

# NC 401(k) & NC 457 Plan Features & Resources



## It's about money, not age

### You could spend one-third of your life in retirement.

To maintain your standard of living in retirement, you will likely need an annual income equal to about 80 percent of your final working income.

Estimate Your Life Expectancy		
Current Age	Men	Women
25	75.5	80.7
35	76.5	81.2
45	77.7	81.9
55	79.3	83.0
65	82.0	84.8
75	85.6	87.4
85	90.5	91.5

Source: United States Life Tables, 2020; National Vital Statistics Reports, Vol. 71, No. 1, August 6, 2022

When it comes to retirement, it's really about money, *not* age—although how long you may live will also play an important role.

*When* can you retire? For some that may be at 65, for others, maybe 62 or 57, for a lucky few who began planning early enough, maybe 50.

Now, think about this question: How much money do you think you'll need to support your lifestyle if you live to be 80, 90, or 100 years old?

No matter how you view it, you're going to need a lot of money to create a more secure retirement.

## What will costs be in the future?

Inflation can zap the **power** of your retirement savings.  
So you may need more than you thought.

	2000	2010	2012	2020	2030	2040
	\$0.99	\$1.41	\$1.50	\$1.98	\$2.79	\$3.94
	\$15,047	\$19,054	\$20,411	\$26,877	\$37,913	\$53,480

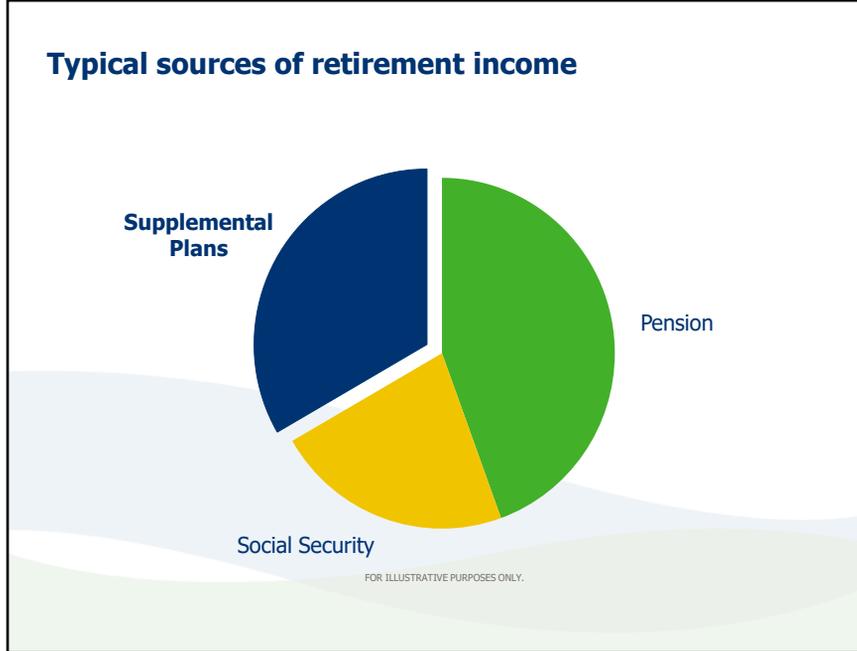
For illustration purposes only. Assumes a 3.5% annual inflation rate.

Ensure that you're taking inflation into account as you save.

For example, let's look at the cost of a loaf of bread in 2012, when it was an average of \$1.50. But take a look at what the rate of inflation could do to the amount you'll spend on bread in years to come.

In the year 2020, that same loaf of bread might have cost you \$1.98. In 2030, \$2.79. And in 2040, that same loaf could cost you \$3.94.

This illustrates the importance of *how* you're investing your retirement savings. If you're not investing your money in a way that AT LEAST keeps up with inflation, you'll actually be losing *buying power* in the years to come.



In addition to your pension and Social Security, let's consider one other source of income in retirement—the NC 401(k) and NC 457 Plans, also referred to as the Supplemental Retirement Plans.

**Where will *your* money in retirement come from?**



## **Understanding investments**

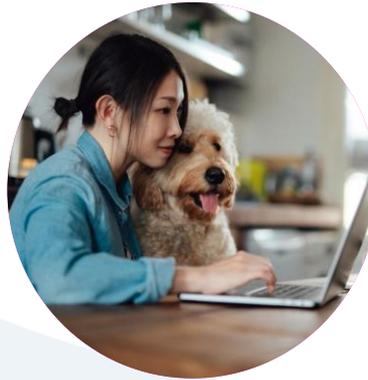


Let's start with the fundamentals of investing. There's more to it than "buy low, sell high." Becoming a smarter investor starts by learning the basics.

## Becoming a smarter investor starts by understanding the language

Understanding the terminology and principles of investing, as well as how they work together, may help set you up for success.

- Asset classes
- Asset allocation
- Diversification
- Rebalancing



Asset allocation, diversification, or rebalancing does not ensure a profit or protect against loss.

