

OPERATIONAL REQUIREMENTS FOR EMPLOYERS

SUPPLEMENTAL RETIREMENT INCOME PLAN OF NORTH CAROLINA

(NC 401(k))

And

NC PUBLIC EMPLOYEE DEFERRED COMPENSATION PLAN (NC 457)

The State of North Carolina Supplemental Retirement Board (“Board”) and the North Carolina Retirement Systems Division of the Department of State Treasurer (“Treasurer”) selected Prudential Retirement Insurance and Annuity Company (PRIAC) as the Third-Party Administrator of the Supplemental Income Plan of the State of North Carolina and the NC Public Employee Deferred Compensation Plan (“Plans”). The Board and the Treasurer have entered into an agreement with Prudential under which Prudential has agreed to provide administration and communication services for the Plan (the “Contract”). To enable Prudential to provide such services on behalf of an employer which elects to implement one or both of the Plans for its employees (“Employer”), the Employer confirms that it will provide the information and support described below. The term “Plan” throughout these Requirements, shall mean each plan elected by the Employer, as indicated on the last page.

ARTICLE I

RESPONSIBILITIES OF THE EMPLOYER

A. Implementation of Plan(s)

1. The Employer confirms that it made the decision to implement the Plan via resolution. The employer agrees to provide a copy of such resolution, if available, to Prudential.

2. The Employer will designate a coordinator for each unit to work with Prudential to select enrollment dates, determine the number of meetings needed and what employee notification

of meetings will be required, and to make other decisions necessary to hold successful enrollment meetings.

3. The Employer will provide time for its employees to attend an enrollment meeting. The Employer agrees that employees representing all employee pay grades will be given the opportunity to attend the meetings. The Employer understands that the meetings are an important resource in making employees aware of their opportunity to participate in the Plan(s).

4. The Employer will provide a facility to conduct enrollment meetings for its employees.

5. The Employer will publicize the meetings to all its employees by internal publication, meeting notices provided by the Third-Party Administrator and through other media agreed to by its coordinator and the Third-Party Administrator.

B. Operation of Plan(s)

1. The Employer will have sole responsibility for determining which of its employees are eligible to participate in the Plan(s) in accordance with eligibility requirements established by the Plan or North Carolina General Statutes or the Employer, where applicable, both with respect to elective deferral contributions and with respect to sharing in the allocation of any Employer contributions made pursuant to Article VII. The Employer will advise the Third-Party Administrator each month of any “new enrolled” employee who is eligible to participate in the Plan(s). The Employer also will advise the Third-Party Administrator each month of any participant in the Plan(s) who has terminated their employment, the date of termination, and the reason for the separation from service.

2. The Employer will provide payroll deductions for all contributions to the Plan(s) and all loan repayments to the Plan. The Employer will modify its payroll application to comply with specifications required by the Third-Party Administrator of the Plan(s). This includes the

format of the deduction report for the delivery of contributions and loan repayments to the Third-Party Administrator. The Employer will notify the Third-Party Administrator of any changes in payroll frequency, the frequency of payroll deductions, or change in status.

3. The Employer will deliver the remittance files, loan payment files, and the funds for these reports to the location provided by the Third-Party Administrator.

4. The Employer agrees that employee voluntary contributions to the Plan and loan repayments will not be suspended, modified or terminated for a participant unless so instructed by the Third-Party Administrator based on the participant's actions with the Third-Party Administrator.

5. The Employer agrees to comply with all operating procedures established by the Third-Party Administrator of the Plan(s). It understands that the procedures may be modified or revised from time to time, and the Employer agrees to comply with revisions and modifications without delay upon receipt of adequate notice of such modifications.

6. The Employer will inform the Third-Party Administrator in advance of any changes in the Employer's benefit or compensation programs that affect the operation or administration of the Plan(s).

7. With respect to Sworn Law Enforcement Officers, the Employer agrees that if Employer contributions are not remitted in a timely manner and as a result, the Court Cost allocations are not made, the Employer will be solely responsible for remitting the funds necessary to make up the missing Court Costs (applies to Supplemental Income Plan of the State of North Carolina).

8. The Employer may request that the Third-Party Administrator refund a contribution made within the preceding 12 months on account of a mistake of fact, as defined by the Internal Revenue Service, and the Third-Party Administrator will grant such request.

9. The Employer will furnish the Third-Party Administrator all documents, data and other information necessary for the Third-Party Administrator to perform its duties under this Agreement. The Employer will be solely responsible for the accuracy of any documents, data, or other information provided to the Third-Party Administrator by the Employer or by any other person or entity having responsibilities with respect to the Plan(s). If the Employer fails to provide any such requested information, the Third-Party Administrator will be obligated to perform its duties under this Agreement only insofar as it is able to do so with the information available. All information required to be furnished by the Employer will be transmitted in the medium and form acceptable to the Third-Party Administrator. The Third-Party Administrator will be entitled to rely fully on the accuracy and completeness of information submitted by the Employer and will have no duty or responsibility to verify such information.

10. The Employer will comply with the Uniformed Service Employment and Re-employment Rights Act of 1994 regarding participation in the Plan by participants with military service. The Plan(s) allows an Employer to permit an employee who meets the criteria of the Uniformed Service Employment and Re-employment Rights Act of 1994 the opportunity to “catch-up” salary deferrals to the Plan that were not made during the time they were on active duty. Loan repayments are suspended during the period the Plan(s) participant is on active duty.

ARTICLE II

RESPONSIBILITIES OF THE THIRD-PARTY ADMINISTRATOR

A. Implementation of Plan(s)

1. The Third-Party Administrator will assist the Employer’s coordinator in scheduling enrollment meetings, provide the employer with meeting notification materials, including but not limited to posters, handbills, press release-type articles and payroll stuffers that are mutually acceptable to the Employer coordinator and the Third-Party Administrator.

