



# Guide for TSERS Members Nearing Retirement



State Treasurer  
Dale R. Folwell, CPA

Congratulations on your upcoming retirement!

On behalf of the North Carolina Department of State Treasurer and the Retirement Systems Division, we offer our heartfelt thanks for your service to the state of North Carolina and its citizens.

Your employer has offered you comprehensive retirement benefits that were strategically designed to help you plan for a financially secure retirement. For eligible employees, these benefits include your pension from the Teachers' and State Employees' Retirement System, Social Security and savings through the NC 401(k), NC 457 and NC 403(b) Plans. To highlight the state's commitment to you, as illustrated in the diagram below, the state, in partnership with your employer, contributes significantly to your pension. As part of our partnership, it is my responsibility to protect and sustain the North Carolina pension systems, to include reducing investment fees and making sure payments are going only to those who are entitled. Your role is to make sure that your retirement will support the lifestyle you want after you finish working, which includes making the most of the benefits available to you.



This guide is a snapshot of these benefits and is intended to assist you as you begin the transition to retirement. More detailed information can be found in the handbook for your retirement system on our website at [www.MyNCRetirement.com](http://www.MyNCRetirement.com).

## What do I do about health care once I retire?

Taking time to carefully consider your State Health Plan options can reduce your worries and enhance your retirement. Advance action is required to preserve the widest range of health plan options for you.

If you are an active employee considering retirement, you are encouraged to start your retirement paperwork processing 120 days before your planned retirement date. If your retirement processing is not completed early enough, you may miss the opportunity to enroll in a Medicare Advantage Plan.

If you are a retiring member who is under 65, you will be automatically enrolled into the health plan in which you were enrolled as an active employee, along with any covered dependents.

If you are an active member nearing retirement who is 65 or older, Medicare becomes your primary health coverage the last month that you are covered by your agency, and Medicare-eligible coverage will apply. If necessary, you may need to enroll in Medicare Part B to be effective the date of your retirement in order to maintain the same level of coverage.

Medicare Advantage Plans do not allow exceptions for late enrollments, which may result in you only having the option to enroll in the 70/30 Plan option until the next Open Enrollment period.

Once your retirement application is processed, you will be auto-enrolled into the appropriate plan (as noted above) unless you opt out of coverage. In addition, if you were not covered by the State Health Plan as an active employee, you still must opt out of State Health Plan coverage or you will be auto-enrolled in coverage as a retiree. For more information, contact the State Health Plan's Eligibility and Enrollment Support Center.

Please see the last page of this brochure for more information about the supplemental insurance products that are available to you as a retiree.

If you have questions about your health plan options, eligibility or premium contribution, please contact:

Eligibility & Enrollment

Support Center:

1-855-859-0966

State Health Plan website:

[www.shpnc.org](http://www.shpnc.org)

**Terms to know:**

**Membership** service is earned each month when six percent of your gross monthly wages and salary is contributed to the Retirement Systems. Contributing is a condition of your regular employment in a position that requires at least 30 hours per week for nine months or more a year.

**Creditable Service** includes your membership service, provided you do not withdraw your contributions. It may also include credit for purchased service and eligible unused sick leave that is converted to creditable service at retirement.

**Sick leave** earned monthly under a duly adopted policy, and for which you would receive full salary if you were absent from work on account of sickness, counts as creditable service. When you retire, one month of credit is allowed, at no cost to you, for each 20 days of your unused sick leave. One more month is allowed for any part of 20 days left over, provided the remaining portion is at least one hour.

Sick leave is used to increase your creditable service, but cannot be used to meet the minimum qualifications for a deferred benefit or the Survivor's Alternate Benefit. Sick leave may be used only to complete 30 years of service, regardless of age; 25 years of service after age 60; and 20 years of service after age 50.

**Average Final Compensation (AFC)** is the average of your salary during your four highest-paid years in a row.

**How do I qualify for Teachers' and State Employees' Retirement System benefits?**

Service retirement (unreduced) benefits are available:

- At age 65 with five years of membership service
- At age 60 with 25 years of creditable service
- At any age with 30 years of creditable service

Early retirement (reduced) benefits are available:

- At age 50 with 20 years of creditable service
- At age 60 with five years of membership service

Your early retirement benefit is determined by the same formula as a service retirement benefit multiplied by a reduction percentage based on your age and/or service at early retirement.

**If you leave the system before retirement**, you may be entitled to receive a deferred benefit at a later date, once you meet eligibility requirements after you have completed five years of membership service, as long as you do not withdraw your contributions by taking a refund.

Your benefit is determined by the formula in use on the effective date of your retirement. If you leave the system before you have five years of creditable service, you are entitled only to a refund of your contributions and interest.

