



**North Carolina**  
Total Retirement Plans



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

**TSERS**

2022

**TEACHERS' & STATE EMPLOYEES'  
RETIREMENT SYSTEM**





**Welcome to the Teachers’ and State Employees’ Retirement System!**

The Teachers’ and State Employees’ Retirement System (TSERS) is a pension plan administered by the North Carolina Retirement Plans within the Department of State Treasurer (DST). Here, our mission is to preserve and protect this benefit for current and future public employees in North Carolina.

You have chosen a career to serve the citizens of North Carolina; therefore, you are a contributing member to one of the best funded in the nation. In fact, Moody’s Investors Service recently reported that North Carolina’s Retirement Systems, which includes state and local employees, is the best funded in the nation when looking at its Adjusted Net Pension Liability.

**Partners in Planning for Your Retirement**

We are proud to partner with you during and after your service to North Carolina. Your monthly contribution of 6% to the North Carolina pension, along with employer contributions and investment returns, create a foundation for your future in retirement.

Our role is to maintain the integrity and sustainability of the North Carolina Retirement Systems. Your role is to make sure you’re doing all you can to secure your financial future. Your employer and the pension system are investing a lot in you because your work to this state is highly valued!

When planning for a secure retirement, I encourage you to determine how much retirement income you’ll need to feel secure after you stop working. As you make that determination, you should not only consider your TSERS benefits, but also your Social Security benefit and personal savings.

**Supplemental Savings Exclusively Available to YOU**

The NC 401(k) and NC 457 Plans are exclusively available to public servants like you. These plans are also recognized nationwide for low fees and diverse, strong-performing investments and meaningful oversight by the Board of Trustees. These benefits are available not only while you are working and actively participating, but can continue into retirement. And, you have the option to keep your money in plans for the rest of your life.

**Understanding Your Pension Benefit**

In this handbook you’ll find all the details you need to understand your retirement options. You’ll also find many of the tools and resources you need to make informed decisions about your retirement on ORBIT, our secure web portal, at [ORBIT.myNCRetirement.com](http://ORBIT.myNCRetirement.com). Once you’ve registered, you’ll be able to safely and securely manage your account, track service credit, investment returns, maintain beneficiaries and personal information, and stay informed. Additional resources are also available at [myNCRetirement.com](http://myNCRetirement.com).

We have a team of retirement counselors ready to assist if you have questions about benefits or need guidance as you near retirement.

Thank you for your service to North Carolina, and we look forward to working with you now and through your retirement!

Sincerely,

Dale R. Folwell, CPA

919-814-4590

[nc.retirement@nctreasurer.com](mailto:nc.retirement@nctreasurer.com)

[www.myNCRetirement.com](http://www.myNCRetirement.com)



## **Section 1 | [About Your Retirement System](#)**

### **Section 2 | [Membership in TSERS](#)**

- 7 | Designating Beneficiaries
- 7 | Forfeiting Eligibility based on Criminal Offenses

### **Section 3 | [Qualifying for Benefits](#)**

- 8 | Vesting
- 8 | Service Retirement (Unreduced benefits)
- 8 | Early Retirement (Reduced benefits)
- 8 | Vested Deferred Benefit
- 9 | Refund of Contributions
- 9 | Reciprocity Between Retirement Systems
- 9 | Transferring Service & Contributions
- 9 | Required Distributions After Age 72

### **Section 4 | [How Your Benefit is Calculated](#)**

- 10 | Retirement Formula
- 11 | Service Retirement Calculation Example
- 12 | Early Retirement Calculation Example
- 12 | Early Retirement Reduction Percentages
- 13 | Examples of Monthly Benefits Paid
- 14 | Benefit Limitations

### **Section 5 | [Your Benefit Payment Options](#)**

- 15 | Your Benefit Payment Options
- 18 | Example of Payment Options

### **Section 6 | [Adding to Your Creditable Service](#)**

- 19 | Adding to Your Creditable Service

### **Section 7 | [NC 401\(k\) Plan and NC 457 Plan](#)**

- 21 | NC 401(k) Plan and NC 457 Plan

### **Section 8 | [Initiating Your Retirement Benefits](#)**

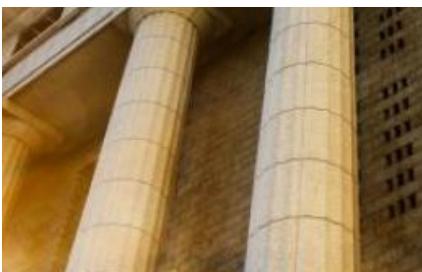
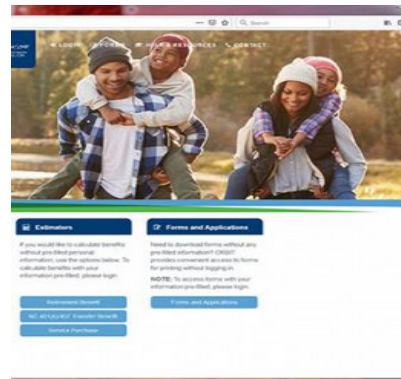
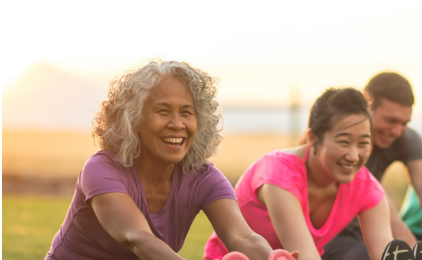
- 22 | Retirement Application Process
- 23 | Your First Monthly Benefit
- 23 | Post-Retirement Increases

### **Section 9 | [Income Tax](#)**

- 24 | Income Tax (Benefits)
- 25 | Income Tax (Returns, Purchases and Refunds)

*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 handbook 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.*





## Section 10 | [Health Coverage in Retirement](#)

- 26 | State Health Plan
- 27 | Optional Supplemental Insurance

## Section 11 | [Disability Benefits](#)

- 28 | Disability Income Plan of North Carolina (DIPNC)
- 28 | TSERS Disability Benefit

## Section 12 | [Returning to Work after Retirement](#)

- 29 | The Required Six-Month Break Guidelines
- 29 | Six-Month Break in Service Required
- 30 | Working After a Six-Month Break with a TSERS Membership
- 30 | Working After a Six-Month Break without a TSERS Membership
- 31 | Exceeding Your Earnings Limitations
- 31 | After Receiving Disability
- 31 | Effects on Health Coverage
- 31 | Overpayments
- 31 | Under the Legislative or Consolidated Judicial Systems

## Section 13 | [Death Benefits](#)

- 32 | Active Employee Death Benefits
- 33 | Retiree Death Benefits

## Section 14 | [Administration & Funding](#)

- 34 | Administration & Funding

## Section 15 | [Resources & Contacts](#)

- 36 | ORBIT
- 37 | Web-based Resources
- 37 | Contact Us

## Section 16 | [Glossary of Important Terms](#)

Are you a Law Enforcement Officer in the Teachers' and State Employees' Retirement System? Please refer to the TSERS LEO Handbook for your benefits.



## Section 1 | About Your Retirement System

The Teachers' and State Employees' Retirement System (TSERS) is a **defined benefit plan** qualified under Section 401(a) of the Internal Revenue Code. Defined benefit plans use a formula to calculate monthly retirement benefits once eligibility requirements have been met. This handbook explains TSERS benefit eligibility requirements and the formula used to calculate benefits.

### PAYING FOR YOUR RETIREMENT BENEFITS

You, the state of North Carolina and the investment earnings on total contributions pay the cost of providing your retirement benefits.

Your share of the cost is currently six percent of your compensation, and it is automatically deducted from your paycheck. Your compensation includes all eligible salaries and wages, as defined by statute, paid to you from public funds, earned at your covered job while working for the state.

The state bases its contributions on calculations prepared by an actuary. The state contribution rate from July 1, 2021, to June 30, 2022, is 15.74 percent of all members' salaries to pay for the benefits for you and other members.

### TAX SAVINGS

Since July 1, 1982, your contributions have been tax-deferred. This means your contributions are deducted from your pay before taxes are calculated, and you pay taxes on them when you begin receiving monthly retirement benefits or if you elect a refund of your contributions. This is a benefit to you because your current taxable income is lowered and the amount of annual taxes you pay is less than if you made contributions after paying taxes.

### INVESTING CONTRIBUTIONS

Contributions to TSERS are invested by the Department of State Treasurer and these funds are protected by the Constitution of North Carolina from being used for any purpose other than retirement system benefits and expenses.



---

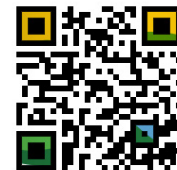
### ORBIT ONLINE ACCOUNT ACCESS

ORBIT is a secure site that allows you to view your personal account information, download retirement forms, and access retirement resources 24 hours a day, seven days a week.

To set up or log in to your personal ORBIT account, go to the ORBIT website [ORBIT.myNCRetirement.com](https://ORBIT.myNCRetirement.com) and follow the log in instructions, or register for an ORBIT account.

**When creating your account, you are required to use your personal email address.**

**If you already have an account and use your work email, we recommend logging in and changing this to your personal email so you will continue to have access to your account should you switch jobs or retire.**



[ORBIT.myNCRetirement.com](https://ORBIT.myNCRetirement.com)

## Section 2 | Membership in TSERS

Membership in TSERS is automatic for eligible employees. You become a TSERS member on your hire date if you are:

- A permanent full-time teacher or employee of a state-supported board of education or community college.
- A permanent employee of the state (or any of its agencies, departments, bureaus or institutions) and work at least 30 hours per week for nine months per year.
- A permanent employee of a charter school that participates in TSERS, and you work at least 30 hours per week for nine months per year.
- A community college President hired after June 30, 2018.

