The NC 401(k) Plan and the NC Deferred Compensation Plan (NC 457 Plan):
Choose the Plan that is best suited for you

Saving for retirement is an important step toward living out a more secure future. As a public employee in North Carolina, you are fortunate to have two great supplemental retirement savings options available to you: the NC 401(k) Plan and the NC Deferred Compensation (457) Plan. While they are similar in many ways, there are some unique differences between the two options. The chart below is a comparison that outlines the differences between the two Plans.

<table>
<thead>
<tr>
<th>Provision</th>
<th>NC Deferred Compensation Plan (NC 457 Plan)</th>
<th>NC 401(k) Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility</td>
<td>• Full-time, temporary, or part-time employees&lt;br&gt;• Elected or appointed officials&lt;br&gt;• Retired retired employees</td>
<td>• Contributing members to one of the North Carolina public employees Retirement Systems including:&lt;br&gt;• Teachers and State Employees Retirement System&lt;br&gt;• Local Government Employees Retirement System&lt;br&gt;• Legislative Retirement System&lt;br&gt;• Consolidated Judicial Retirement System</td>
</tr>
<tr>
<td>Contributions</td>
<td>• Pretax contributions and/or Roth after-tax contributions&lt;br&gt;• Made by payroll deduction&lt;br&gt;• No minimum&lt;br&gt;• Maximum is $17,000 in 2012 (amount is not reduced by rollovers into the Plan from other eligible retirement plans)</td>
<td>• Pretax contributions and/or Roth after-tax contributions&lt;br&gt;• Made by payroll deduction&lt;br&gt;• No minimum&lt;br&gt;• Maximum is $17,000 in 2012 (amount is not reduced by rollovers into the Plan from other eligible retirement plans)</td>
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<td>Age 50+ Catch-Up Contributions</td>
<td>• If age 50 or older by 12/31/2012, then member may contribute an additional $5,500 to the Plan for a total maximum deferral of $22,500&lt;br&gt;• Cannot be used in conjunction with the Three-year catch-up contribution</td>
<td>If age 50 or older by 12/31/2012, then member may contribute an additional $5,500 to the Plan for a total maximum deferral of $22,500</td>
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<td>Three-year Catch-Up Contributions</td>
<td>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 $34,000 in 2012. Cannot be used in conjunction with the Age 50+ catch-up provision</td>
<td>Not available</td>
</tr>
<tr>
<td>Employer Contributions</td>
<td>Employer contributions, if applicable, reduce the annual maximum contribution allowance</td>
<td>Employer contributions, if applicable, do not reduce the annual maximum employee contribution allowance</td>
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<tr>
<td>Savers Tax Credit¹</td>
<td>A non-refundable tax credit is available to eligible taxpayers who make contributions to qualifying retirement plans. Depending upon 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 $57,500, head of household filers with an AGI of up to $43,125 and single filers with an AGI of up to $28,750.</td>
<td>Pretax rollovers are accepted from eligible retirement plans including 401(k), 401(a), 403(b), governmental 457(b) plans and some Individual Retirement Accounts (IRAs) including Traditional, SEP and Simple</td>
</tr>
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<td>Rollovers into the Plan</td>
<td>Pretax rollovers are accepted from eligible retirement plans including 401(k), 401(a), 403(b), governmental 457(b) plans and some Individual Retirement Accounts (IRAs) including Traditional, SEP and Simple</td>
<td>Roth after tax rollovers are accepted from eligible retirement plans including 401(k), 401(a), 403(b), governmental 457(b) plans and some Individual Retirement Accounts (IRAs) including Traditional, SEP and Simple</td>
</tr>
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<td>Loan Provision</td>
<td>Loans may be taken for any reason, provided funds are available in the member’s account, and are repaid with interest through payroll deduction. May take up to five years to repay with no prepayment penalty. Only one loan may be outstanding at a time.</td>
<td>Roth after tax rollovers are accepted from eligible retirement plans such as Roth 401(k), Roth 403(b), Roth 457 but not from Roth IRAs</td>
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</table>

¹ 2012 AGI amounts, indexed for inflation
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<td>Traditional Pre-Tax Contributions</td>
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| 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 | 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 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 upon reaching age 70½ and in order to receive favorable tax treatment the first contribution must be at least 5 years old. | Available upon reaching age 59½ and in order to receive favorable tax treatment the first contribution must be at least 5 years old. |
| Withdrawals & Rollovers while Employed | Available upon reaching age 70½ and in order to receive favorable tax treatment the first contribution must be at least 5 years old. | Available upon reaching age 59½ and in order to receive favorable tax treatment the first contribution must be at least 5 years old. | Available upon reaching age 70½ and in order to receive favorable tax treatment the first contribution must be at least 5 years old. | Available upon reaching age 59½ and in order to receive favorable tax treatment the first contribution must be at least 5 years old. |
| Options at or after 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)  
  - Roll all or a portion of the balance to another qualified retirement plan or IRA  
  - At or after retirement, members may elect the Transfer Benefit to move funds to the Retirement System to increase their monthly benefit | Leave funds in the Plan, subject to federal rules on minimum required distributions  
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  - At or after retirement, members may elect the Transfer Benefit to move funds to the Retirement System to increase their monthly benefit |
| Tax Considerations | Withdrawals of pretax funds are subject to federal and state income taxes for the year in which the distribution(s) is processed.  
  - Rollovers to other qualified plans or IRAs are not taxable events | Withdrawals of pretax funds are subject to federal and state income taxes for the year in which the distribution(s) is processed.  
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| Tax Penalties | 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 upon life expectancy  
  - Is disabled or deceased  
  - Transfers funds to the Retirement System | State and federal income taxes along with a federal tax penalty for early withdrawal may apply to the earnings (not contributions) if the member is younger than 59½ or if the first Roth contribution has not been in the account for at least five years |
| Required Minimum Distributions (RMD) | The federal government dictates that Required Minimum Distributions (RMD) must begin by age 70½, provided a member is no longer employed by the sponsoring employer. Failure to receive this annual RMD may result in significant tax penalties. | | | |