Montgomery County Schools
441 Page Street • P.O. Box 427 • Troy, North Carolina 27371-0427
(910) 576-6511 FAX (910) 576-2044

BOARD RESOLUTION

WHEREAS, the Prudential Insurance Company of America wishes to provide a qualified defined contribution plan to the employees of Montgomery County Schools.

AND WHEREAS, the state of North Carolina has established the North Carolina Public Employee Deferred Compensation Plan, a qualified governmental Deferred Compensation Plan under Internal Revenue code § 457(b) for public employees of North Carolina.

THEREFORE, be it resolved that Montgomery County Schools has adopted the North Carolina Public Employee Deferred compensation Plan also known as "NC Deferred Comp" under the terms of the Plan Document and the Third-Party Administrator Agreement. All employees shall become eligible to defer compensation immediately.

Signed this 7th day of November 2011.

____
Chairperson of the Board

____
Date

NC Public Employee Deferred Compensation Plan

EMPLOYER –THIRD-PARTY ADMINISTRATOR AGREEMENT

THIS AGREEMENT, made on this 7th day of November, 2011, between the Montgomery County Schools (hereinafter called the "Employer") and The Prudential Insurance Company of America (hereinafter called Third-Party Administrator or Prudential) (the "Agreement"). This Agreement replaces and supersedes any prior agreement between the parties, effective upon final execution by all parties.

WITNESSETH:

WHEREAS, the State of North Carolina (the "State") has adopted the NC Public Employee Deferred Compensation Plan (hereinafter called the "Plan"), pursuant to which the State of North Carolina and its departments, agencies, and political subdivisions are authorized to provide a governmental 457(b) deferred compensation plan established in conformance with section 457(b) of the Internal Revenue Code, as amended (the "Code"); and

WHEREAS, the State's Supplemental Retirement Board and the State's Retirement Systems Division of the Department of State Treasurer have selected Prudential to be the Third-Party Administrator of the Plan.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein below, the receipt and sufficiency of which are hereby acknowledged, the Employer and the Third-Party Administrator hereby agree as follows:

ARTICLE I

DUTIES AND RESPONSIBILITIES OF THE EMPLOYER

A. Implementation of Plan

1. The Employer confirms that it made the decision to implement the NC Public Employee Deferred Compensation Plan via resolution. The employer agrees to provide a copy of such resolution, if available, to Prudential.

2. The Employer shall designate a coordinator for each unit to work with Prudential to select enrollment dates, determine the number of meetings needed and what employee notification of meetings will be required, and to make other decisions necessary to hold successful enrollment meetings.

3. The Employer shall provide time for its employees to attend an enrollment meeting. The Employer agrees that employees representing all employee pay grades will be given the opportunity to attend the meetings. The Employer understands that the meetings are an important resource in making employees aware of their opportunity to participate in the Plan.

4. The Employer shall provide a facility to conduct enrollment meetings for its employees.

5. The Employer shall publicize the meetings to all its employees by internal publication, meeting notices provided by the Third-Party Administrator and through other media agreed to by its coordinator and the Third-Party Administrator.

B. Operation of Plan

1. The Employer shall have sole responsibility for determining which of its employees are eligible to participate in the Plan in accordance with eligibility requirements established by the Plan or North Carolina General Statutes, with respect to elective deferral contributions. The Employer will advise the Third-Party Administrator each month of any "new enrolled" employee who is eligible to participate in the Plan. The Employer also will advise the Third-Party Administrator each month of any participant in the Plan who has terminated their employment, the date of termination, and the reason for the separation from service.

2. The Employer shall provide payroll deductions for all contributions to the Plan and all loan repayments to the Plan. The Employer shall modify its payroll application to comply with specifications required by the Third-Party Administrator of the Plan. This includes the format of the deduction report for the delivery of contributions and loan repayments to the Third-Party Administrator. The Employer shall notify the Third-Party Administrator of any changes in payroll frequency, the frequency of payroll deductions, or change in status.

3. The Employer shall deliver the remittance files, loan payment files, and the funds for these reports to the location provided by the Third-Party Administrator.

4. The Employer agrees that employee voluntary contributions to the Plan and loan repayments will not be suspended, modified or terminated for a participant unless so instructed by the Third-Party Administrator based on the participant's actions with the Third-Party Administrator.

