



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. **It is possible to 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 questions or assistance, contact your Retirement Education Counselor:
Clay Thompson
704-219-6104
clay.thompson@prudential.com

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.*

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. 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 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.

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 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 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 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 \$60 fee for taking out a loan. Please keep in mind that loans and withdrawals can affect your account balance.*¹
- **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.

Questions?

Call 866-NCPlans (866-627-5267) or visit the plan website at NCPlans.prudential.com.

NC Plans Processing Center • P.O. Box 5340 • Scranton, PA 18505

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¹ 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.

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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.

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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 contribution 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.** 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](https://www.ncplans.prudential.com).
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Clay Thompson
704-219-6104
clay.thompson@prudential.com

For details about the plan's investment options, please visit [NCPlans.prudential.com](https://www.ncplans.prudential.com) and go to the *Choose Investments* tab to view the quarterly fund fact sheets.

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**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

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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.**

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- The simplicity of all your retirement savings reported on one quarterly statement and on the *myNC*Retirement Statement, making it easier to monitor your accounts and stay on track toward your retirement savings goals.
- The potential to save money through reduced Plan fees.
- 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 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 70½ 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 70½. 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:

- **Loans¹.** 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.
- **Low account value/inactive account exception.** 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 distributions².** Plan members who are age 70½ 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 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, semiannual or annual installment payments.
- **Take a full or partial lump-sum withdrawal³.** 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.

*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.

Questions?

Call 866-NCPlans (866-627-5267) or visit the plan website at NCPlans.prudential.com.

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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.

GoalMaker is an optional tool and available at no additional cost. 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. Prudential Financial encourages participants to consider their other assets, income and investments when enrolling in the GoalMaker program. We also recommend participants 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.

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.

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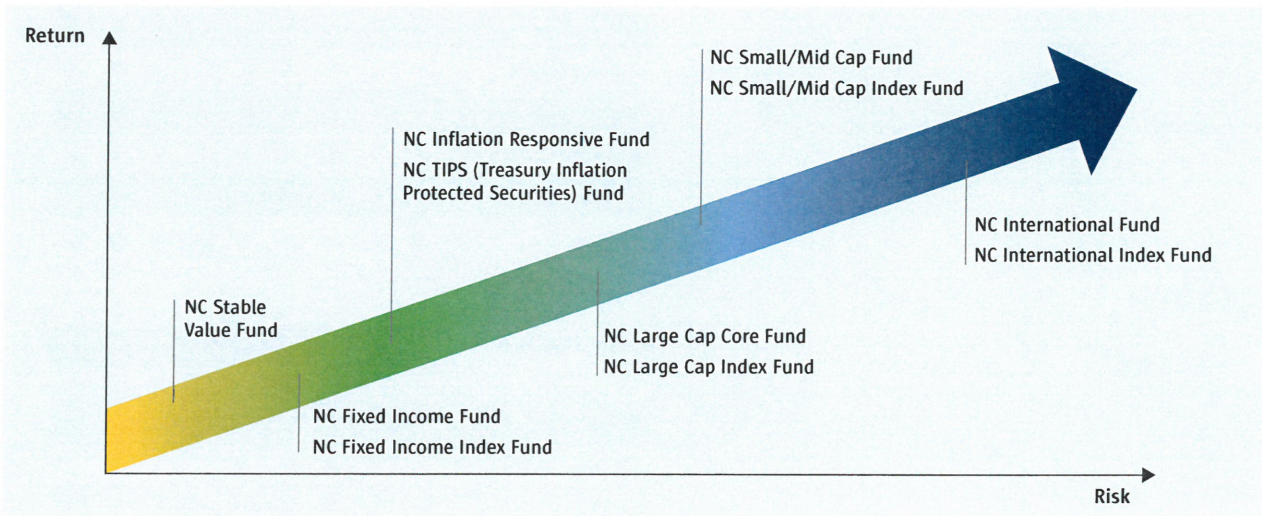
Choosing Your NC 401(k) & NC 457 Plan Investments

Taking a thoughtful approach to selecting a mix of investments designed to suit your needs can help you manage unforeseen risk in the markets as you work to save for a secure retirement.

