

# TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM

## YOUR RETIREMENT BENEFITS



**Member  
Handbook**



**North Carolina**  
Total Retirement Plans

Department of State Treasurer  
Raleigh, NC  
Revised January 2016



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NORTH CAROLINA  
**DEPARTMENT OF STATE TREASURER**  
RETIREMENT SYSTEMS DIVISION  
NORTH CAROLINA TOTAL RETIREMENT PLANS

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STEVEN C. TOOLE  
DIRECTOR



Welcome to the North Carolina Teachers' and State Employees' Retirement System!

The Teachers' and State Employees' Retirement System (TSERS) is administered by the Department of State Treasurer along with the other retirement systems and plans for North Carolina public employees which are collectively referred to as the North Carolina Total Retirement Plans. We are committed to providing you with information to help you make informed decisions about your financial future. I encourage you to become familiar with the benefits outlined in this booklet that are available to you as a member of TSERS.

Many financial experts suggest that individuals will need a monthly income in retirement equal to 80% of their pre-retirement pay. When planning for a secure retirement, I encourage you to consider not only your TSERS benefits, but also your Social Security benefits and your personal savings (including saving through the NC 401(k), NC 457, and NC 403(b) Plans).

I also encourage you to visit our website, [www.myncretirement.com](http://www.myncretirement.com), for retirement resources, and to register on ORBIT, your safe and secure online access to your personal retirement account information. You can also contact the North Carolina Total Retirement Plans if you have additional questions. Our customer service representatives can assist with the status of an application or answer questions about retirement, disability and death benefits.

Thank you for your service to North Carolina.

Sincerely,

A handwritten signature in black ink that reads "Janet Cowell".

Janet Cowell



1-877-627-3287 Toll-free



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

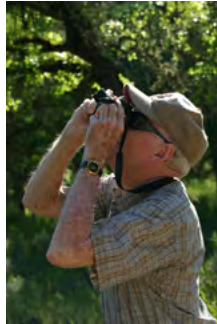
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DISCLAIMER: The availability and amount of all benefits you might be eligible to receive is governed by North Carolina law. The information provided in this handbook cannot alter, modify or otherwise change the controlling North Carolina law or other 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 1: About Your Retirement System

*You and the state share the cost of providing your TSERS benefits.*



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. Terms and phrases in **bold type** are defined in [Section 16 – Glossary of Terms](#).

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 6% of your compensation, and 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 for fiscal year 2015-2016 is 15.32% of all members' salaries to pay for the benefits for you and other members.

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. Thus, your current taxable income is lowered and the amount of annual taxes you pay is less than if you made contributions after paying taxes. [See pages 27 and 28](#) for more information about your tax liability on benefits.

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 is a secure site that allows you to view your personal account information, download retirement forms, and access retirement resources 24 hours a day, 7 days a week. To log into your personal ORBIT account, go to our website at [www.myncretirement.com](http://www.myncretirement.com), click on the ORBIT icon and follow the log-in instructions. [See page 40](#) for more information about ORBIT.



*View your account information and download forms in ORBIT.*

## 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 9 months per year.
- A permanent employee of a charter school that participates in TSERS, and you work at least 30 hours per week for 9 months per year.

You may join an optional retirement program 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

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, you should name beneficiary(ies) to receive a return of your retirement contributions and a death benefit, should you die before retirement. To designate beneficiaries, complete:

- Form 2RC (Designating Beneficiary(ies) for Retirement System Return of Contributions)
- Form 2DB (Designating Beneficiary(ies) for the Death Benefit)

### • Forfeiting Eligibility for Criminal Offenses

Effective July 1, 2007, elected government officials will forfeit their right to a monthly benefit from TSERS if convicted of certain state or federal offenses involving public corruption.

Effective December 1, 2012, 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.

*To designate beneficiaries, complete Forms 2RC and 2DB found in ORBIT.*



## Section 3: Qualifying for Benefits

[See page 41](#) for definitions of membership and creditable service.