5. The Employer agrees to comply with all operating procedures established by the Third-Party Administrator of the Plan. It understands that the procedures may be modified or revised from time to time, and the Employer agrees to comply with revisions and modifications without delay upon receipt of adequate notice of such modifications.

6. The Employer shall inform the Third-Party Administrator in advance of any changes in the Employer's benefit or compensation programs that affect the operation or administration of the Plan.

7. The Employer may request that the Third-Party Administrator refund a contribution made within the preceding 12 months on account of a mistake of fact as defined by the Internal Revenue Service, and the Third-Party Administrator shall grant such request.

8. The Employer shall furnish the Third-Party Administrator all documents, data and other information necessary for the Third-Party Administrator to perform its duties under this Agreement. The Employer shall be solely responsible for the accuracy of any documents, data, or other information provided to the Third-Party Administrator by the Employer or by any other person or entity having responsibilities with respect to the Plan. If the Employer fails to provide any such requested information, the Third-Party Administrator shall be obligated to perform its duties under this Agreement only insofar as it is able to do so with the information available. All information required to be furnished by the Employer shall be transmitted in the medium and form acceptable to the Third-Party Administrator. The Third-Party Administrator will be entitled to rely fully on the accuracy and completeness of information submitted by the Employer and will have no duty or responsibility to verify such information.

9. The Employer shall comply with the Uniformed Service Employment and Re-employment Rights Act of 1994 regarding participation in the Plan by participants with military service. The Plan allows an Employer to permit an employee who meets the criteria of the Uniformed Service Employment and Re-employment Rights Act of 1994 the opportunity to "catch-up" salary deferrals to the Plan that were not made during the time they were on active duty. Loan repayments are suspended during the period the Plan participant is on active duty.

ARTICLE II

RESPONSIBILITIES OF THE THIRD-PARTY ADMINISTRATOR

A. Implementation of Plan

1. The Third-Party Administrator shall assist the Employer's coordinator in scheduling enrollment meetings, provide the employer with meeting notification materials, including but not limited to posters, handbills, press release-type articles and payroll stuffers that are mutually acceptable to the Employer coordinator and the Third-Party Administrator.

2. The Third-Party Administrator shall present the Plan and its benefits to the employees and enroll them in the Plan.

3. The Third-Party Administrator shall provide brochures, enrollment forms, payroll deduction authorization forms, withdrawal forms, loan applications and other forms relating to loans, as well as other forms needed to fulfill the duties as Third-Party Administrator. For purposes of this paragraph, "form" shall also mean a facility for electronic processing of participant requests.

B. Operation of Plan

1. The Third-Party Administrator shall maintain a record of each participant's contributions and shall invest his/her contribution in the fund(s) selected by the participant. Third-Party Administrator's services will be provided in a professional and competent manner.

2. The Third-Party Administrator shall provide the participant with a quarterly statement of his/her account, which shows the value of the participant's account.

3. The Third-Party Administrator shall allow the participant to borrow from his/her account when he/she has complied with the eligibility requirements established by the Third-

Party Administrator and the Plan as permitted by federal regulations, the Plan and the Third-Party Administrator.

4. The Third-Party Administrator shall provide the participants withdrawal options including lump sum distribution and periodic payments in accordance with the Plan and the Code.

5. The Third-Party Administrator shall provide participants in the Plan who become entitled to receive a distribution from the Plan with all appropriate notices and election forms concerning such distribution. The Third-Party Administrator is responsible for proper reporting of all distributions from the Plan and the withholding of income taxes as required by the Plan and the Code.

6. The Third-Party Administrator shall provide administrative and operating procedures for the Employer.

7. It is agreed and understood that the Third-Party Administrator assumes no fiduciary responsibilities with respect to its administration of the Plan. The Third-Party Administrator is the agent of the Plan, the State Treasurer and the Plan's Board of Trustees. The Third-Party Administrator is not the "plan administrator" as defined by the Employee Retirement Income Security Act of 1974. It is understood and agreed that the Third-Party Administrator does not provide legal or tax counsel to the Employer or to any participant or beneficiary and that the Third-Party Administrator recommends that all such parties obtain legal and tax advice from competent, independent sources. Nothing in this Agreement shall be deemed to confer on the Third-Party Administrator any federal or state tax liability, which may be imposed upon the Employer or any participant or beneficiary.

