



For questions or assistance, you may contact your Regional Retirement Education Manager Deborah Rapetski (828) 230-3655 Deborah.Rapetski@Prudential.com

The NC 457 Plan

The NC 457 Plan is a deferred compensation plan administered by the North Carolina Department of State Treasurer, and available exclusively to those North Carolina public employees whose employers offer the Plan. This includes full-time, part-time and temporary employees, elected and appointed officials, rehired retired employees, and North Carolina state and local government employees. The Plan offers you these benefits:

- **Automatic payroll deductions.** Contributions to the NC 457 Plan are made through payroll deduction.
- **You may change or stop your contributions at any time, and no minimum contribution is required.**
- **100% vesting.** You are fully vested in the Plan from your first contribution to your last. To be “vested” means to own, which means the money is always yours.
- **Penalty-free withdrawals.** Withdrawals from your NC 457 Plan account are **never** subject to a 10% federal income tax penalty, regardless of your age at the time of withdrawal. Remember that the NC 457 Plan is a single state plan, administered by the North Carolina Department of State Treasurer, available to all eligible employees whose employers offer the Plan. Withdrawal restrictions apply to participants who retire or leave a covered position at an employer that participates in the NC 457 Plan, and, after doing so, transition to a covered position with another employer that participates in the Plan.
- **Convenient asset consolidation.**¹ To simplify your financial life, the NC 457 Plan allows for rollovers from other retirement plans you may have from former employers, including 401(k), 401(a), 403(b), governmental 457 and TSP plans, and some IRAs.
- **Online retirement planning tools.** You may access your account 24 hours a day, 7 days a week. You may also access a host of information, interactive calculators and other resources at NCPlans.prudential.com.
- **Multiple investment choices.** You can invest in vehicles that range from potentially high growth to highly conservative, so you can make the most appropriate choice to help you meet your savings goals.
- **Simple investing with GoalMaker.** GoalMaker® is an optional, easy-to-use asset allocation program available at no additional cost that automatically offers you an age-appropriate investment mix based on your investor style. Keep in mind that application of asset allocation and diversification concepts does not assure a profit or protect against loss in a declining market. **You can lose money by investing in securities.**
- **Quarterly statements to keep you informed.** Statements are provided after the end of each quarter to help you monitor activity in your account.
- **One-on-one help.** The NC 457 Plan has knowledgeable Retirement Education Counselors* strategically located throughout North Carolina to help you to get the most from your participation in the Plan.** These representatives are a resource available to Plan members by phone, email, in person, or through a virtual one-on-one from your smartphone or computer.



For details about the plan’s investment options, please visit NCPlans.prudential.com and go to the *Choose Investments* tab to view the quarterly fund fact sheets.

¹The account will track funds rolled over and will be subject to tax penalty rules if withdrawn before age 59½.

*Retirement Education Counselors are registered representatives of Prudential Investment Management Services LLC (PIMS), Newark, NJ. PIMS is a Prudential Financial company.

**Prudential representatives do not provide legal, tax or investment advice for which you should consult a qualified professional.



North Carolina
Total Retirement Plans
457



Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

Flexible ways to contribute

Traditional pre-tax contributions

Pre-tax contributions are automatically deducted from your paycheck **before** any current federal or state income taxes are taken out, therefore reducing your taxable income. As a result, your take-home pay is not impacted by the full amount of your contribution. Additionally, these contributions grow tax-deferred until withdrawal. At that point, federal and state income taxes will be incurred.

Roth after-tax contributions

Roth contributions are automatically deducted from your paycheck **after** current taxes are paid and therefore reduce your take-home pay dollar for dollar. Roth contributions and earnings grow tax-deferred and can benefit members who anticipate being in a higher tax bracket while in retirement and would rather pay taxes at today's tax rate. Qualified distributions are federal income tax free.*

Special "One-Time" Contributions

If you wish to defer additional compensation that will be deducted for only one payroll cycle for reasons such as longevity payments, or final payouts of unused vacation and/or bonus leave, you may coordinate this deduction with your payroll office. You can obtain a One Time Contribution Form by visiting the Tools & Resources tab at NCPlans.prudential.com. Submit the completed form directly to your payroll office. Total annual contributions may **not** exceed IRS limits.

