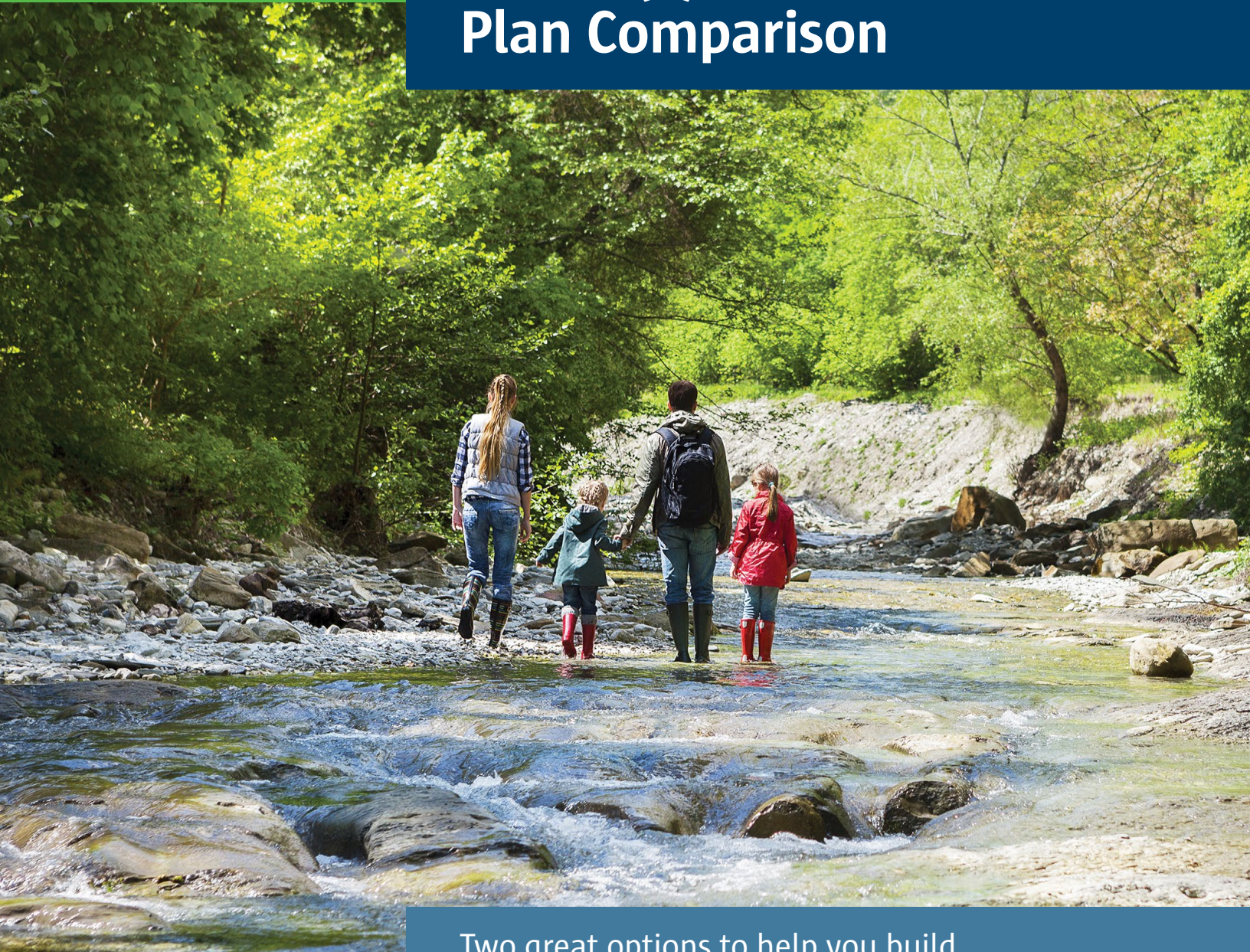


# NC 401(k) and NC 457 Plan Comparison



Two great options to help you build  
your retirement savings.