### Vesting

You become vested in TSERS once you have completed a minimum of 5 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 your contributions. You may also be eligible for retiree health coverage. [See page 30](#) for more information on health coverage.

### Service Retirement (Unreduced Benefits)

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

- Reach age 65 and complete 5 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 5 years of membership service

Your early retirement benefit is calculated using the same formula as a service retirement benefit multiplied by a reduction 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. The tables on [page 11](#) show the effects these reductions would have on your benefit.

### Vested Deferred Benefit

If you leave TSERS for any reason other than retirement or death, you can either receive a refund of your contributions and interest, or leave your contributions in TSERS and keep all the creditable service you earned to that date.

You may be entitled to apply to receive a deferred benefit at a later date once you meet eligibility requirements after you have completed 5 years of membership 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. [See page 30](#) for information regarding retiree health coverage.

*To receive a refund, complete Form 5, found in ORBIT.*

*Credit in other North Carolina retirement systems may be counted along with your TSERS credit to determine retirement eligibility.*

*To request a Form 5TR, please contact our office.*

## Refund of Contributions

If you leave TSERS before you have 5 years of membership 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 covered employment. Once you receive a refund of your contributions, you waive any rights to your former employer's contributions or any other benefit from TSERS, including possible coverage through the State Health Plan.

Set by state law, the interest credited on your contributions and paid with a refund is 4% compounded annually on your prior-year ending balance.

To receive a refund, complete Form 5 (Withdrawing Your Retirement Service Credit and Contributions).



## Reciprocity Between Retirement 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 (LRS)
- Consolidated Judicial (CJRS)
- Local Governmental Employees' (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, any service credit you have in the Optional Retirement Program may be added to your creditable service in TSERS in order to determine eligibility for benefits from TSERS.

## 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).

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 retiree group coverage under the State Health Plan. For more information about the State Health Plan, [see page 30](#).

After completing 5 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.

### **Required Distributions After Age 70 1/2**

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 70 1/2 or ceases to be an employee, whichever is later. Members who are vested (5 or more years of membership 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.



## Section 4: How Your Benefit is Calculated

### Retirement Formula

Your annual benefit =

*1.82% of average final compensation*

*X*

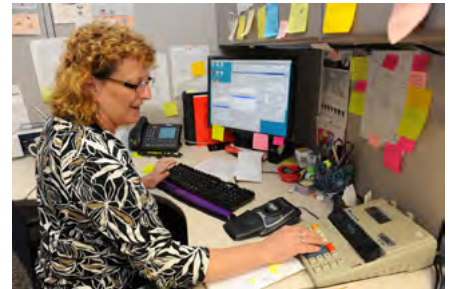
*years and months of creditable service*

**Average final compensation** is the average of your salary during your four highest-paid years 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 during which 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. [See pages 18-21](#) for more details.

### Service Retirement Calculation Example

Assume employee Mary Benson works for 10 months per year and retires at age 60 with 32 years and 2 months of creditable service and an average final compensation of \$32,300. Because Mary has more than 30 years of creditable service at retirement, she receives her basic benefit of about \$18,929 a year (about \$1,577 monthly) for the rest of her life under the maximum allowance. Monthly payments would stop at her death. In addition, Mary may also be eligible for Social Security benefits as early as age 62.



*You can create your own retirement estimate by logging into your personal ORBIT account.*

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.

**TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM**

At Service Retirement	Mary	You
<b>Step 1</b> Add your salary during your 4 highest-paid years in a row.	\$30,600 31,700 32,900 <u>+ 34,000</u> \$129,200	\$    \$ _____
<b>Step 2</b> Divide Step 1 by 4 to get average final compensation.	\$32,300	\$ _____
<b>Step 3</b> Multiply Step 2 by .0182 to apply formula.	\$32,300 <u>x .0182</u> \$587.86	\$ <u>x .0182</u> \$ _____
<b>Step 4</b> Determine creditable service ( <a href="#">see pages 18-21</a> ).	32.2 years	
<b>Step 5</b> Multiply Step 3 by Step 4 to determine your annual retirement benefit.	\$587.86 <u>x 32.2</u> \$18,929.09	\$ <u>x _____</u> \$ _____
<b>Step 6</b> Divide Step 5 by 12 to get monthly maximum allowance.	\$1,577.42	\$ _____

### Early Retirement Calculation Example

Assume employee Fred Wise works 12 months per year and retires at age 61 with 24 years and 3 months of creditable service and an average final compensation of \$32,300.

Here is how we calculate his benefit:

\$ 32,300	(average final compensation)
<u>x .0182</u>	
\$ 587.86	
<u>x 24.25</u>	(creditable service)
\$ 14,255.61	

Now apply the early retirement reduction percentage from the chart on [page 11](#).

\$ 14,255.61	
<u>x .88</u>	(percentage at age 61)
\$ 12,544.94	

Fred receives a benefit under the maximum allowance of about \$12,544 a year (about \$1,045 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 \$11,404 a year (about \$950 a month). His payment will start at age 59 and continue for the rest of his life. In addition, Fred may also be eligible for Social Security benefits as early as age 62.

### Early Retirement Reduction Percentages

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.

*Early retirement benefits are calculated using the same formula as a service retirement benefit multiplied by a reduction percentage based on your age and/or service at early retirement.*

<u>If you are this age when payments start</u>	<u>You receive this percentage of your benefit</u>
64	97%
63	94%
62	91%
61	88%
60	85%

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

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 below.

Creditable Service										
Age	29	28	27	26	25	24	23	22	21	20
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%

## Examples of Benefits Paid

The following chart shows the approximate monthly benefit paid under the maximum allowance 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.

Monthly Retirement Benefit Under Maximum Allowance					
Average Final Compensation	Age	50	55	60	N/A
	Service	20	28	25	30
	\$80,000	\$1,213	\$3,057	\$3,033	\$3,640
	70,000	1,061	2,675	2,654	3,185
	60,000	910	2,293	2,275	2,730
	55,000	834	2,102	2,085	2,502
	50,000	758	1,911	1,895	2,275
	45,000	682	1,719	1,706	2,047
	40,000	606	1,528	1,516	1,820
	35,000	530	1,337	1,327	1,592
	30,000	455	1,146	1,137	1,365
	25,000	379	955	947	1,137

## Benefit Limitations

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

- Contribution-Based Benefit Cap**

If you retire on and after January 1, 2015, with an average final compensation (AFC) of \$100,000 or higher, you may fall under a contribution-based benefit cap. This cap was created to control the practice of “pension spiking,” in which your compensation significantly increases in your 4-year AFC period to create a benefit which is significantly greater than the contributions paid by you and your employer would fund. If your retirement allowance has been capped and is subject to an adjustment, TSERS will notify you and 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 before January 1, 2015, your last employer will be required to pay the additional amount. 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 may choose either to pay the amount or you may accept a benefit reduced to the benefit cap.

- **IRC Section 415(b) Annual Pension Benefit Limit**

If you are a highly compensated employee (i.e., generally earning more than \$180,000 annually), your TSERS benefits may be subject to the Internal Revenue Code (IRC) section 415(b) annual pension benefit limit. In 2013, the General Assembly enacted legislation which established a Qualified Excess Benefit Arrangement (QEBA) fund to pay the remaining portion of the pension benefit in excess of the limit. Due to sunset legislation enacted in 2015, QEBA will not be available for retirees with retirement effective dates on or after August 1, 2016. This means that TSERS benefits for members who retire on and after August 1, 2016, will be subject to the IRC limit. Please see the [fact sheet](#) on our website for more information.



