

The NC 401(k) Plan

The NC 401(k) Plan is a supplemental retirement savings plan the State offers to help you reach your retirement savings goals. The Plan offers a variety of conveniences to help you work toward your savings goals, including:

- **Automatic payroll deductions.** Your contributions to the NC 401(k) Plan come out of your paycheck automatically. Plus you can change your contribution amount at any time, so you are not locked into any particular amount. You can also suspend or stop contributions at any time.
- **The potential for employer contributions.** Over 450 Plan employers offer an employer contribution. To find out if your employer offers a contribution toward your NC 401(k) Plan account, contact your Human Resources or Benefits Office.
- **100% vesting.** You are fully vested in the NC 401(k) Plan from your first contribution to your last. To be “vested” means to own, which means the money is always yours.
- **Convenient asset consolidation.** To simplify your financial life, the NC 401(k) Plan accepts incoming rollovers from some IRAs and other qualified retirement plans from previous employers. Rollover assets may be assessed fees or other surrender charges. Please contact current account provider for this information.
- **Multiple investment choices.** Invest in vehicles that range from growth to conservative so you can make the most responsible decision for your future.
- **Simple investing with GoalMaker.** GoalMaker® is a no additional cost, optional, easy-to-use asset allocation tool that automatically guides you to a risk-adjusted, age-appropriate model investment portfolio based on your personal information.
Keep in mind that application of asset allocation and diversification concepts does not ensure a profit or protect against loss in a declining market. It is possible to lose money by investing in securities.
- **Quarterly statements to keep you informed.** After you are enrolled, you will receive statements after the close of every quarter. These detail your account activity, fund performance, and much more.
- **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.
- **One-on-one help.** The NC 401(k) Plan has qualified professionals who are available via phone, email, or in person to answer your questions or help you to get the most out of the Plan.
- **Rollover assets.** Rollover assets may be assessed fees or other surrender charges. Please contact current account provider for this information.

Flexible ways to contribute

- **Traditional pre-tax contributions**

Pre-tax contributions are automatically deducted from your paycheck before any federal or state income taxes are taken out. As a result, your take-home pay is not impacted by the full amount of your contribution. Additionally, these contributions grow tax-deferred until withdrawal. At that point, federal and state income taxes will be incurred.

- **Roth after-tax contributions**

Roth contributions are automatically deducted from your paycheck after taxes are paid and therefore, reduce your take-home pay dollar for dollar. Roth contributions and returns grow tax-deferred and can benefit members who anticipate being in a higher tax bracket while in retirement and would rather pay taxes at today's tax rate. Qualified distributions are federal income tax-free, provided the Roth account has been open for at least five tax years and the owner has reached age 59½ or meets other requirements. Qualified Roth distributions may be subject to state and local income tax.

- **Rollovers**

The NC 401(k) Plan accepts rollovers from other qualified retirement plans you may have had with previous employers, and from some IRAs.

Your contributions could grow over time

Suppose you put just **\$25 per week** into the NC 401(k) Plan. Over time, it could potentially grow into substantial savings.

You save per week	\$25
After 15 years	\$32,668 ¹
After 25 years	\$82,224 ¹
After 35 years	\$179,708 ¹
After 40 years	\$259,526 ¹

¹Assumes 7% growth compounded annually. Numbers rounded to the nearest whole dollar. The compounding concept is hypothetical and for illustrative purposes only, and is not intended to represent performance of any specific investment, which may fluctuate. No taxes are considered in the calculations; generally withdrawals are taxable at ordinary rates. It is possible to lose money by investing in securities.

Save even more with the Saver's Tax Credit

The Saver's Tax Credit provides an additional incentive to save in the NC 401(k) Plan. If you qualify, you can save up to \$1,000 in taxes for as much as 50% of your contributions to the NC 401(k) Plan. There is a line on IRS Forms 1040 and 1040-A for the Saver's Tax Credit.²

²Restrictions apply. Neither Prudential Financial nor any of its subsidiaries provide legal or tax advice. Please consult with your qualified tax professional for complete details.

Some important points about contributions to the NC 401(k) Plan

- You can contribute \$17,000 to the NC 401(k) Plan in 2012. Additionally, if you are 50 years of age or older before December 31, 2012, you are eligible for a catch-up contribution of \$5,500 for a total contribution of \$22,500. The contribution limits for 2012 include Roth contributions, traditional contributions, or a combination of the two. These limits do not include employer contributions and rollovers.
- Employer contributions to your account are ONLY made with pre-tax dollars.
- You may choose the tax treatment of your contributions; pre-tax and/or Roth (after-tax). This allows you to diversify the tax status of your contributions.
- Once a contribution is made as a Roth (after-tax) or a traditional (pre-tax) contribution, you can't reverse the tax treatment of the contribution.
- Contribution rates can be changed at any time. You can do so by logging in to your account at **www.NCPlans.prudential.com** or by calling **1-866-NCPlans** (1-866-627-5267).