TWO APPROACHES AVAILABLE—CHOOSE YOUR OWN OR USE GOALMAKER

You can select your own investments from those offered in the NC 401(k) and NC 457 Plans' investment lineup, or you can elect GoalMaker®, an optional, easy-to-use asset allocation program available at no additional cost. The Supplemental Retirement Board of Trustees works to leverage the size of our Plans to make available these diverse, high-quality investment options, at very competitive costs.

Option 1: Choose your own investment options



Keep in mind that every investment has some degree of risk—and potential reward. If an investment offers little risk of losing money, it may also offer less chance for high returns. An investment with greater risk may offer a higher chance for returns. There is no guarantee a higher-risk investment will provide greater returns.

Option 2: Use GoalMaker*

With GoalMaker, simply answer a few questions and you're on your way toward choosing the model portfolio you feel works best for you. (The GoalMaker model portfolios are shown on the reverse.)

When you enroll in GoalMaker, your model portfolio will:

- Rebalance each quarter
- Automatically adjust as you approach retirement

* Investment of your account balance according to a GoalMaker portfolio can and will be cancelled at any time if you direct Prudential to invest your account according to an investment allocation of your own design. The GoalMaker model portfolios are subject to change as directed by your plan administrator, including, for example, the replacement of investment options and the change of investment options as a percentage of the portfolio. You will be notified in writing in advance of any such changes.

GoalMaker features

Rebalancing

Each quarter, your investments automatically reset to align with your model portfolio's original asset allocation.

Age Adjustment

Your investment mix will automatically adjust to a more conservative mix of funds as you approach retirement.

What kind of investor are you?

- **Aggressive investors** generally seek to maximize investment returns and can tolerate substantial market fluctuations.
- **Moderate investors** generally are willing to sacrifice safety of principal for potentially greater returns, and can tolerate modest market fluctuations.
- **Conservative investors** generally are concerned about short-term ups and downs in the market, and want to minimize risk and maintain principal.

For more information about your investments, or to change your investment elections, visit NCPlans.prudential.com.

GoalMaker portfolios

Aggressive

	YEARS UNTIL RETIREMENT						YEARS AFTER RETIREMENT		
	26+	21-25	16-20	11-15	6-10	0-5	0-5	6-10	11+
NC Stable Value Fund	0%	0%	0%	0%	1%	3%	8%	14%	17%
NC Inflation Responsive Fund	10	10	9	9	7	6	4	3	3
NC TIPS Fund	0	0	0	0	1	3	8	14	17
NC Fixed Income Fund	2	2	7	13	21	27	26	19	19
NC Large Cap Index Fund	34	34	32	30	28	27	25	24	21
NC Small/Mid Cap Fund	14	14	14	12	10	10	8	6	6
NC International Fund	40	40	38	36	32	24	21	20	17
Total percent	100	100	100	100	100	100	100	100	100

Moderate

	YEARS UNTIL RETIREMENT						YEARS AFTER RETIREMENT		
	26+	21-25	16-20	11-15	6-10	0-5	0-5	6-10	11+
NC Stable Value Fund	0%	0%	0%	3%	6%	10%	14%	19%	22%
NC Inflation Responsive Fund	9	9	8	7	6	5	4	4	3
NC TIPS Fund	0	0	0	0	2	5	9	16	22
NC Fixed Income Fund	6	13	21	28	33	36	34	27	23
NC Large Cap Index Fund	33	30	27	24	21	19	18	16	14
NC Small/Mid Cap Fund	14	12	12	10	8	6	6	4	4
NC International Fund	38	36	32	28	24	19	15	14	12
Total percent	100	100	100	100	100	100	100	100	100

Conservative

	YEARS UNTIL RETIREMENT						YEARS AFTER RETIREMENT		
	26+	21-25	16-20	11-15	6-10	0-5	0-5	6-10	11+
NC Stable Value Fund	0%	0%	4%	8%	12%	17%	22%	25%	26%
NC Inflation Responsive Fund	8	7	6	5	4	3	3	2	2
NC TIPS Fund	0	0	0	3	6	10	15	19	24
NC Fixed Income Fund	21	31	37	41	42	41	36	33	29
NC Large Cap Index Fund	27	24	20	17	14	13	11	10	9
NC Small/Mid Cap Fund	12	10	8	8	6	4	4	2	2
NC International Fund	32	28	25	18	16	12	9	9	8
Total percent	100	100	100	100	100	100	100	100	100