ARTICLE III
PLAN PARTICIPATION

The Employer and the Third-Party Administrator jointly agree to promote the Plan and encourage participation in the Plan by all pay grades of the Employer. This will require that initial enrollment meetings be held with all eligible employees to ensure that they are aware of the benefit and value of participating in the Plan. The Employer agrees to promote the Plan on an on-going basis by conducting periodic meetings with eligible employees, utilization of posters, newsletter articles, payroll stuffers, and other agreed upon communications.

ARTICLE IV
CONFIDENTIAL NATURE OF INFORMATION

The parties hereto mutually agree to the extent permitted by law to safeguard and keep confidential any and all information obtained from the other party with respect to the personnel of the State and each participant or, any other data identified in writing by either party to the other party as being confidential.

ARTICLE V
DURATION OF THE AGREEMENT

This Agreement shall become effective when signed by all parties and shall continue in effect indefinitely, except as provided below in Article VI.

ARTICLE VI
TERMINATION OF AGREEMENT

1. Either party may terminate this Agreement upon giving six months advanced written notice to the other party, provided that the non-terminating party may waive such notice

requirement. The termination of this Agreement ***does not*** terminate the Plan in which the Employers' employees are participating or require a distribution of accounts of the participating employees from the Plan. The termination of this Agreement relieves the Employer from taking deductions and loan repayments from the participating employee's pay and remitting them to the Third-Party Administrator.

2. The State may terminate the Plan at any time through the enactment of laws.

3. This Agreement shall terminate if the State terminates its Agreement with Prudential by which Prudential is obligated to serve as Third-Party Administrator.

4. This Agreement shall terminate if the Trustees discontinue the Plan.

ARTICLE VII
MISCELLANEOUS

1. The NC Public Employee Deferred Compensation Plan will conform to section [457(b)] in the Internal Revenue Code, as amended.

2. The Agreement shall be interpreted under the laws of the State of North Carolina.

3. All items specified in the Agreement, exhibits, or attachments shall be the current Eastern Time.

4. The Employer will make available to the Third-Party Administrator, the Department of the State Treasurer, and an auditor appointed by the Third-Party Administrator or the Board of Trustees its records of contributions and loan payments submitted to the Plan for the purposes of an audit. The Employer will also make available its documents pertaining

to its employees' deferral elections and other documents deemed necessary by the Third-Party Administrator to audit the Plan.

5. This Agreement is intended by the parties as a final expression of their agreement and is a complete and exclusive statement of its terms. No other representation, understanding, or agreements have been made or relied upon in the making of the Agreement other than those specifically set forth herein. No modification or waiver of any provision of this Agreement and no consent to any departure therefrom shall be effective unless such modification or waiver shall be in writing and signed by all parties to the original agreement.

IN WITNESS THEREOF, the parties hereto do hereby sign and execute this Agreement as of the date first above written.

Montgomery County Schools
Name of Employer (Please Type or Print)

By:______________________________
(Signature)

Steven W. DeBerry
(Please Type or Print Name Signed Above)

Its: Chairman
(Please Type or Print Official Title)

