



Disbursement Guide

Both 401k & Deferred Comp (457) Savings Plans are investment programs that employees can utilize to supplement their retirement income by contributing a portion of their monthly salary into the plan on a pre-tax or after tax (Roth) basis. Upon separation, members can request a disbursement to withdraw the funds.

The Disbursement Process

- A 'disbursement' or 'distribution' form must be submitted to Prudential.
- Forms can be found at www.NCPlans.prudential.com.
 - Report of Termination/Request for Distribution form - For eligible employees who wish to take a partial or total single sum distribution from their plan or process a rollover into another qualified plan.
 - Request for Systematic Disbursement form - For eligible employees who wish to withdraw funds by receiving periodic payments.
- The disbursement form contains a section requesting a signature from the 'plan authorized representative' to confirm termination of employment by indicating the separation date under "Your Plan Authorization" section.
 - This section DOES NOT need to be completed. BEACON automatically shares electronic files with Prudential regarding employment and eligibility data. Once the separation action is completed in the BEACON system, the separation date is transferred to Prudential. Therefore, disbursement forms can be submitted directly to Prudential for final processing without a plan authorized signature, as Prudential will be notified on the electronic file feed of the separation. Once Prudential receives the BEACON separation data, the form will be processed for disbursement of funds.
- There is a 60-day waiting period if the member is under age 59 ½. This waiting period is waived if the member is retired (or over the age of 59 ½).
- Employees can choose to leave funds in the Plan, subject to federal rules on minimum required distributions. Employees can contact Prudential Customer Service concerning these rules & the best option for a future disbursement.



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Tax Considerations

- Withdrawals of pre-tax funds are subject to federal & state income taxes for the year in which the distribution is processed.
- Rollovers of pre-tax funds to other qualified plans or IRAs are not taxable events.
- Withdrawals of Roth after-tax funds are NOT subject to federal or state income taxes provided:
 - The 1st Roth contribution has been in the account for at least 5 tax years; and
 - The member is 59 ½ or older, disabled or deceased.

Tax Penalties

- Deferred Comp/457 - Pre & After Tax Plans - Regardless of age at withdrawal, no additional penalties will apply.
- 401k Pre-Tax Plans - Withdrawals prior to age 59 ½ may be subject to an additional 10% federal income tax penalty.
- 401k Roth After-Tax Plans - State & federal income taxes along with a federal tax penalty for early withdrawal may apply to the earnings (not contributions) if the member is younger than 50 ½ or if the first Roth contribution has not been in the account for at least 5 years.

Loan Considerations upon Separation

- Upon retirement, separation or termination of employment, members who have an outstanding loan balance with the Plan(s) will have the option to convert their loans to monthly coupon payments with an additional administrative cost of \$100.
- When the loan is converted to a coupon, the outstanding loan balance will be recalculated based on a monthly payment schedule, which will give the member a current next expected payment date. If the loan frequency was already monthly, the loan will still be recalculated, which will ensure that the member does not fall behind on loan payments.



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- If the loan has NOT been converted to coupon payments, the loan will default either 90 days from termination date, the next expected payment date, or upon withdrawal from the Plan(s), whichever comes first.
- If the loan is converted to a coupon and a payment is not made, the loan will default 90 days from next expected payment date or distribution. The only exception is when an outstanding loan is approaching the five-year maximum duration, as default is automatic once the five-year duration has been reached. This policy is for all members, active and inactive, provided that the loan was not previously defaulted.
- If a full or partial distribution occurs while the member is terminated, the loan will default immediately, regardless of conversion to a coupon.

NOTE: This document is provided for guidance and reference purposes only.

It is of general informational and educational nature and is not all inclusive.

Employees should consult with Prudential directly for specifics.

www.NCPlans.prudential.com

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