**What formula is used to calculate retirement benefits?**

**Retirement Formula:**  
**Your annual benefit =**  
**1.82%**  
*of average final compensation*  
**X**  
**years and months**  
*of creditable service*

**How are retirement benefits calculated?**

**Early Retirement Percentages:** If you are between ages 50 and 59, with fewer than 30 years of creditable service, your early retirement benefit will be reduced to the following percentages:

|     |    | <i>Years of Creditable Service</i> |     |     |     |     |     |     |     |     |     |
|-----|----|------------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|     |    | 29                                 | 28  | 27  | 26  | 25  | 24  | 23  | 22  | 21  | 20  |
| Age | 59 | 95%                                | 90% | 85% | 80% | 80% | 80% | 80% | 80% | 80% | 80% |
|     | 58 | 95%                                | 90% | 85% | 80% | 75% | 75% | 75% | 75% | 75% | 75% |
|     | 57 | 95%                                | 90% | 85% | 80% | 75% | 70% | 70% | 70% | 70% | 70% |
|     | 56 | 95%                                | 90% | 85% | 80% | 75% | 70% | 65% | 65% | 65% | 65% |
|     | 55 | 95%                                | 90% | 85% | 80% | 75% | 70% | 65% | 60% | 60% | 60% |
|     | 54 | 95%                                | 90% | 85% | 80% | 75% | 70% | 65% | 60% | 55% | 55% |
|     | 53 | 95%                                | 90% | 85% | 80% | 75% | 70% | 65% | 60% | 55% | 52% |
|     | 52 | 95%                                | 90% | 85% | 80% | 75% | 70% | 65% | 60% | 55% | 50% |
|     | 51 | 95%                                | 90% | 85% | 80% | 75% | 70% | 65% | 60% | 55% | 50% |
|     | 50 | 95%                                | 90% | 85% | 80% | 75% | 70% | 65% | 60% | 55% | 50% |

*If you are between birthdays when payments start, the reduction will be adjusted proportionately.*



**North Carolina**  
Total Retirement Plans



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

### Monthly Retirement Benefit Under Maximum Allowance

| Average Final Compensation | Age             | 50    | 55      | 60      | N/A     | N/A     |
|----------------------------|-----------------|-------|---------|---------|---------|---------|
|                            | Yrs. of Service | 20    | 28      | 25      | 30      | 40      |
| \$55,000                   |                 | \$834 | \$2,102 | \$2,085 | \$2,502 | \$3,336 |
| \$45,000                   |                 | 682   | 1,719   | 1,706   | 2,047   | 2,730   |
| \$35,000                   |                 | 530   | 1,337   | 1,327   | 1,592   | 2,123   |
| \$25,000                   |                 | 379   | 955     | 947     | 1,137   | 1,516   |

The chart above shows the approximate monthly benefit paid at various salary levels, depending on age and creditable service. Please note these are only examples. Your benefit is calculated individually.

If you are between ages 60 and 65, with fewer than 25 years of creditable service, your early retirement benefit will be reduced to the following percentages:

| If you are this age when payments start | You receive this percentage of your benefit |
|---|---|
| 64 .....                                | 97%   |
| 63 .....                                | 94%   |
| 62 .....                                | 91%   |
| 61 .....                                | 88%   |
| 60 .....                                | 85%   |

### What retirement payment options are available?

When you retire, you must elect one of the payment options listed below. Each option includes a Guaranteed Refund feature which provides that should you and your monthly survivor beneficiary, if any, die before the total of all monthly payments equals the amount of your contributions and interest at the date of retirement, the unpaid portion of your contributions and interest will be paid in one lump sum to another beneficiary(ies).

**Maximum Allowance:** Basic, straight life benefit (no monthly survivor) is paid throughout your lifetime. All monthly benefit payments stop at your death.

**Option 2:** 100% Joint and Survivorship (one monthly survivor) is a reduced retirement allowance paid to you until your death and also provides the same reduced retirement allowance to your monthly survivor beneficiary after your death for the remainder of his/her life.

**Option 3:** 50% Joint and Survivorship (one monthly survivor) is a reduced retirement allowance paid to you until your death and also provides one-half of the reduced retirement allowance paid to your monthly survivor beneficiary after your death for the remainder of his/her life.

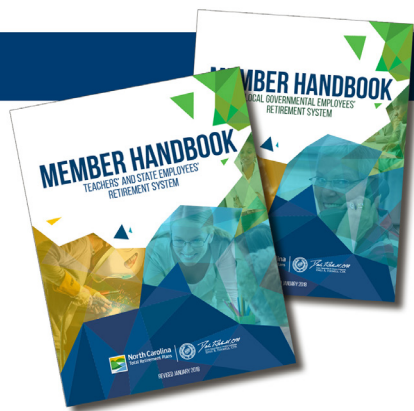
**Option 4:** Social Security Leveling (no monthly survivor) is a retirement allowance providing for larger monthly payments than you would otherwise be entitled to receive until you become eligible for Social Security at age 62. Beginning at age 62, your monthly payments may be drastically reduced to an amount that is less than what you would otherwise be entitled to receive. However, your reduced retirement payments after age 62, plus your allowance from the Social Security Administration, may be approximately the same amount as the inflated payment you received from the Retirement System before age 62. Please note that your pension payment will be reduced at age 62 regardless of whether you begin receiving Social Security benefits.

