



Teachers' and State Employees' Retirement System (TSERS) Retirement Planning



North Carolina
Total Retirement Plans

Revised July 2015



Welcome

- **Please silence all cell phones**
- **Disclaimer**



Plan Type – 401(a) Defined Benefit Plan

- **Qualified under Internal Revenue Code 401(a)**
- **Guaranteed monthly lifetime benefits based on defined benefit formula**
- **Benefits not based on employee and employer contributions typical of 401(k) plans**



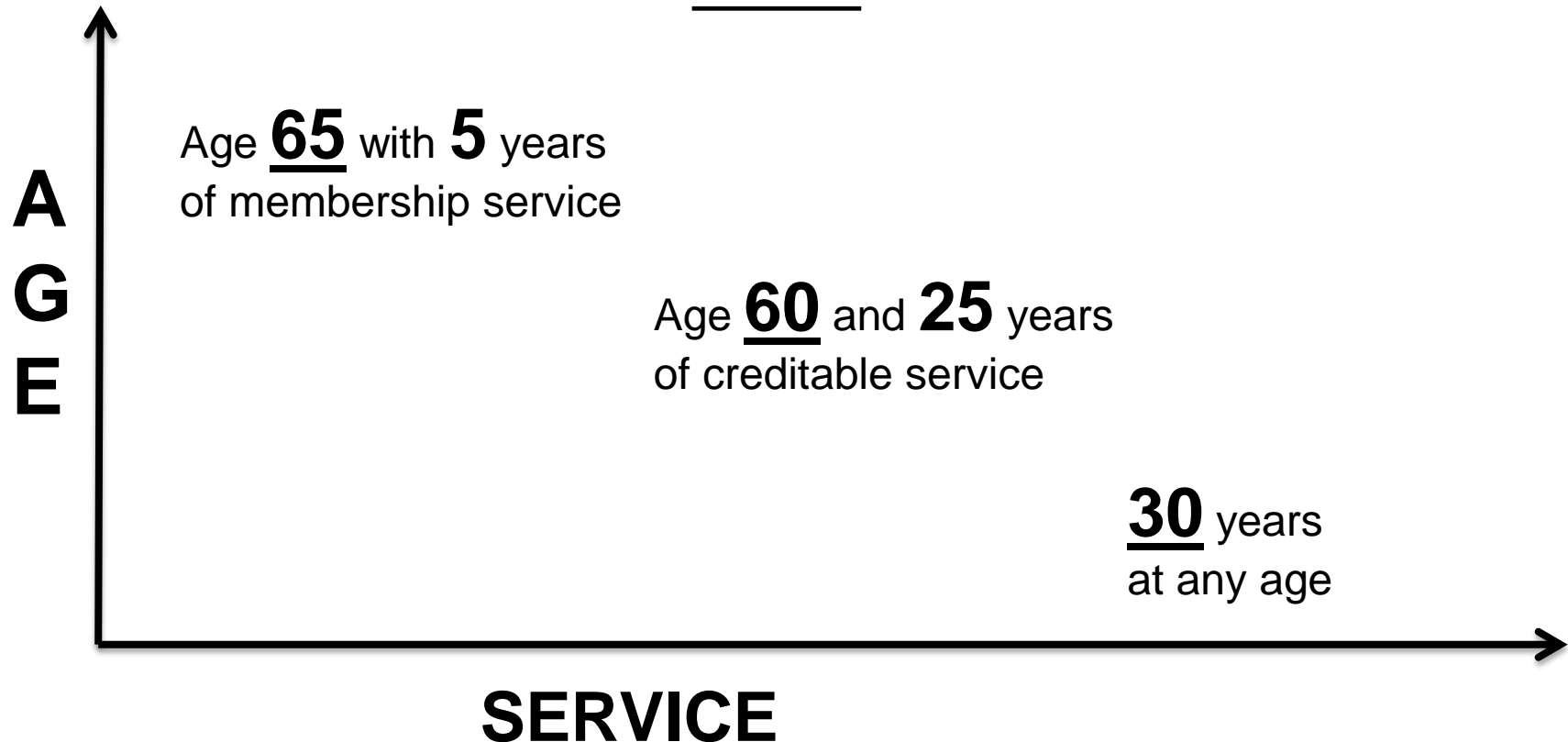
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Retirement Eligibility



Service Retirement Eligibility (Unreduced Benefits)