## Section 5: Your Benefit Payment Options

*Choose your payment option carefully; you can change it only under specific circumstances.*

*All payment options include the Guaranteed Refund.*

At retirement, you must elect one of the payment options described below. On average, the payment options are mathematically equal to one another. That is, each option is calculated so that its total value is the same as the value of the other options if you and the beneficiary you name (if any) to receive a monthly payment after your death live your expected life spans.

First, decide whether you need a payment option that provides a monthly benefit to a beneficiary after your death. If you do not select such an option, 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.

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 3 years.

Your retirement benefit comes with a Guaranteed Refund. This means that should 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 this beneficiary(ies) as often as you like. However, the beneficiary you choose for the Guaranteed Refund cannot be the same as your monthly survivor beneficiary.

*The Maximum Allowance and Option 4 provide monthly benefits that stop at your death, with no monthly survivor beneficiary.*

*Options 2, 3, 6-2, and 6-3 provide a monthly benefit to your survivor beneficiary after your death.*

- **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 9](#). 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 maximum 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.
- After you die, 1/2 of your payment continues to your monthly survivor beneficiary for life.

- **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 following 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 us to recover the inflated amounts you received before age 62. Therefore, on average, the inflated amounts you receive before age 62, together with the reduced amounts you receive after age 62, are equal in value to the other payment options over your life expectancy.

Contact the Social Security Administration for information on applying for benefits and the date that your first age 62 Social Security benefit will be paid to you. Your TSERS benefit under Option 4 will be reduced in the month following the month of initial entitlement for Social Security age 62 benefits.

Any percentage increase you are granted in your retirement benefit before age 62 will be applied to the inflated 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.

- **Option 6-2: Modified Joint & Survivor (combination Maximum Allowance and Option 2)**

- You receive reduced monthly payments for life.
- 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 Maximum Allowance and Option 3)**

- You receive reduced monthly payments for life.
- After you die, 1/2 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.

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 3 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. You must file this redesignation with TSERS within 120 days of your remarriage. Your new benefit will be reduced on the basis of 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.

*You can change your monthly survivor beneficiary under Options 2, 3, 6-2, and 6-3 only under specific circumstances.*

### Example of Payment Options

Assume John Murphy has earned a service retirement benefit under the maximum allowance of \$1,000 a month. He wants to share his benefit with his wife, 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.

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.

Payment Option	To John	To Pam After John's Death
<b>Maximum Allowance</b>	\$1,000 monthly	\$0.00
<b>Option 2</b>	\$889.70 monthly	\$889.70 monthly
<b>Option 3</b>	\$941.60 monthly	\$470.80 monthly
<b>Option 4*</b>	\$1,402.84 up to age 62, \$767.84 thereafter	\$0.00
<b>Option 6-2</b>	\$882.60 monthly; if Pam dies before John, he receives \$1,000 monthly thereafter	\$882.60
<b>Option 6-3</b>	\$937.70 monthly; if Pam dies before John, he receives \$1,000 monthly thereafter	\$468.85
*Assumes John's primary Social Security benefit is \$635 a month at age 62.		

## 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 sick leave credit, military service credit, and certain types of purchased service credit, which are described below.

- **Sick Leave**

Unused sick leave, including eligible sick leave converted from excess vacation, 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 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 5 years before your TSERS effective date of retirement.

When you retire, you are allowed 1 month of credit for each 20 days of unused sick leave. For any part of 20 days left over, 1 additional month is allowed provided the remaining portion is at least 1 hour.

A sick leave “day” is determined by your employer’s sick leave accrual policy and may or may not be equal to 8 hours. For example, assume John Smith earns 1 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 1 day of unused sick leave, rather than 1.5 days. In another example, assume Mary Brown earns 1 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 1 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



*On your retirement application (Form 6), your last employer will certify the amount of your unused sick leave.*



regardless of age, 25 years of service after age 60, and 20 years of service after age 50. Sick leave does not count toward eligibility for retiree health coverage.

