

Changes coming for the NC 401(k) Plan and the NC Deferred Compensation Plan

An important employer update



“Part of our mission is to provide the best supplemental retirement savings options at very low cost for our teachers and public employees across the state. I am pleased to let you know that the State will be expanding our relationship with Prudential Retirement to offer you significant cost savings and superior plan services.”
Richard H. Moore, State Treasurer

As a North Carolina employer who offers one or both of North Carolina’s Supplemental Retirement Plans, this newsletter will give you an advanced highlight of what members can expect over the next few months as the NC Deferred Compensation Plan transitions to Prudential Retirement® from Great West and both plans get a revised fund lineup.

NC 401(k) Plan members can look forward to a refreshed lineup of investment options and significantly reduced plan costs in addition to continuing the same terrific advantages they have enjoyed since the NC 401(k) Plan first moved to Prudential Retirement.

NC Deferred Compensation Plan members will now have access to a refreshed lineup of investment options and significantly reduced plan costs, in addition to the full range of benefits offered by Prudential including:

- GoalMaker®, an easy, automatic, and voluntary asset allocation program available at no additional cost;
- One-on-one local support from dedicated Regional Retirement Education Managers;
- Cutting-edge online tools, including the award-winning Retirement Income Calculator;
- And so much more!

While we have an extensive communications program to keep members abreast of all these changes, we wanted to give you, our employer partners, an advanced notice so that you are prepared for any questions that might come your way.

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Cost Savings For All Members

How the expenses are reduced

With retail mutual funds, like those currently offered in both plans, the State receives the same pricing as any individual investor. The new institutional separate accounts being used for both plans allow the State to hire fund managers directly, leveraging the assets invested for the defined benefit plans to the advantage of the NC 401(k) Plan and the NC Deferred Compensation Plan. The State can use the size and scale of the NC Supplemental Retirement Plans as an advantage when negotiating fees with institutional fund managers, where this was not an option with retail mutual funds. The result is the potential for significantly lower investment related fees.

What that savings means for members

For example, a member with an account balance of \$20,000 and making an annual contribution of \$1,200 may experience an annual savings of \$174. And if that member invested that money for 10 years, the result could amount to \$1,178 in additional retirement savings!¹

¹ Assumes an account balance of \$20,000, an annual contribution of \$1,200 made on a monthly basis, GoalMaker expense ratios, and a return of 7% compounded annually. This is for illustrative purposes only and does not represent the performance of any investment.

NC 401(k) Plan Upcoming Changes

New investment options for NC 401(k) Plan after January 23, 2009

If NC 401(k) Plan investments are currently invested in:	Their account balances will be moved to:
• American Funds EuroPacific Growth	• North Carolina International
• Goldman Sachs Mid Cap Value	• North Carolina Small/Mid Cap Value
• Oppenheimer Main Street Small Cap	• North Carolina Small/Mid Cap Index
• Vanguard Equity Index Portfolio*	• North Carolina Large Cap Index
• Van Kampen Growth & Income	• North Carolina Large Cap Value
• American Funds Growth Fund of America	• North Carolina Large Cap Growth
• Van Kampen Equity and Income	• NC Large Cap Index 60% and NC Fixed Income 40%
• Fidelity Intermediate Bond	• North Carolina Fixed Income
• Prudential Stable Value**	• North Carolina Stable Value

* Members cannot opt out of the mapping of this fund.

** The Prudential Stable Value Fund will map at a later date.

Fund mapping opt out available

To opt out of the automatic fund mapping beginning December 22, 2008, members may contact the Plan directly at **1-866-NCPlans (1-866-627-5267)** and speak to a Participant Service Representative. If a member takes no action by 4 p.m. ET on January 16, 2009 all existing funds after January 23, 2009 will automatically go into the new fund lineup. All new contributions after January 23, 2009 will be invested in the new fund lineup. Members will pay an additional 10.5 basis points each year on those assets that remain in the existing funds.

The Vanguard Equity Index Portfolio will no longer be available after January 23, 2009. Members will not be able to remain in the Vanguard Equity Index Portfolio by exercising the opt out selection.

Access to investment options

The “mapping” of assets from the existing investment lineup into the new investments will take place after 4 p.m. ET on Friday, January 23, 2009 and the new investment options will be available to Plan members on the next business day, Monday, January 26, 2009.

Therefore, beginning January 26, 2009 any Plan member wishing to allocate any or all of their contributions within the new funds can do so through their account homepage at www.NCPlans.prudential.com or by calling 1-866-NCPlans (1-866-627-5267). Information on the new funds will be available at www.NCPlans.prudential.com in early December.

GoalMaker portfolios are changing, too

After hours on January 23, 2009, members who are currently invested in GoalMaker portfolios will see their positions mapped to the updated GoalMaker portfolios comprised of the new fund offerings.

