North Carolina Retirement Systems
NC 401(k) & NC 457 Plans

4^{TH} QUARTER 2024

Signature NEWSLETTER

In this issue...

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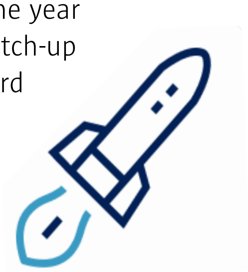
In this *Signature Newsletter*, we review how important it is to understand market performance when managing your Plan account, "super" catch-up contribution limits for those ages 60-63, and expanded eligibility guidelines for the NC 401(k) Plan.

NEWSWORTHY AND NOTEWORTHY

SECURE 2.0 update – 'super' catch-up contribution limit for ages 60-63

The IRS limits the amount you can save each year, and participants over age 50 can contribute more through catch-up contributions. And now, those turning the ages of 60 to 63 can save even more.

Starting January 1, 2025, each year in which you turn ages 60, 61, 62 or 63, you can save an extra $11,250 in catch-up contributions. This is called the "super" catch-up contribution. However, the year in which you turn 64, the super catch-up contribution **ends**, and the standard catch-up limit resumes.



Understanding market fluctuations

It is important not to lose sight of how one year's performance in the investment markets can be so different from another, as you can see in the table shown on the next page.

Each square in the table on the next page represents one of 10 asset classes. Let us compare 2022 to 2023:

- In 2022, when 9 out of 10 asset classes performed negatively, the market leader was cash alternatives with a 1.5% return — real estate came in last, returning −25.1%
- In contrast, in 2023, 0 out of 10 asset classes performed negatively. Large-cap equity was the market leader with a return of 26.3%, whereas cash alternatives was in last place with its return of 5.3%

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Recognizing that these differences exist from one year to another can help you avoid having a knee-jerk reaction to market swings.

Here are some reminders to help you manage your Plan account.

How stock market returns can impact mindsets

It is normal to experience different feelings based on market fluctuations. For example:

- When the market is "up," you may feel optimistic
- When the market is "down," you may become anxious

Keeping all of this in perspective can help you stay the course in saving for retirement.

Focus on what you can control

Your actions and emotions — not the stock market's performance — are what you can control.

A common practice to manage market fluctuations is to diversify your investments among a variety of asset classes.

The Plans have a robust lineup of investment options to help you do just that — along with a "Do It for Me" asset allocation program called GoalMaker® if you need assistance with diversification.*

Past performance of investments or asset classes does not guarantee future results.

* Diversification does not ensure a profit or protect against loss.

Contribution limits increased in 2025

The IRS contribution limits for the Plans have increased for 2025. Consider increasing your contributions.

For each Plan: NC 401(k) and NC 457[1,2]	Max. contribution
Standard contributions	$23,500
Catch-up contributions (50 or older)	$7,500
Super catch-up ages 60-63	$11,250
NC 457 Plan specifically[2]	
Three-year catch-up contributions	$47,000
Participating in BOTH the NC 401(k) AND 457 Plans[1,2]	
Standard contributions	$47,000
Catch-up contributions (50 or older)	$15,000
Super catch-up ages 60-63	$22,500

2025 expanded eligibility for the NC 401(k) Plan

The NC 401(k) Plan has expanded its eligibility requirements. Beginning January 1, for the first time, both full-time *and* part-time public servants can now participate in the NC 401(k) Plan.