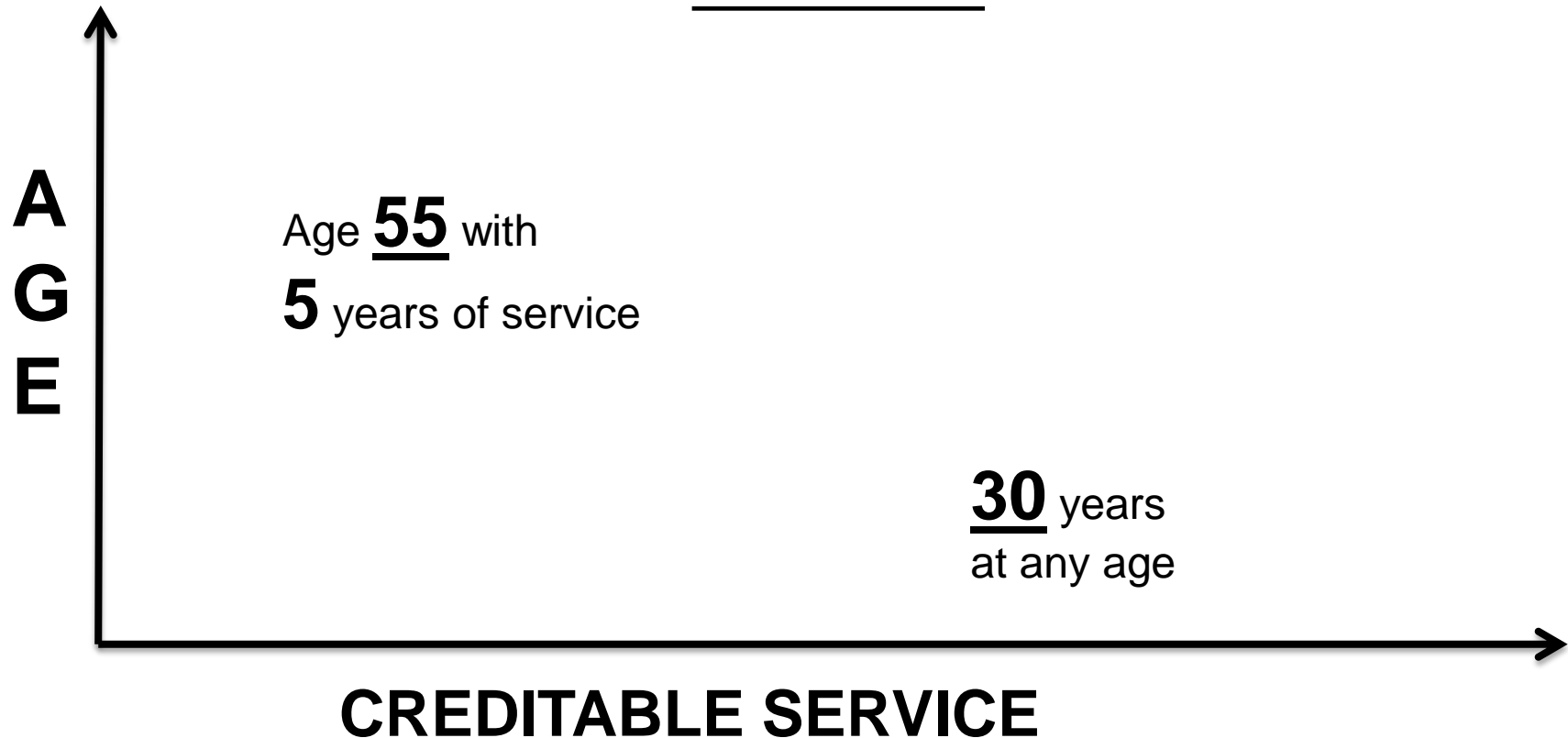
TSERS





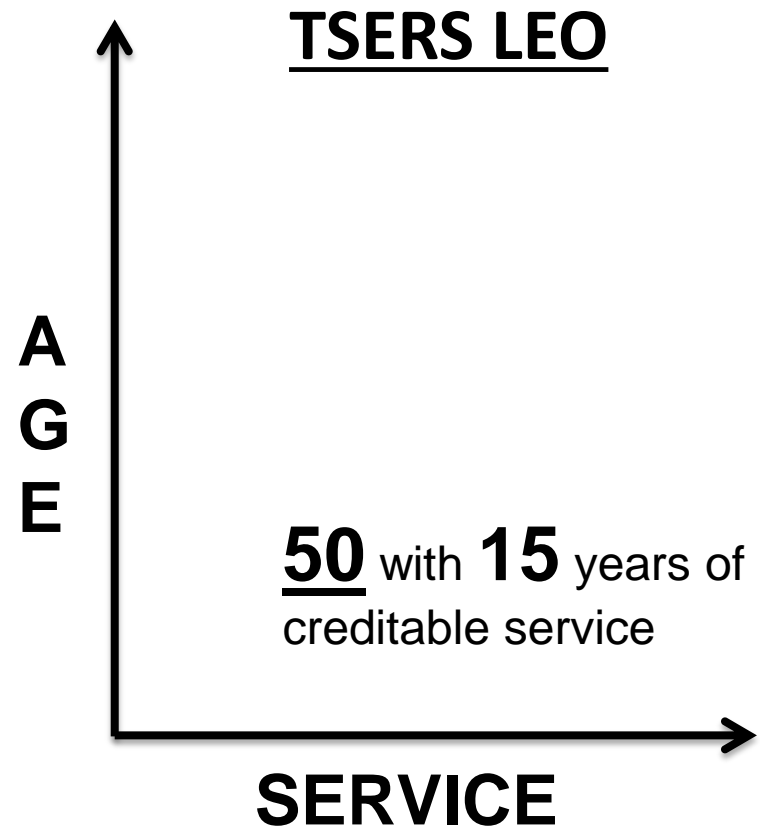
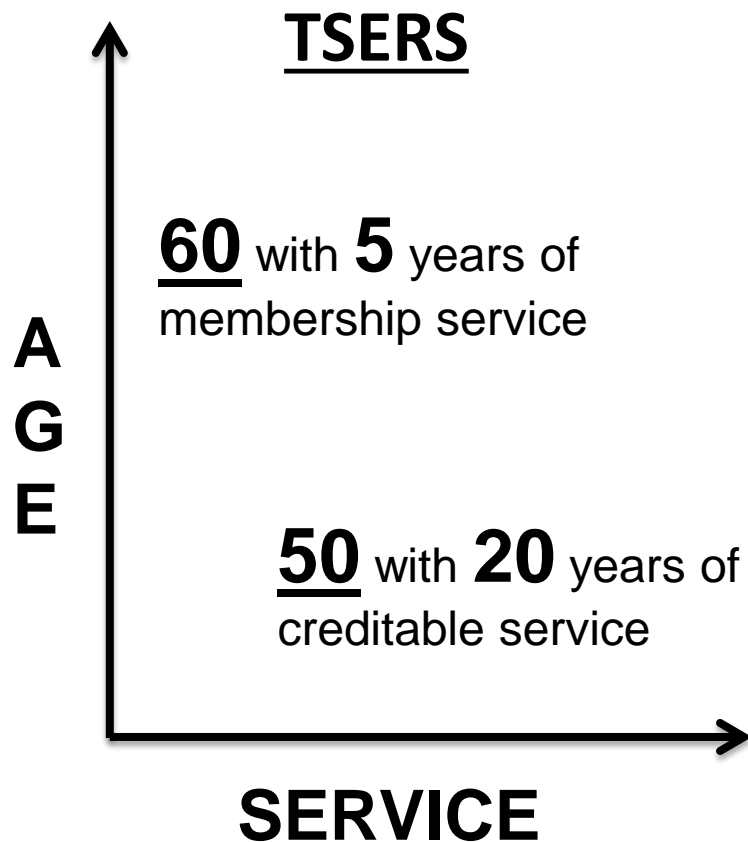
Service Retirement Eligibility (Unreduced Benefits)