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.

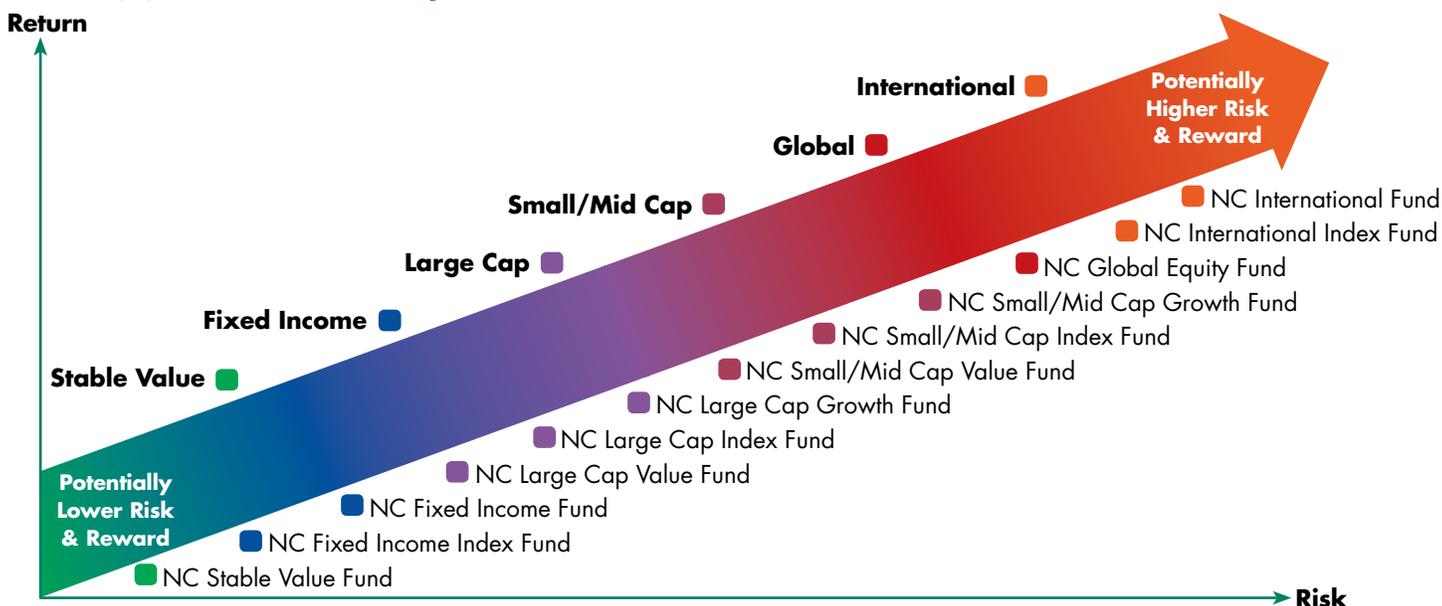
Invest your contributions

You can invest in 12 funds spanning across the following categories:

- **Stable Value** – These investments carry potentially lower risk and reward. Stable value investments emphasize safety of principal.
- **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 may decline as interest rates rise.
- **Large Cap** – These funds are comprised of holdings in larger U.S. companies.
- **Small/Mid Cap** – Funds comprised of holdings in small to mid-size U.S. companies. Smaller companies may present greater opportunities for capital appreciation, but also may involve greater risks than larger, more well-established 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.

Generally speaking, asset allocation and diversification are common investment strategies for providing retirement investors an opportunity to help manage their risk. GoalMaker is a asset allocation tool however it is always up to the investor to make their decisions we do not provide investment advice.

NC 401(k) Plan Investment Options



The chart above outlines the categories, the level of risk associated with each category, and your investment options within each category. This is a simplified illustration of the relationship between investment risk and potential rate of return. There is no assurance that higher risk investments will provide greater returns over time. Past performance is not indicative of future performance. Small-cap stocks have limited marketability and may be subject to more abrupt or erratic market movements than large-cap stocks. Fixed income investments are subject to interest rate risk, and that their value will decline as interest rates rise. Investing in foreign securities presents certain unique risks not associated with domestic investments, such as currency fluctuation and political and economic changes. 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.

