North Carolina Total Retirement Plans 401k | 457 | 403b

State Treasurer of North Carolina Dale R. Folwell, CPA

# Q1 Communication Highlights

- Employer contribution outreach
- Prudential to Empower transition
- Employer Newsletter
- Signature Newsletter
- Diversified webinar topics
- NC 403(b) Program Discontinuation Communications
    - Participants & Employers
    - Website messaging
    - Decision Tree & FAQs

Signature NEWSLETTER

1ST QUARTER 2022

A Message from Treasurer Dale R. Folwell, CPA

**Good News! Your best-in-class retirement savings options have lower expenses and reduced fees.**

The Department of State Treasurer, Board of Trustees (Board) and staff work with a participant-first mentality, keeping costs low while maintaining high performance and dedicated service. Last fall, the recordkeeping and communications fee for all NC Plan participants was reduced from $28 to $26 per account and in February, the Board voted to cut the **administrative fee in half**.

The NC Supplemental Retirement Plans (Plans) deliver best-in-class retirement savings options *exclusively* for public servants like you. Following through on a decision by the Board, we are discontinuing the **NC 403(b) Program** and focusing on the plans we do BEST. The NC 401(k) Plan is one of the largest of its type, and combined with the NC 457 Plan, saw an increase in assets from $14 billion in 2020 to $16 billion in 2021. The NC 401(k) and NC 457 Plans have almost 300,000 participants with an average monthly deferral of $235. Even with the ebb and flow of inflation, we continue to see an increase in the amounts being saved and new enrollments.

I encourage you to share the value of the Plans with your peers. The MyRock™ for Retirement calculator provides visual motivation to help you reach a secure financial future. Dedicated counselors are available to meet one-on-one to go through your unique situation. And GoalMaker® provides a custom investment path, up to and through retirement.

It is important to remember that you can **stay in the Plans even after you retire** and continue to use and benefit from the resources and tools available. And your beneficiary—whether your spouse, child, or other individual—is often able to remain in the Plans after receiving your account.

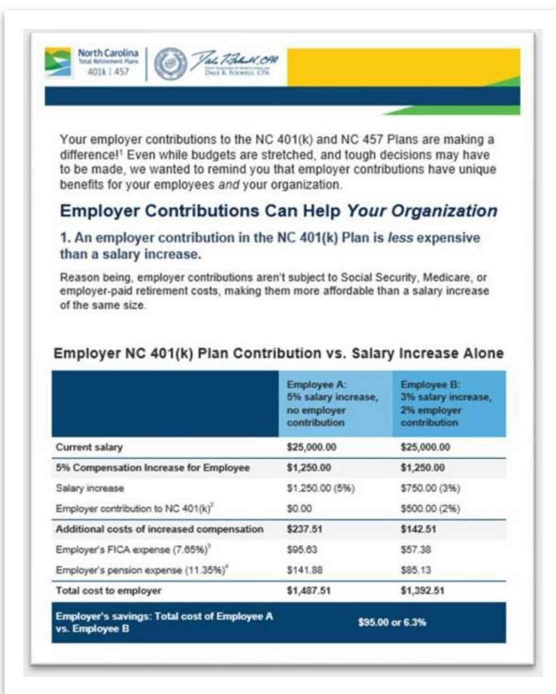
I applaud your steadfast resolve in saving for retirement and encourage you to use the tools and resources available at **NCPlans.prudential.com** and **myNCRetirement.com**.

Thank you for all you do to teach, protect or otherwise serve the citizens of North Carolina.

Sincerely,

Dale R. Folwell, CPA
State Treasurer of North Carolina





North Carolina Total Retirement Plans 401k | 457

Your employer contributions to the NC 401(k) and NC 457 Plans are making a difference![1] Even while budgets are stretched, and tough decisions may have to be made, we wanted to remind you that employer contributions have unique benefits for your employees *and* your organization.