### INVESTING TERMS

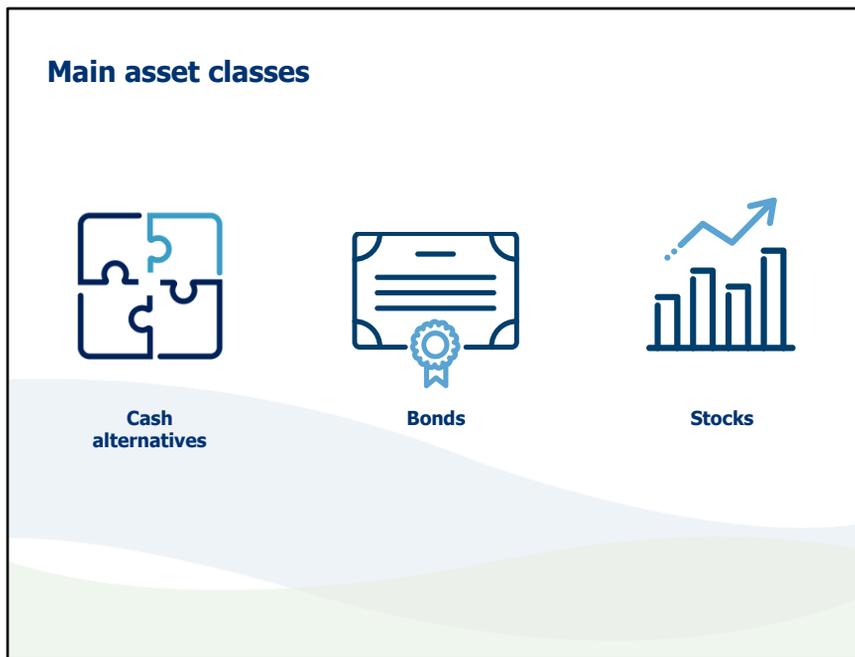
Becoming a smarter investor starts by understanding the language. Understanding the terminology and principles of investing, and how they work together, may help set you up for success. Whether you want to manage your own investments, or simply want a better understanding of the terminology and principles of investing and how they work together, here are some terms that are good to know.

An **asset class** is a grouping of similar types of investments, such as stocks, which are a share of ownership in a company; bonds, which pay you a specified rate of interest on money that is loaned to an entity of some kind; cash alternative options, like money market funds, money market deposits and stable value products.

**Asset allocation** is simply choosing how much to invest in each asset class when you create your portfolio.

**Diversification** is mixing your investments among the different asset classes or within an asset class.

**Rebalancing** is simply adjusting your asset allocation to align with your evolving investment strategy. Like being more aggressive or conservative.



Let's take a look at the three main investment types available in your Plan:

- There are cash alternative funds, which have an objective of low risk and liquidity
- Bond funds are typically used to provide interest income
- The goal of stock funds is to offer long-term growth potential, but they can be more volatile over the short term

## About cash alternative funds

### Purpose

- Preserve capital
- Seek steady returns

### Associated risk

- Inflation
- Interest rate fluctuations
- Credit risks



Cash alternative funds are relatively low-risk investments that focus on cash and liquidity. They typically have low volatility and provide liquidity through short-term loans. The objective of cash alternative funds is to preserve capital while seeking to provide steady returns. These funds are subject to inflation risk as well as interest rate and credit risk.

## An overview of bond funds

**Bonds are loans made to government agencies or corporations.**

### **Purpose**

- Provide interest income to investors

### **Maturity**

- Short-term
- Medium-term
- Long-term

### **Credit quality**

- Quality of the underlying bonds

### **Associated risk**

- Interest rate fluctuations
- Credit risk



Bond funds are debt obligations of governments or corporations. The borrower promises to pay interest at a stated rate and return the borrowed amount by a maturity date. Bond funds seek to provide interest income and are thus subject to interest rate and credit risk. The underlying bonds may be short-, medium- or long-term. And, credit quality refers to the quality of the underlying bonds the fund invests in. The risks associated with bond funds include interest rate fluctuations and credit risk.

## A look at stock funds

**A share of stock is a unit of ownership in a company**

**Stock fund classifications**

- Size: large-cap, medium-cap, small-cap
- Style: growth, value, blend
- Country: domestic, international

**Purpose**

- Potential long-term growth

**Associated risk**

- Market volatility



Stock funds. Investing in a stock fund is not the same as buying an individual stock in that when you invest in a stock fund, you are investing in a variety of stocks to make up a portfolio. Stock funds may be classified by:

- Size (large-cap, medium-cap and small-cap)
- Style (growth, value and blend)
- And/or country (domestic or international)

Stock funds in general are typically associated with potential long-term growth. One risk associated with stock funds is market volatility — or the possibility for an investor to experience losses due to factors that affect the overall performance of the financial markets.

## Why diversification matters

Diversifying your investments may help you offset market volatility and manage the overall risk of your portfolio.