You may join an optional retirement program (ORP) instead of TSERS if you are:

- A faculty member, administrator or other eligible employee at a state institution of higher education.
- An eligible employee of UNC Health Care.
- A community college president hired on or before to June 30, 2018.

If you are an Agricultural Extension Service employee and a member of the Federal Employees' Retirement System, you may not join TSERS. Contact your employer for more details about the alternate systems.

### DESIGNATING BENEFICIARIES

After your employer enrolls you in TSERS, and within one to two pay periods, you should be able to create your secure ORBIT account and name beneficiary(ies) to receive a return of your retirement contributions and, if applicable, a death benefit, should you die before retirement. A member has the option to name any person as their beneficiary regardless of relationship to member (ie the beneficiary does not have to be a spouse or family member).

To add or change beneficiaries as an active employee:

- Log in to [ORBIT](#).
- Click the Maintain Beneficiaries tab on the left side of the screen.
- Add or edit beneficiaries for your eligible benefits.
- Perform a beneficiary check-up every couple of years or if you have a life-changing event, such as marriage, divorce, family changes or adoptions.



### FORFEITING ELIGIBILITY BASED ON CRIMINAL OFFENSES

If you were not vested as of December 1, 2012, and are convicted of a state or federal felony directly related to your employment while in service under TSERS, you are prohibited from receiving any retirement benefit other than a return of your contributions plus interest.

If you were vested as of December 1, 2012, you are prohibited from receiving any retirement benefit for service rendered after December 1, 2012, other than a return of your contributions plus interest for the period of service after December 1, 2012.

Elected government officials who were not vested on July 1, 2007, will forfeit their right to a monthly benefit from TSERS if convicted of certain state or federal offenses related to their service as an elected official. Elected officials who were vested on July 1, 2007, are not entitled to creditable service accrued in TSERS after July 1, 2007, if convicted of certain state and federal offenses related to their service as an elected official.





## Section 3 | Qualifying for Benefits

### VESTING

You become vested in TSERS once you have completed a minimum of five years of membership service. This means that you are eligible to apply for lifetime monthly retirement benefits based on the retirement formula in effect at the time of your retirement and the age and service requirements described in this handbook, provided you do not withdraw or transfer your contributions. You may also be eligible for retiree health coverage.

### SERVICE RETIREMENT (UNREDUCED BENEFITS)

You may retire with an unreduced service retirement benefit after you:

- Reach age 65 and complete five years of membership service
- Reach age 60 and complete 25 years of creditable service
- Complete 30 years of creditable service at any age

### EARLY RETIREMENT (REDUCED BENEFITS)

You may retire early with a reduced retirement benefit after you:

- Reach age 50 and complete 20 years of creditable service
- Reach age 60 and complete five years of membership service

Your early retirement benefit is calculated using the same formula as a service retirement benefit multiplied by a reduced percentage based on your age and/or service at early retirement. Because your benefit may be paid over a longer period of time than if you had waited until being eligible for service retirement, your benefit will be reduced.



### VESTED DEFERRED BENEFIT

If you leave TSERS for any reason other than retirement or death, you can either receive a refund of your contributions, plus interest, or leave your contributions in TSERS and keep all the creditable service you earned to that date. 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 creditable service, provided you do not withdraw your contributions. Your benefit is calculated using the formula in effect on your retirement date. It is based on your average final compensation and years of creditable service at that time.

### REFUND OF CONTRIBUTIONS

If you leave TSERS before you have five years of creditable service, the only payment you can receive is a refund of your contributions and interest.

State law prohibits us from making a refund earlier than 60 days after you leave employment with an employer that participates in TSERS.

However, if you leave TSERS employment and you do not take a refund, you will retain your benefits and rights should you return to TSERS service at a later time.

Set by state law, the interest credited on your contributions and paid with a refund is currently four percent (4%) compounded annually on your prior year ending balance. To apply for a refund, log into your ORBIT account and click **Apply for a Refund Online**.

**If you withdraw your retirement contributions, you forfeit your retirement service credit and rights to all benefits associated with the service for that time period, including medical coverage through the State Health Plan, if applicable.**



## Section 3 | Qualifying for Benefits

### RECIPROCITY BETWEEN SYSTEMS

Any credit you may have in the following retirement systems may be counted along with your credit in TSERS in order to determine your eligibility for a reduced or unreduced benefit:

- Legislative Retirement System (LRS)
- Consolidated Judicial Retirement System (CJRS)
- Local Governmental Employees' Retirement System (LGERS)

However, only your creditable service in TSERS is used in computing the amount of your benefit in TSERS. Creditable service in any other system is used to compute benefits from that system.

In addition, for members first hired prior to January 1, 2021, any service credit you have in the UNC Optional Retirement Program may be added to your creditable service in TSERS in order to determine eligibility for benefits from TSERS.

The general rules for eligibility for transfer are as follows:

- You may transfer to the System that retains your latest service and contributions if the law allows the latest System to receive the transfer.
- Your latest System may have further requirements for eligibility.

### TRANSFERRING SERVICE & CONTRIBUTIONS BETWEEN SYSTEMS

You can transfer your contributions and creditable service between TSERS and LGERS as long as you are an eligible member of the system to which you are transferring, do not receive a refund of your contributions from the system from which you are transferring and file Form 5TR (Transferring Service and Contributions Between Systems), available in ORBIT.

Transferred creditable service counts toward your eligibility for a monthly benefit and is used to compute the amount of your benefit. Overlapping transferred service cannot be counted twice for the same time period.

A transfer can affect your eligibility for State Health Plan coverage under the Retirement Systems. For more information about the State Health Plan, visit [shpnc.org](http://shpnc.org).

After completing five years of membership service in TSERS, you may transfer contributions and creditable service from CJRS and LRS to TSERS. Contact us for additional information and instructions.



**Transferring Service  
Between Systems**

### REQUIRED DISTRIBUTIONS AFTER AGE 72

In most cases, TSERS is required to pay benefits to non-retired members with open TSERS accounts by April 1 of the year following the year in which the member reaches age 72 or ceases to be an employee, whichever is later.

Members who are vested (five or more years of creditable service) who fail to complete the retirement process will receive a monthly retirement benefit based on the maximum allowance.

Non-vested members who fail to complete a refund application will receive a refund of their contributions and interest by April 1 of the year following the year in which the member reaches age 72.

## Section 4 | How Your Benefit is Calculated

### Retirement Formula:

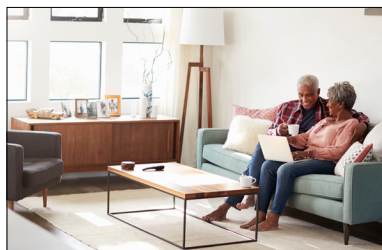
$$\begin{aligned} &\text{Your annual benefit} = \\ &\quad \mathbf{1.82\%} \\ &\text{of average final compensation} \\ &\quad \mathbf{\times} \\ &\text{years and months} \\ &\text{of creditable service} \end{aligned}$$

**AVERAGE FINAL COMPENSATION** is the average of your salary during your four highest-paid years (48 consecutive months) in a row. If your four highest-paid years in a row include a final payment for unused vacation leave and/or prorated longevity, your average final compensation may be increased by the extra payment(s). Final payments, if any, for unused sick leave or reimbursements for expenses are not includable in your average final compensation.

**CREDITABLE SERVICE** is the total of all service credit that counts toward retirement. It includes membership service for any period you contribute to TSERS, provided you have not withdrawn your contributions. It also includes credit for eligible purchased service and eligible unused sick leave that is converted to creditable service at retirement.

#### SERVICE RETIREMENT CALCULATION EXAMPLE

Assume employee Mary Benson retires at age 60 with 32 years and two months of creditable service and an average final compensation of \$40,331. Because Mary has more than 30 years of creditable service at retirement, she receives her basic benefit of about \$24,000 a year (about \$2,000 monthly) for the rest of her life under the maximum allowance. Monthly payments would stop at her death.



## Section 4 | How Your Benefit is Calculated

The following table shows how we calculate Mary's benefit. Use the spaces in the right-hand column to fill in your figures for an estimate of your benefit.

### Step 1

Add your salary during your 4 highest-paid years (48 months) in a

	You	example
Year 1	\$ <input type="text"/>	\$39,988
Year 2	\$ <input type="text"/>	\$40,484
Year 3	\$ <input type="text"/>	\$41,350
Year 4	\$ <input type="text"/>	\$41,994
<b>Total</b>	\$ <input type="text"/>	<b>\$163,816</b>
	divide by 4	/ 4
<b>Average Final Compensation</b>	\$ <input type="text"/>	\$40,954

Then, divide the total by 4 to get your average final compensation

### Step 2

Multiply Step 1 by .0182 to apply the retirement formula\*

Step 1	\$ <input type="text"/>	\$40,954
	x .0182	x .0182
<b>Total</b>	\$ <input type="text"/>	<b>\$745.36</b>

### Step 3

Determine your creditable service

32.2 years

### Step 4

Calculate your annual benefit\* by multiplying Step 2 by Step 3

Step 2	\$ <input type="text"/>	\$745.36
Step 3	x <input type="text"/>	x 32.2
<b>Total Annual Benefit</b>	\$ <input type="text"/>	<b>\$24,000.68</b>

### Step 5

Calculate your monthly benefit\* by dividing Step 4 by 12

Step 4	\$ <input type="text"/>	\$24,000.68
	divide by 12	/ 12
<b>Total Monthly Benefit</b>	\$ <input type="text"/>	<b>\$2,000.06</b>

(This is an estimate of the payment you will receive each month before taxes or any other deductions.)

\*Remember, if you retire early or if you choose for payments to continue to a beneficiary after your death, these numbers will change. See next page for how to calculate early retirement amounts.

## Section 4 | How Your Benefit is Calculated

If you are between ages 50 and 59, with fewer than 30 years of creditable service, your early retirement will be reduced to the percentages shown in the table on below.