TSERS LEO





Early Retirement Eligibility (Reduced Benefits)





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Defined Benefit Formula

Defined Benefit Formula

Average Final Compensation \$50,000

X Accrual Factor 0.0182

X Years of Service 30

Per year \$27,300

÷ 12

Per month \$2,275

Note: Reduction factors apply for early retirements



4

Highest years
of salary

Bonus Leave Payouts

+

Longevity Payouts

Vacation Payouts

Total

÷

4

AVERAGE FINAL COMPENSATION (AFC)



AFC Calculation Example – 12-Month Employee – July 2016 Retirement

<u>Year</u>	<u>Months</u>	<u>Amount of Service</u>	<u>Gross Salary</u>
2016	Jan-June	6/12	\$35,361.45
2015	Jan-Dec	Full Year	\$49,088.17
2014	Jan-Dec	Full Year	\$46,473.01
2013	Jan-Dec	Full Year	\$43,439.49
2012	July-Dec	6/12	<u>\$21,334.48</u>
			\$195,696.60 ÷ 4
AFC =			\$ 48,924.15



AFC Calculation Example – 10-Month Employee – July 2016 Retirement

<u>Year</u>	<u>Months</u>	<u>Amount of Service</u>	<u>Gross Salary</u>
2016	Jan-May	5/10	\$38,361.45
2015	Jan-Dec	Full Year	\$49,088.17
2014	Jan-Dec	Full Year	\$46,473.01
2013	Jan-Dec	Full Year	\$43,439.49
2012	Aug-Dec	5/10	<u>\$18,334.48</u>
			\$195,696.60 ÷ 4
AFC =			\$ 48,924.15

Accrual Factor

Currently

1.82%





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Total Retirement Plans

Creditable Service



Creditable Service – Total of All Service

Contributing membership service

6%
gross

- **Set by state law**
- **Condition of regular employment**



Creditable Service – Total of All Service

Noncontributing

- **Service time for which member receives retirement credit**
- **6% not withheld**

Examples: short-term, extended short-term and long-term disability



Creditable Service – Total of All Service

- **Military service under free provision**
(free for member; employer pays a portion of the cost)
- **Eligible service purchased**
- **Unused sick leave as allowed by law**



Service Purchase Categories

- Withdrawn local or state governmental service
- Active military service
- Full-time out-of-state governmental service
- Temporary local or state service
- Part-time local or state service
- Educational leave
- Service with the federal government
- Waiting period imposed by a local unit
- Omitted state or local governmental service
- Workers' compensation leave
- Prior local service



Service Purchase Categories

For detailed information about service purchases, refer to:

- **ORBIT Credit Purchasing Forms Page**
- **Your Retirement Handbook**

Or contact either your Human Resources Department or the NC Retirement Systems Division.



Service Purchase Categories

Members can use pre-tax funds from an eligible IRA or eligible retirement plan such as a 401(k) or 457, as a rollover to purchase service.



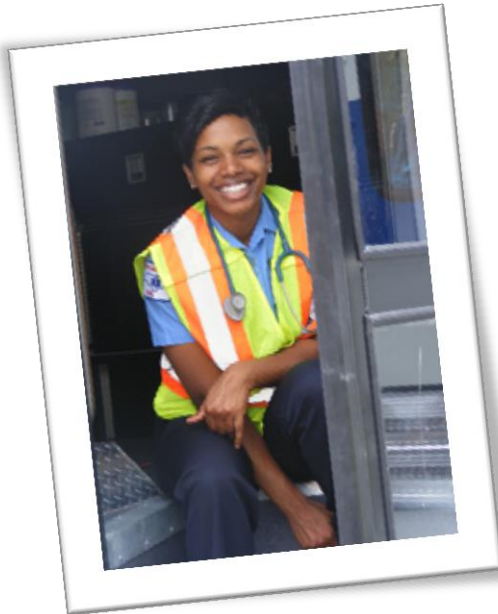
Unused Sick Leave at Retirement

20 days of
accrued sick
leave **=** **1** month of
creditable
service

Unused sick leave converted from
excess vacation counts

Unused Sick Leave at Retirement

Example



101 days = 6 months of service

30.0 Years of
membership
service

+ **0.5** Unused certified
sick leave

= 30.5 Years of
creditable
service

Unused Sick Leave at Retirement

Example 1

12 hours worked

=

1 Sick day



Example 2

7.5 hours worked

=

1 Sick day



Earned Sick Leave

Can be used to complete:

30 years of service

25 years of service after age **60**

20 years of service after age **50**



Earned Sick Leave

Cannot be used to meet the minimums for:

- **Deferred benefit**
- **Survivor's alternate benefit**
- **Disability retirement**
- **5-year eligibility for retirement and health coverage**