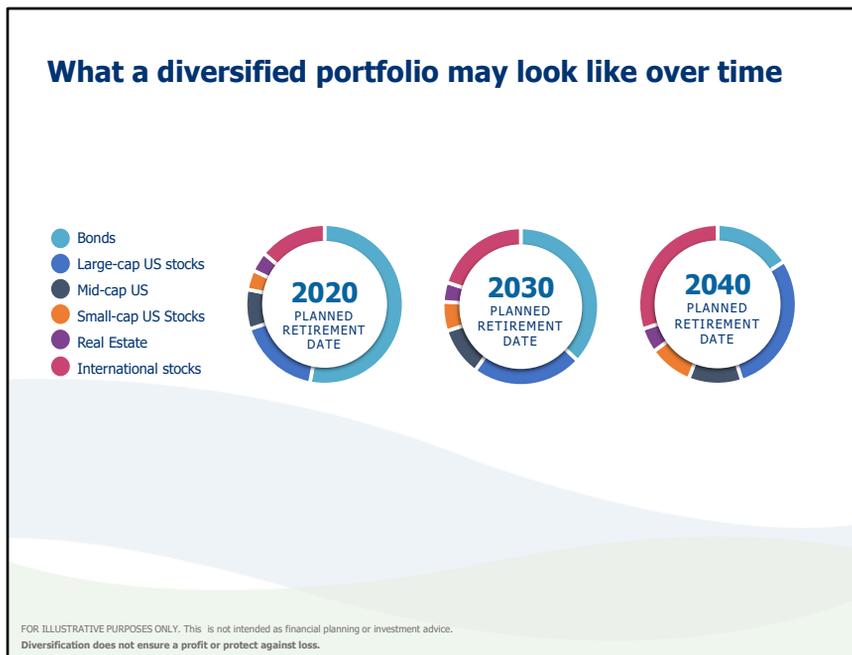
Sample of diversified investments



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Diversification does not ensure a profit or protect against loss.

Why diversify? All your investments will react differently in any given economic situation. For example: in one economy, one investment may do well and another may not do so well.

Then, when the economic situation changes, maybe the investment that was doing poorly starts doing well and vice versa. It is virtually impossible to guess which investment will do better than another in the future. So, rather than guess how to invest or to try and “time the market,” you can diversify by owning investments in more than one asset class or by owning different types of investments within the same asset class, such as large company stock, small company stock, or international company stock. While diversification does not assure a profit or protect against loss of principal, it may help reduce overall volatility in the markets and can help manage the overall risk in your portfolio.



Diversification is one of the best ways to weather market ups and downs and maintain the potential for growth over time.

When thinking about your mix of investments, some key considerations is your time frame for investing (the number of years until you retire), your tolerance for risk (how upsetting would temporary market fluctuations be?), and your financial situation—or your ability to invest this money and leave it in the account for your working years.

The sample investment mixes here show illustrative blends of bonds and different stock type different percentages based on time to retire. For example, the 2040 example has higher percentages invested in stock based on the idea that if you have a longer time period until retirement, that gives investments time to recover from potential downturns, which means you may be able to take more risk.

## Types of bonds

There are two main types of bond funds



Government



Corporate

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.

There are two main types of bond funds –

Government bond funds include all conventional debt issued by governments; bonds issued by a central bank or treasury; and bonds issued by local governments, cantons (subdivisions of countries), regions and provinces.

Corporate bond funds include bank loans, convertible bonds, high-yield bonds, conventional debt securities issued by corporations and preferred stock.

These two main types of funds can be broken down even further. We'll take a look at that now.



A government bond is a debt security issued by a government to support government spending and obligations. Some government bonds may pay periodic interest payments. Other government bonds do not pay coupons and are sold at a discount instead.

Government bonds are considered low-risk investments since the government backs them.

There are different types of government bonds. Some of those include:

- **US Treasury bonds:** Treasury bonds (T-bonds) are government debt securities issued by the U.S. federal government that have maturities greater than 20 years. T-bonds earn periodic interest until maturity, at which point the owner is also paid a par amount equal to the principal. Treasury bonds are part of the larger category of U.S. sovereign debt known collectively as treasuries, which are typically regarded as virtually risk-free since they are backed by the U.S. government's ability to tax its citizens.
- **Municipal bonds, also known as “munis”:** A municipal bond is a debt security issued by a state, municipality or county to finance its expenditures — including the construction of highways, bridges or schools. They can be thought of as loans that investors make to local governments. Municipal bonds are exempt from federal taxes and most state and local taxes, making them especially attractive to people in high income tax brackets. Municipal bond funds are typically not offered in retirement plans because such plans are already tax-exempt.
- **Federal government agency bonds, also known as an Agency bond,** is a security issued by a government-sponsored enterprise or by a federal government department other than the U.S. Treasury. Some are not fully guaranteed in the same way that U.S. Treasury and municipal bonds are. An agency bond is also known as agency debt. Issued by the Federal Housing Administration (FHA), Small Business Administration (SBA), and the Government National Mortgage Association (GNMA). GNMA's are commonly issued as mortgage pass-through securities. Like Treasury securities, federal government agency bonds are backed by the full faith and credit of the U.S. government.

## Corporate bonds

- Securitized
- Cash alternatives
- Derivatives



Corporate bonds can be broken down into three types. Securitized, cash alternatives and derivatives.