**Option 6-2 or 6-3:** Modified Joint and Survivorship (one monthly survivor) is a reduced retirement allowance as provided by Option 2 or Option 3, with the added provision that if your monthly survivor beneficiary dies before you do, your retirement allowance will increase to the Maximum Allowance the following month for the remainder of your life.



## YOUR MEMBER HANDBOOK

Learn all there is to know about your pension benefits



**DISCLAIMER:** The availability and amount of all benefits you might be eligible to receive is governed by North Carolina law. The information provided in this publication cannot alter, modify or otherwise change the controlling North Carolina law or other governing legal documents in any way, nor can any right accrue to you by reason of any information provided or omission of information provided herein. In the event of a conflict between this information and North Carolina law, North Carolina law governs.

## What do I do about funds in my NC 401(k) or NC 457 Plans or the NC 403(b) Program?

The short answer: you can keep your money in the plans! A participant service representative can help you make sound decisions about your NC 401(k) and/or NC 457 during this period of transition. They can work with you to determine which of the following options is right for you:

### *Option 1: Keep your funds in the plans*

Once you separate from service, you can no longer contribute to the plans, but you may remain in the plans and continue to enjoy all the benefits of these high-quality plans, including:

- 24/7 access to online tools to monitor your investments
- Tax-deferred growth of your investment options
- The ability to transfer among investments in the plans
- The ability to roll over money from other eligible retirement plans or IRAs
- Access to your regional retirement education counselor and the plan's participant service center
- Low fees through the buying power of the state
- Strong oversight of the Supplemental Retirement Board of Trustees
- New retirement portfolios now available in GoalMaker, the asset allocation tool

### *Option 2: Receive lifetime income (Transfer Benefit)*

You may transfer eligible NC 401(k) or NC 457 plan funds to TSERS at or after retirement to receive a monthly lifetime benefit based on the amount of the transferred funds. The North Carolina Retirement Systems has partnered with the State Employees' Credit Union (SECU) to help you determine if this option is right for you. SECU offers this service free of charge, and you do not have to be a SECU member. Call SECU at 1-888-732-8562, or visit the NC 401(k)/457 Plan Lifetime Income website at [www.nclifetimeincome.org](http://www.nclifetimeincome.org), to see if this option is right for you.

### *Option 3: Make a one-time contribution*

You may receive a final payout of unused vacation leave or pro-rated longevity pay. To better manage your taxable income for the year, you can elect to contribute funds from that final payout to your retirement plan account, as long as you do not exceed the current maximum contribution allowance. Contact your Prudential retirement education counselor at 1-866-NCPlans (1-866-627-5267).

### *Option 4: Roll savings into an IRA or new employer's retirement plan*

This path allows your assets and earnings to continue to grow tax-deferred until you begin taking withdrawals. However, once rolled into another plan, your account could be subject to fees or restrictions that are not present in your NC 401(k) and NC 457 Plans.

### *Option 5: Begin withdrawals*

You may start receiving monthly payments if you've separated from service. However, cashing out your retirement savings should be an action of last resort, since it could hamper your efforts to achieve your long-term retirement savings goals. The plans allow lump-sum withdrawals, partial withdrawals and systematic withdrawals.

## How do I get information about Social Security benefits?

Contact the Social Security Administration at 1-800-772-1213 or visit [socialsecurity.gov](http://socialsecurity.gov).

## Do you offer supplemental insurance for retirees?

Yes! In an effort to continuously enhance the benefits available to retired public employees, the Retirement Systems is proud to offer you supplemental insurance through our trusted partner, Pierce Insurance.

Soon after you retire, Pierce will mail information about these insurance products directly to you. Enrollment is optional and retirees pay the full cost of coverage; however, you may be able to benefit from the lower group rates offered through Pierce.


To contact Pierce Insurance, call 1-855-NCRETIRE (1-855-627-3847) or visit [www.ncretiree.com](http://www.ncretiree.com).


## How do I contact the Retirement Systems?


Visit [MyNCRetirement.com](http://MyNCRetirement.com) at any time to:

- Estimate monthly benefits using our Retirement Estimator
- Download and complete retirement applications and forms
- Download and view your retirement benefits handbook
- Review Frequently Asked Questions
- Manage your retirement account online using ORBIT

 [NCRetirement@nctreasurer.com](mailto:NCRetirement@nctreasurer.com)

 Like and follow us on Facebook at [Facebook.com/MyNCRetirement](https://www.facebook.com/MyNCRetirement)

 North Carolina Department of State Treasurer  
Retirement Systems Division  
3200 Atlantic Avenue  
Raleigh, North Carolina 27604

 Toll-free: 1-877-NC SECURE (1-877-627-3287)  
Fax: 919-855-5800

Appointment-only Policy: If you wish to visit our office, please email the Retirement Systems at [NCRetirement@nctreasurer.com](mailto:NCRetirement@nctreasurer.com) to schedule an appointment. Walk-in appointments are not available.