- **Military Service**

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 2 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 2 years after your military duty.

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 5 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.

- **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.

Before you are eligible to pay for this service, you must be rehired and contribute to TSERS for 5 years or have a combination of 5 years of current membership service in CJRS, LRS, LGERS, or TSERS.

*To purchase retirement service credit, you will need to complete the appropriate purchase form found in ORBIT.*

Your cost, which must be paid in a lump sum, will be equal to the amount of contributions withdrawn plus interest at 6.5% compounded annually from the year of withdrawal to the year of repayment. 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 5 years of current membership service in TSERS or in CJRS, LRS, or LGERS, or have a combination of 5 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 LGERS or TSERS counts as creditable service, not membership service. TSERS withdrawn service purchased in TSERS does not count toward the 5-year membership service requirement for eligibility for coverage under the State Health Plan as a TSERS retiree.

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
- Service with a Local Government
- Service with the Federal Government
- Federally-funded Public Community Service in NC
- Omitted Service
- Service as a Member of a Charter School

*You may roll over funds from other eligible retirement plans or IRAs to purchase credible service.*

- Withdrawn University of North Carolina Optional Retirement Program Service
- Extended Illness Leave
- Parental Leave

For detailed information about the eligibility requirements for purchasing creditable service, please see the applicable purchase form found in [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: Death Benefits



*As an active employee, keep your beneficiary designations up to date using Form 2RC and 2DB found in ORBIT.*

### 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 4% 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.

- **Lump-Sum Death Benefit for Active Employees**

If you die while still in active service after 1 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. 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.

- **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 5 years of membership service.

This eligible beneficiary may choose to receive a lifetime monthly Survivor's Alternate Benefit instead of a return of your contributions.

The Survivor's Alternate Benefit does not apply if you have 2 or more eligible beneficiaries for the return of contributions living at the time of your death, or 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 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.

If you do not want your beneficiary to receive the Survivor's Alternate Benefit, you must notify the Retirement System in writing.

### Retiree Death Benefits

If you die within 180 days of your last day of service, and meet all eligibility requirements, the lump-sum death benefit for active employees described on [page 22](#) will be payable. Other retiree death benefits may also be payable as described below.

- **Guaranteed Refund**

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 is provided under each retirement payment option.

- **Optional \$10,000 Contributory Death Benefit**

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 elected 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.

It is a Class 1 Misdemeanor to fraudulently receive the retirement benefit of a deceased retiree or beneficiary for two months or longer after the recipient's death.

*As a retiree, you may change your Guaranteed Refund beneficiary by completing a Form 336 found in ORBIT.*

*You may change your Contributory Death Benefit beneficiary by completing Form 333BEN found in ORBIT.*



## Section 8: Initiating Your Retirement Benefits

*Begin the retirement process 120-90 days before your planned retirement date.*

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, and generally not perform any work for a TSERS employer at any time during the 6 months immediately following your effective date of retirement (except as a school board member, a member of a board of trustees of a community college or of any constituent institution of the University of North Carolina, or an unpaid bona fide volunteer).

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.

Monthly retirement benefits are effective the first day of any month. You must sign, date, and file your retirement application (Form 6) at least 1 day and not more than 120 days before your effective date of retirement.

About 120 to 90 days before your planned retirement date, complete Form 6 (Claiming Your Monthly Retirement Benefit), available from your employer or in [ORBIT](#). The form has additional detailed information about the retirement process.

If you contribute to TSERS during the 6 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 5 years before your effective date of retirement, and you had unused sick leave), your employer should complete the employer certification section (Section H) on your Form 6 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 2 years before your effective retirement date.

