



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

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 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.

Provision	NC Deferred Compensation Plan (NC 457 Plan)		NC 401(k) Plan	
	Traditional Pre-Tax Contributions	Roth After-Tax Contributions	Traditional Pre-Tax Contributions	Roth After-Tax Contributions
Eligibility	<ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • Teachers and State Employees Retirement System • Local Government Employees Retirement System • Legislative Retirement System • Consolidated Judicial Retirement System 	
Contributions	<ul style="list-style-type: none"> • Pre-tax contributions and/or Roth after-tax contributions • Made by payroll deduction • No minimum • Maximum is \$16,500 in 2011 (amount is not reduced by rollovers into the Plan from other eligible retirement plans) 		<ul style="list-style-type: none"> • Pre-tax contributions and/or Roth after-tax contributions • Made by payroll deduction • No minimum • Maximum is \$16,500 in 2011 (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 12/31/2011, then member may contribute an additional \$5,500 to the Plan for a total maximum deferral of \$22,000 <i>Cannot be used in conjunction with the Three-year catch-up contribution</i>		If age 50 or older by 12/31/2011, then member may contribute an additional \$5,500 to the Plan for a total maximum deferral of \$22,000	
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 \$33,000 in 2011. <i>Cannot be used in conjunction with the Age 50+ catch-up provision</i>		Not available	
Employer Contributions	Employer contributions, if applicable, reduce the annual maximum contribution allowance		Employer contributions, if applicable, do not reduce the annual maximum employee contribution allowance	
Savers Tax Credit	A non-refundable tax credit is available to eligible taxpayers who make contributions to qualifying retirement plan(s). 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 \$55,000, head of household filers with an AGI of up to \$41,625 and single filers with an AGI of up to \$27,750.			
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 some Individual Retirement Accounts (IRAs)	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 some Individual Retirement Accounts (IRAs)	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
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. May take up to five years to repay with no prepayment penalty. Only one loan may be outstanding at a time.			

Provision	NC Deferred Compensation (457) Plan		NC 401(k) Plan	
	Traditional Pre-Tax Contributions	Roth After-Tax Contributions	Traditional Pre-Tax Contributions	Roth After-Tax Contributions
Hardship Withdrawals	Available in the following circumstances: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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. <i>Employer contributions, if applicable, may not be used to fund a hardship withdrawal</i>	
Withdrawals & Rollovers while Employed	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Available upon reaching 70½ and in order to receive favorable tax treatment the first contribution must be at least 5 years old. Allowed if the balance is less than \$5,000 and no contributions have been made for a period of two years 	<ul style="list-style-type: none"> Available upon reaching age 59½ Transfer to the NC Retirement System to purchase service credit, if eligible for purchase 	<ul style="list-style-type: none"> Available upon reaching age 59½ and in order to receive favorable tax treatment the first contribution must be at least 5 years old.
Options upon Termination or Retirement	<ul style="list-style-type: none"> 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 retirement only, members may move balance to the Retirement System to increase their monthly benefit 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 retirement only, members may move balance to the Retirement System to increase their monthly benefit 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Withdrawals of pre-tax 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 are NOT subject to federal or state income taxes provided: <ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Withdrawals of pre-tax 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 are NOT subject to federal or state income taxes provided: <ul style="list-style-type: none"> 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
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: <ul style="list-style-type: none"> 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 	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
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.			

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