Securitized products include bank loans, convertible bonds, conventional debt securities issued by corporations, and preferred stock.

Cash alternatives include certificates of deposit, currency and money market holdings.

Derivatives include the common types of fixed-income derivative contracts, such as futures and forwards, options, and swaps.

## A closer look at bond funds

How duration and interest rates may impact the value of a bond fund

		Interest rate sensitivity		
		LIMITED	MODERATE	EXTENSIVE
Maturity duration	LONG			X
	MEDIUM		X	
	SHORT	X		

When considering bonds, two main factors are interest rate sensitivity as well as bond maturity/duration. Interest rate sensitivity is an important consideration when deciding how and what bonds will fit into your diversification strategy. Bond prices have an inverse relationship to changes in interest rates. Think of this like a see-saw: when interest rates go up, bond values go down and vice versa. The longer the maturity/duration of the bond, the more likely the value of the bond will be affected by a fluctuation in interest rates.

## Ways to invest in stocks

**Stock funds focus on corporations that are publicly traded on one of the stock market exchanges. You can invest in stocks according to:**

- Company size
- Type of company
- Geography



Stocks may decline in value. Securities of small and mid-size companies may be more volatile than those of larger, more established companies.

Stock funds focus on corporations that are publicly traded on one of the stock market exchanges. There are a number of ways to invest in stocks. One way is to invest by company size: large-cap, medium-cap or small-cap.

You can also invest by company type — growth funds, value funds, specialty funds and blue-chip funds. I'll talk more about these funds in a minute as well as the various sectors they fall into.

And you can invest by geography, which includes domestic and international funds.

## Domestic and international stocks

**When looking into international stocks, it's important to understand what may be going on economically in the country of origin.**

- Developed
- Emerging markets
- Frontier markets



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.

Stock funds are also commonly broken down by where the companies the funds invest in operate. Two main distinctions are domestic, companies headquartered in the United States, versus international, companies headquartered outside the U.S.

When looking into international stocks, it's important to understand what may be going on economically in the country of origin. Developed markets typically have more advanced economies and capital markets.

Emerging markets have less developed capital markets, but may be experiencing increased economic growth.

Frontier markets are less developed than emerging markets and are sometimes considered a subset of emerging markets.

## Investing according to your objective

**What are you looking to accomplish? What kind of risk do you want to take? Do you want to earn dividends?**

- Value funds
- Growth funds
- Blend funds



Investing involves risk, including possible loss of principal.

When investing in stock funds, it's important to think about what your objective is. What are you trying to accomplish? What kind of risk do you want to take? Is earning dividends important to you? Let's take a look at a few of the fund types we spoke about just a few minutes ago.

Value funds are funds that the manager believes are being undervalued by the market.

Growth funds are funds the manager believes will grow faster than the market expects.

And blend funds simply means you would build a stock portfolio with a combination of value and growth funds.

## Investing by sector

You can also choose to invest based on a general area of operation. The three of the main sectors to invest in are:

- The sensitive sector
- The defensive super sector
- The cyclical super sector



Sector funds invest in a limited number of companies and may be more volatile than a more diversified fund.

Another way you can invest is by choosing to invest by sector, or based on a general area of operation. There are three main sectors. The **sensitive sector** consists of companies operating in communications, energy, industrial operations and technology. The **defensive super sector** is made up of healthcare companies, companies providing goods and services people use on a daily basis, and utilities. And the **cyclical super sector** includes companies creating basic materials, such as chemicals and building materials, as well as retail stores, auto and auto parts manufacturers, and real estate and mortgage companies.

Next let's take a closer look at each of these three sectors.

## Actively managed vs. passively managed funds

### Actively managed funds

- A manager or team decides which securities to buy and sell
- The manager's investment decisions are guided by a goal
- The manager trades securities with the goal of outperforming their index
- Potential to outperform passively managed funds



### Passively managed funds

- Are matched to an index
- Do not require much trading
- Typically lower fees than actively managed funds

An index is not actively managed, does not have a defined investment objective, and does not incur fees or expenses. Performance of an index fund will generally be less than its benchmark index. You cannot invest directly in an index.

All funds are either actively managed or passively managed.

Actively managed funds are managed by a manager or team of professionals that use research, financial analysis and personal expertise to determine which securities to buy and sell. Each fund has a stated investment style and strategy included in its prospectus. Unlike passively managed funds, actively managed funds seek to outperform the market index. The potential to outperform the market is one advantage that actively managed funds have over index funds.

Passively managed funds, often called index funds, are designed to produce returns similar to those if you owned the securities in a particular market index. The funds are called passive because the way money is invested is determined by the securities included in a particular market index and not at the discretion of a professional portfolio manager. An investor may be comfortable with potentially lower returns than actively managed funds in exchange for generally lower fees due to less fund management.