Date: November 7, 2011

PRUDENTIAL

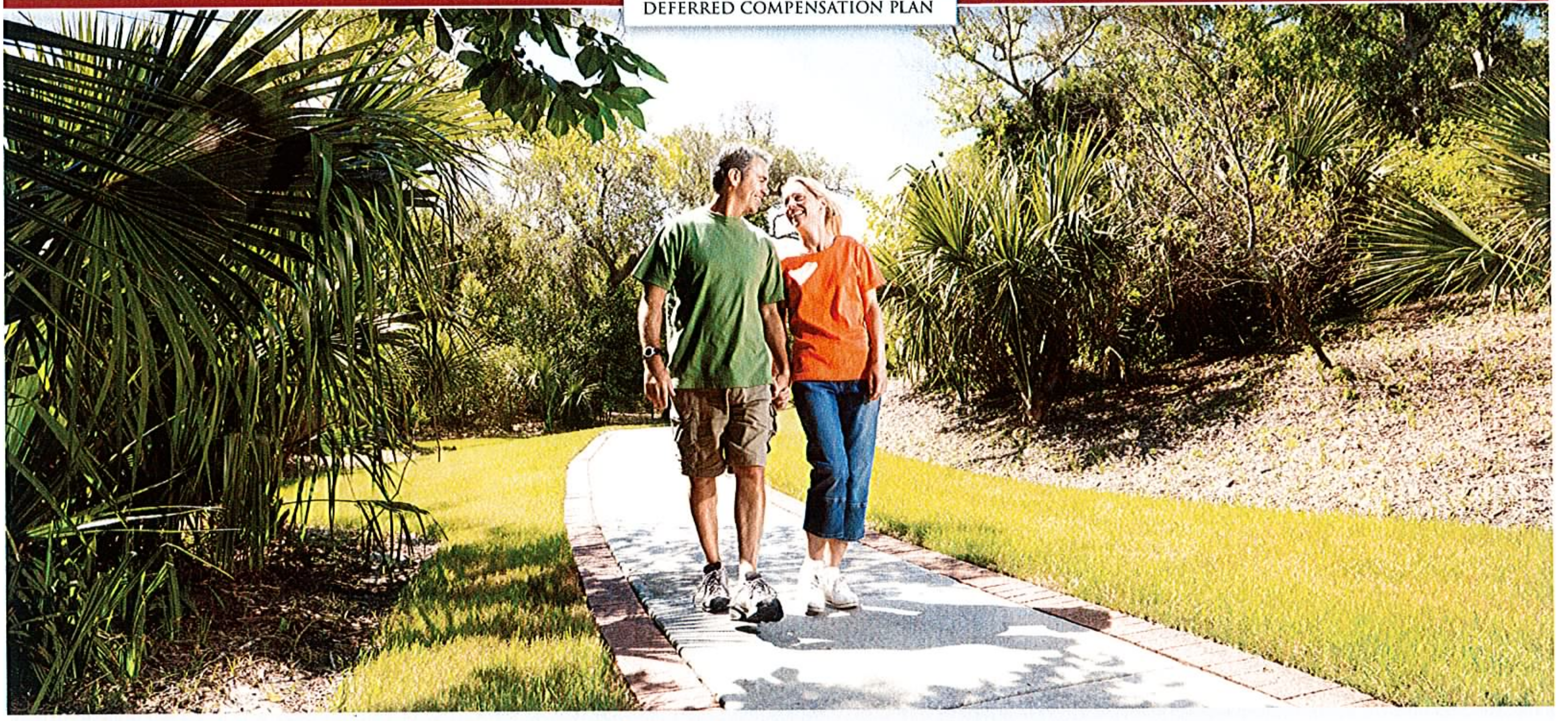
By: ______________________________

Date: ______________________________

(Revised 4/7/09)

NORTH CAROLINA 457

DEFERRED COMPENSATION PLAN



The NC Deferred Compensation Plan (457)

The NC Deferred Compensation Plan is a deferred compensation plan available ONLY to North Carolina public employees. This includes full-time, part-time, and temporary employees. The Plan also includes elected and appointed officials along with rehired retired employees. This does not include independent contractors. The State offers this Plan to help you reach your retirement savings goals by taking advantage of:

- **Automatic pre-tax payroll deductions.** Your contributions to the NC Deferred Compensation Plan come out of your paycheck automatically, before taxes are taken out, which means more money in your pocket now. And these contributions grow tax-deferred until retirement. You can change your contribution amount at any time, so you are not locked into any particular amount. And you can also suspend or stop contributions at any time.
- **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.
- **Online retirement planning tools.** The Plan allows you the opportunity to access your Plan account 24 hours a day, 7 days a week, as well as being able to access a host of retirement articles, interactive calculators, and more! Visit **www.NCPlans.prudential.com** to learn more.
- **Quarterly statements to keep you informed.** After you are enrolled, you will receive statements at your home address four times a year. These detail your account activity, fund performance, and much more.
- **Multiple investment choices.** Invest in vehicles that range from high growth to highly conservative so you can make the most responsible decision for your future.
- **Simple investing with GoalMaker.** GoalMaker® is a no-cost, optional, easy-to-use asset allocation program that automatically guides you to an age-appropriate investment mix based on your personal information.
- **Convenient asset consolidation.** To simplify your financial life, the NC Deferred Compensation Plan allows for rollovers from other qualified plans that you may have from previous employers.
- **One-on-one help.** The NC Deferred Compensation Plan has qualified Regional Retirement Education Managers who are available via phone, email, or in person to answer your questions or help you to get the most out of the Plan.

