



North Carolina Retirement Systems

NC 401(k) & NC 457 Plans

MEMORANDUM

TO: Supplemental Retirement Board of Trustees

FROM: Reid Chisholm, Assistant General Counsel

DATE: December 4, 2025

SUBJECT: Merger of the Climax VFD 401(k) Plan with the NC 401(k) Plan

On July 1, 2025, Climax Volunteer Fire Department (Climax VFD) merged into Pleasant Garden Fire Department (Pleasant Garden FD). Climax VFD was a nonprofit entity. It was ineligible to join the Local Governmental Employees' Retirement System (LGERS), a defined benefit plan administered by the Department of State Treasurer, and its employees were ineligible to participate in either the NC 401(k) Plan or the NC 457 Plan. However, Climax VFD sponsored a private 401(k) plan.

Pleasant Garden FD is also a nonprofit, but it is one of the fire departments that joined the Local Governmental Employees' Retirement System (LGERS) between 1977 and 1992 pursuant to Session Law 1977-316; therefore, it was allowed to continue its LGERS membership under N.C. General Statute 128-37.2. In addition, its employees are eligible to participate in the NC 401(k) Plan because of their membership in LGERS.

With the merger, the legacy Climax VFD employees became members of LGERS and therefore eligible to participate in the NC 401(k) Plan. Climax VFD's 401(k) plan was frozen to new contributions as of July 3, enabling the legacy Climax VFD employees to begin contributing to the NC 401(k) Plan.

Pleasant Garden FD, which became the sponsor of the Climax VFD 401(k) plan as a result of the merger, would like to transfer the plan's assets to the NC 401(k) Plan. The transfer can be accomplished through a merger of the Climax VFD 401(k) plan into the NC 401(k) Plan. Staff has worked with outside counsel to review the plan documents of the Climax VFD 401(k) plan and any potential compliance issues resulting from a merger. Based on the review, staff does not have any concerns with the merger and the transfer of assets into the NC 401(k) Plan.

The attached amendment to the NC 401(k) Plan incorporates the merger into the plan document and is similar to the plan provisions covering three prior mergers – Jackson County 401(k) Retirement Plan (2004), Public

Works Commission of the City of Fayetteville-North Carolina Defined Contribution Plan (2004), and Town of Spring Lake-North Carolina Deferred Salary Profit Sharing Plan (2005).

If approved by the Board, staff would seek to execute a merger agreement with Pleasant Garden FD. The agreement would cover operational matters and Pleasant Garden FD's compliance and other responsibilities.

Recommendations

Staff recommends the Board approve the merger of the Climax VFD 401(k) Plan with the NC 401(k) Plan, including the adoption of the attached amendment to the NC 401(k) Plan, subject to the execution of a merger agreement with Pleasant Garden FD.

ATTACHMENT 1
Amendment to the NC 401(k) Plan

The following provision is added as Section 13.07 of the NC 401(k) Plan:

13.07 Merger of the Climax Volunteer Fire Department 401(k) Plan with the Plan

Effective February 2, 2026, the merger of the Climax Volunteer Fire Department 401(k) Plan ("Climax VFD Plan") into the Plan is approved contingent upon each person entitled to benefits under the Climax VFD Plan would, if the resulting plan were then terminated, receive a benefit immediately after the merger that is equal to or greater than the benefit he or she would have been entitled to receive immediately before the merger if the Climax VFD Plan had then terminated. The merger is further contingent upon the Climax VFD Plan complying with all applicable Internal Revenue Code provisions relating to the merger. Upon completion of the merger, the terms of the Plan shall control.