If you are a firefighter or rescue squad worker between age 55 and 60 with five to 20 years of creditable service, your early retirement will be reduced to the percentages shown below in the 20 years of creditable service column.

		Years of Creditable Service									
		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%

The chart above uses whole numbers for years of service and age as a reference. When you retire, your creditable service will be adjusted based on age and service in years and months.

### EARLY RETIREMENT REDUCTION PERCENTAGES

Your age at retirement is an important factor in determining your monthly benefit. If you do not meet the requirements for a full-service retirement, you may still retire early, but you will receive a reduced monthly benefit for your lifetime.

Early retirement benefits are calculated using the same formula as a service retirement multiplied by a reduction percentage based on your age and/or service at early retirement. If you are between ages 60 and 65, with less than 25 years of creditable service, your early service retirement benefit will be reduced to the following percentages. If you are between birthdays when payments start, the reduction will be adjusted proportionately.

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%



## Section 4 | How Your Benefit is Calculated

### EARLY RETIREMENT CALCULATION EXAMPLE

Assume employee Fred Wise retires at age 61 with 24 years and three months of creditable service and an average final compensation of \$40,954.

**Here is how we calculate this benefit**

	\$ 40,954.00 <i>(average final compensation)</i>		<i>Now apply the early retirement reduction percentage.</i>
	x .0182		
	\$ 745.36		
	x 24.25 <i>(creditable service)</i>		
	\$ 18,074.98	→	
			\$ 18,074.98
			x .88 <i>(percentage at age 61)</i>
			<b>\$ 15,905.98</b>

Fred receives a benefit under the maximum allowance of about \$15,905 a year (about \$1,325 monthly). His payment will start at age 61 and continue for the rest of his life.

Assume, however, that Fred is age 59 instead of age 61. With 24.25 years of creditable service, his early service retirement reduction percentage is 0.80 instead of 0.88. In this case, Fred receives a benefit under the maximum allowance of about \$14,460 a year (about \$1,205 a month). His payment will start at age 59 and continue for the rest of his life.

### EXAMPLES OF BENEFITS PAID

The following chart shows the approximate monthly benefit paid under the maximum allowance option at various salary levels, depending on age and creditable service. These are only examples. Your own benefit is calculated individually and depends on your age, creditable service and average final compensation.

<b>Monthly Retirement Benefit Under Maximum Allowance</b>						
	<b>Age</b>	<b>50</b>	<b>55</b>	<b>60</b>	<b>Any</b>	<b>Any</b>
	<b>Yrs. of Service</b>	<b>20</b>	<b>28</b>	<b>25</b>	<b>30</b>	<b>40</b>
<b>Average Final Compensation</b>	<b>\$90,000</b>	<b>\$1,365</b>	<b>\$3,438</b>	<b>\$3,411</b>	<b>\$4,095</b>	<b>\$5,460</b>
	<b>80,000</b>	<b>1,213</b>	<b>3,057</b>	<b>3,033</b>	<b>3,640</b>	<b>4,853</b>
	<b>70,000</b>	<b>1,061</b>	<b>2,675</b>	<b>2,654</b>	<b>3,185</b>	<b>4,246</b>
	<b>60,000</b>	<b>910</b>	<b>2,293</b>	<b>2,275</b>	<b>2,730</b>	<b>3,640</b>
	<b>55,000</b>	<b>834</b>	<b>2,102</b>	<b>2,085</b>	<b>2,502</b>	<b>3,336</b>
	<b>50,000</b>	<b>758</b>	<b>1,911</b>	<b>1,895</b>	<b>2,275</b>	<b>3,033</b>
	<b>45,000</b>	<b>682</b>	<b>1,719</b>	<b>1,706</b>	<b>2,047</b>	<b>2,730</b>
	<b>40,000</b>	<b>606</b>	<b>1,528</b>	<b>1,516</b>	<b>1,820</b>	<b>2,426</b>
	<b>35,000</b>	<b>530</b>	<b>1,337</b>	<b>1,327</b>	<b>1,592</b>	<b>2,123</b>
	<b>30,000</b>	<b>455</b>	<b>1,146</b>	<b>1,137</b>	<b>1,365</b>	<b>1,820</b>

## Section 4 | How Your Benefit is Calculated

### BENEFIT LIMITATIONS

Occasionally, a retiree may be subject to the benefit limitations described below:

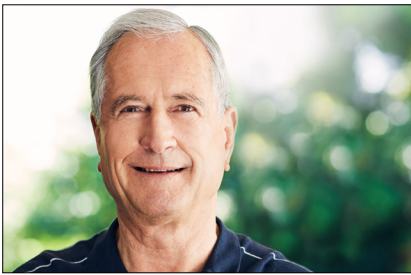
#### CONTRIBUTION-BASED BENEFIT CAP (CBCB)

As a member of TSERS, you contribute six percent of your monthly income toward your retirement. If you receive significant salary increases in the years before retirement or over the course of your career, your monthly retirement benefit at retirement may exceed what your contributions would be expected to fund. Significant late-career promotions, conversion of benefits into compensation, and leave payouts at retirement may also cause your monthly retirement benefit to exceed what your contributions would be expected to fund. The Contribution-Based Benefit Cap was created to protect this system for current and future retirees, by providing a method for the payment of these unforeseen costs.

If you retire on or after January 1, 2015, with an average final compensation (AFC) of \$100,000 or more (adjusted annually for inflation), you may fall under a contribution-based benefit cap.

If you were first hired before January 1, 2015, your last employer will be required to pay the additional contribution if it is determined that your allowance is in excess of the cap and is subject to an adjustment. TSERS will notify your employer and will provide a statement of the cost of the additional contribution required to pay for your benefit in excess of the cap.

If you were first hired on or after January 1, 2015, your employer may choose whether or not to pay this additional contribution; if your employer chooses not to pay, you will be required to accept a benefit reduced to the benefit cap unless you pay the additional contribution. TSERS will notify you and will provide a statement of the cost of the additional contribution required to pay for your benefit in excess of the cap, along with the deadline to submit payment.



### PENSION SPIKING

and the

### CBBC

### CONTRIBUTION-BASED BENEFIT CAP



Contribution-Based  
Benefit Cap

### IRC SECTION 415(B) ANNUAL PENSION BENEFIT LIMIT

If you are a highly compensated employee, your TSERS benefits may be subject to the [Internal Revenue Code \(IRC\) section 415\(b\)](#) annual pension benefit limit. The determination of whether your retirement benefit will be subject to the limit can only be made at retirement. The limit varies every year, so, your benefit could be affected one year but not the next. The limit varies each year and is set by the IRS. The limit is affected by many factors that were established by the IRS that may or may not apply to a particular individual.

The General Assembly established a Qualified Excess Benefit Arrangement (QEBA) fund to pay the part of a retiree's retirement allowance that exceeds the limit. Members hired prior to January 1, 2015, are eligible to receive benefit payments from the QEBA fund.

## Section 5 | Your Benefit Payment Options

At retirement, you must elect one of the payment options described on page 16. On average, the payment options are mathematically equal to one another from the perspective of TSERS, based on assumptions recommended by actuaries. Each option is calculated so its total value is the same as the value of the other options available to you and the beneficiary you name (if any). The monthly payment amounts will differ based on the age of the beneficiary you select, if any.

### CONSIDERING YOUR OPTIONS

First, decide whether you need a payment option that provides a monthly benefit to a beneficiary after your death. If you do not select one of these options, all of your retirement benefits will be used to provide you with a lifetime monthly payment that stops at your death.

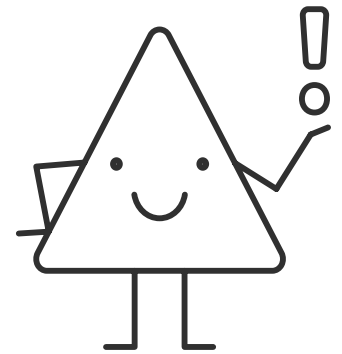
Your choice of payment options is personal and should take into account your needs during retirement and the needs of a dependent, if any, after your death. Neither the payment plan selected by a co-worker nor the one selected by the largest number of retirees should have any effect on your personal decision.

---

### PERMANENT DECISION

You cannot change your selected payment option once you cash your first retirement check or after the 25th of the month following the month your first check is mailed (whichever is earlier) except under one of the following two conditions:

- If you select an option that provides a monthly benefit to your spouse as a beneficiary after your death (Option 2, 3, 6-2 or 6-3) and later become divorced from that spouse.
- If you are rehired in a position covered by TSERS and contribute to your new account for at least three years.





## Section 5 | Your Benefit Payment Options

Here are your benefit payment options:

### **MAXIMUM ALLOWANCE**

When you retire with a service retirement benefit, your basic benefit is the maximum allowance and is calculated under the formula on [page 10](#).

If you retire early, your maximum allowance is calculated using the same formula, which is then reduced for early retirement. In either case, you will receive your allowance for as long as you live. All monthly payments stop at your death.

### **OPTION 2: 100% JOINT & SURVIVOR**

- You receive reduced monthly payments for life.
- After you die, your monthly survivor beneficiary receives the same amount monthly for life.

### **OPTION 3: 50% JOINT & SURVIVOR**

- You receive reduced monthly payments for life which are slightly larger than the payments in Option 2.
- After you die, half of your payment continues to your monthly survivor beneficiary for life.

### **OPTION 6-2:**

#### **MODIFIED JOINT & SURVIVOR (combination MAX Allowance, Option 2)**

- You receive reduced monthly payments for life (a larger reduction than under Option 2).
- After you die, your monthly survivor beneficiary receives the same amount monthly for life.
- However, if your beneficiary dies before you do, your monthly payments increase to the amount payable under the maximum allowance.

### **OPTION 6-3:**

#### **MODIFIED JOINT & SURVIVOR (combination MAX Allowance, Option 3)**

- You receive reduced monthly payments for life (a larger reduction than under Option 3).
- After you die, half of your payment continues to your monthly survivor beneficiary for life.
- However, if your beneficiary dies before you do, your monthly payments are increased to the amount payable under the maximum allowance.