*Your benefit cannot be paid until we receive a properly completed Form 6E.*

Once we receive your Form 6, we will send you an acknowledgment letter that includes instructions about the next steps in the retirement process. We will also send you:

- Form 170 (Authorizing Direct Deposit)
- 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.
- Form 333BEN (Designating Beneficiary(ies) for the Contributory Death Benefit for Retired Members)

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 290 (Choosing Income Tax Withholding Preferences)
- Form 336 (Designating Beneficiary(ies) for the Guaranteed Refund as a Retiree)

We will also send you information about enrollment in the retiree group of the State Health Plan.

### **Your First Monthly Benefit**

*Your first benefit payment will be mailed; thereafter, directly deposited into your bank account.*

Your first monthly retirement benefit will be mailed to you. Thereafter, our policy is to directly deposit your monthly benefit into your bank account on the 25th day of each month. In December, your benefit will be deposited on the 20th. If the pay date falls on a Saturday, Sunday, or holiday, your deposit will be made on the last work day before the pay date. Direct deposit is fast, automatic, and free.

### **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. Increases depend on changes in the Consumer Price Index and the availability of funds.

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 plans, and the monthly benefit to be paid to your beneficiary after your death under Options 2, 3, 6-2, and 6-3. ([See page 16](#) regarding increases under Option 4.)

## Section 9: NC 401(k)/NC 457 Transfer Benefit

*For information about the supplemental retirement plans, visit the [NC Total Retirement Plans](#) page on our website.*

At or following retirement, you can make a one-time transfer of any portion of your eligible contributions, not



North Carolina | 401k | 457  
Total Retirement Plans

including Roth contributions and earnings, from your NC 401(k) Plan and/or NC 457 Plan to TSERS and receive an additional monthly lifetime benefit. Once transferred, the decision is irrevocable, and you cannot access the funds except as the monthly benefit withdrawal.

Allowances are available both with and without cost-of-living increases. There is a one-time fee of \$100. Visit [www.myncretirement.com](http://www.myncretirement.com) for additional information about the Transfer Benefit. You will also find a Transfer Benefit Estimator and the required forms in ORBIT.



## Section 10: Income Tax

*The Retirement System will mail you a 1099-R each year after retirement.*

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 details.

### Retirement Benefits

After you retire, each year by January 31 we will send you 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 non-taxable part of your retirement benefits are contributions you made before July 1, 1982, and any non-rollover service purchases you made.

All or part of your retirement benefit may be subject to federal income tax because it was not previously taxed. Included in the taxable part of your retirement benefits are contributions you made after July 1, 1982, any rollover service purchases, and all benefits paid from the employer contributions and investment earnings.

Under federal law, the majority of each retirement benefit is subject to federal income tax. Although you will not pay taxes again on any contributions for which you have already paid tax, you may exclude only a small portion of your previously taxed contributions each month throughout a period of time specified by the federal government.

- **North Carolina Income Tax**

If you are a North Carolina resident and have maintained 5 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 5 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.

## Refunds

By January 31 of the year following the year you received a refund, we will send you 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 the amount you contributed before July 1, 1982. However, the amount you contribute after July 1, 1982, is subject to federal income tax. Also, any interest your contributions earned before and after July 1, 1982, 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% 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% 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% 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.

*A 1099-R will be mailed to you by January 31 of the year following the year you received a refund.*



- **North Carolina Income Tax**

If you are a North Carolina resident and have maintained 5 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 5 years of maintained retirement service credit as of August 12, 1989, the taxable portion of your refund is subject to North Carolina income tax.

**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 11: Health Coverage in Retirement

For information about State Health Plan retiree group coverage, visit <https://shp.nctreasurer.com> or contact the State Health Plan at 1-855-859-0966.

For information about optional supplemental insurance available through Pierce Insurance Agency, visit [www.ncretiree.com](http://www.ncretiree.com) or contact Pierce at 1-855-627-3847.