You save per month	\$25	\$100	\$200	\$300
10 years	\$4,327	\$17,308	\$34,617	\$51,925
15 years	\$7,924	\$31,696	\$63,392	\$95,089
20 years	\$13,023	\$52,093	\$104,185	\$156,278
30 years	\$30,499	\$121,997	\$243,994	\$365,991

Assumes 7% annual return.

The compounding concept is hypothetical and for illustrative purposes only and is not intended to represent performance of any specific investment, which may fluctuate. **It is possible to lose money by investing in securities.**

No taxes are considered in the calculations; generally, withdrawals are taxable at ordinary rates.

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Consolidate with Rollovers into the NC 457 Plan

The Plan accepts rollovers from other qualified retirement plans you may have from former employers, including 401(k), 401(a), 403(b), governmental 457 plans and TSP plans, as well as Traditional, Conduit, SIMPLE and SEP IRAs. Under current IRS guidelines, Roth IRAs are not eligible for rollover into the Plan. All rollover requests must receive pre-approval from the Plan before funds can be received.

Initiating a rollover into your NC 457 Plan is easy, and it offers many benefits, including:

- The simplicity of all your retirement savings reported on one quarterly statement, making it easier to monitor your accounts and stay on track toward your retirement savings goals.
- The convenience of managing all of your retirement savings through one website, one phone number, and with one point of contact for your retirement account questions.
- The potential to save money through reduced Plan fees.
- The ease of asset allocation, since it's simpler to maintain an investment strategy among your various investments when you can see how they work together.

Before rolling over assets from other retirement plans, you should contact those plan providers to inquire about fees or other surrender charges that may be assessed.

For assistance with a rollover into the NC 457 Plan call **866-NCPlans** (866-627-5267).

*There are two separate sets of rules for taking distributions from your NC 457 Roth account on a tax-free basis. The first NC 457 Plan rule states you can only take a distribution after you: (i) separate from service; or (ii) attain age 59½ while still in service. The second, an IRS rule, defines what is considered a "qualified" distribution from a Roth Account in order to be tax free. ** Taken together, this means that you can withdraw money from your NC 457 Roth Account tax free once you meet the following criteria: The first Roth contribution to your account must remain in your account for at least five tax years; AND: a) you have separated from service and are age 59½ or older; or b) you have separated from service due to a death or disability retirement; or c) you are still working and are at least age 59½. If your withdrawal does not meet these conditions, then the Roth earnings—but not the Roth contributions—may be subject to state and federal income taxes.

**The criteria outlined by the IRS is for tax-free treatment for federal income tax purposes. Your withdrawal may also be eligible for state tax-free treatment.

Accessing your money while you are employed

We understand that there may be times when you need to access the funds in your retirement account sooner rather than later. The NC 457 Plan gives you the flexibility to do this through:

- **Loans.**¹ Active employees may be eligible to borrow money from their account for any purpose. Loans are repaid through payroll deduction, with the interest paid directly to your account. The minimum loan is \$1,000, and the maximum loan is 50% of your account value, up to \$50,000. You have up to five years to repay a loan. There's also a 15-year repayment allowed for the purchase of a primary residence. You may only have one loan outstanding at any time.
There is a \$60 processing fee for taking out a loan. Please keep in mind that loans and withdrawals can affect your account balance.
- **Voluntary small balance cash out request.** You are allowed to withdraw your funds after 24 consecutive months with no contributions and an account value of less than \$5,000 without penalty, but the amount may be subject to ordinary income tax.
- **In-service distributions.**² Plan members who are age 59½ or older can withdraw or roll over all or part of an account balance to another qualified retirement savings vehicle, like an IRA. In addition, and regardless of age, members may elect to roll over all or a portion of their balance to the North Carolina Retirement Systems to purchase service credits—this type of distribution is NOT subject to ordinary income tax.
- **Hardship withdrawals.** There are several types of hardship withdrawals available, depending on the circumstances. Qualifying hardship withdrawals include:
 - Medical expenses not covered by insurance for you, your spouse or dependents
 - Payments to prevent eviction from your principal residence, or foreclosure on the mortgage of your principal residence
 - Funeral/burial expenses for a parent, spouse, child or other dependent
 - Certain expenses relating to the repair of damage to your principal residence

When you leave employment, you can choose what to do with your money in the NC 457 Plan

The NC 457 Plan is a single state plan, administered by the North Carolina Department of State Treasurer, available to all eligible employees whose employers offer the Plan. Withdrawal restrictions apply to participants who retire or leave a covered position at an employer that participates in the NC 457 Plan, and, after doing so, transition to a covered position with another employer that participates in the Plan.