# Saving for retirement

## Saving for retirement is an important step toward living out a financially secure future.

As a public servant in North Carolina, you are fortunate to have the NC Supplemental Retirement Plans 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 <sup>1</sup>  |   |
|--|---|--|--|---|
|  | Traditional pre-tax contributions   | Roth after-tax contributions   | Traditional pre-tax contributions  | Roth after-tax contributions  |
| <b>Eligibility</b>                               | <ul style="list-style-type: none"> <li>• Full-time, temporary or part-time employees</li> <li>• Elected or appointed officials</li> <li>• Rehired retired employees</li> <li>• Employer offers NC 457 Plan</li> </ul>   |  | <ul style="list-style-type: none"> <li>• Full-time, temporary or part-time employees</li> <li>• Elected or appointed officials</li> <li>• Rehired retired employees</li> <li>• Contributing members to one of the North Carolina Retirement Systems, including:               <ul style="list-style-type: none"> <li>- Teachers' and State Employees' Retirement System (TSERS)</li> <li>- Local Governmental Employees' Retirement System (LGERS)</li> <li>- Legislative Retirement System (LRS)</li> <li>- Consolidated Judicial Retirement System (CJRS)</li> </ul> </li> </ul>   |   |
| <b>Contributions</b>                             | <ul style="list-style-type: none"> <li>• Pre-tax contributions and/or Roth after-tax contributions</li> <li>• Made by payroll deduction</li> <li>• No minimum</li> <li>• Maximum is \$23,500 in 2025 (amount is not reduced by rollovers into the Plan from other eligible retirement plans)</li> </ul>   |  |  |   |
| <b>Age 50+ catch-up contributions</b>            | If age 50 or older by December 31, 2025, the member may contribute an additional \$7,500* to the Plan for a total maximum deferral of \$31,000 in 2025.   |  |  |   |
| <b>Super catch-up contributions (ages 60-63)</b> | Members who reach age 60, 61, 62, or 63 in 2025 may make a super catch-up contribution of \$11,250* to the Plan, for a total maximum deferral of \$34,750.  |  |  |   |
| <b>Three-year catch-up contributions</b>         | 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 \$47,000 in 2025.<br><br><small>*NC 457 Plan participants may not use age 50+ catch-up contributions or the super catch-up contributions for ages 60-63 in conjunction with three-year catch-up contributions.</small>  |  | Not available  |   |
| <b>Employer contributions</b>                    | Employer contributions, if applicable, <b>reduce</b> the annual maximum employee contribution allowance.  |  | Employer contributions, if applicable, <b>do not reduce</b> the annual maximum employee contribution allowance.  |   |
| <b>Saver's Credit</b>                            | 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 (\$4,000 if married filing jointly). Generally, this credit would be available to joint filers with an AGI of up to \$79,000, head-of-household filers with an AGI of up to \$59,250, and single filers with an AGI of up to \$39,500. |  |  |   |
| <b>Rollovers into the Plan</b>                   | Pre-tax rollovers are accepted from eligible retirement plans, including 401(k), 401(a), 403(b) and 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) and 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) and Roth 457 plans, but not from Roth IRAs. |
| <b>Loan provision<sup>2</sup></b>                | 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). With general-purpose loans, members may take up to five years to repay with no prepayment penalty. Only one loan per plan may be outstanding at a time.   |  |  |   |
| <b>Hardship/unforeseen emergency withdrawals</b> | Available in the following circumstances: <ul style="list-style-type: none"> <li>• For medical expenses not covered by insurance for the member, spouse or dependents</li> <li>• To prevent eviction from or foreclosure on a primary residence</li> <li>• To cover funeral/burial expenses for the member's immediate family member</li> <li>• To repair damage to the member's principal residence that qualifies as a casualty deduction</li> </ul>  |  | Available in the following circumstances, as defined by the IRS: <ul style="list-style-type: none"> <li>• For medical expenses not covered by insurance for the member, primary beneficiary, spouse or dependents</li> <li>• To provide a down payment on a primary residence</li> <li>• For college tuition, room, board and some related educational expenses for the member, primary beneficiary, spouse or dependents</li> <li>• To prevent eviction from or foreclosure on a primary residence</li> <li>• To cover funeral/burial expenses for a primary beneficiary or a member's immediate family member</li> <li>• To repair damage to the member's principal residence that qualifies as a casualty deduction</li> <li>• 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</li> </ul> |   |

