The NC 401(k) Plan and the NC 457 Plan: Two great plans to help build retirement savings

Saving for retirement is an important step toward living out a financially secure future. As a public employee in North Carolina, you are fortunate to have the NC 401(k) Plan and the NC 457 Plan available to you. While they are similar in many ways, there are some unique differences between the two Plans, as the chart below illustrates.

Provision	NC 457 Plan		NC 401(k) Plan*		
	Traditional Pre-Tax Contributions	Roth After-Tax Contributions	Traditional Pre-Tax Contributions	Roth After-Tax Contributions	
Eligibility	 Full-time, temporary or part-time employees Elected or appointed officials Rehired retired employees 		Contributing members to one of the North Carolina public employees Retirement Systems including: • Teachers' and State Employees' Retirement System (TSERS) • Local Governmental Employees' Retirement System (LGERS) • Legislative Retirement System • Consolidated Judicial Retirement System		
Contributions	 Pre-tax contributions and/or Roth after-tax contributions Made by payroll deduction No minimum Maximum is \$18,000 in 2015 (amount is not reduced by rollovers into the Plan from other eligible retirement plans) 		 Pre-tax contributions and/or Roth after-tax contributions Made by payroll deduction No minimum Maximum is \$18,000 in 2015 (amount is not reduced by rollovers into the Plan from other eligible retirement plans) 		
Age 50+ Catch-Up Contributions	If age 50 or older by December 31, 2015, the member may contribute an additional \$6,000 to the Plan for a total maximum deferral of \$24,000 Cannot be used in conjunction with the three-year catch-up contribution		If age 50 or older by December 31, 2015, the member may contribute an additional \$6,000 to the Plan for a total maximum deferral of \$24,000		
Three-year Catch-Up Contributions	Available to members who are within three years of the taxable year in which normal retirement age is attained and who did not contribute the maximum allowed in prior years. Maximum contribution is \$36,000 in 2015. Cannot be used in conjunction with the Age 50+ catch-up provision		Not available		
Employer Contributions	Employer contributions, if applicable, reduce the annual maximum employee contribution allowance		Employer contributions, if applicable, do not reduce the annual maximum employee contribution allowance		
Savers Tax Credit ¹	A nonrefundable tax credit is available to eligible taxpayers who make contributions to qualifying retirement plan(s). Depending on the member's adjusted gross income (AGI), the credit ranges from 10 to 50% of the first \$2,000 in eligible contributions. Generally, this credit would be available to joint filers with an AGI of up to \$61,000, head-of-household filers with an AGI of up to \$45,750, and single filers with an AGI of up to \$30,500.				
Rollovers into the Plan	Pre-tax rollovers are accepted from eligible retirement plans, including 401(k), 401(a), 403(b), governmental 457(b) plans; and many Individual Retirement Accounts (IRAs), including Traditional, Rollover (Conduit), SEP and SIMPLE plans	Roth after-tax rollovers are accepted from eligible retirement plans such as governmental 457(b), 401(k) and 403(b) plans, but not from Roth IRAs	Pre-tax rollovers are accepted from eligible retirement plans, including 401(k), 401(a), 403(b), governmental 457(b) plans; and many Individual Retirement Accounts (IRAs), including Traditional, Rollover (Conduit), SEP and SIMPLE plans	Roth after-tax rollovers are accepted from eligible retirement plans such as Roth 401(k), Roth 403(b), Roth 457 plans, but not from Roth IRAs	
Loan Provision	Loans may be taken for any reason, provided funds are available in the member's account, and are repaid with interest through payroll deduction(s). May take up to five years to repay with no prepayment penalty. Only one loan may be outstanding at a time.				
Hardship Withdrawals	 Available in the following circumstances: For medical expenses not covered by insurance for the member, spouse or dependents To prevent eviction or foreclosure on a primary residence To cover funeral/burial expenses for the member's immediate family member To repair damage to the member's principal residence that qualifies as a casualty deduction Employer contributions, if applicable, may not be used to fund a hardship withdrawal. 		 Available in the following circumstances as defined by the IRS: For medical expenses not covered by insurance for the member, spouse or dependents To provide a down payment on a primary residence For college tuition, room, board and some related educational expenses for member, spouse or dependents To prevent eviction or foreclosure on a primary residence To cover funeral/burial expenses for a member's immediate family member To repair damage to the member's principal residence that qualifies as a casualty deduction Employer contributions, if applicable, may not be used to fund a hardship withdrawal. 		