Periodic table of investment returns

Annual returns for key indices and asset allocation portfolio ranked in order of performance by year through December 31, 2023.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1	Small-cap equity 38.82%	Real estate 15.02%	Large-cap equity 1.38%	Small-cap equity 21.31%	Emerging market equity 37.28%	Cash alternatives 1.87%	Large-cap equity 31.49%	Small-cap equity 19.96%	Large-cap equity 28.71%	Cash alternatives 1.50%	Large-cap equity 26.29%
2	Large-cap equity 32.39%	Large-cap equity 13.69%	Moderate composite 0.87%	High yield 17.13%	Dev ex-U.S. equity 24.21%	U.S. fixed income 0.01%	Small-cap equity 25.52%	Large-cap equity 18.40%	Real estate 26.09%	High yield -11.19%	Dev ex-U.S. equity 17.94%
3	Dev ex-U.S. equity 21.02%	Moderate composite 7.29%	U.S. fixed income 0.55%	Large-cap equity 11.96%	Large-cap equity2 21.83%	High yield -2.08%	Dev ex-U.S. equity 22.49%	Emerging market equity 18.31%	Small-cap equity 14.82%	U.S. fixed income -13.01%	Small-cap equity 16.93%
4	Moderate composite 15.93%	U.S. fixed income 5.97%	Cash alternatives 0.05%	Emerging market equity 11.19%	Small-cap equity 14.65%	Glbl ex-U.S. fixed -2.15%	Real estate 21.91%	Moderate composite 11.83%	Moderate composite 12.95%	Moderate composite -14.11%	Moderate composite 15.79%
5	High yield 7.44%	Small-cap equity 4.89%	Real estate -0.79%	Moderate composite 7.03%	Moderate composite 13.28%	Moderate composite -4.10%	Moderate composite 19.42%	Glbl ex-U.S. fixed 10.11%	Dev ex-U.S. equity 12.62%	Dev ex-U.S. equity -14.29%	High yield 13.45%
6	Real estate 3.67%	High yield 2.45%	Dev ex-U.S. equity -3.04%	Real estate 4.06%	Glbl ex-U.S. fixed 10.51%	Large-cap equity -4.38%	Emerging market equity 18.44%	Dev ex-U.S. equity 7.59%	High yield 5.28%	Large-cap equity -18.11%	Emerging market equity 9.83%
7	Cash alternatives 0.07%	Cash alternatives 0.03%	Small-cap equity -4.41%	Dev ex-U.S. equity 2.75%	Real estate 10.36%	Real estate -5.63%	High yield 14.32%	U.S. fixed income 7.51%	Cash alternatives 0.05%	Glbl ex-U.S. fixed -18.70%	Real estate 9.67%
8	U.S. fixed income -2.02%	Emerging market equity -2.19%	High yield -4.47%	U.S. fixed income 2.65%	High yield 7.50%	Small-cap equity -11.01%	U.S. fixed income 8.72%	High yield 7.11%	U.S. fixed income -1.54%	Emerging market equity -20.09%	Glbl ex-U.S. fixed 5.72%
9	Emerging market equity -2.60%	Glbl ex-U.S. fixed -3.09%	Glbl ex-U.S. fixed -6.02%	Glbl ex-U.S. fixed 1.49%	U.S. fixed income 3.54%	Dev ex-U.S. equity -14.09%	Glbl ex-U.S. fixed 5.09%	Cash alternatives 0.58%	Emerging market equity -2.54%	Small-cap equity -20.44%	U.S. fixed income 5.53%
10	Glbl ex-U.S. fixed -3.08%	Dev ex-U.S. equity -4.32%	Emerging market equity -14.92%	Cash alternatives 0.33%	Cash alternatives 0.86%	Emerging market equity -14.57%	Cash alternatives 2.28%	Real estate -9.04%	Glbl ex-U.S. fixed -7.05%	Real estate -25.09%	Cash alternatives 5.26%

Past performance is not a guarantee of future results.

The periodic table of investment returns depicts annual returns for 10 asset classes and an asset allocation portfolio from best to worst performance for each calendar year. The asset classes are color coded to enable easy tracking over time. We describe the well-known, industry standard market indices that we use as proxies for each asset class below.

Large-Cap Equity (S&P 500®) An unmanaged index considered indicative of the domestic large-cap equity market and used as a proxy for the stock market in general. The S&P 500 is a market-value-weighted index of 500 stocks. The weightings make each company's influence on the Index performance directly proportional to that company's market value.

Small-Cap Equity (Russell 2000) measures the performance of small-capitalization U.S. stocks. The Russell 2000 is a market-value weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index.

Developed ex-U.S. Equity (MSCI World ex USA) is an international index that is designed to measure the performance of large- and mid-cap equities in developed markets in Europe, the Middle East, the Pacific region, and Canada.