## You may not be able to avoid risk, but you can manage it

### Here are the types of risks you may face when investing:

- Financial or market risk
- Business risk
- Inflation risk
- Interest rate risk



No matter which asset class you invest in, there's no way to completely avoid risk. But there are ways to help manage it. The types of risks you may face when investing are:

**Financial or market risk** is the risk that the value of an investment will drop due to a decline in the financial markets. Recessions, for example, result in fewer goods and services being purchased by consumers and businesses. The result: Corporate earnings usually slow or decline for many companies. When overall demand for stocks declines, most stocks suffer, including highly rated ones.

**Business risk** is the risk that an investment will lose value because of a decline in a particular business or industry. Suppose that a company's business begins to falter and earnings decline. *If* earnings start to suffer, the stock price may not be far behind. For an example, think of the decline in value that technology stocks took several years ago.

**Inflation risk** is the risk that an investment will lose value because its returns will not outpace the rate of inflation. Inflation is simply the percentage increase of the price of goods and services over time. Just think about the cost of a car in 1980 as compared to the cost today — that's inflation. Let's say you keep your money for 25 years in a savings account. You run the risk that when you retire, your money won't buy as much as it did at the beginning of the 25 years — simply because you didn't earn enough interest to keep pace with the rising prices of the goods and services you want to buy now.

And **interest rate risk** is the risk that if interest rates rise, the value of your investment may fall. This typically applies to bonds. Generally, when interest rates rise, existing bond prices fall and vice versa.

## Behavioral finance

**“Behavioral finance is the application of psychology to financial behavior.”**

-Hersh Shefrin, *Beyond Greed and Fear*

- Disposition
- Experiential
- Loss aversion
- Familiarity



Source: Investopedia, July, 2020

It would be nice if investors and markets moved solely on the basis of fundamentals and economic and financial analysis of businesses. But at times, the reality is that investors appear to lack self-control, act irrational, and make decisions based more on personal biases than facts. Because of this, I want to touch on behavioral finance, what it is and how it impacts the market.

Behavioral finance is the study of psychological influences on investors and, by extension, markets.

Behavioral finance proposes that psychological influences and biases affect the financial behaviors of investors and financial practitioners. Moreover, influences and biases can be the source for explanation of all types of market anomalies and specifically market anomalies in the stock market, such as severe rises or falls in stock price.

The purpose of discussing behavioral finance is to help you understand why people make certain financial choices and how those choices can affect markets. Within behavioral finance, it is assumed that financial participants are not perfectly rational and self-controlled but rather psychologically influential with somewhat normal and self-controlling tendencies.

One of the key aspects of behavioral finance studies is the influence of biases.

- **Disposition bias** refers to a tendency to label investments as winners or losers. Disposition effect bias can lead an investor to hang onto an investment that no longer has any upside or sell a winning investment too early to make up for previous losses. This is harmful because it can increase capital gains taxes and can reduce returns even before taxes.
- **Experiential bias** occurs when investors' memory of recent events makes them biased or leads them to

believe that the event is far more likely to occur again. For example, the financial crisis in 2008 and 2009 led many investors to exit the stock market. Many had a dismal view of the markets and likely expected more economic hardship in the coming years. The experience of having gone through such a negative event increased their bias or likelihood that the event could reoccur. In reality, the economy recovered, and the market bounced back in the years to follow.

- **Loss aversion** occurs when investors place a greater weighting on the concern for losses than the pleasure from market gains. In other words, they're far more likely to try to assign a higher priority on avoiding losses than making investment gains. As a result, some investors might want a higher payout to compensate for losses. If the high payout isn't likely, they might try to avoid losses altogether, even if the investment's risk is acceptable from a rational standpoint.
- The **familiarity bias** is when investors tend to invest in what they know, such as domestic companies or locally owned investments. As a result, investors are not diversified across multiple sectors and types of investments, which can reduce risk.

Understanding the common behavioral mistakes people sometimes make will help you be aware that emotional aspects also come into play for many people when they are managing their investments. With that understanding, you will hopefully pay attention to your own emotions and biases when managing your investments.

Source for definitions: Investopedia, July 2020

## Dealing with market volatility

### Stay the course during market volatility

- Retirement plans are inherently long-term investments
- Swings in the market are a natural occurrence and should be expected
- Your strategy should be based on your goals, your risk tolerance and how far you are from retirement

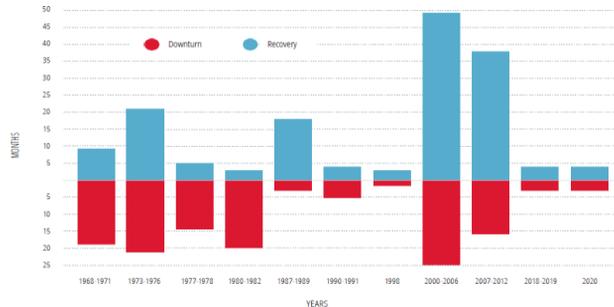


We all know the market goes up and down. Market volatility is how we describe those times when it seems to happen more often, or the swings seem larger. What's important during these swings is to not panic. Retirement plans are inherently long-term investments. Swings in the market are a natural occurrence and should be expected. Your strategy should be based on your goals, risk tolerance and how far you are from retirement.

