



North Carolina Retirement Systems

NC 401(k) & NC 457 Plans

MEMORANDUM

TO: Supplemental Retirement Board of Trustees

FROM: Reid Chisholm, Assistant General Counsel

DATE: August 21, 2025

RE: Amendments to the NC 401(k) and NC 457 Plans

In-plan Roth conversions

In-plan Roth conversions permit a participant to convert pre-tax funds to Roth funds by, in effect, rolling over funds from a pre-tax account to a Roth account within the same plan. A plan can limit in-plan Roth conversions to funds that a participant is allowed to withdraw, or a plan can allow in-plan Roth conversions for all pre-tax funds, regardless of whether the funds are eligible for withdrawal.

The NC 401(k) and NC 457 Plans allow in-plan Roth conversions but limit conversions to funds that can be withdrawn from the plans. Staff recommends expanding the availability of Roth accounts within the plans by extending in-plan Roth conversions to a participant's entire pre-tax account balance, regardless of whether the participant is allowed to withdraw such funds.

Spousal Required Minimum Distributions

Section 327 of the SECURE 2.0 Act amended Section 401(a)(9) of the Internal Revenue Code to permit spousal beneficiaries to elect to have their required minimum distributions (RMDs) calculated as if the spousal beneficiary were the participant. The change went into effect last year, and the plan documents for the NC 401(k) and NC 457 Plans need to be updated to reflect this change.

Recommendation

Staff recommends the Board adopt the attached resolution to (1) extend in-plan Roth conversions to a participant's entire pre-tax account balance; and (2) direct staff to amend the plan documents as necessary to incorporate expanded in-plan Roth conversions and spousal RMD elections as described above.

ATTACHMENT 1

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”) and the North Carolina Public Employee Deferred Compensation Plan (the “NC 457 Plan”);

WHEREAS, the Internal Revenue Code permits 401(k) and 457(b) retirement plans to offer “In-Plan Roth Conversions,” in which a participant elects to convert funds from a pre-tax to a Roth account without requiring the participant to transfer or rollover the funds to another plan;

WHEREAS, In-Plan Roth Conversions are permitted for all non-Roth funds, regardless of whether the funds are eligible for distribution;

WHEREAS, the NC 401(k) and NC 457 Plans offer In-Plan Roth Conversions but limit conversions to funds that are eligible for distribution under the plans;

WHEREAS, the Board wishes to expand the availability of Roth accounts within the NC 401(k) and NC 457 Plans by extending In-Plan Roth Conversions to a participant’s entire pre-tax account, regardless of whether the participant is allowed to withdraw such funds;

FURTHERMORE,

WHEREAS, the SECURE 2.0 Act amended Section 401(a)(9) of the Internal Revenue Code to permit spousal beneficiaries to elect to have their required minimum distributions calculated as if the spousal beneficiary were the participant (“Spousal RMD Elections”);

WHEREAS, Empower, in its role as the recordkeeper for the NC 401(k) and NC 457 Plans, has implemented Spousal RMD Elections for the plans; and

WHEREAS, the Board wishes to amend the plan documents for the NC 401(k) and NC 457 Plans to incorporate Spousal RMD Elections;

NOW, THEREFORE, be it

RESOLVED, that:

1. The Board hereby adopts In-Plan Roth Conversions for all pre-tax account balances in the NC 401(k) and NC 457 Plans and directs the Department to amend the plan documents for the NC 401(k) and NC 457 Plans as necessary to extend In-Plan Roth Conversions to all pre-tax account balances.



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2. The Board hereby directs the Department to amend the plan documents for the NC 401(k) and NC 457 Plans as necessary to incorporate Spousal RMD Elections.

Approved by the Board on August 21, 2025.

Jeff Hancock, Secretary
North Carolina Supplemental Retirement Board of Trustees