## Joining the NC 457 Plan and/or the NC 401(k) Plan is a wise choice. So start saving for your future today!



| Provision   | NC 457 Plan   |   | NC 401(k) Plan <sup>1</sup>   |  |
|---|---|---|---|--|
|   | Traditional pre-tax contributions   | Roth after-tax contributions  | Traditional pre-tax contributions   | Roth after-tax contributions   |
| <b>Withdrawals &amp; rollovers while employed</b>         | <ul style="list-style-type: none"> <li>Available upon reaching age 59½</li> <li>Upon transfer to the NC Retirement System to purchase service credit, if eligible for purchase</li> <li>Allowed if the account balance is less than \$5,000 and no contributions have been made for a period of two years</li> </ul>  | <ul style="list-style-type: none"> <li>Available upon reaching age 59½, and to receive favorable tax treatment, the first contribution must be at least five years old</li> <li>Allowed if the account balance is less than \$5,000 and no contributions have been made for a period of two years</li> </ul>                              | <ul style="list-style-type: none"> <li>Available upon reaching age 59½</li> <li>Allowed upon transfer to the NC Retirement System to purchase service credit, if eligible for purchase</li> </ul>   | <ul style="list-style-type: none"> <li>Available upon reaching age 59½ and to receive favorable tax treatment, the first contribution must be at least five years old</li> </ul>   |
| <b>Options upon termination or retirement<sup>3</sup></b> | <ul style="list-style-type: none"> <li>Leave funds in the Plan(s), subject to federal rules on required minimum distributions</li> <li>Begin making withdrawals (lump sum, partial payments or systematic payout options)</li> <li>Annuitize all or a portion</li> <li>Roll all or a portion of the balance to another qualified retirement plan or IRA</li> <li>At or after retirement, members may transfer all or a portion of pre-tax account balance to NC TSERS or NC LGERS, where it can be paid as a monthly benefit for your lifetime and/or the lifetime of your designated survivor</li> </ul> | <ul style="list-style-type: none"> <li>Leave funds in the Plan, subject to federal rules on required minimum distributions</li> <li>Begin making withdrawals (lump sum, partial payments or systematic payout options)</li> <li>Roll all or a portion of the balance to another Roth 401(k), Roth 403(b), Roth IRA or Roth 457</li> </ul> | <ul style="list-style-type: none"> <li>Leave funds in the Plan, subject to federal rules on required minimum distributions</li> <li>Begin making withdrawals (lump sum, partial payments or systematic payout options)</li> <li>Roll all or a portion to an annuity</li> <li>Roll all or a portion of the balance to another qualified retirement plan or IRA</li> <li>At or after retirement, members may transfer all or a portion of pre-tax account balance to NC TSERS or NC LGERS, where it can be paid as a monthly benefit for your lifetime and/or the lifetime of your designated survivor</li> </ul> | <ul style="list-style-type: none"> <li>Leave funds in the Plan, subject to federal rules on required minimum distributions</li> <li>Begin making withdrawals (lump sum, partial payments or systematic payout options)</li> <li>Roll all or a portion of the balance to another Roth 401(k), Roth 457, Roth 403(b) or Roth IRA</li> </ul>  |
| <b>Tax considerations</b>                                 | <ul style="list-style-type: none"> <li>Withdrawals of pre-tax funds are subject to federal and state income taxes for the year in which the distribution(s) is/are processed</li> <li>Rollovers to other qualified plans or IRAs are not taxable events</li> </ul>  | <p>Contributions are NOT taxed when withdrawn.</p> <p>Withdrawals of earnings are subject to federal or state income taxes, unless:</p> <ul style="list-style-type: none"> <li>The first Roth contribution has been in the account for at least five tax years</li> <li>The member is 59½ or older, disabled or deceased</li> </ul>       | <ul style="list-style-type: none"> <li>Withdrawals of pre-tax funds are subject to federal and state income taxes for the year in which the distribution(s) is/are processed</li> <li>Rollovers to other qualified plans or IRAs are not taxable events</li> </ul>  | <p>Contributions are NOT taxed when withdrawn.</p> <p>Withdrawals of earnings are subject to federal or state income taxes, unless:</p> <ul style="list-style-type: none"> <li>The first Roth contribution has been in the account for at least five tax years</li> <li>The member is 59½ or older, disabled or deceased</li> </ul>  |
| <b>Additional tax penalties on withdrawals</b>            | Regardless of age at withdrawal, generally no additional penalties will apply.  | Regardless of age at withdrawal, generally 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"> <li>Separates from service in the calendar year they turn age 55, or later</li> <li>Elects to receive substantially equal payments based on life expectancy</li> <li>Is disabled or deceased</li> <li>Is deemed a qualified public safety employee and separates from service in or after the year they turn age 50 or after they have attained 25 years of service, whichever comes first</li> </ul>                                | Withdrawals of earnings 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"> <li>Separates from service in the calendar year they turn age 55, or later</li> <li>Elects to receive substantially equal payments based on life expectancy</li> <li>Is disabled or deceased</li> <li>Is deemed a qualified public safety employee and separates from service in or after the year they turn age 50 or after they have attained 25 years of service, whichever comes first</li> </ul> |
| <b>Required minimum distributions</b>                     | The federal government dictates that minimum withdrawals must begin by a certain age, provided the member is no longer employed by the sponsoring employer. Failure to receive this annual required minimum distribution (RMD) may result in significant tax penalties. <sup>4,5</sup>  |   |   |  |

**Where can you go for information?**  
**Call 866-NCPlans (866-627-5267) toll-free, or visit [myNCPlans.com](https://myNCPlans.com).**

<sup>1</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.

<sup>2</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.

<sup>3</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.

<sup>4</sup>The age at which you must begin taking your required minimum distributions (RMDs) is based on your date of birth. For individuals born before July 1, 1949, that age is 70½. For those born July 1, 1949, through December 31, 1950, the age is 72; for those born January 1, 1951-December 31, 1959, age 73; and for those born on or after January 1, 1960, the RMD age is 75.

<sup>5</sup>Due to Secure 2.0 legislation, the 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.

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