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GoalMaker is an optional tool and available at no additional cost. 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. Prudential Financial encourages participants to consider their other assets, income and investments when enrolling in the GoalMaker program. We also recommend participants periodically reassess their GoalMaker investments to make sure their model portfolio continues to correspond to their investment objectives, risk tolerance and retirement time horizon.

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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.

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.

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Options for NC 401(k) and NC 457 members when leaving employment



In this period of transition from your North Carolina state or local governmental agency, it's important you make sound decisions regarding your NC 401(k) and/or NC 457 Plan accounts. To help you with that process, here is a summary of options to consider:

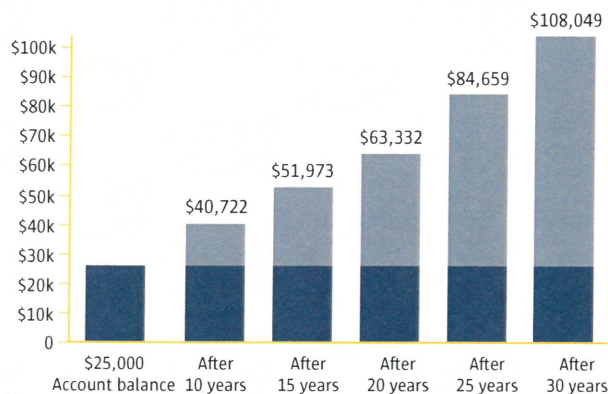
Option #1: Money remains in the Plan

Once you separate from service, you can no longer contribute to the Plan(s), but you may **remain** in the Plan(s) and continue to enjoy the many benefits, such as:

- Access to monitored investments and fee arrangements exclusive to the Plan(s)
- Tax-deferred growth of your investment earnings (see chart)
- The ability to transfer money among investments in the Plan(s)
- The use of GoalMaker®, the optional asset allocation program available to you at no additional cost
- The ability to roll over money from other eligible retirement plans or IRAs

The advantage of compounding

The graph below illustrates how your account balance could potentially grow over time, based on a 5 percent annual interest rate, if your Plan account balance is currently \$25,000, and you make no additional contributions.



Assumes 5 percent interest. The compounding concept is hypothetical and for illustrative purposes only, and is not intended to represent the performance of any specific investment, which may fluctuate. No taxes are considered in calculations; generally, withdrawals are taxable at ordinary income rates. You can lose money by investing in securities.

Option #2: Receive income for life through the Transfer Benefit

When you retire from the Teachers' and State Employees' Retirement System (TSERS) and/or the Local Government Employees' Retirement System (LGERS), you may elect to transfer pre-tax assets from your NC 401(k) and/or NC 457 Plan accounts to the Retirement System in exchange for a stream of monthly payments, guaranteed to last your lifetime. This one-time, irrevocable election may be made at, or after, retirement, and allows additional provisions for:

- Extending the monthly payments for the lifetime of a named survivor
- Guaranteeing a refund of the amount transferred, less any amounts already paid out

More information on the Transfer Benefit can be found by visiting www.NCLifetimeIncome.org.

Option #3: Begin withdrawals

Cashing out your retirement savings should be an action of last resort, since it could hamper your efforts to achieve your long-term retirement savings goals. However, you may begin withdrawals if you've separated from service. The Plan(s) allow lump-sum withdrawals, partial withdrawals and systematic withdrawals.

Withdrawals of pre-tax funds usually incur income taxes. There is no early withdrawal penalty if:

- You're in the NC 401(k) Plan and:
 - are at least age 59½
 - are deemed a qualified public safety employee and separate from service in, or after the year, you turn age 50*
 - you separate from service in, or after, the year in which you turn 55
 - regardless of your age, you elect to receive substantially equal payments based on your life expectancy
 - you are disabled or have passed away
- You're withdrawing funds from the NC 457 Plan (at any age)

Generally, withdrawals of Roth contributions may be income tax-free if you are at least age 59½ and the first Roth contribution remained in your account for at least five tax years before you took your withdrawal.

