BEN-19 One Time Deferral Guide

Purpose

This job aid explains the one-time deferral process for the NC 401(k) and/or NC 457 Plans. Both Plans are investment programs that employees can utilize to supplement their retirement income by contributing a portion of their monthly salary into the plan.

By participating in these plans, employees have the opportunity to build their savings on a Pre-tax basis while reducing their current taxable income or on a Roth after-tax basis. This can be beneficial upon separation, as employees may choose to roll/defer their leave payout of vacation/bonus leave and/or longevity into their NC 401(k) and/or NC457 Plan to help increase their savings contributions or meet their annual savings maximum.

Note: This document is provided for guidance and reference purposes only. It is of general informational and educational nature and is not all inclusive. For more information, employees can visit myNCPlans.gov, consult directly with an Empower Retirement Plan Consultant, or contact Empower's Customer Care Center at 1-866-NCPLANS, Option #1.

The Deferral Process

Employees can find One Time Contribution Forms at myNCPlans.gov under NC 401(k) & NC 457 -> Information for Employees -> Forms & Documents. Mail or fax completed forms directly to BEST Shared Services for processing.

- BEST must receive mailed or faxed forms at least 30 days prior to the check issue date to ensure processing on that pay period's payroll.

- BEST cannot guarantee any deferrals submitted during the payroll initialization period will be processed in that pay period’s payroll.

NOTE: BEST will enter the dollar or percentage amount listed on the form and this amount will replace any normal monthly contribution amount. The one-time deferral will only be effective for the payroll date indicated on the form. The regular contribution rate will resume on the next payroll cycle.

Questions concerning the deferral process and how deferrals may impact final pay can be directed to the Agency Payroll office or BEST Shared Services.

Contribution Limitations

The 2026 annual contribution general limit is $24,500 for each plan.

- The NC 401(k) Plan will only allow up to 80% of a single paycheck to be deferred.
- The NC 457 Plan will allow up to 100% of a single paycheck to be deferred.

The OSC Integrated HR-Payroll System is programmed to calculate any prior contributions during the calendar year along with the deferral to ensure an employee does not exceed the annual limit.

Catch-up contributions (for individuals aged 50 or older): For 2026, the member may contribute an additional amount up to $8,000 to each Plan for a total maximum contribution of $32,500. For members aged 60-63, the limit is $11,250 in 2026. (The NC 401(k) Plan and NC 457 Plan limits are not combined.)

Last Three (3) Years Catch-Up contributions (NC 457 Plan ONLY): This is available to members who are within 3 years of the taxable year in which normal retirement age is attained and who did not contribute the maximum allowed in prior years. The 2026 maximum contribution is up to $49,000 depending on the member’s unused

contribution limits in prior years. The employee will need to contact Empower at 1-866-NCPLANS and be approved for the Last Three Years Catch-up. Empower will send an email to BEST to start the employee's contribution.
NOTE: This cannot be used in conjunction with the Age 50+ catch-up provision.

Tax Implications for Pre-Tax Contributions

The One Time Deferral/Contribution will be tax deferred for Pre-tax contributions; meaning federal and state taxes will not be taken from the deferral. Contributions and earnings are taxed when the funds are withdrawn.

TSERS (6%), Social Security (6.2%), and Medicare (1.45%) will be deducted from any earnings listed on the paycheck, which would include any leave payouts or longevity pay prior to the deferral.

Federal and State tax deductions will show on the pay stub for any portion of pay removed for taxable recurring payments and deductions that are not termed prior to the deferral (example: for any post tax insurance premiums).

Tax Implications for Roth After-Tax Contributions

Contributions are taxed when made; however, earnings are tax-free upon a 'qualified' distribution or withdrawal.

Other Remuneration Statement Recurring Payments and Deductions

BEST Shared Services will term any applicable State Health Plan or NC Flex elections according to regular separation or termination procedures to ensure the deductions are not taken from a deferred leave payout that occurs after the last regular pay period's pay.

For any other recurring payments/deductions, the employee would need to contact those vendors directly to arrange termination or continuation, to ensure the deductions are not taken from a deferred leave payout that occurs after the last regular pay period’s pay.

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