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RETIREMENT SYSTEMS DIRECTOR

To: The Supplemental Retirement Board of Trustees

From: Reid Chisholm, Assistant General Counsel, SRP

Date: December 12, 2016

Re: Proposed changes to the NC 457 Plan's adoption agreement for Hurricane Matthew relief

On October 21, 2016, the Internal Revenue Service released Announcement 2016-39, which grants temporary relief to plan sponsors to provide loans and hardship distributions to victims of Hurricane Matthew. In particular,

1. The relief applies to any hardship resulting from Hurricane Matthew, not just the types included in the applicable regulations;
2. Plan administrators are not required to follow the documentation and other procedural requirements 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 between October 4, 2016 (or other Applicable Date below) and March 15, 2017; and
4. No post-distribution contribution restrictions are required.

The relief applies to a plan participant whose:

- a. Principal residence on October 4, 2016 (or October 3, 2016 for Florida or the incident date as specified by FEMA, as applicable (the "Applicable Date")) was located in one of the counties that have been identified for individual assistance by FEMA because of the devastation caused by Hurricane Matthew (the "Covered Areas");
- b. Place of employment was located in one of the Covered Areas on the Applicable Date; or
- c. Lineal ascendant or descendant, dependent, or spouse had a principal residence or place of employment in one of the Covered Areas on the Applicable Date.

Following the Board's November 29, 2016 meeting, staff instructed Prudential to begin processing hardship withdrawals for Hurricane Matthew victims consistent with the IRS Announcement. At its December 15, 2016 meeting, the Board will consider a proposed amendment to the NC 401(k) Plan document to allow hardship distributions for victims of Hurricane Matthew. However, a similar change for the NC 457 Plan would be made through the adoption agreement, and Prudential maintains the plan document and adoption agreement for the NC 457 Plan.

Therefore, staff recommends the following:

1. The Board approve the Hurricane Matthew relief in the IRS Announcement for the NC 457 Plan, pending a revised adoption agreement from Prudential; and

2. The Board authorizes the execution of a revised adoption agreement for the NC 457 Plan upon receipt from Prudential.

The IRS Announcement allows plan sponsors to amend plan documents retroactively to incorporate the relief in the IRS Announcement and grants plan sponsors until December 31, 2017 to do so. However, as noted above, the Board will already consider a similar amendment for the NC 401(k) Plan on December 15.