You can invest in 11 funds spanning across the following categories:

- **Stable Value** – These investments carry potentially lower risk and reward. Stable value investments emphasize safety of principal. They generally invest in high-quality, fixed income securities with short maturities.
- **Fixed Income** – Funds that invest solely in fixed income investments, such as bonds or certificates of deposits. Fixed income investment funds are subject to interest rate risk; their value will decline as interest rates rise.
- **Large Cap** – These funds are comprised of holdings in larger U.S. companies. Within this grouping are: Growth funds that focus on aggressive companies and offer a higher risk/return; Value funds that invest in companies that are determined to be underpriced by fundamental measures; and Index funds that try to follow the general pattern of risk/return for the grouping as a whole.
- **Small/Mid Cap** – Funds comprised of holdings in small to mid-size U.S. companies. Within this grouping are: Growth funds that focus on aggressive companies and offer a higher risk/return; Value funds that invest in companies that are determined to be underpriced by fundamental measures; and Index funds that try to follow the general pattern of risk/return for the grouping as a whole. Smaller companies may present greater opportunities for capital appreciation, but also may involve greater risks than larger, more well-established companies. As a result, the value of stocks issued by smaller companies may fluctuate up and down more than stocks of larger companies.
- **Global** – Funds comprised of holdings in companies located around the world, including those based in the U.S.
- **International** – Funds comprised of holdings in companies only located outside of the U.S. Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and political and economic changes in the country in which the foreign company is based. This may result in greater share price volatility.

Asset allocation and diversification are wise investment strategies for providing retirement investors the most protection and opportunity in any market condition.

The chart below outlines the categories, the level of risk associated with each category and your investment options within each category. For more information about the funds offered, refer to the fund fact sheets available online at **www.NCPlans.prudential.com** or contact your Regional Retirement Education Manager.

Investments in the NC Supplemental Retirement Plans

Potentially Lower Risk & Reward

Stable Value	Fixed Income	Large Cap
NC Stable Value Fund	NC Fixed Income Fund	NC Large Cap Index Fund NC Large Cap Value Fund NC Large Cap Growth Fund

Potentially Higher Risk & Reward

Small/Mid Cap	Global	International
NC Small/Mid Cap Value Fund NC Small/Mid Cap Index Fund NC Small/Mid Cap Growth Fund	NC Global Equity Fund	NC International Index Fund NC International Fund

Maximize your tax-deferred retirement savings

If your employer also provides access to the NC 401(k) Plan, consider enrolling in both. By contributing to both plans, you have the ability to save considerably more tax-deferred money for your retirement.

Make up for lost time with "catch-up contributions"

People are always concerned about saving enough for retirement. By enrolling in the NC Deferred Compensation Plan, you have two ways to catch up and contribute more:

1. **"Standard" catch-up** allows you to, in the three calendar years prior to normal retirement age, contribute more—up to double the annual contribution limit—into the Plan. The additional amount that you may be able to contribute under the Standard catch-up option will depend upon the amounts that you were able to contribute in previous years but did not.
2. **Age 50+ catch-up.** If you will be age 50 on or before December 31, 2009, you may contribute an additional amount of $5,500 to the Plan.

You cannot use the Age 50+ catch-up and the Standard catch-up in the same year.

Rollovers into the NC Deferred Compensation Plan

Approved balances from an eligible governmental 457(b), 401(k), 403(b), or 401(a) plan or an Individual Retirement Account (IRA) may be rolled over into the Plan.

In 2009, members can contribute a total of $16,500 to their NC Deferred Compensation Plan.

Take loans from your account

If you are enrolled in the NC Deferred Compensation Plan, you can borrow from $1,000 to $50,000 or 50% of your total account balance (whichever is less). You have up to five years to repay a loan, or up to 15 years if the money is used to purchase your primary residence. You may only have one loan outstanding at any time, and there is also a $60 loan initiation fee.

If you have a loan with the NC Deferred Compensation Plan and leave your job or are terminated, the remaining balance must be paid in full or it is deemed a distribution and is subject to ordinary income tax.

To obtain a complete copy of the loan policy, or to find out if you are eligible for an unforeseen emergency withdrawal, contact a Participant Service Representative at **1-866-NCPlans** (1-866-627-5267). You may also request a copy by writing to Prudential Retirement®, 30 Scranton Office Park, Scranton, PA 18507, or by email at **NCPlans@prudential.com**.