## Section 5 | Your Benefit Payment Options

It is important to note that if you select a benefit payment option that names a beneficiary, you should immediately notify the Retirement Systems if that person dies before you.

**NOTE:** Under Options 2, 3, 6-2 and 6-3, you may name only one beneficiary to receive a monthly survivor benefit after your death. You may not change your survivor beneficiary after you retire except under one of the following circumstances:

- If you named your spouse as survivor beneficiary at the time of retirement and later become divorced from that spouse.
- If you return to employment covered under TSERS and contribute to a new retirement account for at least three years.
- If you chose Option 2 or 3 at retirement, and designated your spouse as survivor beneficiary, and this spouse dies before you, and you remarry, you may request to nominate your new spouse as your beneficiary within 90 days of your remarriage under the same option you chose at retirement. Contact our office and we will mail you a letter outlining the documents we need to make the change. You must file this redesignation with TSERS within 90 days of your remarriage.



Your new benefit will be reduced based on your age and the age of your spouse at the time of the change. The benefit payable to you will be the benefit you received before the death of your previous spouse, additionally reduced to cover your new spouse as beneficiary.

### **OPTION 4: SOCIAL SECURITY LEVELING**

- You receive larger monthly payments than you would otherwise be entitled to receive until you are eligible for Social Security at age 62.
- Beginning the month after the month of initial entitlement for Social Security age 62 benefits, your monthly payments will be reduced to an amount that is less than what you would otherwise be entitled to receive. Nevertheless, your reduced retirement payments after age 62, plus your allowance from the Social Security Administration, should be approximately the same amount as the inflated payment you received from TSERS before age 62.
- The actual amount of your retirement payments both before and after age 62 will be based on the estimate of benefits you provide to us from the Social Security Administration before your retirement.
- All monthly payments stop at your death.

The reduction in your monthly retirement payments after age 62 allows TSERS to recover the additional amounts you received before age 62.

Any percentage increase you are granted in your retirement benefit before age 62 will be applied to the additional benefit you are receiving at that time. However, when you reach age 62, your retirement benefit will be reduced to the original amount promised after age 62 plus the percentage increases (not the dollar amount of increases) granted before age 62.

# Section 5 | Your Benefit Payment Options

## Example of Payment Options

Assume John Murphy has earned a service retirement benefit under the maximum allowance of \$2,000 a month. He wants to share his benefit with his spouse, Pam, who is 51 when John retires at 57 after 30 years and three months of creditable service. The table below shows how much John and Pam would receive monthly under each payment option.

Payment Option	To John	→	To Pam After John's Death
Maximum Allowance	\$2,000 monthly		\$0.00
Option 2	\$1,834.60 monthly		\$1,834.60 monthly
Option 3	\$1,913.80 monthly		\$956.90 monthly
Option 4*	\$2,650.90 monthly up to age 62, \$1,650.90 monthly thereafter		\$0.00
Option 6-2	\$1,822.60 monthly if Pam dies before John, he receives \$2,000 monthly thereafter		\$1,822.60
Option 6-3	\$1,907.20 monthly; if Pam dies before John, he receives \$2,000 monthly thereafter		\$953.60 monthly

\*Assumes John's primary Social Security benefit is \$1,000 a month at age 62.

These are only examples. Your own benefit is calculated individually, and the actual amounts of your payment options are based on many factors, such as your age, your beneficiary's age and when payments start.



## Section 6 | Adding to Your Creditable Service

Your benefit at retirement is based, in part, on your creditable service. Creditable service includes your years and months of membership service in which you contributed to TSERS and may also include prior service credit, sick leave credit, military service credit and certain types of purchased service credit, which are described below.

### **SICK LEAVE**

Unused sick leave can be converted to additional retirement service credit at the time of your retirement if all of the following conditions are met:

- Your sick leave was earned monthly under a duly adopted sick leave policy.
- You would receive full salary when using the sick leave if absent from work because of illness.
- You have not, and will not, receive any compensation for this sick leave.
- Your last day of service with your last participating TSERS employer is within five years before your TSERS effective date of retirement.

When you retire, you are allowed one month of credit for each 20 days of unused sick leave. For any part of 20 days left over, one additional month is allowed provided the remaining portion is at least one hour.

A sick leave "day" is determined by your employer's sick leave accrual policy and may or may not be equal to eight hours. For example, assume John Smith earns one day of sick leave per month under his employer's sick leave accrual policy while working an extended shift of 12 hours per day and he accrues 12 hours of sick leave each month. When his employer certifies his unused sick leave on his retirement application (Form 6), for each 12 hours of eligible unused sick leave, his employer should report one day of unused sick leave, rather than 1.5 days. In another example, assume Mary Brown earns one day of sick leave per month while working 7.5 hours per day and accrues 7.5 hours of sick leave each month. When her employer certifies her unused sick leave on her Form 6, for each 7.5 hours of eligible unused sick leave, her employer should report one day of unused sick leave.

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

### **MILITARY SERVICE (NO COST)**

Your periods of active duty in the U.S. Military up to the time you were first eligible for a discharge that is not dishonorable count as creditable service at no cost to you if you were a teacher or state employee when you entered active duty and you returned to TSERS employment under one of the following circumstances:

- Within two years after your earliest discharge date.
- At any time after your discharge and you complete at least 10 years of additional service as a contributing member.

Your TSERS employer is required to pay the employer and employee contributions for the full period you were in active duty if you were a TSERS member immediately before your active-duty military service, and you return to TSERS membership service within two years after your military discharge date.

### **MILITARY SERVICE (COST)**

If you are ineligible for free credit under these rules, you may be eligible to buy credit for your first period plus later required periods of active duty by making a lump-sum payment.

To be eligible to purchase military service credit, you must have contributed to TSERS for five years. Your cost will be equal to the full actuarial liabilities created from the additional credit purchased.

If your military service is creditable in another retirement system, generally you will not be eligible to purchase credit in TSERS.

## Section 6 | Adding to Your Creditable Service

### WITHDRAWN SERVICE

If you have ever received a refund of your contributions from TSERS, LGERS, or the former Law Enforcement Officers' Retirement System, you may be eligible to purchase, with a lump-sum payment, in TSERS, the amount of creditable service you lost when you received your refund up to a maximum of five years.

Before you are eligible to pay for this service, you must be rehired and contribute to TSERS for five years or have a combination of five years of current membership service in CJRS, LRS, LGERS or TSERS.

The cost of the maximum five-year purchase is based on a full actuarial cost calculation and must be paid in a lump-sum payment. In addition, you will pay a \$25 administrative fee.

### PURCHASING OTHER WITHDRAWN SERVICE

If you ever received a refund of your contributions from CJRS, LRS or LGERS, you may be eligible to make a lump-sum payment to purchase the amount of withdrawn creditable service in the system from which it was withdrawn.

Before you are eligible to pay for this service, you must have five years of current membership service in TSERS or in CJRS, LRS or LGERS, or have a combination of five years of membership service in any of these systems. This type of purchased service may be used to determine your eligibility for benefits in TSERS. However, only your creditable service in TSERS will be used in computing the amount of your TSERS benefit. Creditable service in any other system will be used to compute benefits from that system. Eligible withdrawn service you purchase in TSERS or LGERS counts as creditable service, not membership service.

Your cost, which must be paid in a lump sum, will be calculated using the withdrawn service purchase provisions in the System from which you are purchasing the service credit.

### OTHER TYPES OF SERVICE PURCHASES

In addition to withdrawn service and military service purchases, you may be eligible to purchase credit for the following types of service:

Out-of-State Service

Temporary Local and State Service

Educational Leave

Probationary or Waiting Period Service

Workers' Compensation Leave

Part-Time Local and State Service

Other Service with a Local Government

Service with the Federal Government

Federally funded Public Community Service in North Carolina

Omitted Service

Service as a Member of a Charter School

Withdrawn UNC Optional Retirement Program Service

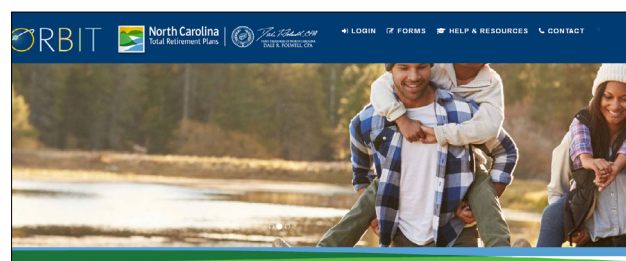
Extended Illness Leave

Parental Leave

**Any service that was forfeited due to a felony conviction cannot be repurchased.** For detailed information about the eligibility requirements for purchasing creditable service, please see the applicable purchase form found in the forms section of ORBIT.

### ROLLOVERS TO PURCHASE RETIREMENT CREDIT

We will accept pre-tax money from an eligible retirement plan or an eligible IRA via rollover or in-service, plan-to-plan transfer to purchase creditable service. For more information and instructions, see Form 398 (Using a Distribution of Tax-Sheltered Savings to Purchase Retirement Credit), available in ORBIT.





## Section 7 | NC 401(k) AND NC 457

Generate retirement income from your NC Supplemental Retirement Plans - the NC 401(k) Plan and 457 Plan.

- The NC Plans are exclusively available to people like you who have chosen a career to teach, protect or otherwise serve the citizens of North Carolina. [Learn more](#) about the NC Plans or [enroll](#) today.
- In addition to your regular payroll deductions, you may want to consider making a one-time contribution to the plan(s). You can contribute additional compensation or payouts on a one-time basis, such as longevity, vacation and/or bonus leave payments. For more information, refer to our [One-time Contribution Flyer](#) found on [myNCPlans.com](#).
- Roll over money into your plan account from another qualified retirement plan. As long as you have a balance in the plan(s), you can roll money into your NC 401(k) and/or NC 457 Plan account. To learn more, check out our [Rollover Brochure](#) at [myNCPlans.com](#).