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Total Retirement Plans

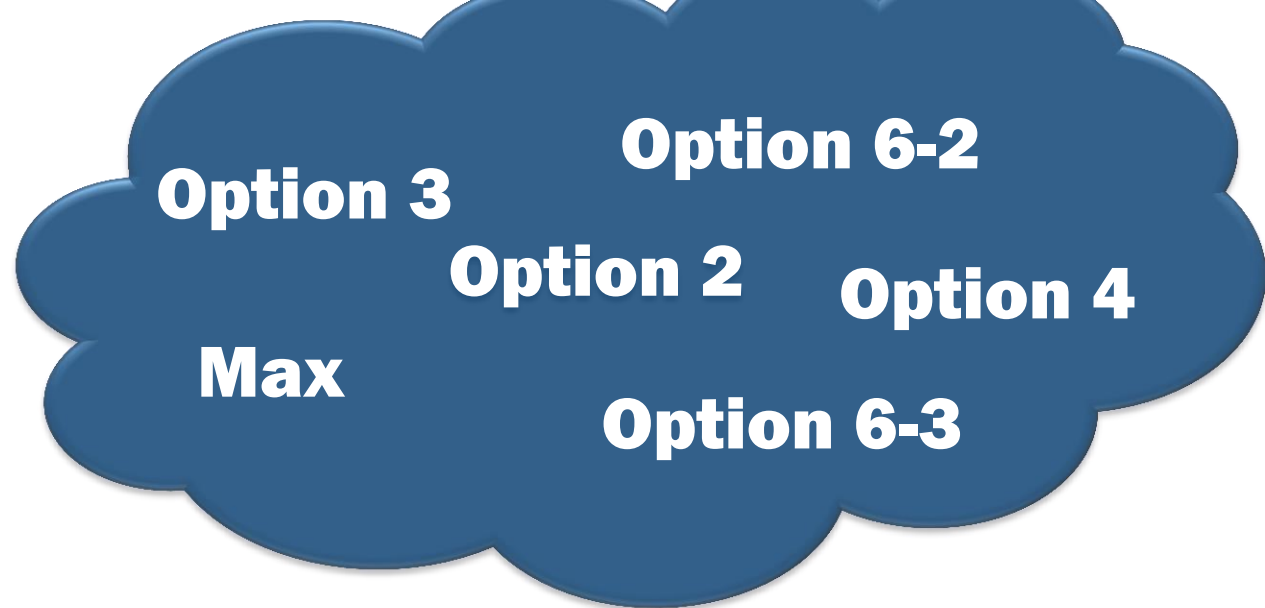
Options

Assumptions:
Member's Age = **49**,
Beneficiary Age = **51**

AFC = **\$50,000.00**

Service = **30 years**

Estimated SS@62 =
\$1,200



Option	Retiree	Beneficiary
Maximum	\$2,275.00	\$0.00
Option 2 100%	\$2,150.10	\$2,150.10
Option 3 50%	\$2,210.85	\$1,105.42
Option 4 <u>to age 62</u>	\$2,664.67	\$0.00
<u>After</u> age 62	\$1,464.67	
Option 6-2 Pop-up	\$2,138.73	\$2,138.73
Option 6-3 Pop-up	\$2,204.70	\$1,102.35





Payment Option Changes

Retirees cannot change payment option or designated beneficiary once the first retirement check is cashed

Exceptions:

- Divorce from spouse
- Return to employment as a TSERS contributing member for at least 3 years
- Death of spouse – redesignation of spouse provision under Options 2 or 3 within 90 days of remarriage



Retirement Benefit Payment Option

Selection of a monthly payment option is a personal decision

- Popular choices made by others should not influence your decision

Consider your situation



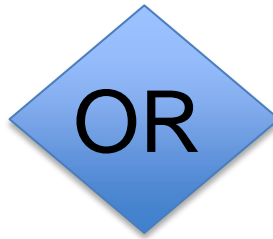
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Death Benefits

