan was offset in error when the participant turned 59½ instead of 70½.

Revision History and Effective Dates

Version	Effective Date	Description of Changes
1.0	August 26, 2021	Amended and restated version
1.1	May 26, 2022	Permit certain loan rollovers
<u>1.2</u>	<u>December 1, 2022</u>	<u>Changed Prudential Retirement to Empower and updated URL (<a href="http://www.myNCPlans.com">www.myNCPlans.com</a>).</u>

Approved by the North Carolina Supplemental Retirement Board of Trustees:

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Secretary of the Board

## POLICY ON DOMESTIC RELATIONS ORDERS

### North Carolina Supplemental Retirement Plans

Adopted: August 26, 2021

Last Revised: ~~August 26, 2021~~ December 1, 2022

1. The award in a domestic relations order will be calculated by the plan's recordkeeper and placed in a plan account for the alternate payee, who becomes a participant in the plan. The recordkeeper is Empower~~Prudential Retirement~~ as of the date of this policy.
2. Unless otherwise required in the domestic relations order, the calculation of the award will not include any amount in the participant's loan fund.
3. Unless otherwise required in the domestic relations order, the award will be taken pro rata from the participant's investments in the plan, and the tax basis for the investments in the award will be the same tax basis as the investments in the participant's account.
4. An alternate payee will not be eligible for any payment, benefit, or other right under a plan that would not otherwise be available to a participant.
5. As part of reviewing, responding to, or administering a domestic relations order, the Department and the recordkeeper may provide the following information regarding a participant's plan account to the alternate payee or the alternate payee's attorney or representative:
  - a. Whether the participant has an account in the plan;
  - b. The participant's account balance as of a date required to administer the domestic relations order; and
  - c. Whether the award exceeds the participant's balance.
- ~~6. The Department does not review or qualify domestic relations orders for the NC 403(b) Program. Instead, the school district or community college that sponsors the 403(b) plan is responsible for reviewing and qualifying domestic relations order for the NC 403(b) Program, and such order should be submitted according to the procedures of the plan sponsor.~~
- ~~7.6.~~ See "Domestic Relations Orders for the North Carolina Supplemental Retirement Plans" for additional information regarding domestic relations order for the plans. The document is located on [www.myncretirement.com](http://www.myncretirement.com) (link [here](#)) and includes information on submitting draft and court-entered domestic relations orders, model order templates, and the required affidavit for the review of draft orders. Model order templates for the NC 401(k) Plan and the NC 457 Plan are located on [www.myncretirement.com](http://www.myncretirement.com) (links here for the [NC 401\(k\) Plan](#) and the [NC 457 Plan](#)).

Revision History and Effective Dates

Version	Effective Date	Description of Changes
1.0	August 26, 2021	Original version
<u>1.1</u>	<u>December 1, 2022</u>	<u>Changed Prudential Retirement to Empower and removed reference to NC 403(b) Program.</u>

Approved by the North Carolina Supplemental Retirement Board of Trustees:

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Secretary of the Board