## Employer Contributions Can Help *Your Organization*

### 1. An employer contribution in the NC 401(k) Plan is *less* expensive than a salary increase.

Reason being, employer contributions aren't subject to Social Security, Medicare, or employer-paid retirement costs, making them more affordable than a salary increase of the same size.

**Employer NC 401(k) Plan Contribution vs. Salary Increase Alone**

| | Employee A: 5% salary increase, no employer contribution | Employee B: 3% salary increase, 2% employer contribution |
|---|---|---|
| Current salary | $25,000.00 | $25,000.00 |
| **5% Compensation Increase for Employee** | **$1,250.00** | **$1,250.00** |
| Salary increase | $1,250.00 (5%) | $750.00 (3%) |
| Employer contribution to NC 401(k)[2] | $0.00 | $500.00 (2%) |
| **Additional costs of increased compensation** | **$237.51** | **$142.51** |
| Employer's FICA expense (7.65%)[3] | $95.63 | $57.38 |
| Employer's pension expense (11.35%)[4] | $141.88 | $85.13 |
| **Total cost to employer** | **$1,487.51** | **$1,392.51** |
| **Employer's savings: Total cost of Employee A vs. Employee B** | **$95.00 or 6.3%** | |

# What Does Your 403(b) Offering Look Like Today?

## Non-Exclusive Employer Arrangement

**You offer the NC 403(b) Program**

NC 403(b) Program

**AND**
**other 403(b) options**

| 403(b) w/provider #1 | 403(b) w/provider #2 | 403(b) w/provider 3+ |
|---|---|---|

**Note**: Non-Exclusive Employers offer more than one 403(b) investment provider (some more than three). This is intended only as a graphical representation for Non-Exclusive Employers and not intended to indicate only three investment providers.

## Exclusive Employer Arrangement

**You *ONLY* offer the NC 403(b) Program**

NC 403(b) Program

# What Does Your 403(b) Offering Look Like Tomorrow?

NC 403(b) Program

**You will no longer offer the NC 403(b) Program**
**AND**
**you will offer other 403(b)s**

403(b) #1

403(b) #2

403(b) 3+

**Note**: Non-Exclusive Employers offer more than one 403(b) investment provider (some more than three). This is intended only as a graphical representation for Non-Exclusive Employers and not intended to indicate only three investment providers.

NC 403(b) Program

**You will no longer offer the NC 403(b) Program**

# NC 403(b) Program is the only 403(b) you offer

NC 403(b) Program

**Do I want to continue to offer a 403(b) plan?**

**YES**

**1. Select NEW 403(b) Investment Provider(s)**

**2. Work with the NC Dept. of State Treasurer and Prudential**

to get participant balances and ongoing deferrals/contributions transferred to NEW 403(b)(s)

**Note**: you must provide Prudential with a default investment provider in case of participant inaction (See Employer Selection Form).

**NO**

**1. Creates a Distributable Event for Participants**

**2. Participants can rollover to another plan like the NC 401(k), NC 457, IRA or take a cash distribution**

# NC 403(b) Program isn't the only 403(b) program you offer in your plan

~~NC 403(b) Program~~

403(b) #1

403(b) #2

403(b) 3+

**Do I want to continue to offer a 403(b) plan?**

**YES**

**1. Work with the NC Dept. of State Treasurer and Prudential**

to get participant balances and ongoing NC 403(b) Program deferral/contributions transferred from the NC 403(b) Program to another investment program you currently offer.

**2. Select and provide Prudential** with your default 403(b) investment provider in case of Participants not removing assets (See Employer Selection Form).

**Note:** IF more than one NEW 403(b) provider is available, please indicate the default.

**NO**

**1. This will include terminating <u>ALL</u> existing 403(b) options.**

**Note**: You cannot start a new 403(b) arrangement within 12 months.

Creates a Distributable Event for Participants.

**2. Participants can rollover to another plan like the NC 401(k), NC 457, IRA or take a cash distribution.**