New GoalMaker allocations after January 23, 2009

Category	Conservative				Moderate				Aggressive			
	C01 0-5 Yrs	C02 6-10 Yrs	C03 11-15 Yrs	C04 16+ Yrs	M01 0-5 Yrs	M02 6-10 Yrs	M03 11-15 Yrs	M04 16+ Yrs	R01 0-5 Yrs	R02 6-10 Yrs	R03 11-15 Yrs	R04 16+ Yrs
Stable Value —North Carolina Stable Value	50%	37%	28%	17%	34%	28%	20%	9%	26%	20%	11%	0%
Fixed Income —North Carolina Fixed Income	17%	20%	17%	13%	21%	21%	13%	9%	13%	10%	12%	6%
Small/Mid Cap Growth —North Carolina Small/Mid Cap Growth	2%	3%	3%	4%	3%	3%	4%	4%	2%	4%	4%	5%
Small/Mid Cap Index —North Carolina Small/Mid Cap Index	2%	3%	6%	8%	4%	6%	7%	10%	6%	8%	9%	9%
Small/Mid Cap Value —North Carolina Small/Mid Cap Value	2%	3%	3%	4%	3%	3%	4%	4%	2%	4%	4%	5%
Large Growth —North Carolina Large Cap Growth	5%	7%	7%	9%	6%	6%	9%	11%	9%	9%	10%	13%
Large Index —North Carolina Large Cap Index	10%	12%	17%	19%	13%	15%	18%	22%	19%	20%	20%	26%
Large Value —North Carolina Large Cap Value	5%	7%	7%	9%	6%	6%	9%	11%	9%	9%	10%	13%
Intl Index —North Carolina International Index	2%	2%	4%	5%	3%	4%	5%	6%	4%	5%	6%	7%
International —North Carolina International	2%	2%	4%	5%	3%	3%	4%	6%	4%	4%	6%	7%
Global —North Carolina Global Equity	3%	4%	4%	7%	4%	5%	7%	8%	6%	7%	8%	9%

Key dates for NC 401(k) Plan members

Opt out of fund mapping begins	December 22, 2008
Opt out of fund mapping ends	January 16, 2009
All new funds are available and members can make allocation changes	January 26, 2009

NC Deferred Compensation Plan Upcoming Changes

New investment options for NC Deferred Compensation Plan after January 23, 2009

After the Plan transitions to Prudential Retirement in December, the investment options offered as part of the NC Deferred Compensation Plan will “map” to the new investment options in January 2009. This mapping plan was chosen because the investment objectives of the new options most closely match those of the ones being replaced. It is important to note that the fund transfer process from Great West to Prudential is designed so that members’ funds will never be out of the market. To transfer assets from Great West to Prudential, the Plan assets will be sold (or liquidated) and the proceeds wired to Prudential to purchase the new investments as outlined below.

If NC Deferred Compensation Plan investments are currently invested in:	Their account balances will be moved to:
• American Funds EuroPacific Growth	• North Carolina International
• Baron Small Cap	• North Carolina Small/Mid Cap Growth
• T. Rowe Price Small Cap Value	• North Carolina Small/Mid Cap Value
• Artisan Mid Cap	• North Carolina Small/Mid Cap Growth
• Lord Abbett Mid Cap Value	• North Carolina Small/Mid Cap Value
• BGI Equity Index*	• North Carolina Large Cap Index
• Dodge & Cox Stock	• North Carolina Large Cap Value
• Fidelity Contrafund	• North Carolina Large Cap Index
• Fidelity Equity Income	• North Carolina Large Cap Value
• T. Rowe Price Blue Chip Growth	• North Carolina Large Cap Growth
• American Funds Balanced	• NC Large Cap Index 60% and NC Fixed Income 40%
• PIMCO Total Return	• North Carolina Fixed Income
• Guaranteed Insurance**	• North Carolina Stable Value
• Stable Value**	• North Carolina Stable Value

* As part of the transition from Great West to Prudential, on 12/18/08 member balances will move into the Fidelity Contrafund. Then, after hours on 1/23/09 member balances in the Fidelity Contrafund will move into the NC Large Cap Index fund.

** The Guaranteed Insurance and Stable Value funds will map at a later date.

Fund mapping opt out available

To opt out of the automatic fund mapping beginning December 22, 2008, members may contact the Plan directly at **1-866-NCPlans (1-866-627-5267)** and speak to a Participant Service Representative. If a member takes no action by 4 p.m. ET on January 16, 2009, all existing funds after January 23, 2009, will automatically go into the new fund lineup. All new contributions after January 23, 2009 will be invested in the new fund lineup. Members will pay an additional 10.5 basis points each year on those assets that remain in the existing funds.