## What is market volatility?

**Market volatility is a normal and inevitable part of the stock market cycle and should be factored into your long-term investment strategy.**

**Market downturns and recovery periods 1968-2020**



*Past performance is not a guarantee of future results.*

FOR ILLUSTRATIVE PURPOSES ONLY. Not intended as a projection or prediction of future investment results. Morningstar Direct<sup>SM</sup> 2020. Large stocks are represented by the Ibbotson<sup>®</sup> Large Company Stock Index. Downturns in this example are defined by a time period when the stock market value declined by 10% or more from its peak, while the recovery period indicates the number of months from the trough of the downturn to the market's previous peak. An investment cannot be made directly in an index. The information assumes reinvestment of all income and does not account for taxes or transaction costs.

Market volatility is a normal and inevitable part of the stock market cycle and should be factored into your long-term investment strategy. Understanding and sticking to your strategy through a volatile period may ease your worries and help you reach your retirement goals.

Familiarizing yourself with the history of the stock market could also give you peace of mind — this graph shows historical stock market drops that were followed by periods of recovery. Past performance is not a guarantee of future results.

## Making fees a part of your investing strategy

### What are the different kinds of fees and how can they impact your account?

- Expense ratio
- Passive investing
- Active investing



Investment expenses should not be the only consideration when selecting a fund. Lower costs do not guarantee higher performance.

Exchange-traded funds (ETFs) are a type of exchange-traded investment product that must register as either an open-end investment company (generally known as "funds") or a unit investment trust. ETFs are not mutual funds.

Unlike with mutual funds, individual shares of ETFs are not redeemable directly with the issuer. ETF shares are a collection of securities bought and sold at market price, which may be higher or lower than the net asset value. Investment returns will vary based on market conditions and volatility, so an investor's shares, when redeemed or sold, may be worth more or less than their original cost. ETFs are subject to risks, including those of their underlying securities.

Fees may be an important consideration as a part of your investing strategy, so let's take a look at what these are and how they may impact your account. The expense ratio is the fee that a fund charges its shareholders. The expense ratio covers the costs of operating a fund. These costs include investment management fees, administrative fees, audit, shareholder servicing and other expenses.

Investment expenses should not be the only consideration when selecting a fund. Lower costs do not guarantee higher performance.

Investment options are passive or active, based on the management style pursued by each investment option manager. The term "passive investing" generally refers to the use of indexed funds or most exchange-traded funds, commonly called ETFs. These investment options aren't controlled by an active investment manager. Instead, they track an index, like the S&P 500. Because you're not paying a manager for their research, the fees in these investments tend to be much lower. While passive investments generally aim to track the market, active investments strive to beat it. However, when you factor in the negative drag that high fees create, you may find that passive investments can sometimes outpace their active counterparts, net of fees.

## Why paying attention to fees matters

### Let's see how these fees can add up over time.

A 1% increase in fees could end up costing you about \$40,000



FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration does not reflect a particular investment and is not a guarantee of future results. It assumes 0.5% and 1.5% annual expenses on an initial balance of \$50,000 with a 6% annual rate of return over 25 years, reinvestment of earnings and no withdrawals. Rates of return may vary. The illustration does not reflect any charges, expenses or fees associated with your plan.

It's important to know what fees and expenses are charged to your retirement account because, over the long term, these expenses can impact how much you have saved. Let's look at an example. Let's assume that an investor has \$50,000 in their retirement account and earns an 6% annual return over the next 25 years. If we exclude any additional contributions, their account would have grown to around \$190,670 over the next 25 years if annual expenses were 0.5%. However, if their annual expenses were 1.5% over those same 25 years, they would have had closer to \$150,272 in their account. In short, a 1% difference in the fees and expenses they paid over those 25 years led to a 27% decrease in their account value at retirement.

Why is that? Their net return was lower ... the expenses were reducing their annual investment returns and the impact, compounded over the years, led to a lower account balance. Remember to carefully weigh the expenses in your Plan.



Now let's talk about the NC 401(k) and NC 457 Plans' investment options.

## Choosing investments

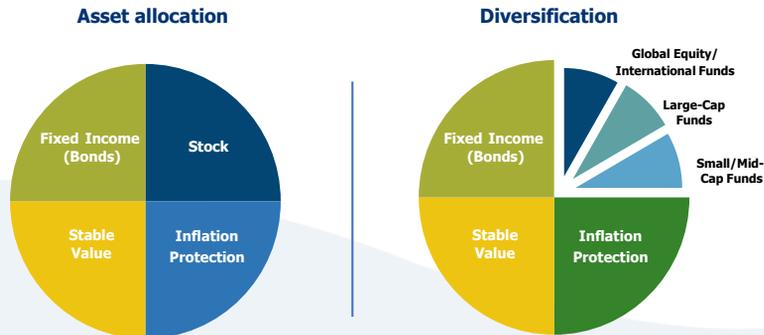
### You have two options:

- Do it **yourself**
- Get **help** with GoalMaker®



## Asset allocation

When choosing investments yourself, you can spread your money across different types of investments\*



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\* Asset allocation and diversification do not ensure a profit or protect against loss.