Survivor's Alternate Benefit

IF

die while in
active service



180

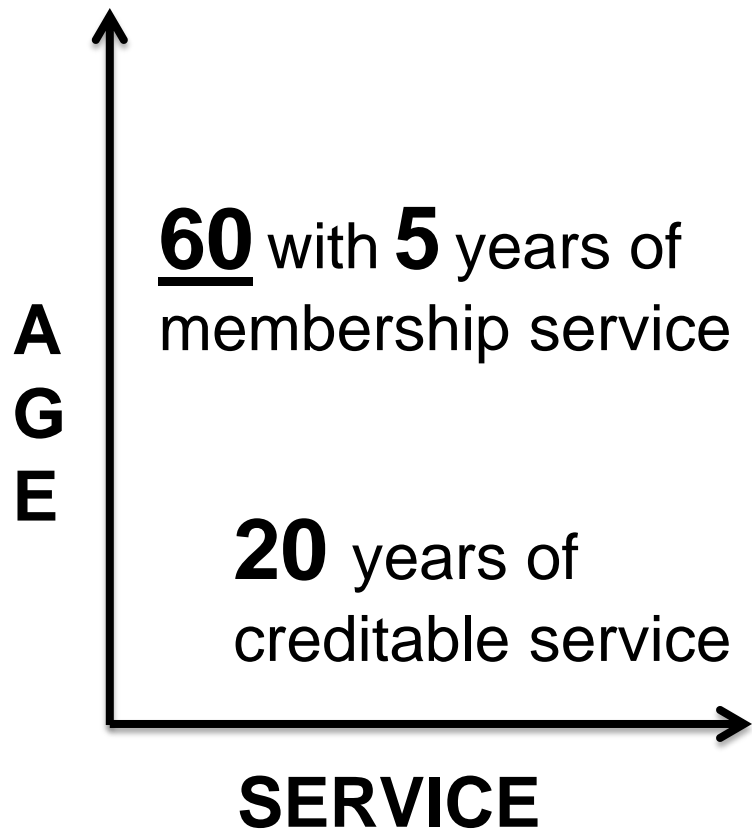
days since last
day of service

AND only

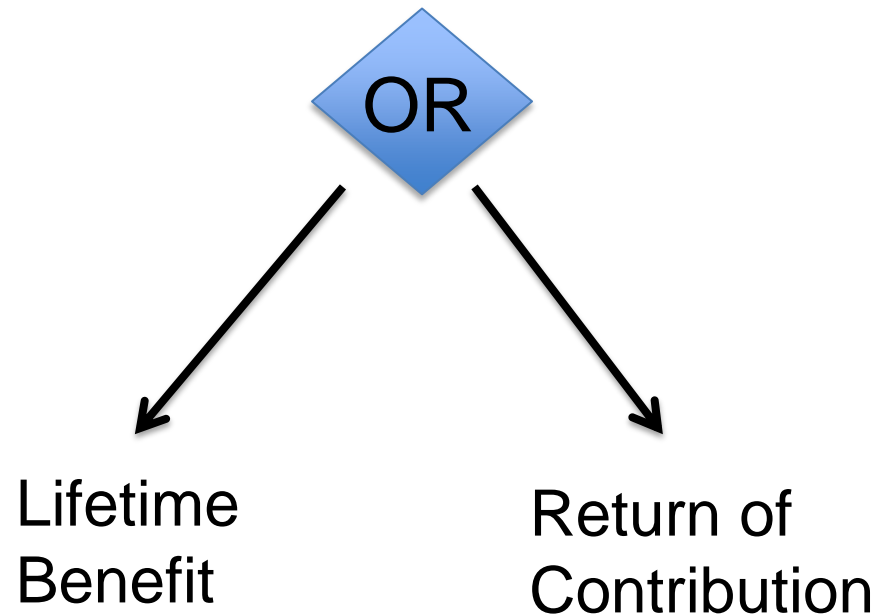
1

eligible
beneficiary

Survivor's Alternate Benefit



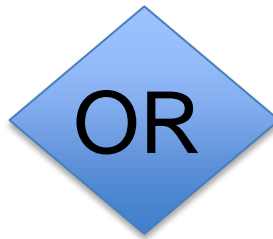
Beneficiary
chooses



Survivor's Alternate Benefit (LEOs)