Distribution options

Before retirement

Withdrawals from your NC Deferred Compensation Plan account are never subject to a 10% federal income tax penalty. You are, however, subject to paying taxes at your current income tax rate, and are limited to the reasons for withdrawal. Your money can be withdrawn before retirement if you:

- Reach age 70½;
- Become permanently disabled;
- Have an unforeseeable emergency, as defined by the Internal Revenue Code;
- Experience a severance of employment, as defined by the Internal Revenue Code; or
- Request an in-service transfer to purchase service credits with the Retirement System (this type of distribution is NOT subject to ordinary income tax).

At retirement

When the time comes for you to begin enjoying the next phase of your life, you have many options to choose from, including:

- **Leave your funds in the Plan (subject to federal rules on minimum required distributions):** You can leave your money in the NC Deferred Compensation Plan, even if you leave public employment.
- **Take a full or partial systematic withdrawal (periodic payments to fit your need):** You can opt to receive a lump sum, periodic payments, a partial lump sum with the remainder paid in periodic payments, or an annuity.
- **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):** If you're retiring or changing jobs, you may want to consider this option. Please keep in mind that if you roll over your Deferred Compensation Plan balance to a 401(k), 403(b), 401(a) plan, or an IRA, distributions taken before age 59½ may also be subject to the 10% early withdrawal federal tax penalty. Please consult a tax professional for more information.

What happens to my account when I die?

Your designated beneficiary(ies) will receive the remaining value of your account, if any. Your beneficiary(ies) must contact Prudential Retirement to request a distribution.

Questions?

Visit **www.NCPlans.prudential.com**, or call **1-866-NCPlans** (1-866-627-5267). One of your **Regional Retirement Education Managers** is ready to sit down with you one-on-one (in person or on the phone) to:

- Help you enroll in the Plan;
- Give you tips to maximize all that the Plan offers;
- Discuss investment strategies;
- Assist in performing account transactions;
- Explain distribution options when it's time to retire;
- And more!

NORTH CAROLINA 457
DEFERRED COMPENSATION PLAN
Save Well. Live Well.

Keep in mind that application of asset allocation and diversification concepts does not ensure safety of principal and interest.
It is possible to lose money by investing in securities.

Investing in securities involves risk, including the possible loss of principal. Unforeseen market conditions have the potential to maximize losses. Investors are urged to carefully consider their personal risk tolerance, retirement time horizon, and willingness to weather severe market downturns before making investment decisions.

The investment options listed within this brochure and your plan are insurance separate accounts and are issued under group annuity contracts by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT, a Prudential Financial company.

PRUDENTIAL RETIREMENT

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NORTH CAROLINA 457

DEFERRED COMPENSATION PLAN

Offer your employees a chance for a more financially secure retirement with the NC Deferred Compensation Plan (NC 457 Plan)

The NC Deferred Compensation Plan (also known as a 457 Plan) is sponsored by the State of North Carolina and is available ONLY to North Carolina public employees. As a public employer in the State of North Carolina, you have the ability to offer your employees this unique Plan.

You can offer the NC Deferred Compensation Plan, even if you already have a 457 Plan in place from another provider

You have the flexibility of several options:

1. **Terminate other 457 Plan(s) and merge the existing 457 Plans,** giving employees the ability to consolidate their assets in the NC Deferred Compensation Plan.
2. **Suspend active participation in other 457 Plan(s),** allowing employees to keep their existing investments working for them.
3. **Keep your other, existing 457 Plan(s) active.**

About the NC Deferred Compensation Plan

If you're new to the NC Deferred Compensation Plan, it's packed with outstanding benefits for both employer and employee, including:

- **Automatic pre-tax payroll deductions.** Contributions to the Plan come out of members' gross pay automatically, helping them save regularly and conveniently on a tax-deferred basis.
- **Catch-up contributions.** "Pre-retirement" and "over 50" catch-up contributions, which can be made over the course of the year, are great opportunities for members to make up for lost time or bridge any gaps in retirement income.
- **Multiple custom investment choices.** Eleven custom-developed and competitively priced investment options include stable value, fixed income, large cap, small/mid cap, international, and global to meet any investing goal.
- **Investing made easy with GoalMaker®.** This optional, no-additional-cost asset allocation program guides members to an investment mix based on their age and comfort with investment risk.
- **Convenient asset consolidation.** Employees can simplify their financial lives because the Plan allows for rollovers from other qualified plans from previous employers.
- **The ability to take loans.** If necessary, members can access their savings through loans or hardship withdrawals.