2. The Third-Party Administrator will present the Plan(s) and its benefits to the employees and enroll them in the Plan(s).

3. The Third-Party Administrator will provide brochures, enrollment forms, payroll deduction authorization forms, withdrawal forms, loan applications and other forms relating to loans, as well as other forms needed to fulfill the duties as Third-Party Administrator. For purposes of this paragraph, “form” will also mean a facility for electronic processing of participant requests.

B. Operation of Plan(s)

The Third-Party Administrator will provide the services described below, as required under the Contract:

1. The Third-Party Administrator will maintain a record of each participant’s contributions and will invest his/her contribution in the fund(s) selected by the participant.

2. The Third-Party Administrator will provide the participant with a quarterly statement of his/her account, which shows the value of the participant’s account.

3. The Third-Party Administrator will allow the participant to borrow from his/her account when he/she has complied with the eligibility requirements established by the Third-Party Administrator and the Plan as permitted by federal regulations, the Plan and the Third-Party Administrator.

4. The Third-Party Administrator will provide the participants withdrawal options including lump sum distribution and periodic payments in accordance with the Plan(s) and the Code.

5. The Third-Party Administrator will provide participants in the Plan(s) who become entitled to receive a distribution from the Plan with all appropriate notices and election forms concerning such distribution. The Third-Party Administrator is responsible for proper reporting of all distributions from the Plan(s) and the withholding of income taxes as required by the Plan(s) and the Code.

6. The Third-Party Administrator will provide administrative and operating procedures for the Employer.

ARTICLE III
PLAN(S) PARTICIPATION

The Employer and the Third-Party Administrator jointly agree to promote the Plan(s) and encourage participation in the Plan(s) by all pay grades of the Employer. This will require that initial enrollment meetings be held with all eligible employees to ensure that they are aware of the benefit and value of participating in the Plan(s). The Employer agrees to promote the Plan(s) on an on-going basis by conducting periodic meetings with eligible employees, utilization of posters, newsletter articles, payroll stuffers, and other agreed upon communications.

ARTICLE IV
TERMINATION OF AGREEMENT

1. Either party may terminate this Agreement upon giving six months advanced written notice to the other party, provided that the non-terminating party may waive such notice requirement. The termination of this Agreement *does not* terminate the Plan(s) in which the Employers' employees are participating or require a distribution of accounts of the participating employees from the Plan(s). The termination of this Agreement relieves the Employer from taking deductions and loan repayments from the participating employee's pay and remitting them to the Third-Party Administrator.

2. The State may terminate the Plan(s) at any time through the enactment of laws.

3. This Agreement will terminate if the State terminates its Agreement with Prudential by which Prudential is obligated to serve as Third-Party Administrator.

4. This Agreement will terminate if the Trustees discontinue the Plan(s).

ARTICLE V
EMPLOYER PAID CONTRIBUTIONS

The Employer may, in its discretion, make contributions to the Plan(s) on behalf of its eligible employees upon approval by the Third-Party Administrator. If an Employer requests approval for applying Employer-paid contributions to the Plan(s) (other than those mandated by law), the exact nature and application of the proposed contribution allocation method will be described in writing and submitted to the Third-Party Administrator to review.

If a proposed Employer contribution is found to be within guidelines of the Code, and the Plan(s) document, and compatible with operational procedures as provided by the Third-Party Administrator of the Plan, the Employer contribution will be implemented on such date as agreed upon by the Employer and the Third-Party Administrator. The Employer agrees to comply with reporting procedures outlined by the Third-Party Administrator.

The Employer further agrees to remit payroll deductions for Plan(s) contributions, loan repayments and any employer contribution to the Plan(s) on behalf of the employee participating in the Plan(s), to the Third-Party Administrator on the same frequency of the payroll, but no less than once each month.

In the event an Employer proposes to implement an Employer contribution on a match basis or an Employer contribution that does not otherwise provide a proportionate benefit for all eligible employees regardless of length of service or job classification, review and approval by the Third-Party Administrator is required.

Once an Employer contribution to the Plan(s) has been established in accordance with the above, the Employer agrees to advise the Third-Party Administrator in advance of any proposed change in the Employer contribution. The Third-Party Administrator will inform the Employer whether the proposed change is acceptable based upon the Code, the Plan(s) document, and the Third-Party Administrator's operating procedures. If the Employer contribution is found to be

within the Code, and the Plan(s) document, and compatible with operational procedures as provided by the Third-Party Administrator of the Plan(s), the Employer is required to provide the Third-Party Administrator with a written description of the employer contribution to include the effective date of the change, the employee group covered, and the rate and method of allocation.

ARTICLE VI
MISCELLANEOUS

1. All times specified will be the current Eastern Time.

2. The Employer will make available to the Third-Party Administrator, the Department of the State Treasurer, and an auditor appointed by the Third-Party Administrator or the Board of Trustees its records of contributions and loan payments submitted to the Plan(s) for the purposes of an audit. The Employer will also make available its documents pertaining to its employees' deferral elections and other documents deemed necessary by the Third-Party Administrator to audit the Plan(s).

I agree to the terms set forth above with respect to the Plan indicated below:

____ Supplemental Retirement Income Plan of North Carolina

____ NC Public Employee Deferred Compensation Plan

AGREED TO BY:

Name of Employer (Please Type or Print)

By: _____
(Signature)

(Please Type or Print Name Signed Above)

Its: _____
(Please Type or Print Official Title)

Date: _____

PRUDENTIAL

By: _____

Date: _____