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Lincolnton NC
Near the City. Near the Mountains. Near Perfect.

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MEMORANDUM

To: Mayor and City Council Members

Through: Ritchie Haynes, City Manager

From: Tanya Osborne, Human Resources Director

Re: Consideration for Implementation of the NC Public Employee Deferred Compensation Plan (NC 457)

Date: May 19, 2025

As part of the 2025/2026 budget workshop held in April, the Strategic Planning Committee for Employee Benefits presented Council with information to consider regarding the potential implementation of an additional retirement savings plan for employees. The North Carolina Retirement Systems Division of the Department of State Treasurer offers the ability for public employers to participate in the NC Public Employee Deferred Compensation Plan (NC 457) which is currently administered through Empower.

During the workshop, Council expressed willingness for information to be presented at a council meeting for consideration and potential approval. The City of Lincolnton already participates in the NC401(k), and the addition of the NC457 would give employees an additional option to assist in building their retirement savings. Participation in the NC 457 is voluntary, and employees would make their contributions through payroll deduction. If implemented, the City's role would include the Finance Department to administer the contributions employees elect to make through the payroll system, and the Human Resources Department to maintain and share benefit information with employees.

Included for your review, is an informational brochure on the NC 457 which is published by the North Carolina Department of State Treasurer.

Council Consideration:

Approval of the attached Resolution allowing the City of Lincolnton to participate in the North Carolina Public Employee Deferred Compensation Plan (NC 457). Once approved the anticipated implementation date would be July 1, 2025.

CITY OF LINCOLNTON

RESOLUTION

WHEREAS, the City of Lincolnton wishes to provide a qualified contribution plan to the employees of the City of Lincolnton.

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 the City of Lincolnton has adopted the North Carolina Public Employee Deferred Compensation Plan as 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 as of July 1, 2025.

Signed this _____day of _____, 2025.

_____

Ed Hatley, Mayor

The NC 457 Plan

PLAN HIGHLIGHTS



The NC 457 Plan is a deferred compensation plan administered by the North Carolina Department of State Treasurer, and available exclusively to those North Carolina public employees whose employers offer the Plan. This includes full-time, part-time and temporary employees; elected and appointed officials; rehired retired employees and North Carolina state and local government employees.

WHAT IS INSIDE

- Plan Benefits
- Contributions
- Consolidation
- Loans & Withdrawals
- Leaving Employment

North Carolina
Retirement Systems
NC 457 Plan

The Plan offers you these benefits:

Automatic payroll deductions

Contributions to the NC 457 Plan are made through payroll deduction.

You may change or stop your 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.

Penalty-free withdrawals

Withdrawals from your NC 457 Plan account are **never** subject to a 10% federal income tax penalty, regardless of your age at the time of withdrawal. Remember that the NC 457 Plan is a single-state plan, administered by the North Carolina Department of State Treasurer, available to all eligible employees whose employers offer the Plan. Withdrawal restrictions apply to participants who retire or leave a covered position at an employer that participates in the NC 457 Plan, and, after doing so, transition to a covered position with another employer that participates in the Plan.

Convenient asset consolidation

To simplify your financial life, the NC 457 Plan allows for rollovers from other retirement plans you may have from former employers, including 401(k), 401(a), 403(b), governmental 457 and TSP plans, and some IRAs.

Online retirement planning tools

You may access your account 24 hours a day, 7 days a week. You may also access a host of information, interactive calculators and other resources at **myNCPlans.com**.

Multiple investment choices

You can invest in vehicles that range from potentially high growth to highly conservative, so you can make the most appropriate choice to help you meet your savings goals.

For details about the Plan's investment options, please visit **myNCPlans.com** to view the quarterly fund fact sheets.

Simple investing with GoalMaker*

With GoalMaker®, you can spread your money across various asset classes and investment options. Once you provide your chosen retirement age and risk tolerance, you will be provided a suggested NC GoalMaker model comprised of the investments offered in the Plan.[1] *Past performance of investments or asset classes does not guarantee future results.*

Quarterly statements to keep you informed

Statements are provided after the end of each quarter to help you monitor activity in your account.

*The North Carolina GoalMaker models are subject to change — including, for example, the replacement of investment options and allocations within the models. You will be notified in advance of such changes.