Access to investment options

The “mapping” of assets from the existing investment lineup into the new investments will take place after 4 p.m. on Friday, January 23, 2009 and the new investment options will be available to Plan members on the next business day, Monday, January 26, 2009.

Therefore, beginning January 26, 2009 any Plan member wishing to allocate any or all of their contributions within the new funds can do so through their account homepage at **www.NCPlans.prudential.com** or by calling 1-866-NCPlans (1-866-627-5267). Information on the new funds will be available at **www.NCPlans.prudential.com** in early December.

Profile Series funds will map

Members who are currently invested in Profile Series funds will see their positions move into the current North Carolina Deferred Compensation Plan investments with similar investment objectives as outlined below. The initial mapping of the Profile Series as shown below, will occur on December 18, 2008 and will be remapped when the new fund lineup becomes available on January 23, 2009 as outlined on page 4.

Current NC Deferred Compensation Plan Profile Series	Profile Series account balances will move to	Current NC Deferred Compensation Plan Profile Series	Profile Series account balances will move to																																				
Aggressive Profile	<table border="0"> <tr><td>Dodge & Cox Stock</td><td>13%</td></tr> <tr><td>T. Rowe Price Blue Chip Growth</td><td>12%</td></tr> <tr><td>Lord Abbett Mid Cap Value</td><td>15%</td></tr> <tr><td>Artisan Mid Cap</td><td>15%</td></tr> <tr><td>T. Rowe Price Small Cap Value</td><td>10%</td></tr> <tr><td>Baron Small Cap</td><td>10%</td></tr> <tr><td>American Funds EuroPac</td><td>25%</td></tr> </table>	Dodge & Cox Stock	13%	T. Rowe Price Blue Chip Growth	12%	Lord Abbett Mid Cap Value	15%	Artisan Mid Cap	15%	T. Rowe Price Small Cap Value	10%	Baron Small Cap	10%	American Funds EuroPac	25%	Moderately Conservative Profile	<table border="0"> <tr><td>Dodge & Cox Stock</td><td>8%</td></tr> <tr><td>T. Rowe Price Blue Chip Growth</td><td>7%</td></tr> <tr><td>Lord Abbett Mid Cap Value</td><td>5%</td></tr> <tr><td>Artisan Mid Cap</td><td>5%</td></tr> <tr><td>T. Rowe Price Small Cap Value</td><td>5%</td></tr> <tr><td>Baron Small Cap</td><td>5%</td></tr> <tr><td>American Funds EuroPac</td><td>10%</td></tr> <tr><td>PIMCO Total Return</td><td>30%</td></tr> <tr><td>Stable Value Fund</td><td>25%</td></tr> </table>	Dodge & Cox Stock	8%	T. Rowe Price Blue Chip Growth	7%	Lord Abbett Mid Cap Value	5%	Artisan Mid Cap	5%	T. Rowe Price Small Cap Value	5%	Baron Small Cap	5%	American Funds EuroPac	10%	PIMCO Total Return	30%	Stable Value Fund	25%				
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Key dates for NC Deferred Compensation Plan members

December 10, 2008 will kick off the conversion of the NC Deferred Compensation Plan. To ensure all information transfers accurately from Great West to Prudential Retirement, a brief "quiet period" is required. This is expected to begin on December 10, 2008 at 4 p.m. ET and is scheduled to end on December 22, 2008.

During the quiet period, members will be unable to direct or diversify investments in individual accounts, obtain a loan from the Plan, or obtain a distribution from the Plan. It is important that members review and consider the appropriateness of their current investments in light of their inability to make changes to these investments during the quiet period.



Activity cutoff	Key date
Request a loan, a withdrawal, a distribution or a rollover	December 10, 2008
Pay off a loan	December 10, 2008
Submit last payroll file to Great West	December 10, 2008
Change salary deferral percentage, future investment elections or update personal information	December 12, 2008
Transfer funds among investment options	December 12, 2008
Make balance inquiries	December 12, 2008
Submit new payroll file to Prudential	December 19, 2008
Opt out window and mapping process	Key date
Profile Series funds map into existing 457 funds	December 18, 2008
Opt out of fund mapping begins	December 22, 2008
Quiet period ends, all activities continue as usual	December 22, 2008
Opt out window ends	January 16, 2009
Mapping process complete	Key date
Mapping complete and all new funds are available	January 26, 2009

We're your partners in this transition

We understand that you, as a public employer, may be the first line of communication with members. For that reason, we want you to have all of the information you need on any aspect of this transition. So if you have any questions or concerns, please call **1-866-NCPlans (1-866-627-5267)**, send an email to **NCPlans@prudential.com**, or contact your Regional Retirement Education Manager.

For more complete information about the investment options available through your plan, including charges and expenses, please call 1-866-NCPlans (1-866-627-5267).

Separate Accounts are insurance products issued by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT, a Prudential Financial company.

Past performance is not indicative of future performance.

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