Consider these advantages:	Consolidated into NC 401(k) Plan / NC 457 Plan	Multiple Accounts
Money remains tax deferred/tax-advantaged	✓	✓
Convenience	✓	
Potentially Lower Costs	✓	
Easier to maintain proper asset allocation with access to GoalMaker	✓	
Strong oversight of fund managers and fees from the Supplemental Retirement Board of Trustees	✓	

You have the opportunity to participate in the NC 401(k) Plan and the NC 457 Plan, which are among the most competitively priced public plans in the country. That means you may be paying less for the plans that are in support of your “total” retirement.

The [Cost Comparison Document](#) is a tool that allows you to be an active, informed participant as you compare the plans with outside financial products.

As a current account holder, it’s important to know that you have the option of keeping your money in the plan(s), even after you change jobs or retire.

- Meet for personal, confidential help. Find your NC Supplemental Retirement Plans Retirement Education Counselor by calling 1-866-NCPlans or visit [myNCPlans.com](#).
- Consider the [Transfer Benefit](#), also known as NC Lifetime Income. This allows you to make a one-time transfer of any portion of your eligible contributions, not including Roth contributions and earnings, from your NC 401(k) and/or NC 457 Plan and receive the balance as monthly income. There are many factors you should consider before taking advantage of this option – This benefit may not be for everyone. Visit the Transfer Benefit Estimator in ORBIT for more information. There is a one-time fee of \$100 for this option.

## Section 8 | Initiating Your Retirement Benefits

Once you decide to retire and meet the eligibility requirements for monthly benefits, you must follow certain steps to begin your retirement process.

**To be legally retired, you must end your employment, live until your effective date of retirement, have no intent or agreement, express or implied, to return to TSERS service and not perform any work for a TSERS employer during the six-months immediately following your effective date of retirement, except:**

- Serving as an unpaid bona fide volunteer in a local school administrative unit;
- Serving as an unpaid bona fide volunteer guardian ad litem in the guardian ad litem program;
- Serving on an authority, board, commission, committee, council, or other body of the state or of one or more counties, cities, local school administrative units, community colleges, constituent institutions of The University of North Carolina, or other political subdivisions or public corporations in the state, that is authorized to function as legislative, policymaking, quasi-judicial, administrative, or advisory body in a position that does not require membership in the retirement system;
- Volunteering in a position normally designated as an unpaid bona fide volunteer position.

Generally, if you die before your effective retirement date, your beneficiary is ineligible for a monthly retirement allowance, based on your retirement account, except as provided under the Survivor's Alternate Benefit.

### RETIREMENT APPLICATION PROCESS

Before you begin the retirement process, we encourage you to discuss your retirement plans with your family and your employer's benefits coordinator and contact the Retirement System to schedule an appointment with a retirement counselor to discuss your options.

About 120 days before your planned retirement date, we recommend you begin the [online retirement process in ORBIT](#) or the Form 6 (Claiming Your Monthly Retirement Benefit) also available in your ORBIT account.

If you work in a position that requires contributions to TSERS during the six months before your effective date of retirement (or you are currently out of service, but your last day of service with your last participating TSERS employer is within five years before your effective date of retirement, and you had unused sick leave), your employer should complete the employer certification section online or (Section H) on your Form 6 (Claiming Your Monthly Retirement Benefit) before the form is sent to us.

If you want an estimate of your benefit under Option 4, you must also send us an estimate from the Social Security Administration (SSA) of your age 62 Social Security benefit. Request this estimate from SSA within two years before your effective retirement date.

Monthly retirement benefits are effective the first day of any month. You must complete your online application, or you must sign, date and file your retirement application (Form 6) at least one day and not more than 120 days before your effective date of retirement.

Once we receive your online application or Form 6, we will send you an acknowledgment email or letter that includes instructions on your next steps in the retirement process.

**Online retirement allows for steps to be completed and confirmed online.**

If you have submitted a paper form, we will send you: Form 170 (Authorizing Direct Deposit), Form 290 (Income Tax Withholding Preferences), Form 333 (Choosing the Contributory Death Benefit for Retired Members), which includes information about the cost and coverage provisions of the optional \$10,000 Contributory Death Benefit for Retired Members. To enroll, you must make your election within 60 days of the effective date of your retirement.

Later, we will send you an estimate of the maximum allowance and the other payment options, if applicable. Along with the estimate, you will receive:

Form 6E (Choosing Your Retirement Payment Option), Form 333BEN (Designating Beneficiary(ies) for the Contributory Death Benefit for Retired Members).

We will also send you information about enrollment in the State Health Plan under the Retirement Systems, if applicable.

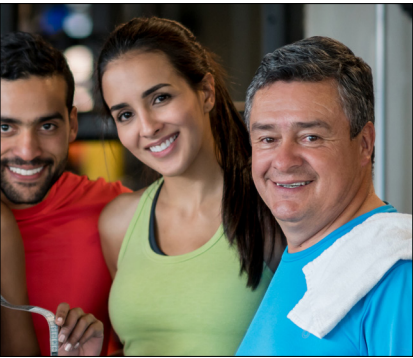
## Section 8 | Initiating Your Retirement Benefits

### YOUR FIRST MONTHLY BENEFIT

Your first monthly retirement benefit will be mailed to you. Thereafter, we will direct deposit your monthly benefit into your bank account on the 25th day of each month. If the pay date falls on a Saturday, Sunday or holiday, your deposit will be made on the last workday before the pay date. Direct deposit is fast, automatic and free.

The Retirement Systems Division calculates your monthly benefit amount based on all information available prior to your retirement date. Frequently, information available only after the retirement date, such as final salary reports from your employer, impacts the amount of the benefit. While the division makes every effort to provide the most accurate benefit amount at the beginning of your retirement period, it is required by law to adjust the benefit amount when additional information is received.

Overpayments happen for a variety of reasons, one of which is that the Retirement Systems may pay you a benefit based on an estimate.



### POST-RETIREMENT INCREASES

Post-retirement increases are not guaranteed. However, your benefit may be increased periodically after retirement to help you keep up with the cost of living. If any COLA is provided, either there must be investment gains pay for it, or there will have to be additional employer contributions to

pay for it. Those are the two ways that money comes into the Retirement Systems: contributions and investment returns. It is up to the General Assembly to decide whether to increase benefits and whether to appropriate funds to support that goal.

Cost-of-living increases are usually figured as a percentage increase in your monthly benefit, which becomes a permanent part of your monthly benefit under all payment options, and the monthly benefit to be paid to your beneficiary after your death under Options 2, 3, 6-2, and 6-3.

The NC Retirement Systems has an **online retirement** feature in ORBIT. No more filling in multiple forms by hand or waiting for the Retirement Systems Division to receive your paperwork by mail. The online application offers a step-by-step guide to move you through the process, integrated videos, examples and links available on screen at critical decision-making points and built-in pension rules that prevent delays in the processing of your retirement application. Visit [ORBIT.myNCRetirement.com](https://myNCRetirement.com) for more information.



Road map to Retirement



## Section 9 | Income Tax (Benefits)

Since July 1, 1982, your contributions have been tax-deferred. This means your contributions are deducted from your pay before taxes are calculated, and you pay taxes on them when you begin receiving monthly retirement benefits or if you elect a refund of your contributions. The following is a brief outline of current tax laws as they apply to TSERS benefits. However, because tax laws often change, we recommend you consult your tax advisor for more information.



### RETIREMENT AND DISABILITY RETIREMENT BENEFITS

After you retire, we will send you a Form 1099-R, which is similar to Form W-2 (Statement of Income and Tax Withheld), which you received annually while you were employed. The 1099-R shows the amount of your retirement benefits, the taxable portion (if any) of those benefits, the amount of tax withheld (if any), and other related information. We also send copies to the Internal Revenue Service and the North Carolina Department of Revenue. Therefore, you should report your retirement benefits on your federal and North Carolina tax returns regardless of whether you owe any income tax.

### FEDERAL INCOME TAX

Part of your retirement benefit may not be subject to federal income tax because the tax was withheld while you were working. Included in the nontaxable part of your retirement benefits are contributions you made before July 1, 1982, and any non-rollover service purchases you made.

### NORTH CAROLINA INCOME TAX

If you are a North Carolina resident and have maintained five or more years of retirement service credit as of August 12, 1989, your TSERS retirement benefit is not subject to North Carolina income tax. If you do not have five years of maintained retirement service credit as of August 12, 1989, the taxable portion of your retirement benefit is subject to North Carolina income tax.

If you are not a resident of North Carolina, you may not owe North Carolina income tax on your TSERS retirement benefit. However, you may owe state income tax in the state where you live. Contact your tax advisor, the North Carolina Department of Revenue or the Department of Revenue in your resident state for information relative to your situation. NC Retirement Systems can withhold only North Carolina income tax. We cannot withhold any other state's income tax from your monthly benefit.

We do not include itemized deductions such as health premiums, on the 1099-R. Previous calendar year deductions for health, dental, vision, etc. can be found in your secure ORBIT account.



Tax Withholding



## Section 9 | Income Tax (Returns, Purchases and Refunds)

### GUARANTEED REFUNDS AND RETURN OF CONTRIBUTIONS

In January of the year after the year you received a refund, we will send you a Form 1099-R showing the amount of your refund, the taxable portion, the amount of tax withheld (if any), and other related information. We will also send copies to the Internal Revenue Service and North Carolina Department of Revenue.

### FEDERAL INCOME TAX

You pay no federal income tax on after-tax purchases of service or on the amount you contributed before the date your employer adopted a tax sheltering resolution (if they have done so). However, the amount you contribute after the date your employer adopted a tax sheltering resolution (if they have done so) is subject to federal income tax. Also, all interest your contributions have earned is subject to federal income tax.