Provision	NC 457 Plan		NC 401(k) Plan*		
	Traditional Pre-Tax Contributions	Roth After-Tax Contributions	Traditional Pre-Tax Contributions	Roth After-Tax Contributions	
Withdrawals & Rollovers while Employed	 Available upon reaching age 70½ Transfer to the NC Retirement System to purchase service credit, if eligible for purchase Allowed if the account balance is less than \$5,000 and no contributions have been made for a period of two years 	 Available upon reaching 70½, and in order to receive favorable tax treatment, the first contribution must be at least five years old Allowed if the balance is less than \$5,000 and no contributions have been made for a period of two years 	 Available upon reaching age 59½ Transfer to the NC Retirement System to purchase service credit, if eligible for purchase 	Available upon reaching age 59½ and in order to receive favorable tax treatment the first contribution must be at least five years old	
Options upon Termination or Retirement	Leave funds in the Plan(s), subject to federal rules on minimum required distributions Begin making withdrawals (lump sum, partial payments or systematic payout options) Annuitize all or a portion Roll all or a portion of the balance to another qualified retirement plan or IRA At or after retirement, members may move balance to the NC TSERS or LGERS to increase their monthly benefit	 Leave funds in the Plan, subject to federal rules on minimum required distributions Begin making withdrawals (lump sum, partial payments or systematic payout options) Roll all or a portion of the balance to another Roth 401(k), Roth 403(b), Roth IRA or Roth 457 	Leave funds in the Plan, subject to federal rules on minimum required distributions Begin making withdrawals (lump sum, partial payments or systematic payout options) Roll all or a portion to an annuity Roll all or a portion of the balance to another qualified retirement plan or IRA At or after retirement, members may move balance to the NC TSERS or LGERS to increase their monthly benefit	 Leave funds in the Plan, subject to federal rules on minimum required distributions Begin making withdrawals (lump sum, partial payments or systematic payout options) Roll all or a portion of the balance to another Roth 401(k), Roth 457, Roth 403(b) or Roth IRA 	
Tax Considerations	 Withdrawals of pre-tax funds are subject to federal and state income taxes for the year in which the distribution(s) is/are processed Rollovers to other qualified plans or IRAs are not taxable events 	Withdrawals are NOT subject to federal or state income taxes provided: The first Roth contribution has been in the account for at least five tax years; and The member is 59½ or older, disabled or deceased	 Withdrawals of pre-tax funds are subject to federal and state income taxes for the year in which the distribution(s) is/are processed Rollovers to other qualified plans or IRAs are not taxable events 	Withdrawals are NOT subject to federal or state income taxes provided: The first Roth contribution has been in the account for at least five tax years; and The member is 59½ or older, disabled or deceased	
Additional Tax Penalties on Withdrawals	Regardless of age at withdrawal, no additional penalties will apply	Regardless of age at withdrawal, no additional penalties will apply	Withdrawals prior to age 59½ may be subject to an additional 10% federal income tax penalty. This penalty can be avoided if the member: • Separates from service in the calendar year they turn 55, or later • Elects to receive substantially equal payments based on life expectancy • Is disabled or deceased	Withdrawals prior to age 59½ may be subject to an additional 10% federal income tax penalty. This penalty can be avoided if the member: • Separates from service in the calendar year they turn 55, or later • Elects to receive substantially equal payments based on life expectancy • Is disabled or deceased	
Minimum Required Distributions	The federal government dictates that minimum withdrawals must begin by age 70½, provided a member is no longer employed by the sponsoring employer. Failure to receive this annual minimum required distribution (MRD) may result in significant tax penalties.				

For questions on the information below, please refer to www.NCPlans.prudential.com or call 1-866-NCPlans (1-866-627-5267).

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*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. Neither Prudential Financial nor any of its representatives are tax or legal advisors and encourage you to consult your individual legal or tax advisor with any specific questions. Rollover assets may be assessed fees or other surrender charges. Please contact the current account provider for this information.

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