An important investment concept — called asset allocation — can help you choose your investments and manage risk. So what *is* asset allocation? Asset allocation is simply the process of spreading your money across different types of asset classes — stock, fixed-income, and stable value investments.

By dividing your portfolio among a variety of investment classes, you minimize your reliance on any one investment and help manage your investment risk.

Historically, the markets move in cycles — generally, when one kind of investment is performing well, another may not be performing as well. Changing economic and financial market conditions affect asset classes differently. And, since you don't know which asset class will perform well next year or the year after, having a variety of asset classes in your portfolio may help you to better weather the rough spots in the market.

Then, you can go one step further and diversify among the options available within each asset class. You'll see on the right, an example of the different types of stocks to diversify among.

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



For each investment, there is a risk-reward relationship.

If an investment offers little risk of losing money, it may also offer less of a chance for the reward of earning money. An investment with greater risk may offer a higher chance for reward.

This chart explains what I mean.

On the left are low-risk investments, such as stable value funds. Because these offer little exposure to the markets, you may be protected from the ups and downs of the market. But in exchange for the stability of smaller, steadier returns, you potentially sacrifice the chance for bigger returns.

As we progress to the right, the investments increase in degree of risk, which also potentially increases the chance for return, or the ability to earn money. At the far right, we have the investments that offer the most market risk. But remember that the potential risk has increased, so you also have a greater chance to *lose* money.

That is the idea behind risk versus reward. And it's important to understand when choosing your retirement investments because every investment has some degree of risk.

## About risk

- **A stable value fund** is not federally guaranteed and has interest rate, inflation, and credit risks
  - Guarantees are subject to the terms and conditions of the group annuity contract or funding agreement and the claims-paying ability of the insurer
- **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
  - The interest from Treasury inflation-protected securities (TIPS) is adjusted periodically according to the Consumer Price Index. The return from TIPS may understate the actual rate of inflation due to changes in the bond's underlying price



## About risk (cont.)

- **Asset allocation funds** are subject to the risks of the underlying investments
- **Securities of small and mid-size companies** may be more volatile than those of larger, more established companies
- **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
- **Specialty funds** invest in a limited number of companies and may be more volatile than a more diversified fund



## GoalMaker

### Spread your money across different types of investments with GoalMaker

#### You provide

- Your risk tolerance
- Your chosen retirement age

#### You get

- Suggested NC GoalMaker models comprised of investments offered in the Plan(s)
- Model becomes more conservative over time
- Quarterly rebalancing based on your birthday
- **No additional cost**



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.

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.

GoalMaker can help make investing easier. GoalMaker is an optional, no-additional cost asset allocation tool. 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 investments offered in the Plan(s).

Your model allocation will automatically become more conservative over time.

And, each quarter, based on your date of birth, your investments will automatically reset to align with your model's asset allocation.

## GoalMaker models

North Carolina GoalMaker Models												
	2005	2010	2015	2020	2025	2030	2035	2040	2045	2050	2055	2070
<b>Aggressive</b>												
NC Inflation Responsive Fund	3%	3%	3%	4%	6%	7%	9%	9%	10%	10%	10%	10%
NC Treasury Inflation Protected Securities Fund	17	17	14	8	3	1	0	0	0	0	0	0
NC Fixed Income Fund	19	19	19	26	27	21	13	7	2	2	2	2
NC International Fund	17	17	20	21	24	32	36	38	40	40	40	40
NC Large Cap Index Fund	21	21	24	25	27	28	30	32	34	34	34	34
NC Small/Mid Cap Core Fund	6	6	6	8	10	10	12	14	14	14	14	14
NC Stable Value Fund	17	17	14	8	3	1	0	0	0	0	0	0
Total percentage	100	100	100	100	100	100	100	100	100	100	100	100
<b>Moderate</b>												
NC Inflation Responsive Fund	3%	3%	4%	4%	5%	6%	7%	8%	9%	9%	9%	9%
NC Treasury Inflation Protected Securities Fund	22	22	16	9	5	2	0	0	0	0	0	0
NC Fixed Income Fund	23	23	27	34	36	33	28	21	13	6	6	6
NC International Fund	12	12	14	15	19	24	28	32	36	38	38	38
NC Large Cap Index Fund	14	14	16	18	19	21	24	27	30	33	33	33
NC Small/Mid Cap Core Fund	4	4	4	6	6	8	10	12	12	14	14	14
NC Stable Value Fund	22	22	19	14	10	6	3	0	0	0	0	0
Total percentage	100	100	100	100	100	100	100	100	100	100	100	100
<b>Conservative</b>												
NC Inflation Responsive Fund	2%	2%	2%	3%	3%	4%	5%	6%	7%	8%	8%	8%
NC Treasury Inflation Protected Securities Fund	24	24	19	15	10	6	3	0	0	0	0	0
NC Fixed Income Fund	29	29	33	36	41	42	41	37	31	21	21	21
NC International Fund	8	8	9	9	12	16	18	25	28	32	32	32
NC Large Cap Index Fund	9	9	10	11	13	14	17	20	24	27	27	27
NC Small/Mid Cap Core Fund	2	2	2	4	4	6	8	8	10	12	12	12
NC Stable Value Fund	26	26	25	22	17	12	8	4	0	0	0	0
Total percentage	100	100	100	100	100	100	100	100	100	100	100	100