Federal income tax laws require withholding from the taxable portion of your refund unless that portion of your refund is directly rolled over to an eligible IRA or eligible employer retirement plan that will accept your rollover. If you do not roll over the taxable portion of your refund directly to an eligible IRA or eligible employer plan that will accept your rollover, we will withhold 20 percent of the taxable portion of your refund for federal income tax purposes. Withholding is mandatory unless the taxable portion of your refund is directly rolled over.

In addition to income tax, you may owe a 10 percent excise tax on the taxable portion of a refund received before your death, disability, or reaching age 59½. You can defer the income tax and avoid the 10 percent excise tax by rolling over the taxable portion of your refund to an eligible IRA or eligible employer plan. Consult the Internal Revenue Service, your attorney or your accountant for information relative to your situation.

### NORTH CAROLINA INCOME TAX

If you are a North Carolina resident and have maintained five or more years of retirement service credit as of August 12, 1989, your refund of TSERS contributions is not subject to North Carolina income tax. If you do not have five years of maintained retirement service credit as of August 12, 1989, the taxable portion of your refund is subject to having four percent withheld for North Carolina income tax.

### ACTIVE DEATH BENEFITS AND CONTRIBUTORY DEATH BENEFITS

Generally, your beneficiary pays no income tax on the lump-sum death benefit for active employees or the \$10,000 Contributory Death Benefit for Retirees, which are treated as life insurance benefits for tax purposes.





# Section 10 | Health Coverage in Retirement

## STATE HEALTH PLAN

You may be eligible for State Health Plan coverage under the Retirement Systems. The cost, if any, is determined by two factors: (1) when you began state employment, and (2) which health plan you select.



[SHPNC.org](http://SHPNC.org)

## Noncontributory Coverage (No premium paid by the retiree)

- Eligible retiree members retiring prior to January 1, 1985.
- Except as otherwise provided, on and after January 1, 1988, eligible retiree members must have completed at least five years of contributory (membership) retirement service with an employing unit prior to retirement from any state-supported retirement system in order to be eligible for group benefits under this Part as a retired employee or retiree. If you withdraw your service (receive a refund of your contributions) and, at a later date, become reemployed as an employee, this new start date will be considered your first hired date.
- Employees first hired on and after October 1, 2006, and members of the General Assembly first taking office on and after February 1, 2007, must have 20 or more years of retirement service credit.

## Partially Contributory Coverage (Partial premium paid by the retiree)

- Eligible retiree members retiring prior to January 1, 1985.
- Except as otherwise provided, on and after January 1, 1988, eligible retiree members must have completed at least five years of contributory (membership) retirement service with an employing unit prior to retirement from any state-supported retirement system in order to be eligible for group benefits under this Part as a retired employee or retiree. If you withdraw your service (receive a refund of your contributions) and, at a later date, become reemployed as an employee, this new start date will be considered your first hired date.
- For employees first hired on and after October 1, 2006, and members of the General Assembly first taking office on and after February 1, 2007, must have 20 or more years of retirement service credit.





### **One-Half Contributory Coverage (Half premium paid by the retiree\*)**

- Eligible retiree members with 10 years but less than 20 years of retirement service credit provided the employees were first hired on or after October 1, 2006, and General Assembly Members first taking office on or after February 1, 2007.

\*The state shall pay fifty percent (50%) of the Plan's total employer premiums. Individual retirees shall pay the balance of the total premiums not paid by the state, unless prohibited by law.

### **Fully Contributory Coverage (Full premium paid by the retiree)**

- Eligible retiree members with less than 10 years of retirement service credit, provided the employees were first hired on or after October 1, 2006, and the members first took office on or after February 1, 2007.

In all cases, if you choose coverage for your dependents, you must pay the full cost of dependent coverage. For additional information, see "Guidance on State Health Plan Changes for Teachers' and State Employees' Retirement System," on our website.

NOTE: Members hired on or after January 1, 2021, are not eligible to receive retiree medical benefits.

Your coverage begins on the first day of the month following your effective date of retirement.

For example, if your effective date of retirement is January 1, your coverage in the retiree group plan will begin on February 1.

When you (or your covered dependents) become eligible for Medicare, you must elect both Parts A (Hospital) and B (Medical) in order to maintain the same level of coverage you received before retirement.

### **Optional Supplemental Insurance (Dental, Vision & Identity Theft Protection)**

Optional supplemental insurance coverage is available to retirees and benefit recipients through Pierce Insurance Agency. Pierce will mail information to you after your first retirement benefit has been issued.



**Supplemental Insurance**

# Section 11 | Disability Benefits

## DISABILITY INCOME PLAN OF NORTH CAROLINA (DIPNC)

If you become disabled while serving as a permanent employee under TSERS or the Optional Retirement Program (ORP), and you meet certain eligibility requirements, DIPNC provides you with monthly replacement income in the form of short-term, extended short-term and long-term disability benefits. Your employer pays for your DIPNC coverage. For more information on DIPNC benefits, see the Disability Income Plan of North Carolina Benefits Handbook on our website at [www.myNCRetirement.com](http://www.myNCRetirement.com).

The handbook includes examples of how DIPNC benefits are calculated and describes how to apply for benefits. It also explains required offsets for other disability benefits, excess earnings offsets, health coverage, Medical Board re-examination, income tax, beneficiary payments if you die while receiving DIPNC benefits and when you convert to a service retirement benefit.

## TSERS DISABILITY BENEFIT

If you earned and maintained five or more years of membership service with TSERS before January 1, 1988, you may be eligible to receive disability retirement benefits instead of DIPNC benefits. Your eligibility is based upon approval by the Medical Review Board and is based in part on the amount of service that you would have earned had you been able to work until you otherwise would have been eligible for an unreduced service retirement benefit.

If you earned and maintained five or more years of membership service with TSERS before July 1, 1982, you may be eligible to receive disability retirement benefits instead of DIPNC benefits based in part on the amount of service that you would have earned had you been able to work until age 65. In either case, if you earned and maintained five or more years of membership service with TSERS before January 1, 1988, and subsequently become disabled, as approved by the Medical Review Board, you may elect either to receive DIPNC benefits or TSERS disability retirement benefits and you are eligible for State Health Plan coverage and the state will pay the Retirement Systems' share of the premium.

If you are eligible for and you elect to receive disability retirement benefits, your benefit under the maximum allowance will be calculated using the same formula as a service retirement benefit. Under disability retirement, you may choose any payment option except Option 4. If you choose a survivorship option, it will be calculated using disability reduction percentages



Disability Retirement



## Section 12 | Returning to Work After Retirement



**To be legally retired, you must end your employment, live until your effective date of retirement, have no intent or agreement, express or implied, to return to TSERS service and not perform any work for an TSERS employer during the six months immediately following your effective date of retirement.**



If you work in any capacity for an employer under TSERS after you have officially retired and are receiving monthly benefits, you will be subject to the return-to-work provisions described below which may limit your earnings or require you to re-enroll as a contributing member of TSERS.

You will be subject to return-to-work provisions based on the nature of the particular work you perform for a TSERS employer, regardless of your job classification or your technical employment status (which may include being assigned to work for a TSERS employer by a private company such as a temporary staffing agency). As an active TSERS employee, you may not establish an agreement for post-retirement employment with a TSERS employer.

### THE REQUIRED SIX-MONTH BREAK GUIDELINES

You must complete separation from active service with no intent or agreement, express or implied, to return to service and begin receiving monthly retirement benefits.

During the six months immediately following your retirement date, to avoid a financial penalty, you cannot work for a TSERS employer in any capacity, except as one of the following:



- Serving as an unpaid bona fide volunteer in a local school administrative unit;
- Serving as an unpaid bona fide volunteer guardian ad litem in the guardian ad litem program;
- Serving on an authority, board, commission, committee, council, or other body of the state or of one or more counties, cities, local school administrative units, community colleges, constituent institutions of The University of North Carolina, or other political subdivisions or public corporations in the state, that is authorized to function as legislative, policymaking, quasi-judicial, administrative, or advisory body in a position that does not require membership in the retirement system;
- Volunteering in a position normally designated as an unpaid bona fide volunteer position.



Return To Work

## Section 12 | Returning to Work After Retirement

### SIX-MONTH BREAK IN SERVICE REQUIRED

In order for your retirement to be effective, you must perform no work for a TSERS employer including part-time, temporary, substitute or contractor work at any time during the six months immediately following the effective date. If you return to work before the required six-month break in a position that requires contributions to TSERS, then your retirement will be canceled and you will be required to repay the retirement payment and health plan benefits you received. If you return to work for a TSERS employer before the required six-month break in a position that does not require contributions to TSERS, then you will be required to pay an amount that is calculated based on one of the following conditions:

- You will be deemed to have retired the month after the month you performed services for the TSERS employer and repay all retirement benefits received until that date (the new retirement date must be after you have satisfied a six-month break in service); or
- You will be required to make a lump sum payment to TSERS equal to three times the compensation earned during the six-month period immediately following the effective date of your retirement.
- You will be required to pay the lesser of these two amounts as determined by the Retirement System.

### WORKING AFTER A SIX-MONTH BREAK WITH A TSERS MEMBERSHIP

After the required six-month break, you may return to work in a position that requires membership in TSERS. Your

retirement benefit will be suspended on the first day of the month following the month of your reemployment, and you will again become a contributing TSERS member in the month in which you are restored to membership service. (Your TSERS retirement benefit will also be suspended if you return to membership service under CJRS.)

**If you return to service and contribute to TSERS for at least three additional years**, at the time you end your second period of employment, you can choose one of the following options for your benefit:

- You can combine your service from your first and second periods of employment to create one monthly retirement benefit. You can change the retirement payment plan and/or beneficiary you selected at the time of your original retirement. If you selected Option

4 for your first retirement, we must actuarially adjust benefits when you retire again.