[1] 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.

One-on-one assistance

The NC 457 Plan has knowledgeable NC 401(k)/NC 457 Plans' Retirement Plan Counselors[2] strategically located throughout North Carolina to help you to get the most from your participation in the Plan. These representatives are a resource available to Plan members by phone, email or in person.



How to register your account

The Plan's security features require that you register your online account. The process is simple:

- Visit **myNCPlans.com** and choose *Register or Access my Account*.
- Choose *Register*.
- Select *I do not have a PIN*.
- Enter your personal information then hit *Continue*.
- Enter the verification code you receive from Empower.
- Create a username and password.
- Select *Sign in* and log in to your account with your new username and password.

IMPORTANT: If you are accessing your account from a mobile device, you will be directed to download our mobile app before you can complete your registration.

[2] **Retirement counselors are registered with Empower Financial Services, Inc., Member FINRA/SIPC.** EFSI is an affiliate of Empower Retirement, LLC; Empower Funds, Inc.; and registered investment adviser Empower Advisory Group, LLC. This material is for informational purposes only and is not intended to provide investment, legal or tax recommendations or advice.

Flexible ways to contribute

Traditional pre-tax contributions

Pre-tax contributions are automatically deducted from your paycheck **before** any current federal or state income taxes are taken out, therefore reducing your taxable income. 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** current taxes are paid and therefore reduce your take-home pay dollar for dollar. Roth contributions and earnings 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.[3]

You save per month	$25	$100	$200	$300
10 years	$4,327	$17,308	$34,617	$51,925
15 years	$7,924	$31,696	$63,392	$95,089
20 years	$13,023	$52,093	$104,185	$156,278
30 years	$30,499	$121,997	$243,994	$365,991

Assumes 7% annual return.

The compounding concept is hypothetical and for illustrative purposes only and is not intended to represent performance of any specific investment, which may fluctuate. **It is possible to lose money by investing in securities.**

No taxes are considered in the calculations; generally, withdrawals are taxable at ordinary rates.

Special "One Time" Contributions

If you wish to defer additional compensation that will be deducted for only one payroll cycle for reasons such as longevity payments, or final payouts of unused vacation and/or bonus leave, you may coordinate this deduction with your payroll office. You can obtain a One Time Contribution Form by visiting the Tools & Resources tab at **myNCPlans.com**. Submit the completed form directly to your payroll office. Total annual contributions may **not** exceed IRS limits.

[3] There are two separate sets of rules for taking distributions from your NC 457 Roth account on a tax-free basis. The first NC 457 Plan rule states you can only take a distribution after you: (i) separate from service; or (ii) attain age 59½ while still in service. The second, an IRS rule, defines what is considered a "qualified" distribution from a Roth Account in order to be tax free.** Taken together, this means that you can withdraw money from your NC 457 Roth Account tax free once you meet the following criteria: The first Roth contribution to your account must remain in your account for at least five tax years; AND: a) you have separated from service and are age 59½ or older; or b) you have separated from service due to a death or disability retirement; or c) you are still working and are at least age 59½. If your withdrawal does not meet these conditions, then the Roth earnings—but not the Roth contributions—may be subject to state and federal income taxes.

**The criteria outlined by the IRS is for tax-free treatment for federal income tax purposes. Your withdrawal may also be eligible for state tax-free treatment.

Consolidate with rollovers into the NC 457 Plan

The Plan accepts rollovers from other qualified retirement plans you may have from former employers, including 401(k), 401(a), 403(b), governmental 457 plans and TSP plans, as well as Traditional, Conduit, SIMPLE and SEP IRAs. Under current IRS guidelines, Roth IRAs are not eligible for rollover into the Plan. All rollover requests must receive pre-approval from the Plan before funds can be received.

Initiating a rollover into your NC 457 Plan is easy, and it offers many benefits, including:

- The simplicity of all your retirement savings reported on one quarterly statement, making it easier to monitor your accounts and stay on track toward your retirement savings goals.
- The potential to save money through reduced Plan fees.
- The convenience of managing all of your retirement savings through one website, one phone number, and with one point of contact for your retirement account questions.
- The ease of asset allocation, since it's simpler to maintain an investment strategy among your various investments when you can see how they work together.