IF

die while in
active service



180

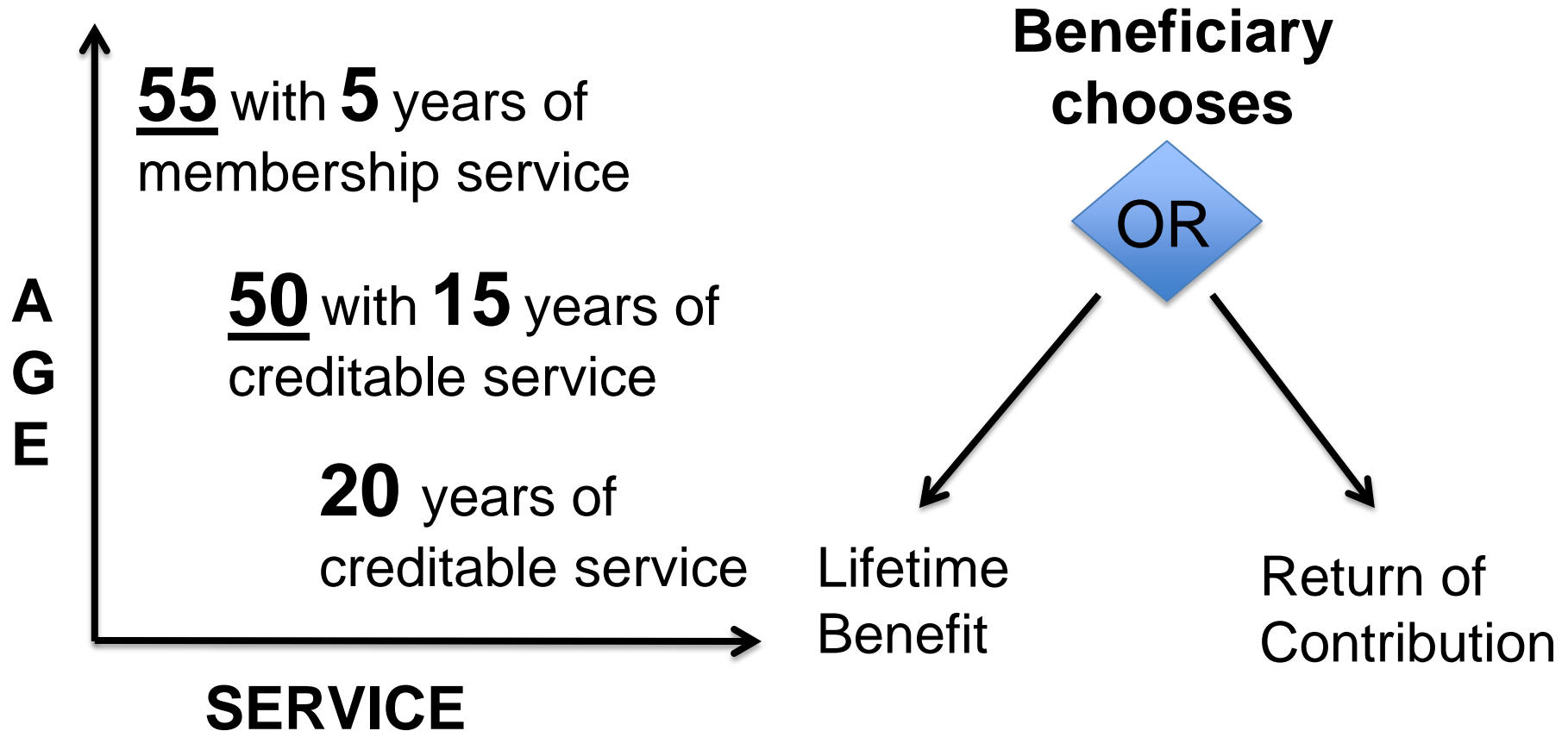
days since last
day of service

AND only

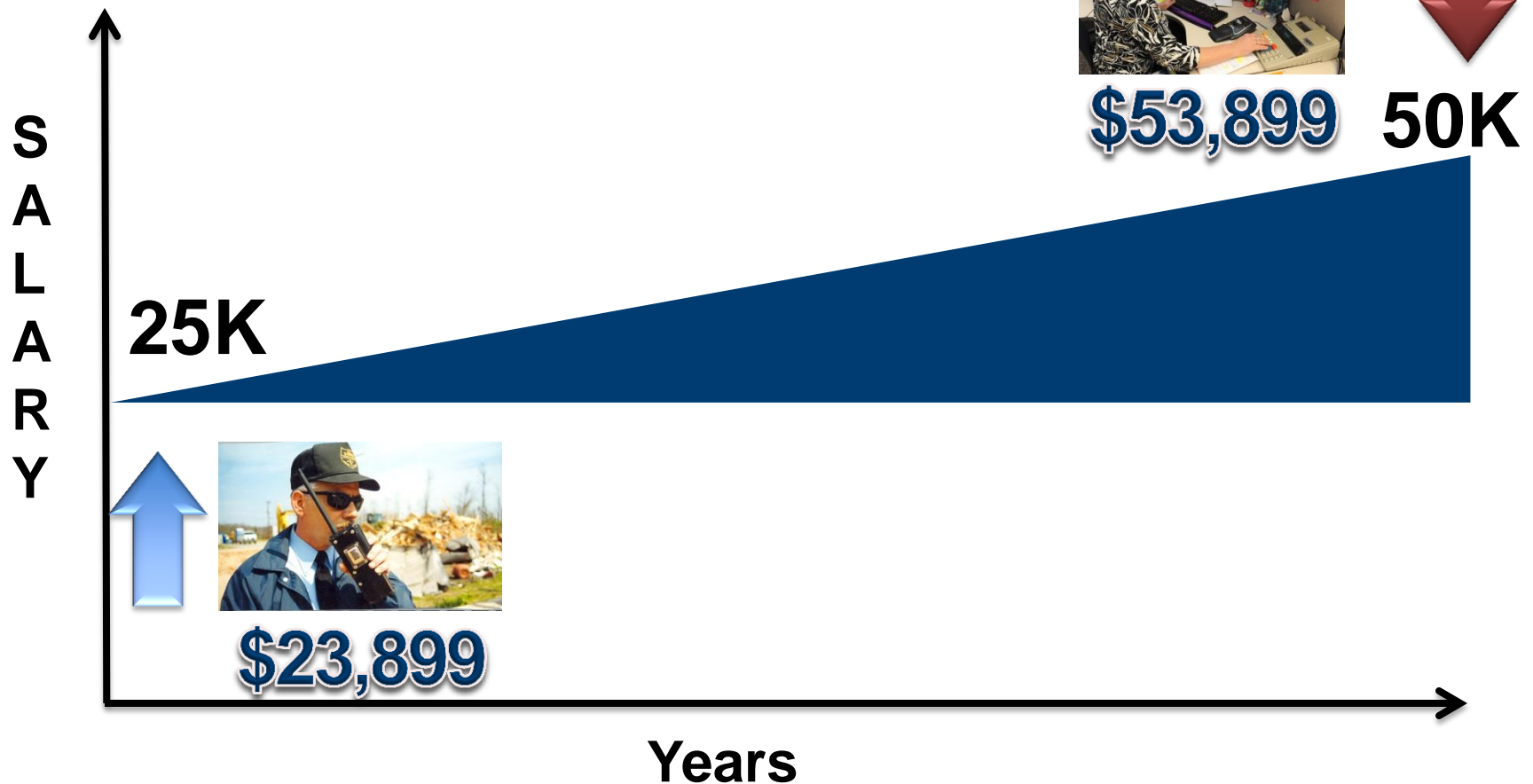
1

eligible
beneficiary

Survivor's Alternate Benefit (LEOs)



Active Employee Death Benefits





Retiree Death Benefits

- If survivor option chosen (Option 2, 3, 6-2, or 6-3), benefit begins to beneficiary
- Active Death Benefit continues for 180 days



Retiree Death Benefits

Guaranteed Refund

Is a complete refund of **all remaining contributions** made by the member



Contributory Death Benefit (CDB) for Retired Members

\$10K

**Is payable to your designated
beneficiary(ies), spouse or estate**

**Election must occur within
60 days of retirement date**



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Initiating Retirement



Initiating Retirement

- 1** Member and employer complete Form 6
- 2** Mail information **120 to 90** days prior to retirement date to RSD
- 3** RSD mails acknowledgement letter, and Form 170 & 333 forms to member
- 4** RSD reviews eligibility, service, and salary
- 5** **60-90** days after receipt of application, RSD mails 6E, 290, & 336 forms to member
- 6** Member chooses payment option and submits 6E to RSD



Retirement Process Reminders

- ✓ Retirements are always effective 1st day of the month
- ✓ Application must be signed and dated at least one day, but no more than 120 days ahead of retirement date
- ✓ Processed in the order received
- ✓ First benefit payment is always mailed
- ✓ Payday is the 25th of each month
- ✓ December deposit usually on the 20th of the month



North Carolina
Total Retirement Plans

Health Coverage and Optional Insurance



Optional Dental, Vision, Accident and Life Insurance

- Enrollment is optional
- Retirees pay full cost
- Premiums will be deducted from monthly retirement benefit

Pierce Insurance Agency

855-627-3847

www.ncretiree.com

Retiree Health Coverage

2015 Non-Medicare Plan Options



- Enhanced 80/20 Plan
- Traditional 70/30 Plan
- Consumer-Directed Health Plan

To learn more about the options available to you, call the State Health Plan at 855-859-0966 or visit the plan's website at www.shpnc.org.

Retiree Health Coverage

2015 Medicare Primary Plans



- Medicare Advantage Base Plan – Humana or UnitedHealthcare
- Medicare Advantage Enhanced Plan - Humana or UnitedHealthcare
- Traditional 70/30 Plan

Benefit booklets and further information for each plan are located on the State Health Plan website at www.shpnc.org.