- You can reinstate your first retirement account and withdraw your contributions only from your second account.

**If you return to service and contribute to TSERS for less than three additional years**, at the time you end your second period of employment, your first retirement benefit will be reinstated. You can choose one of the following options for your second retirement account:

- You can apply to receive a second monthly benefit based on your second period of employment.

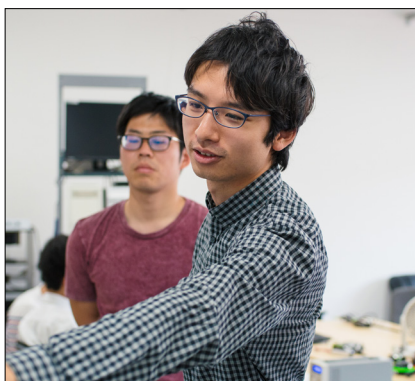
### WORKING AFTER A SIX-MONTH BREAK WITHOUT A TSERS MEMBERSHIP

After the required six-month break, if you return to work with a TSERS employer in a position that is not eligible for TSERS membership, your earnings will be restricted to the greater of the following:

- \$37,240 (2022 amount)
- 50 percent of your gross 12-month pre-retirement salary (excluding termination payments)

The dollar figure is adjusted annually according to the Consumer Price Index. These earnings restrictions apply for the 12 months immediately following your retirement and for each calendar year.

## Section 12 | Returning to Work After Retirement



### OVERPAYMENTS

An overpayment of benefits means you have received a larger benefit than you were entitled to receive. Statutory provisions require us to recover overpayments. This includes, but is not limited to, the following methods of recovery:

- Deductions from a monthly benefit;
- Monthly payment remittal;
- Lump-sum payments;
- Repayment from the NC Department of Revenue through the interception of tax refunds or potential lottery winnings;
- Deductions from an active payroll check (required if you are employed by a TSERS employer and have received an overpayment from TSERS)

### UNDER THE LEGISLATIVE OR CONSOLIDATED JUDICIAL SYSTEMS

If you are a TSERS retiree who is re-employed under CJRS, a CJRS retiree re-employed under TSERS, or an LRS retiree re-employed under TSERS, return-to-work laws may require a suspension of benefits or may limit the amount you can earn without penalty. Please contact the North Carolina Retirement Systems for information on provisions that apply to you.

### EXCEEDING YOUR EARNINGS LIMITATIONS

If you exceed your earnings limitations, your retirement benefit will be suspended on the first day of the month following the month in which you exceeded the limit for the remainder of the calendar year.

Your retirement payment will start again on January 1 of the year after your benefit is suspended. If your earnings exceed the allowable amount in the month of December, your benefit will not be suspended.

**If your retirement benefit is suspended, your State Health Plan coverage under the Retirement Systems will also be suspended.**

When your retirement benefit is restored, your health coverage under the Retirement Systems will be reinstated on the first of the month following the month your retirement benefit is restored.

### AFTER RECEIVING DISABILITY

If you are in receipt of a monthly disability benefit from TSERS, and accept public or private employment, contact our office for information on provisions that apply to you. For additional information, please see the Disability section on our website at [www.myNCRetirement.com](http://www.myNCRetirement.com).

### EFFECTS ON HEALTH COVERAGE

Before you accept reemployment with a TSERS employer, ask your new employer whether the employment will affect your health plan coverage, and if the reemployment will cause:

- Your State Health Plan coverage under the Retirement Systems to be suspended.
- You to qualify for State Health Plan active group coverage and whether you will qualify for the state's contribution toward your coverage.



## Section 13 | Death Benefits (Active)

### ACTIVE EMPLOYEE DEATH BENEFITS

Although TSERS' primary purpose is to provide retirement income, we recognize that some employees will not live to enjoy their retirement benefits. For that reason, TSERS protects your beneficiary(ies) should you die before retiring with the death benefits described below.

### RETURN OF CONTRIBUTIONS

After your death, your beneficiary will receive a return of your contributions plus interest at four percent compounded annually on your prior year ending balance, through your date of death. This is a lump-sum payment. If you meet certain eligibility requirements, a monthly Survivor's Alternate Benefit may be paid to your beneficiary instead of a return of contributions if you have only one eligible beneficiary living at the time of your death.

### SURVIVOR'S ALTERNATE BENEFIT

Provided you have not retired, the monthly Survivor's Alternate Benefit may be payable if you have only one eligible beneficiary for the return of your contributions living at the time of your death and you die while in active service or within 180 days of your last day of service after meeting one of the following conditions:

- You complete 20 years of creditable service (not including credit for unused sick leave) regardless of age.
- You reach age 60 with five years of creditable service.

If you do not meet one of these two conditions, your beneficiary(ies) will be able to receive only a return of your contributions.

The Survivor's Alternate Benefit does not apply if you have two or more eligible principal beneficiaries for the return of contributions living at the time of your death, if your estate or living trust is your eligible beneficiary at the time of your death, or if you have retired.

This lifetime monthly benefit payable to your beneficiary equals the amount you would have been entitled to receive under Option 2 had you survived and retired on the first of the month following your death.

### LUMP-SUM DEATH BENEFIT FOR ACTIVE EMPLOYEES

If you die while still in active service after one year as a contributing member, your beneficiary will receive a lump-sum payment equal to your highest salary for 12 consecutive months during the 24 months before you die. The lump-sum payment will be at least \$25,000 but no more than \$50,000 and is also paid if you die within 180 days of your last day of service provided you have not withdrawn your contributions.

The death benefit is in addition to any other benefits to which your beneficiary(ies) may be entitled. For this death benefit, you may name the same or a different beneficiary(ies) than the one(s) you named to receive the return of contributions.

If you are a public safety worker and die while in the line of duty, your beneficiary also may be entitled to a \$100,000 line-of-duty death benefit. This lump sum benefit is administered jointly by the North Carolina Industrial Commission and the Department of State Treasurer.





## Section 13 | Death Benefits (Retiree)

### RETIREE DEATH BENEFITS

As a TSERS retiree, certain death benefits may be payable as described below.

#### GUARANTEED REFUND

You are automatically eligible for the Guaranteed Refund when you choose a payment option. Under the Guaranteed Refund provision, if you and your monthly survivor beneficiary (if any) both die before the total of all monthly payments equals the amount of your contributions and interest, the balance of your contributions and interest will be paid in one lump sum to another beneficiary(ies).

The Guaranteed Refund also covers any purchases you made for additional creditable service after retirement. You may name one or more beneficiaries for the Guaranteed Refund, and you may change your beneficiary selection(s) as often as you like. However, the beneficiary you choose for the Guaranteed Refund cannot be the same as your monthly survivor beneficiary.

#### OPTIONAL \$10,000 CONTRIBUTORY DEATH BENEFIT

When you retire, you can choose the Contributory Death Benefit for Retired Members online in your ORBIT account or by filling out Form 333BEN (Designating Beneficiary(ies) for the Contributory Death Benefit for Retired Members). To enroll, you must make your election within 60 days of the effective date of your retirement. If you enrolled in the optional \$10,000 Contributory Death Benefit for Retired Members and your death occurs on or after the first day of the month following the 24th month of coverage, a lump-sum payment of \$10,000 will be paid to your designated beneficiary(ies). If no beneficiary has been designated, the benefit will be paid to your spouse, or legal representative if you are not survived by a spouse. If your death occurs before the first day of the month following the 24th month of coverage, the amount payable will be equal to your premiums plus interest.

#### CONTINUATION OF MONTHLY BENEFITS UNDER SURVIVOR OPTIONS

If you choose one of the survivor options (Options 2, 3, 6-2 and 6-3), your survivor beneficiary will receive a monthly lifetime benefit after your death.

NOTE: During the month a retiree or beneficiary dies, the legal representative of the deceased retiree or beneficiary is entitled to a full check for the month the death occurred, but is not entitled to any further monthly payments, except as provided under Options 2, 3, 6-2, and 6-3. It is a Class 1 Misdemeanor for a person to fraudulently receive the retirement benefit of a deceased retiree or beneficiary after the recipient's death.

---

#### REPORT A MEMBER DEATH

During a time of loss and grieving, there are steps that beneficiaries and family members must take to ensure that the law is followed as it relates to member retirement benefits. The first step is to notify our office as soon as possible. We offer an easy online form to report a death to the Retirement Systems Division.



**Report a Member Death**

## Section 14 | Administration & Funding

### ADMINISTRATION

TSERS is administered by the [Board of Trustees](#), whose members are:

State Treasurer Dale R. Folwell, CPA, Chair  
James Anthony Jr.  
Lentz Brewer  
John Ebbighausen  
Vernon Gammon  
Dirk German  
Barbara Gibson  
Linda Gunter  
Oliver Holley  
Margaret Reader  
Joshua Smith  
Catherine Truitt  
Jeffrey Winstead



### ASSETS

The State Treasurer is the custodian of TSERS assets and serves as the Chief Investment Officer.

Equity assets (e.g., common stock, preferred stock, and debentures convertible into common stock) are invested in conjunction with policies adopted by the Investment Advisory Committee. Committee members are:

State Treasurer Dale R. Folwell, CPA, Chair  
John Aneralla  
Lentz Brewer  
Loris Colclough  
Michael Mebane  
Greg Patterson

---

### FUTURE OF THE SYSTEM

The state expects to continue the Teachers' and State Employees' Retirement System indefinitely; however, because future conditions are unforeseeable, the North Carolina General Assembly may modify the provisions of the system.

### SYSTEM DOCUMENTS

This handbook summarizes the main features of the Teachers' and State Employees' Retirement System of North Carolina. The official text governing the operations of the system and the payment of all benefits is found in Chapter 135 of the General Statutes and Title 20 of the North Carolina Administrative Code.

### CONTRIBUTIONS

Members currently contribute six percent of gross salary each month to TSERS.