GoalMaker helps you choose your investment mix. When it comes to making investment decisions, you can take one of two approaches. You can select your funds from the 12 investment options listed above or you can elect GoalMaker, a no additional cost, optional, easy-to-use asset allocation program that selects one of 12 model investment portfolios for you. GoalMaker uses two key pieces of information—your age and your investor style—to target the right mix of investment options that are best suited to your retirement goals. If you'd like to enroll in GoalMaker, call **1-866-NCPlans** (1-866-627-5267), log in to your account at www.NCPlans.prudential.com or contact your Regional Retirement Education Manager. Keep in mind that application of asset allocation and diversification concepts does not ensure safety of principal and interest in a declining market. **It is possible to lose money by investing in securities.**

Accessing your money while employed

We understand that there may be times when you need to access the funds in your retirement account sooner rather than later. The NC 401(k) Plan gives you the flexibility to do this through:

- **Loans.** You can borrow money from your account for any purpose. Loans are repaid through payroll deduction, with the interest paid directly to your account. You can borrow a minimum of \$1,000 up to \$50,000 or 50% of your account balance (whichever is less). You have up to five years to repay a loan. You may only have one loan outstanding at any time.

Restrictions apply. There is a \$60 fee for taking out a loan. Please keep in mind that loans and withdrawals can affect your account balance.

- **In-service distributions.** Plan members who are 59½ or older can withdraw or roll over all or part of an account balance to another qualified retirement savings vehicle, like an IRA. In addition, and regardless of age, members may elect to roll all or a portion of their balance in-service to the retirement system to purchase service credits.
- **Hardship withdrawals.** If you're younger than 59½, several types of hardship withdrawals are available depending on the circumstances. Qualifying hardship withdrawals include:

- Expenses for medical care previously incurred by you, your spouse or any dependents
- Payments necessary to prevent your eviction from your principal residence or foreclosure on the mortgage of your principal residence
- Costs directly related to the purchase of your principal residence, excluding mortgage payments
- Funeral/burial expenses for a parent, spouse, child, or dependent
- Tuition, related educational fees, and room and board expenses for the next 12 months of post-secondary education for yourself, your spouse or dependents
- Certain expenses relating to the repair of damage to your principal residence

Please keep in mind that loans and withdrawals can affect your account balance. Hardship withdrawals are subject to income tax and, if prior to age 59½, a 10% tax penalty unless an exception applies.

Enjoy lots of options at retirement or termination

When you leave employment, you can choose what to do with your money in the NC 401(k) Plan:

- **Leave your funds in the Plan:** Contributions to the Plan stop when you leave employment, but the investments in your account remain invested and continue to work for you. Federal rules require that you begin taking minimum distributions by April 1st of the year in which you turn 70½. Restrictions may apply.
- **Take a systematic withdrawal (periodic payments to fit your need):** You can opt to receive monthly, quarterly, semi-annual or annual installment payments (these payments cannot exceed your life expectancy).
- **Take a full or partial lump-sum withdrawal:** This option means you can withdraw all or part of your NC 401(k) Plan account balance at once. However, if you're under age 59½ when you withdraw the money, you may face tax consequences for doing so.*
- **Roll over all or part of your balance to an Individual Retirement Account (IRA, Roth IRA or future employer's retirement plan):** If you do a direct rollover to a qualified plan, no taxes or penalties apply. In other words, by having the check made payable to the financial institution receiving the funds on your behalf instead of having it made payable to you, you can avoid the mandatory federal income tax withholding.
- **Generate monthly lifetime income:** Transfer all or a portion of your pre-tax account balance to North Carolina's Teachers' and State Employees' Retirement System (TSERS) or Local Governmental Employee's Retirement System (LGERS) where it can be paid as a monthly benefit for your lifetime and/or the lifetime of your designated survivor. At or after retirement with TSERS or LGERS, Plan members can select from among a variety of income stream options in addition to their monthly pension benefit. This one-time (irrevocable) transfer is only applicable to pre-tax contributions, including funds rolled into the Plan and any employer contributions.

** Amounts withdrawn from the NC 401(k) Plan are subject to applicable taxes and Plan restrictions. If taken before age 59½ they may also be subject to a 10% federal income tax penalty. The 10% penalty can be avoided avoided by waiting to retire or separate from service until you turn 55, or if you receive payments from the NC 401(k) Plan in substantially equal amounts over your life expectancy.*

Questions?

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Rollover assets may be assessed fees or other surrender charges. Please contact current provider for this information.

Information and interactive calculators are made available to you as self-help tools for your independent use and are not intended to provide investment advice. We cannot and do not guarantee their applicability or accuracy in regards to your individual circumstances. All examples are hypothetical and are for illustrative purposes. We encourage you to seek personalized advice from qualified professionals regarding all personal finance issues. We do not provide investment OR tax advice; please consult a tax advisor for more information. Prudential Retirement's group variable annuity contracts are issued by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT, a Prudential Financial company. Prudential, the Prudential logo and the Rock symbol are service marks of Prudential Financial, Inc. and its related entities, registered in many jurisdictions worldwide.

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