Medicare Parts A & B

- Medicare-eligible retirees must be enrolled in both Medicare Part A and Medicare Part B to be eligible for a Medicare Advantage Plan
- Retirees already enrolled in Medicare Part A must also enroll in Part B
- 70/30 plan choice **with no** Part B will incur greater out-of-pocket costs

Important to enroll in Medicare during the **three months before your 65th birthday** to be eligible for a Medicare Advantage Plan



Eligibility for Retiree Health Coverage

5+ years of service

Non-contributory Plan
(70/30 Plan)

5+ < 10 years

you pay 100%

10+ < 20 years

you pay 50%

20 years

you pay 0%

Hired prior to
October 1, 2006

Hired on or after
October 1, 2006



Auto-enrollment in the State Health Plan

- Auto-enrollment occurs whether or not you were previously enrolled as an active employee
- You will be responsible for the retiree share of the health plan premium
- Contact the State Health Plan at 855-859-0966 or sign into ORBIT to decline coverage



Auto-enrollment in the State Health Plan

If you are not Medicare Primary, you will be automatically enrolled in the health plan you were enrolled in as an active employee, along with any covered dependents.

If you opted out of SHP coverage, you will be automatically enrolled in the Traditional 70/30 Plan.



Auto-enrollment in the State Health Plan

Medicare-eligible Retiring employees

60⁺ days

Automatically enrolled in a Medicare Advantage Base Plan (with a 30-day option to change plans)

< 60 days

Automatically enrolled in the Traditional 70/30 Plan – are able to enroll in a Medicare Advantage Base Plan until the day before your 70/30 benefit effective date



North Carolina
Total Retirement Plans

Transfer Benefit

Optional Transfer Benefit



North Carolina | 401k | 457
Total Retirement Plans

- Available to retiring TSERS members with NC 401(k) or NC 457 accounts
- May transfer all or portion of NC 401(k)/457 funds to TSERS
- Receive separate monthly lifetime benefits based on the amount of transfer
- After-tax Roth contributions are non-transferable

Optional Transfer Benefit



North Carolina | 401k | 457
Total Retirement Plans

- Transfers are a one-time irrevocable election
- One-time \$100 administrative fee
- Submit Form **319**
 - No more than **120** days before transfer date
 - No later than **15th** day of month preceding transfer



LEOs Transfer Benefit

Law enforcement officers (LEOs) vested by **6/30/2010**, have the option to transfer under a previously-established plan specifically for LEOs. Please contact the Retirement Systems Division at 877-NCSECURE for more information.



Optional Transfer Benefit – Additional Information

➤ State Employees' Credit Union

- Visit www.nclifetimeincome.org

➤ Prudential Retirement

- Visit www.ncplans.prudential.com

➤ North Carolina Retirement Systems

- Visit www.myncretirement.com



North Carolina
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Taxes



Federal IncomeTax

The taxable portion of the monthly retirement benefit consists of:

- Contributions made on a “pre-taxed” basis after July 1, 1982
- Additional service credit purchase with “pre-taxed” dollars after January 1, 2003
- All interest accrued prior to retirement



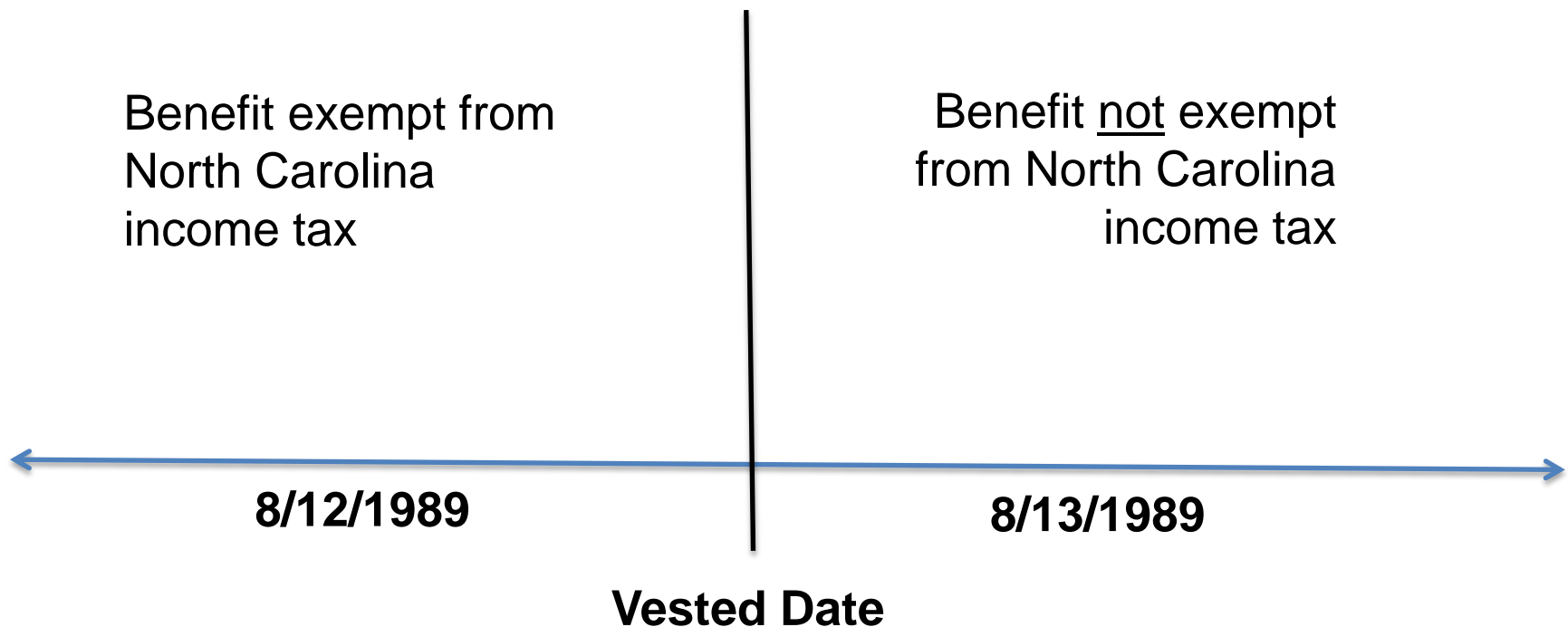
Federal Income Tax

The Retirement System withholds federal tax based on:

- The taxable portion of the benefit
- The filing status (married, single)
- The number of allowances claimed (0, 1, 2, etc.)



