

# The NC 401(k) Plan highlights



The NC 401(k) Plan is a Supplemental Retirement Plan offered by the State of North Carolina through the Department of State Treasurer. The Plan is available to contributing members of a state or local pension (e.g., TSERS, LGERS), law enforcement officers, participants in the Optional Retirement Program (ORP), and employees of UNC Health Care, as well as all employees (e.g., full-time, part-time, rehired retiree) whose employer participates in the Plan.

The NC 401(k) Plan is designed to help you reach your retirement savings goals.

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### 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.

#### 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.

For details about the Plan’s investment options, please visit [myNCPlans.com](http://myNCPlans.com) to view the quarterly fund fact sheets.

#### Simple investing with GoalMaker®\*

With GoalMaker®, you can spread your money across various asset classes and investment options. Once you provide your chosen retirement age and risk tolerance, you will be provided a suggested NC GoalMaker model comprised of the investments offered in the Plan.<sup>1</sup> *Past performance of investments or asset classes does not guarantee future results.*

#### 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 [myNCPlans.com](http://myNCPlans.com).

\* The North Carolina GoalMaker models are subject to change — including, for example, the replacement of investment options and allocations within the models. You will be notified in advance of such changes.

<sup>1</sup> 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 continues to correspond to their investment objectives, risk tolerance and retirement time horizon.

## One-on-one assistance

The Plan has knowledgeable NC 401(k)/NC 457 Plans' Retirement Plan Counselors<sup>2</sup> 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.



## How to register your account

The Plan's security features require that you register your online account. The process is simple:

- Visit [myNCPlans.com](http://myNCPlans.com) and choose *Register or Access my Account*.
- Choose *Register*.
- Select *I do not have a PIN*.
- Enter your personal information then hit *Continue*.
- Enter the verification code you receive from Empower.
- Create a username and password.
- Select *Sign in* and log in to your account with your new username and password.

**IMPORTANT:** If you are accessing your account from a mobile device, you will be directed to download our mobile app before you can complete your registration.

<sup>2</sup> **Retirement counselors are registered with Empower Financial Services, Inc., Member FINRA/SIPC.** EFSI is an affiliate of Empower Retirement, LLC; Empower Funds, Inc.; and registered investment adviser Empower Advisory Group, LLC. This material is for informational purposes only and is not intended to provide investment, legal or tax recommendations or advice.

# 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 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 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.<sup>3</sup>

You save per month	\$25	\$100	\$200	\$300
<b>10 years</b>	\$4,327	\$17,308	\$34,617	\$51,925
<b>15 years</b>	\$7,924	\$31,696	\$63,392	\$95,089
<b>20 years</b>	\$13,023	\$52,093	\$104,185	\$156,278
<b>30 years</b>	\$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. 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.**

## 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 [myNCPlans.com](http://myNCPlans.com). Submit the completed form directly to your payroll office. Total annual contributions may **not** exceed IRS limits.

<sup>3</sup>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.

### 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, one phone number and a single point of contact for your retirement account questions.
- The simplicity of managing all your retirement savings within one quarterly statement, making it easier to stay on track toward your retirement savings goals.
- The ease of asset allocation, since it is 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.

#### **Consider cost**

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.

The **NC 401(k)/NC 457 Plan Cost Comparison** document which can be found on the Plan's website, [myNCPlans.com](http://myNCPlans.com), can help you compare fees and costs between the NC 401(k) Plan and any other qualified retirement plans you may have from former employers.

For assistance with a rollover into the NC 401(k) Plan, call **866-NCPlans (866-627-5267)**.



### 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 \$60 fee for taking out a loan. Please keep in mind that loans and withdrawals can affect your account balance.<sup>4</sup>

#### 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 are 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, your primary beneficiary 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, your primary beneficiary or dependents.
- Funeral/burial expenses for a parent, spouse, child, dependent or primary beneficiary.
- 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.
- Expenses and losses (including loss of income) incurred on account of a FEMA-declared disaster if you live or work in a FEMA-designated disaster area.

*Hardship withdrawals are subject to income tax and, if prior to age 59½, a 10% tax penalty.*

<sup>4</sup> Any outstanding loan balance not paid back at termination becomes taxable in the year of default, unless you roll over the defaulted amount to an IRA or qualified employer plan by the date that the defaulted amount must be reported on your tax return.

# When you leave employment, you can choose what to do with your money in the NC 401(k) Plan<sup>5</sup>

## 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 a certain age,<sup>6,7</sup> 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.<sup>5,8</sup>

## 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.<sup>5,8</sup>

## 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.

The **NC 401(k)/NC 457 Plan Cost Comparison** can help you compare fees and costs between the NC 401(k) Plan and any other qualified retirement plans you may have from former employers.

## 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.

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.

<sup>5</sup> 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, or after you have attained 25 years of service, whichever comes first. Distributions are subject to 20% mandatory withholding.

<sup>6</sup> The IRS generally requires you to start taking required minimum distributions (RMDs) at age 73.

<sup>7</sup> The required minimum distribution (RMD) requirement does not apply to any assets designated as Roth within your Plan account. In addition, a surviving spouse may elect to be treated as the deceased plan participant for purposes of the RMD rules.

<sup>8</sup> Please note that if you terminate from service, requests for withdrawals or distributions from your account (not associated with retirement) will not be paid for 60 days, unless you are: (1) retired; (2) eligible for an in-service distribution; or (3) required to take a distribution by the Internal Revenue Code or the provisions of the Plan.

Empower Retirement, LLC provides the communications and recordkeeping services for the NC 401(k) and NC 457 Plans. The investments offered to you within the NC 401(k) and NC 457 Plans are not offered by or affiliated with Empower Retirement, LLC.

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