Before rolling over assets from other retirement plans, you should contact those plan providers to inquire about fees or other surrender charges that may be assessed.

For assistance with a rollover into the NC 457 Plan, call **866-NCPlans (866-627-5267)**.



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 457 Plan gives you the flexibility to do this through:

Loans

Active employees may be eligible to borrow money from their account for any purpose. Loans are repaid through payroll deduction, with the interest paid directly to your account. The minimum loan is $1,000, and the maximum loan is 50% of your account value, up to $50,000; or the lesser of 100% of your account balance. You have up to five years to repay a loan. There's also a 15-year repayment allowed for the purchase of a primary residence. You may only have one loan outstanding at any time. *There is a $60 processing fee for taking out a loan. Please keep in mind that loans and withdrawals can affect your account balance.*[4]

Voluntary small balance cash out request

You are allowed to withdraw your funds after 24 consecutive months with no contributions and an account value of less than $5,000 without penalty, but the amount may be subject to ordinary income tax.

In-service distributions[5]

Plan members who are age 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 over all or a portion of their balance to the North Carolina Retirement Systems to purchase service credits—this type of distribution is NOT subject to ordinary income tax.

Hardship withdrawals

There are several types of hardship withdrawals available, depending on the circumstances.

Qualifying hardship withdrawals include:

- Medical expenses not covered by insurance for you, your spouse or dependents
- Payments to prevent eviction from your principal residence, or foreclosure on the mortgage of your principal residence
- Funeral/burial expenses for a parent, spouse, child or other dependent
- Certain expenses relating to the repair of damage to your principal residence

[4] Any outstanding loan balance not paid back at termination becomes taxable in the year of default, unless you roll over the defaulted amount to an IRA or qualified employer plan by the date that the defaulted amount must be reported on your tax return.

[5] Amounts rolled over to another qualified retirement savings vehicle or used to purchase service credits are not subject to current income tax.

When you leave employment, you can choose what to do with your money in the NC 457 Plan

The NC 457 Plan is a single-state plan, administered by the North Carolina Department of State Treasurer, available to all eligible employees whose employers offer the Plan. Withdrawal restrictions apply to participants who retire or leave a covered position at an employer that participates in the NC 457 Plan, and, after doing so, transition to a covered position with another employer that participates in the Plan.

Leave your funds in the Plan

Contributions to the Plan will stop when you leave employment, but the investments in your account remain invested and continue to work for you. Federal rules require that you must begin taking minimum distributions by a certain age,[6,7] provided you are no longer working for an employer that participates in the Plan.

Take a systematic withdrawal (periodic payments to fit your need)

You can opt to receive monthly, quarterly, semiannual or annual installment payments.

Take a full or partial lump-sum withdrawal[8]

This option allows you to withdraw all or a portion of your entire account balance on an as-needed basis at your discretion.

Roll over all or a part of your balance to an eligible employer-sponsored retirement plan or to an Individual Retirement Account (IRA)

A rollover to a qualified plan is not subject to taxes or penalties, provided the check is made payable to the financial institution receiving the funds.

Consider all your options and their features and fees before moving money between accounts.

Generate monthly lifetime income

Transfer all or a portion of your pre-tax account balance to the North Carolina's Teachers' and State Employees' Retirement System (TSERS) or the Local Government Employees' Retirement System (LGERS), where it can be paid as a monthly benefit for your lifetime and/or the lifetime of your designated beneficiary. At or after retirement with TSERS or LGERS, Plan members can select from 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.

[6] The IRS generally requires you to start taking required minimum distributions (RMDs) at age 73.

[7] The required minimum distribution (RMD) requirement does not apply to any assets designated as Roth within your Plan account. In addition, a surviving spouse may elect to be treated as the deceased plan participant for purposes of the RMD rules.

[8] Please note that if you terminate from service, requests for withdrawals or distributions from your account (not associated with retirement) will not be paid for 60 days, unless you are: (1) retired; (2) eligible for an in-service distribution; or (3) required to take a distribution by the Internal Revenue Code or the provisions of the Plan.

Empower Retirement, LLC provides the communications and recordkeeping services for the NC 401(k) and NC 457 Plans. The investments offered to you within the NC 401(k) and NC 457 Plans are not offered by or affiliated with Empower Retirement, LLC.

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