North Carolina Income Tax



Tax Documentation

**Form 1099-R mailed by RSD
before January 31**



Tax Documentation

Changing Tax Withholdings

- In ORBIT
- Or complete Form 290



BEFORE AUG 1, 2015: 325 N. Salisbury Street, Raleigh, NC 27603

AFTER AUG. 1, 2015: 3200 Atlantic Avenue, Raleigh, North Carolina 27604



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Re-employment



Six-Month Wait Required

IN ALL CASES:

- A return to work in which you perform any type of work for any employer that participates in TSERS causes revocation of benefits



Six-Month Wait Required

IN ALL CASES:

- **Pre-existing agreements for post-retirement employment are prohibited**

Limited exceptions to six-month wait



Re-employment

Categories

- 1. Return as a contributing member of TSERS**
- 2. Return under an earnings restriction
(earnable allowance)**



Re-employment

1. Return as a contributing member of TSERS

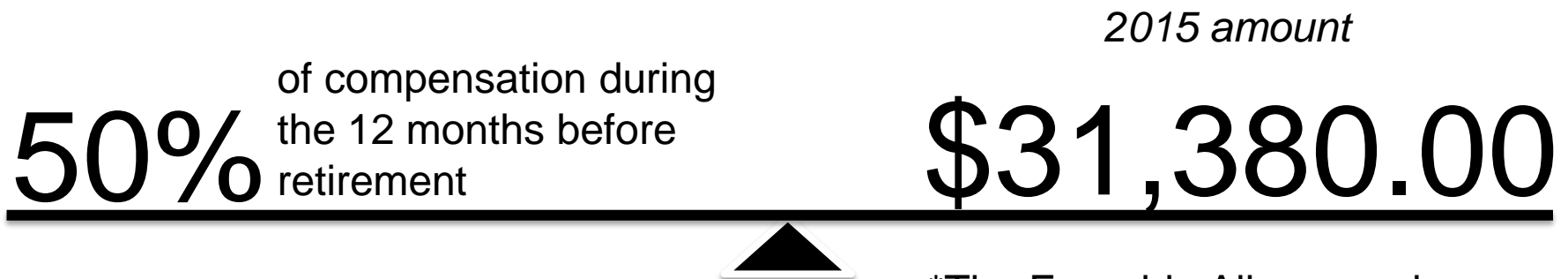
- After six-month break in service, member may suspend retirement and become reemployed as a TSERS contributing member
- Retirement benefit payment will be stopped the first day of the month following reemployment



Re-employment

2. Return under an “Earnings Restriction” (after six-month waiting period)

Part-time, interim, temporary, contractual, or any other basis that does not require membership in TSERS



*The Earnable Allowance increases yearly based on national Consumer Price Index



Penalty for Exceeding Earnable Allowance

Stopped

On the 1st day of the month following the month in which the retiree has exceeded the earnable allowance

State Health Plan coverage is stopped the 1st day of the month following suspension of retirement payments



Penalty for Exceeding Earnable Allowance

Starts Again

Benefit payment is started again on January 1st of the year after the benefit is stopped

State Health Plan coverage is started again on February 1st of the year after the benefit is stopped



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Total Retirement Plans

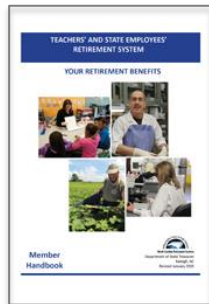
Resources

Online Retirement Benefits through Integrated Technology

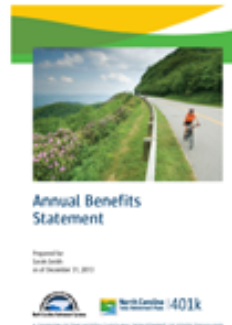
Access from MyNCretirement.com

Active employees

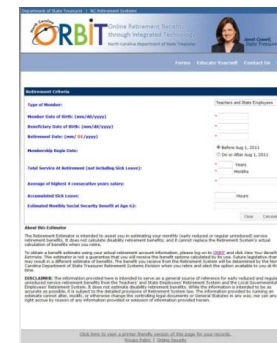
- Retirement estimates
- Service purchase cost estimates
- NC 401(k)/457 Transfer Benefit estimates
- Annual Benefit Statements



Retirement Handbook



Annual Benefit Statement User Guide



Retirement Estimator

Online Retirement Benefits through Integrated Technology

Access from MyNCretirement.com

Retirees

- View account information
- Maintain tax withholdings
- View 1099-R
- Generate Income Verification letters



How to Contact the Retirement Systems

Phone: Toll Free 1-877-NCSECURE (627-3287)
Fraud and Abuse Hotline 1-855-903-7283

Internet: www.MyNCretirement.com

E-Mail: nc.retirement@nctreasurer.com



<https://www.facebook.com/MyNCRetirement>

Office visits are scheduled by appointment only.



Current Address

Department of State Treasurer moved to:

3200 Atlantic Avenue, Raleigh, NC 27604

**Be sure to call before you stop by to confirm
appointment location and directions:**

877-NCSECURE (877-627-3287)



Retirement Planning Conference Survey

- Give us your feedback on this retirement planning conference
- Complete the survey at:
<http://www.nctreasurer.com/RetPlanningConferences>
- This web-based survey only requires a few minutes of your time
- Survey responses are completely confidential
- Your opinion plays an important role in the development and delivery of enriched training sessions
- Thank you in advance for your feedback