Real Estate (FTSE EPRA/NAREIT Developed Index) is designed to measure the stock performance of companies engaged in specific real estate activities in the North American, European, and Asian real estate markets.

Moderate Composite is allocated among the following asset classes over time: the Wilshire 5000 Index (U.S. equities); the MSCI EAFE® Index (international equities); the Dow Jones U.S. Select REIT Index℠ (real estate); the Bloomberg Aggregate Bond Index (bonds); and the Bloomberg 1-3 Year Credit Bond Index (short-term bonds).

Emerging Market Equity (MSCI Emerging Markets) is an international index that is designed to measure the performance of equity markets in 24 emerging countries around the world.

High Yield (Bloomberg High Yield Bond Index) measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. For further information about a rating agency's methodology, please visit fitchratings.com, moodys.com, or standardandpoors.com/aboutcreditratings.

U.S. Fixed Income (Bloomberg US Aggregate Bond Index) includes U.S. government, corporate, and mortgage-backed securities with maturities of at least one year. Investors frequently use the index as a stand-in for measuring the performance of the U.S. bond market.

Global ex-U.S. Fixed Income (Bloomberg Global Aggregate ex U.S. Bond Index) is an unmanaged index that is comprised of several other Bloomberg indices that measure the fixed income performance of regions around the world, excluding the U.S.

Cash Alternatives (90-day T-bill) is a short-term debt obligation backed by the Treasury Department of the U.S. government.

About risk: Stocks may decline in value. Securities of small and mid-size companies may be more volatile than those of larger, more established companies. Bond prices generally fall when interest rates rise (and vice versa) and are subject to risks, including changes in credit quality, market valuations, inflation, liquidity, and default. High-yield bonds have a greater risk of default. Foreign securities involve risks, such as currency fluctuations, economic changes, and political developments. These risks may be heightened in emerging markets, which may also experience liquidity risk. Real estate securities and trusts involve risks, including declining property values, changes in zoning laws, or losses from casualty. Real estate securities that invest in foreign real estate involve additional risks, including currency fluctuations and political developments.

The S&P 500 Index is a registered trademark of Standard & Poor's Financial Services LLC.

An index is not actively managed, does not have a defined investment objective, and does not incur fees or expenses. You cannot invest directly in an index.

PIA: Participants in action

22,339
participants have increased their contributions

44,671
attended group meetings

19,211
NC 401(k)/NC 457 Plans' Retirement Plan Counselor meetings with individuals

*YTD data as of 9/30/2024.

DEFINING TERMS

Investment basics: The North Carolina Inflation Responsive Fund[3]

The North Carolina Inflation Responsive Fund (Fund) is an investment option within the diversified real assets class.

Investment objective

The Fund seeks to hedge against inflation over the medium to long term by investing in diversified real assets, including Treasury Inflation Protected Securities (TIPS), commodities, and Global real estate investment trusts (REITs).

Investor profile, management & benchmark

This Fund, managed by BlackRock, may be most attractive to those who are looking to:

- protect against inflation
- diversify a traditional stock/bond-based portfolio

The Fund seeks to replicate the composition and performance of its benchmark, the BlackRock SCF Customized Index.

To view the fund fact sheets for the Plans' investments, visit **myNCPlans.com** and click on *Information for Employees* and then *Investment Options & GoalMaker*.

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1 Employer contributions reduce the contribution limits in the NC 457 Plan, but not in the NC 401(k).

2 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.

3 *Carefully consider the investment option's objectives, risks, fees and expenses. Contact the Plans at 866-NCPlans (866-627-5267) for a prospectus, summary prospectus for SEC-registered products or disclosure document for unregistered products, if available, containing this information. Read each carefully before investing.*
It is possible to lose money when investing in securities.

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GoalMaker's model allocations are based on generally accepted financial theories that take into account the historic returns of different asset classes. Past performance of any investment does not guarantee future results. Participants should consider their other assets, income and investments (e.g., equity in a home, Social Security benefits, individual retirement plan investments, etc.) in addition to their interest in the plan, to the extent those items are not taken into account in the model. Participants should also periodically reassess their GoalMaker investments to make sure their model continues to correspond to their investment objectives, risk tolerance and retirement time horizon.

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