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 Plan (457). 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.

	Pre-Tax Deferrals		After-Tax Deferrals
Provision	**457**	**Pre-Tax 401(k)**	**Roth 401(k)**
Eligibility	Permanent full-time, temporary, and part-time employees. Including elected and appointed officials, and rehired retired employees. Not including independent contractors.	Active members of the Teachers' and State Employees', Local Governmental Employees', and Consolidated Judicial and Legislative Retirement Systems.	
Contributions	2009 annual contribution limit of $16,500. $22,000 if age 50 or older.	2009 annual contribution limit of $16,500. $22,000 if age 50 or older. Contributions can be pre-tax, Roth, or a combination.	
	You may choose to put money in the 457 Plan, the 401(k) Plan or both. If you choose to contribute to both Plans, the combined limit in 2009 is $33,000. If over age 50, the combined limit is $44,000.		
Minimum contribution	None.		
Age 50 and older catch-up provision	In 2009, you may contribute an additional $5,500 to the Plan, if you are or will be age 50 or older by December 31, 2009.		
	You may not use this provision in a 457 Plan while using the 457 three-year catch-up provision.		
Three-year catch-up provision (457) **Cannot be used in the 457 Plan if the age 50 and older catch-up is used.**	Eligible if you have unused contributions, the 457 catch-up limit is $33,000 in 2009. You may participate only in the three years before the taxable year in which you attain normal retirement age.	Not available.	
Potential for matching employer contributions	Permitted, but reduces the maximum amount an employee is eligible to defer.	More than 445 Plan employers offer an employer contribution to the NC 401(k) Plan. To find out if your employer offers employer money to the NC 401(k) Plan, contact your Human Resource or Benefits Office.	
When are you taxed?	**Pay Later:** Contributions and earnings are taxed upon distribution.		**Pay Now:** Contributions are taxed when made; however earnings are tax-free upon taking a "qualified" distribution.
Other things to consider	If you think you'll be in a lower tax bracket at retirement, contributing on a pre-tax basis may be better than contributing on an after-tax basis.		If you think you'll be in a higher tax bracket in retirement, you may benefit from making Roth contributions to the Plan and paying taxes at today's rate.
Savers Tax Credit	Eligible members will receive a non-refundable tax credit of up to 50% on an annual contribution of $2,000 in elective deferrals, in addition to the tax deferral. This generally applies to joint filers with an adjusted gross income (AGI) of up to $55,500, head of household filers with an AGI of $41,625 and single filers with an AGI of $27,750. For more information, contact your Regional Retirement Education Manager.		

	Pre-Tax Deferrals		After-Tax Deferrals
Provision	**457**	**Pre-Tax 401(k)**	**Roth 401(k)**
Rollovers into the Plan	Approved balances from an eligible governmental 457(b), 401(k), 403(b), or 401(a) plan, or an Individual Retirement Account (IRA).		Direct rollovers accepted from other qualified Roth plans but not Roth IRAs.
In-service withdrawals	In-service withdrawals are available after age 70½. They are subject to federal and state income taxes, and there are limited reasons for withdrawal. Hardship withdrawals are only available in the event of an unforeseeable emergency. De minimis benefits are payable if the account balance is less than $5,000 and there have been no contributions for a period of two years.	In-service withdrawals are available when member reaches age 59½ (subject to federal and state taxes, but no 10% early withdrawal penalty). Safe-Harbor Hardship withdrawals are available only in the event of an immediate and heavy need, and only in the amount necessary to satisfy the need. Employer money is not available for hardship withdrawal.	In-service withdrawals are available when member reaches age 59½ **and contributions have been in the account for at least five years.** Hardship withdrawals are available only in the event of an immediate and heavy need, and only in the amount necessary to satisfy the need.
Withdrawals upon termination of employment/ retirement	Leave your funds in the Plan (subject to federal rules on minimum required distributions), take a full or partial systematic withdrawal, roll over your balance to an eligible governmental 457(b), 401(k), 403(b), or 401(a) plan, or to an Individual Retirement Account (IRA).		Leave your funds in the Plan (subject to federal rules on minimum required distributions), take a full or partial systematic withdrawal, roll over your balance to a Roth 401(k) or Roth IRA.
Minimum Required Distributions	*Note: Relief Only for 2009 Minimum Required Distributions.* *The new federal law eliminates the need to take minimum required distributions only for the 2009 calendar year, but does not affect minimum required distributions for 2008 (including initial minimum required distributions that must be paid by April 1, 2009) or later years.* If you decide to stop payment of your 2009 minimum required distribution because of the change in the law, please notify Prudential by calling a Participant Service Representative at 1-866-627-5267. If you do not notify Prudential, we will pay your 2009 minimum required distribution(s).		
Tax penalties	A 50% federal tax penalty applies if required minimum distributions are not taken at age 70½.	A 10% federal income tax penalty applies to distributions made before age 59½. Keep in mind, the penalty can be avoided if you retire in the calendar year that you turn age 55 or older, or if you elect to receive substantially equal payments from the Plan over your life expectancy. A 50% federal tax penalty applies if required minimum distributions are not taken at age 70½. The federal income tax penalty is applied only to the Roth earnings if a distribution is processed prior to age 59½.	
Purchase of service credits with the State Retirement System	Pre-tax contributions and earnings can be used to purchase allowable additional service credits with the State Retirement Systems.		Roth contributions and earnings cannot be used to purchase additional service credits with the State Retirement Systems.

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