- **Leave your funds in the Plan.** Contributions to the Plan will stop when you leave employment, but the investments in your account remain invested and continue to work for you. Federal rules require that you must begin taking minimum distributions by April 1 in the year following the year that you turn required minimum distribution age⁴ 72, provided you are no longer working for the plan sponsor (employer).
- **Take a systematic withdrawal (periodic payments to fit your need).** You can opt to receive monthly, quarterly, semiannual or annual installment payments.
- **Take a full or partial lump-sum withdrawal.**³ This option allows you to withdraw all or a portion of your entire account balance on an as-needed basis at your discretion.*
- **Roll over all or a part of your balance to an eligible employer-sponsored retirement plan or to an Individual Retirement Account (IRA).**³ A rollover to a qualified plan is not subject to taxes or penalties, provided the check is made payable to the financial institution receiving the funds.
- **Generate monthly lifetime income.** Transfer all or a portion of your pre-tax account balance to the North Carolina's Teachers' and State Employees' Retirement System (TSERS) or the Local Government Employees' Retirement System (LGERS), where it can be paid as a monthly benefit for your lifetime and/or the lifetime of your designated beneficiary. At or after retirement with TSERS or LGERS, Plan members can select from a variety of income stream options in addition to their monthly pension benefit. This one-time, irrevocable transfer is only applicable to pre-tax contributions, including funds rolled into the Plan and any employer contributions.

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**Please note that if you terminate from service, requests for withdrawals or distributions from your account (not associated with retirement) will not be processed for 60 days.*

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¹Any outstanding loan balance not paid back under plan rules after termination of employment becomes taxable in the year of default. Under the Tax Cuts and Jobs Act, for defaults related to termination of employment after 2017, the individual has until the due date of that year's return (including extensions) to roll over the outstanding loan amount to an IRA or qualified employer plan.

²Amounts rolled over to another qualified retirement savings vehicle or used to purchase service credits are not subject to current income tax.

³You can indirectly roll over funds within 60 days of receipt, but the payment made to you will be subject to 20% mandatory federal income tax withholding on the taxable portion of your withdrawal, so you would need to make up that amount from other funds in order to roll over the entire amount and continue to defer taxation.

⁴The Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) was signed into law on December 20, 2019. Effective January 1, 2020, the age at which an individual must begin taking RMDs increased from age 70½ to 72.

GoalMaker's model allocations are based on generally accepted financial theories that take into account the historic returns of different asset classes. Past performance of any investment does not guarantee future results. Participants should consider their other assets, income and investments (e.g., equity in a home, Social Security benefits, individual retirement plan investments, etc.) in addition to their interest in the plan, to the extent those items are not taken into account in the model. Participants should also periodically reassess their GoalMaker investments to make sure their model portfolio continues to correspond to their investment objectives, risk tolerance and retirement time horizon.

Prudential Retirement provides the communications and recordkeeping services for the NC 401(k) and NC 457 Plans and the NC 403(b) Program. With the exception of the NC Stable Value Fund and the NC Fixed Income Fund, the investments offered to you within the NC 401(k) and NC 457 Plans are not offered by or affiliated with Prudential Financial or any of its companies or businesses. Prudential Retirement is a Prudential Financial business.

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Information and interactive calculators are made available to you as self-help tools for your independent use and are not intended to provide investment advice. We cannot and do not guarantee their applicability or accuracy in regards to your individual circumstances. All examples are hypothetical and are for illustrative purposes. We encourage you to seek personalized advice from qualified professionals regarding all personal finance issues. We do not provide investment OR tax advice; please consult a tax advisor for more information.

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