These model allocations are provided as samples and not as investment recommendations. The model allocations are based on generally accepted investment practices and take into account the principles of modern portfolio theory, in which allocations are adjusted in an effort to achieve maximum returns for a given level of risk. You should consider other assets, income, and investments (e.g., equity in a home, Social Security benefits, individual retirement plan investments, etc.) in addition to your interest in the plan, to the extent those items are not taken into account in the model before applying these models to your individual situation. Please note that in addition to the specific investments used in the GoalMaker model allocations, other designated investment alternatives have similar risks and return characteristics. Information regarding those designated investment alternatives can be found in your plan enrollment materials or by logging into your retirement account. The GoalMaker allocations are subject to change including, for example, the replacement of investment options and allocations within the allocations. You will be notified in writing in advance of such changes. **Past performance of investments or asset classes does not guarantee future results.**

Here, you will see the GoalMaker models' asset allocations — also known as the investment mix — for each investor type, over different periods of time.

## Resources



## Your tools, your way

- Quarterly statements
- Quarterly newsletter
- MARS (Member Annual Retirement Statement) in ORBIT\*
- **866-NCPLANS** or **866-627-5267**
- **myNCPlans.com**
- Retirement Income Estimator Tool
- NC 401(k)/NC 457 Plans' Retirement Plan Counselor



\* MARS is released once a year for those members with error-free data and at least one year of consecutive contributing service as of December 31.

Your Plan offers you some terrific, easy-to-use tools that are designed to help you:

- Each quarter, Empower will provide an easy-to-read retirement statement that includes all the information about your account, including fund performance, your account value, tips on how you can save more, important updates from your employer, and more. You may elect to access your statement online, for added convenience and security, rather than receive it in the mail.
- Empower also offers quarterly newsletters to all Plan participants. If you receive your quarterly statement in the mail, your newsletter will be included. Otherwise, you may access the newsletter online.
- Your annual MARS Statement provides a snapshot of your current and future potential pension benefit.
- You can also take advantage of our toll-free phone service by calling **866 NC PLANS**, where you can obtain account information or perform transactions through your telephone keypad.
- Empower's participant website, **myNCPlans.com**, with its easy-to-navigate tabs, makes it a breeze to find the information you need and to process your transactions online. Simply visit **myNCPlans.com** to quickly view your account details, transfer money between investment options, increase your contribution amounts, change investment options, check fund performance, and review, print, or request online statements. It's also a great place to visit when retirement is just around the corner.

## Retirement Income Estimator Tool

- Know where you stand
- See where you're going
- Save your way
- Retire your way



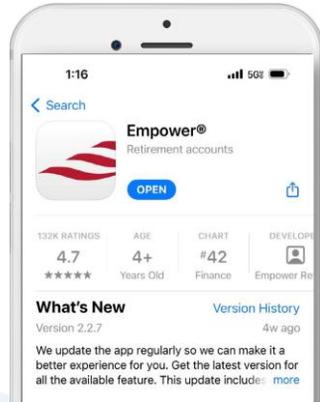
FOR ILLUSTRATIVE PURPOSES ONLY.

The Retirement Income Estimator Tool can help you check your progress along your retirement planning journey. It is located on your personal dashboard and is updated every time you log in to your account.

This valuable tool helps you track your retirement savings percentage to goal — and model any potential changes to your savings. It is a great tool that is designed to help you ensure you are on track for the kind of retirement you have always imagined.

## The Empower mobile app

- Log in anytime, anywhere
- Access the app in your preferred language
- Monitor your savings and performance
- Change your contributions and investments



FOR ILLUSTRATIVE PURPOSES ONLY.



## Thanks for coming!

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*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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IMPORTANT: The projections or other information generated on the website by the investment analysis tool regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. The results may vary with each use and over time.

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GoalMaker models are pre-established asset allocation strategies composed of a plan's core investment options. The models are not securities. When you allocate your investment to a model, you will be invested in the various underlying investment options composing each model, as made available by the plan and according to the model's allocation methodology.

An asset allocation model provides targeted asset allocation for your plan account and allocates your account across the model's underlying investments. Your plan may include asset allocation models designed according to certain risk levels (e.g., aggressive, moderate, or conservative), asset allocation models that follow a glidepath based on a target date, or both model types depending upon the models selected by your plan. Neither model type is without risk or guarantee of positive returns. The date in the name of a target date model is an assumed date in which an investor will retire. The asset allocation becomes more conservative as the target retirement date nears and depending on the model's design, can remain static at the target date or adjust further through retirement. There is no guarantee the investment will provide adequate retirement income.

Investors should review the prospectus, summary prospectus for SEC-registered products, or disclosure document for unregistered products, if available, for underlying fund objectives, risks, fees, and expenses.

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I encourage you to take what you've learned here, along with the tools that Empower provides and get started on your retirement. But be sure to act today to protect your tomorrow.