For the fiscal year ending June 30, 2022, employers will contribute 15.74 percent of the gross payroll of members each month to TSERS for benefits.

# Section 14 | Administration & Funding

## FUNDED STATUS & RATIO

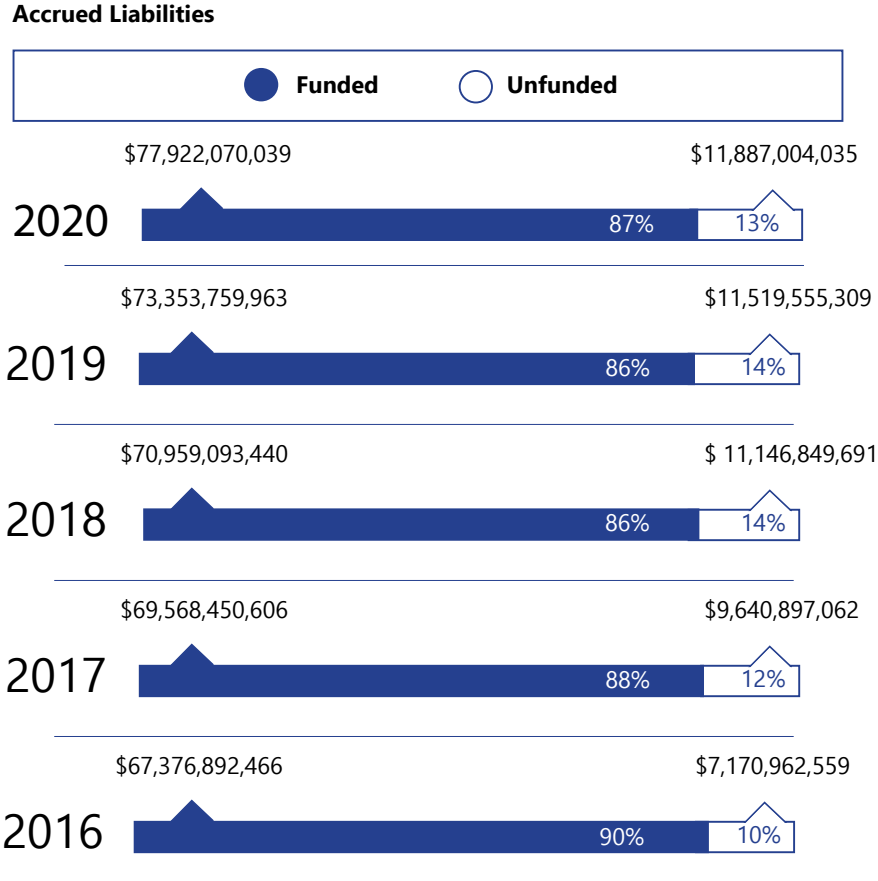
The Teachers’ and State Employees’ Retirement System has received several awards and recognitions for being a well-funded pension system. S&P Global named the NC Retirement Systems as one of the Top 5 Best Funded in the country in 2017. More recently, Moody’s Investors Service reported that North Carolina’s Retirement Systems, which includes state and local employees, is the best funded in the nation when looking at its Adjusted Net Pension Liability.

Additionally, a “stress test” by The Pew Charitable Trusts concluded that North Carolina’s state pension fund is well-positioned to maintain solvency during tough economic times. We continue to be labeled as “actuarially sound” because of the consistent use over the years of:

- Actuarial assumptions based on experience;
- An approved actuarial funding method;
- The recognition of all promised benefits in the actuarial liabilities.

A generally accepted measure of the soundness of any retirement system is to relate the total assets to the total accrued liabilities. This determines the funded ratio or percentage of the system. The total of the accrued liabilities is found by adding the total assets and the unfunded accrued liabilities.

The chart below shows the assets and unfunded liabilities for the past several years, as of December 31 of each year, and the funded ratio of the Teachers’ and State Employees’ Retirement System (the percentage of the assets to the total accrued liabilities).



## Section 15 | Resources and Contacts



The North Carolina Department of State Treasurer created ORBIT to allow members convenient access to their retirement account information 24 hours a day, seven days a week. This secure site enables you to view your personal information, account information and other relevant details specific to your retirement system account.

**When creating your account, the Retirement Systems Division requires that you use your personal email address so you have continued access to email security questions. If you already have an account and use your work email, we recommend logging in and changing this to your personal account.**

### In ORBIT, ACTIVE employees are able to:

- Retire online
- View contribution history
- View service credit history
- View retirement estimates
- Designate and maintain beneficiaries
- View service purchase cost estimates
- View NC 401(k)/NC 457 Plan Transfer Benefit estimates

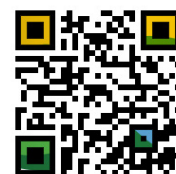
### In ORBIT, RETIREES are able to:

- Maintain direct deposit
- Maintain tax withholdings
- View and download 1099-R tax forms
- Generate income verification letters
- Update their contact information



To access ORBIT, go to our website at [www.myNCRetirement.com](http://www.myNCRetirement.com), click on the ORBIT icon and follow the instructions to log in to your personal ORBIT account.

1. Register for ORBIT via the Register button on the login page
2. Follow the prompts for registration
3. Access ORBIT using the User ID and Password that you created



[ORBIT.myNCRetirement.com](http://ORBIT.myNCRetirement.com)



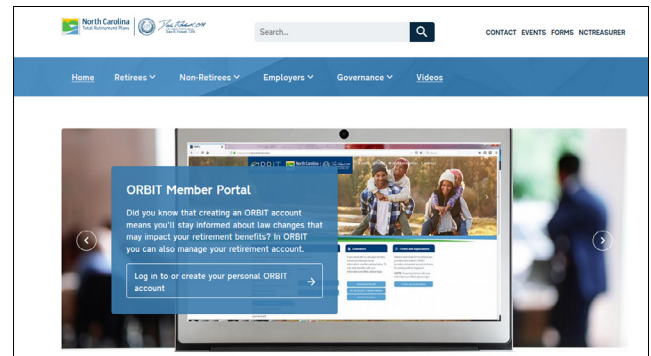
# Section 15 | Resources and Contacts

## WEB-BASED RESOURCES

 [www.myNCRetirement.com](http://www.myNCRetirement.com)

Visit our website to:

- View and download retirement benefits handbooks
- See Frequently Asked Questions
- Learn about North Carolina Supplemental Retirement Plans – NC 401(k) and NC 457 Plans
- Review the retirement checklist
- Use our service purchase estimator
- Use our benefit estimators
- Learn about retirement planning resources
- Log into your personal ORBIT account



## Contact Us



919-814-4590

Fraud and Abuse Hotline 1-855-903-7283

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



Teachers' and State Employees' Retirement System

Department of State Treasurer

3200 Atlantic Avenue

Raleigh, North Carolina 27604

Please call or email our office to schedule an appointment.



[nc.retirement@nctreasurer.com](mailto:nc.retirement@nctreasurer.com)



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

### Office hours

in-person deliveries and appointments  
Monday - Friday, 8:00 am - 5:00 pm

### Call Center hours

Monday - Friday, 8:30 am - 4:30 pm  
(closed 11:30 am - 12:30 pm)

**For up to date information on availability and hours, please visit [myNCRetirement.com](http://myNCRetirement.com).**

## Section 16 | Glossary of Terms

### **ACTUARY**

A business professional with expertise in the fields of economics, statistics and mathematics who compiles and analyzes statistics in order to calculate financial risks and reserves.

### **AVERAGE FINAL COMPENSATION**

The average of your salary during your four highest-paid years in a row

### **CJRS**

Consolidated Judicial Retirement System

### **CONSUMER PRICE INDEX**

A national measure of increase in the cost-of-living from one year to the next

### **CREDITABLE SERVICE**

The total of all service credit that counts toward retirement.

### **DEFINED BENEFIT PLAN**

Teachers' and State Employees' Retirement System, your North Carolina pension plan

### **LGERS**

Local Governmental Employees' Retirement System

### **LRS**

Legislative Retirement System

### **MEMBERSHIP SERVICE**

Service you earned while an active employee contributing to TSERS that has not been withdrawn.

### **ORBIT**

The secure website for tracking and maintaining your retirement account

### **OVERPAYMENT**

Payment to a benefit recipient in excess of what the benefit recipient is entitled to receive

### **RETIREMENT**

Retirement marks the beginning of monthly retirement benefits and the complete separation from active service for vested employees with no intent or agreement, express or implied, to return to service.

### **TEMPORARY EMPLOYMENT**

Employment for a limited term which does not exceed 12 consecutive months on a non-recurring basis for an TSERS employer.

### **TSERS**

Teachers' and State Employees' Retirement System

### **VESTING**

Having the right, after you have a minimum of five years of TSERS creditable service, to apply for lifetime monthly retirement benefits once you meet all retirement eligibility requirements, provided you do not withdraw your contributions.



**Terms & Definitions**

## RETIREMENT PLANNING CONFERENCES

The Department of State Treasurer Retirement Systems Division conducts retirement conferences for members.

The conferences provide an orientation for new members, pre-retirement planning information for members closer to retirement, and educational information for personnel officers and others who handle retirement matters. A representative from the State Health Plan is on hand to answer questions about health coverage for eligible retirees. In addition, Prudential Retirement, our third-party administrator, also offers information on the NC 401(k) and NC (457) Plans at the conferences.

Registration is required for Retirement Planning Conferences or webinars.



Upcoming Events



Teachers' and State Employees' Retirement System (TSERS)



Local Governmental Employees' Retirement System (LGERS)



Consolidated Judicial Retirement System (CJRS)



Legislative Retirement System (LRS)



Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF)



NC National Guard Pension Fund (NCNGPF)



Register of Deeds' Supplemental Pension Fund



View all Member Handbooks



Discover the North Carolina Retirement Systems & Funds



**North Carolina**  
Total Retirement Plans



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

**myNCRetirement.com**