The NC 401(k) Plan

The NC 401(k) Plan is a retirement savings plan administered by the North Carolina Department of State Treasurer, and available exclusively to North Carolina public employees who are actively contributing to one of the NC Retirement Systems. North Carolina state and local government employers offer this Plan to help you reach your retirement savings goals. The Plan offers you these benefits:

- **Automatic payroll deductions.** Contributions to the NC 401(k) 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 NC 401(k) Plan from your first contribution to your last. To be “vested” means to own, which means the money is always yours.
- **Convenient asset consolidation.** To simplify your financial life, the NC 401(k) 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.
- **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 guides you to 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.
- **Online retirement planning tools.** You may access your account 24 hours a day, 7 days a week. You may also access a host of retirement articles, interactive calculators and other resources at NCPlans.prudential.com.
- **One-on-one help.** The NC 401(k) Plan has knowledgeable Retirement Education Counselors* strategically located throughout North Carolina to help you get the most from your participation in the Plan.** These representatives are a resource available to Plan members by phone, email or in person.

* Retirement Education Counselors are registered representatives of Prudential Investment Counselor 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.

For details about the plan’s investment options, please visit [NCPlans.prudential.com](http://NCPlans.prudential.com) and go to the Choose Investments tab to view the quarterly fund fact sheets.
Flexible ways to contribute

Traditional pre-tax contributions
Pre-tax contributions are automatically deducted from your paycheck before any 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 have the potential to 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 taxes are paid and therefore reduce your take-home pay dollar for dollar. Roth contributions and returns have the potential to 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.

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

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. This example is based on a hypothetical rate of return of 7% compounded annually. No taxes are considered in the calculations; generally withdrawals are taxable at ordinary rates. It is possible to lose money by investing in securities.

Consolidate with Rollovers into the NC 401(k) 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 401(k) Plan is easy, and it offers many benefits, including:

• The convenience of accessing your retirement savings with one website, with one phone number and with a single point of contact for your retirement account questions.

• The simplicity of managing all your retirement savings within one quarterly statement and within the myNC Retirement Statement, making it easier to stay on track toward your retirement savings goals.

• 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.

• The potential to save money through lower Plan fees.

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

For assistance with a rollover into the NC 401(k) Plan, contact your Retirement Education Counselor or call 866-NCPlans (866-627-5267).

* Amounts withdrawn before age 59½ may be subject to a 10% federal income tax penalty, applicable taxes and plan restrictions. Withdrawals are taxed at ordinary income tax rates. See plan information regarding limitations on withdrawals from your 401(k) account. According to IRS rules, a distribution from a Roth 401(k) is qualified to be tax-free if the first Roth contribution to your account remains in the account for at least five tax years AND: a) you are age 59½ or older, or b) disability or death. 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.

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.
**Accessing your money while 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 401(k) Plan gives you the ability to do this through:

- **Loans.** 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. You may only have one loan outstanding at any time. Restrictions apply. There is a $50 fee for taking out a loan. Please keep in mind that loans and withdrawals can affect your account balance.

- **In-service distributions.** 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.** If you’re younger than age 59½, several types of hardship withdrawals are available, depending on the circumstances.

**Qualifying hardship withdrawals include:**
- Expenses for medical care previously incurred by you, your spouse or any dependents.
- Costs directly related to the purchase of your principal residence, excluding mortgage payments.
- Tuition, related educational fees, and room and board expenses for the next 12 months of post-secondary education for yourself, your spouse or dependents.
- Funeral/burial expenses for a parent, spouse, child or dependent.
- Payments necessary to prevent your eviction from your principal residence or foreclosure on the mortgage of your principal residence.
- Certain expenses relating to the repair of damage to your principal residence.

Hardship withdrawals are subject to income tax and, if prior to age 59½, a 10% tax penalty. Employer contributions cannot fund hardship withdrawals.

**When you leave employment, you can choose what to do with your money in the NC 401(k) Plan:**

Withdrawal restrictions apply to participants who retire or leave a covered position at an employer that participates in the NC 401(k) 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 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 age 70½, 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, semi-annual or annual installment payments.

- **Take a full or partial lump-sum withdrawal:** This option allows you to withdraw all or a portion of your 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 IRA (Individual Retirement Account):** 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 North Carolina’s Teachers’ and State Employees’ Retirement System (TSERS) or Local Governmental Employees’ Retirement System (LGERS), where it can be paid as a monthly benefit for your lifetime and/or the lifetime of your designated survivor. At or after retirement with TSERS or LGERS, Plan members can select from among 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.

---

* Amounts withdrawn from the NC 401(k) Plan are subject to applicable taxes and Plan restrictions. If taken before age 59½, they may also be subject to a 10% federal income tax penalty. The 10% penalty can be avoided by waiting to retire or separating from service in the year you turn 55 or older, if you receive payments from the NC 401(k) Plan in substantially equal amounts over your life expectancy or are deemed a qualified public safety employee and separate from service in, or after the year you turn age 50. Distributions are subject to 20% mandatory withholding.

** 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.
Any outstanding loan balance not paid back at termination becomes taxable in the year of default. Under the Tax Cuts and Jobs Act of 2018 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 this amount to an IRA or qualified employer plan.

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.

North Carolina Total Retirement Plans and the North Carolina Total Retirement Plans logo are service marks of the North Carolina Department of State Treasurer.

Retirement products and services are provided by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT or its affiliates. PRIAC is a Prudential Financial company.

© 2018 Prudential Financial, Inc. and its related entities. Prudential, the Prudential logo and the Rock symbol are service marks of Prudential Financial, Inc. and its related entities, registered in many jurisdictions worldwide.