continued

The NC Deferred Compensation Plan is a win for you and for your employees. Here's why:

Employer Benefits

Dedicated Board of Trustees oversight
For example: audits, investment review, and due diligence

Simplified Plan administration and remittance process
Single recordkeeping vendor

Consolidated assistance
Regional Retirement Education Managers and Account Executives handle both the NC 401(k) and the NC Deferred Compensation Plans

Benefits for Both

One-on-one assistance
Regional Retirement Education Manager support

No cost to add the Plan

No increase to the number of Plan administrators
Simplified Plan/account management

Award winning Plan communications
Member education

Member Benefits

Combined quarterly statements
Single statement for both Plans

A comprehensive Annual Benefit Statement
Includes all NC public retirement plans and Social Security

Lower Plan fees*

Enjoy the power and convenience of combining Plans with Prudential Retirement®. Not only are there benefits for you as an employer, but also for your members, as well as features that are helpful for both you and your employees. This graphic illustrates how the NC Deferred Compensation Plan works well for everyone.

*see reverse

- **Access to their money.** If a member terminates employment (or retires), he or she can withdraw their 457 Plan account balance at any age without early withdrawal penalties.
- **Flexible distribution options.** When it comes time to put those savings to work, the Plan offers a variety of ways to withdraw savings so members can choose the method that best meets their needs.
- **Online account access and helpful retirement planning tools.** In addition to 24/7 access, members can tap into a host of retirement articles, interactive calculators, and tutorials online to help better prepare them for disciplined saving for retirement.

It's easy to add the NC Deferred Compensation Plan. Prudential Retirement, the recordkeeper for the Plan, is positioned to be your partner

Whether you decide to offer the NC Deferred Compensation Plan as a stand-alone Plan or add it to your lineup of existing 457 Plan(s), our experienced Plan professionals are prepared to provide as much assistance as you'd like to ensure a smooth implementation and/or transition process. We make it simple by helping you:

- Understand Plan provisions
- Gather all necessary Plan documentation
- Review options for your current 457 Plan(s)
- Iron out payroll processing details
- Accurately handle records conversion and asset transfer
- Navigate legal contracts
- Plan and develop member communications
- Obtain governing board approval, if necessary
- Create a transition timeline and review the milestones

Important points to consider when deciding to offer or switch to the NC Deferred Compensation Plan:

- ☐ Would my employees appreciate having the additional opportunity to save for their retirement?
- ☐ Would this Plan help me to attract and retain talent?
- ☐ Is there a cost savings opportunity involved in adding the NC Deferred Compensation Plan?
- ☐ Is there a cost savings opportunity for replacing existing plans?
- ☐ Would adding this Plan simplify Plan administration and retirement education?
- ☐ Would my employees appreciate having the ability to access one website for both the NC 401(k) Plan and the NC Deferred Compensation Plan?
- ☐ Would there be any increased efficiencies, perhaps involving payroll or informational meetings?

Learn more about the advantages of adding the NC Deferred Compensation Plan to your benefits offering

Contact your **Regional Retirement Education Manager** directly or visit **www.NCPlans.prudential.com.**

Experience the ease of implementation and enjoy expert Plan oversight, simplified administration, and increased cost savings, all while improving the overall retirement savings experience for your employees with best-in-class education and enrollment programs. It's a win-win decision you won't regret making.

*The State combined administration of the NC 401(k) Plan and NC Deferred Compensation Plan with Prudential Retirement. The size and scale of both plans was used to negotiate lower recordkeeping and investment fees, resulting in the potential for significantly lower total Plan fees, depending on the employee's account size.

Please keep in mind that it is possible to lose money by investing in securities. Application of asset allocation and diversification concepts does not ensure safety of principal.

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Save Well. Live Well.

NOF1006
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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.		

Choose the Plan that is best suited for you

	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.

This information has been provided for your benefit and is not intended or designed to be legal or tax advice. Neither Prudential Retirement, nor any of its representatives, may give legal or tax advice.