Option #4: Roll your savings into an IRA or a new employer's retirement plan

This path allows your assets and earnings to continue to grow tax-deferred until you begin taking withdrawals. However, once rolled into another plan, your account could be subject to fees or restrictions that are not present in your NC 401(k) and/or NC 457 Plan account(s). Additionally, investment options are limited to those offered by the new plan.

Important information for members with Bailey-vested accounts: If you contracted to contribute to the NC 401(k) and/or the NC 457 Plan by submitting an enrollment form on or before August 12, 1989, your account may be Bailey vested. As such, withdrawals from those retirement plan accounts are North Carolina income tax exempt. However, rolling your account(s) to another plan or IRA may affect your North Carolina tax-exempt status. Before initiating a rollover, consult your tax advisor and review the Bailey Settlement Directives located on the North Carolina Department of Revenue website at www.dor.state.nc.us. You may also call the North Carolina Department of Revenue at 919-733-3565 or write to the Department of Revenue Personal Taxes Division at P.O. Box 871, Raleigh, North Carolina 27602-0871.

Option #5: Make a special contribution

You may be due to receive a final payout of unused vacation/sick leave**, bonus days and/or prorated longevity. In order to better manage your taxable income for the year, you can elect to contribute funds from that final payout to your retirement plan account, as long as you do not exceed the current maximum contribution allowance. The deduction will occur only once, and then it will revert back to the previous amount being deducted (if any). You can begin by filling out the “One-Time Contribution” form located at NCPlans.prudential.com (Tools & Resources tab) and follow the directions provided.

Important Considerations for Outstanding Loans

What to do if you have an outstanding loan from the Plan(s):

- If you leave employment with an outstanding loan balance**, the entire balance must be paid within 90 days of the date you separate from service.
- For loan payoff information, call **866-NCPlans** (866-627-5267) toll free.
- Any balance that remains unpaid after that time will be considered “defaulted” and will be reported to the IRS as taxable income, unless you contact Prudential Retirement® to re-amortize the loan for a fee.
- In addition to incurring federal and state income taxes, you may incur an early withdrawal penalty on your outstanding loan balance.
- If you become employed with another North Carolina governmental agency before your loan defaults, you may be able to resume your loan repayments. You must notify Prudential Retirement that you have changed employers.

Going forward

Don't forget that as long as you have an account, you have access to your Retirement Education Counselor and the Plan's Participant Service Center, which is staffed by specialists who can explain the advantages and disadvantages of each Plan's options and guide you through the administrative process.

To reach a Participant Service Representative, call **866-NCPlans** (866-627-5267). Prudential Retirement cannot provide legal or tax advice, so you may want to consult with your legal or tax advisor if you have any questions.

Please note, distributions requested may not be processed until 60 days after the date you separate from service, unless you are over the age 59½ or your separation is due to retirement.

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**Applicable to the 401(k) Plan only.

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Keep in mind that the application of asset allocation and diversification concepts does not ensure safety of principal and interest. It should also be noted that diversification does not assure a profit or protect against loss in a declining market. **You can lose money by investing in securities.**

Rollover assets may be assessed fees or other surrender charges. Please contact current account provider for this information.

This information has been provided for your benefit and is not intended or designed to be tax advice.

Generally, for distributions of Roth 401(k) contributions to become qualified for federal income tax purposes, you have to wait at least five tax years after making your first Roth 401(k) contribution before taking a withdrawal and your withdrawals must begin after: you have reached age 59½; you have died; or you have become disabled. If your withdrawal does not meet these qualifications, your accumulated Roth 401(k) earnings—but not your Roth 401(k) contributions—will be taxed, and may be subject to a 10% early distribution penalty if you have not reached age 59½. State tax treatment may vary. Roth 457 non-qualified withdrawals are not subject to a 10% early distribution penalty.

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