## State Health Plan

You are eligible for coverage under the retiree group of the State Health Plan if you contributed to TSERS for at least 5 years (excluding credit for unused sick leave or credit transferred from LGERS) while employed as a teacher or state employee. The cost, if any, is determined by two factors: (1) when you began state employment and (2) which health coverage you select.

TSERS withdrawn service you purchased in TSERS does not count toward the 5-year membership service requirement for State Health Plan coverage as a TSERS retiree.

Under current law, if you were first hired before October 1, 2006, and retire with 5 or more years of TSERS membership service, the state will pay for your individual coverage under the non-contributory plan at retirement (currently 70/30 or Medicare Advantage Base).

Based on the conditions described above, if you were first hired on or after October 1, 2006, in order to receive individual coverage at no cost, you must retire with 20 or more years of retirement service credit. If you have 10 but fewer than 20 years of retirement service credit, you will have to pay 50% of the cost for your coverage. If you have 5 but fewer than 10 years, you will have to pay the full cost for your coverage.

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 Effective October 1, 2006" on our website at [www.myncretirement.com](http://www.myncretirement.com).

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, 2016, your coverage in the retiree group plan will begin on February 1, 2016.

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

Optional supplemental insurance coverage, including vision, dental, accident, and term and whole life insurance, 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.

## Section 12: Return to Work After Retirement

*A 6-month wait after your TSERS retirement date before returning to work for a TSERS employer is generally required to avoid a financial penalty*

*Unpaid bona fide volunteer service is generally allowed without a penalty during the 6-month break.*

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. These provisions 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.

### • **Penalty for Working During Required 6-Month Break**

During the 6 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:

- A school board member
- A member of a board of trustees of a community college or of any constituent institution of the University of North Carolina
- An unpaid bona fide volunteer, performing service in a position in which any individual performing that type of service would not be paid. You will be subject to a penalty if other individuals performing that type of service are typically paid.

The financial penalty for returning to work for a TSERS employer on a part-time, temporary, interim, or fee for service basis, during the 6 months immediately following TSERS retirement, will be the lesser of the following as determined by the retirement system:

- You will be deemed to have retired the month after the month you performed services for the employer and repay all retirement benefits received and the cost of state-provided State Health Plan premiums until that date; **or**
- You will be required to make a lump sum payment to TSERS equal to three times the compensation earned during the 6-month period.

If you return to work for a TSERS employer in a position that requires TSERS membership during the 6 months immediately following your retirement date, your TSERS benefits will be cancelled retroactively to your retirement date, and you must repay all retirement benefits received and the cost of state-provided State Health Plan premiums since your retirement date.



*Your TSERS benefit will be suspended if you return to work in a position requiring membership in TSERS.*

*After a 6-month break, you may return to work with a TSERS employer in a position ineligible for TSERS membership without affecting your TSERS benefit, provided you do not exceed your earnings limitations.*

If your retirement benefit is cancelled, your State Health Plan retiree group coverage also will be cancelled.

### • **Working After a 6-Month Break**

After a 6-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 3 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 (generally larger) 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 first retirement, we must actuarially adjust benefits when you retire again.
- You can re-instate your first retirement account and withdraw your contributions only from your second account.

If you return to service and contribute to TSERS for fewer than 3 additional years, at the time you end your second period of employment, your first retirement benefit will be re-instated. You can choose one of the following options for your second retirement account:

- You can apply to receive a second (generally smaller) monthly benefit based on your second period of employment.
- You can withdraw your contributions from your second account
- You can leave your second account open.

After a 6-month break, if you return to work with a TSERS employer in a position ineligible for TSERS membership, your earnings will be restricted to the greater of the following:

- 50% of your gross 12-month pre-retirement salary (excluding termination payments)
- \$31,600 (2016 amount)

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 following the year of retirement.

*For additional information, see "Return-to-Work Laws" on our website at [www.myncretirement.com](http://www.myncretirement.com).*

- **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 retiree group coverage also must be suspended. If your benefit is suspended and later reinstated, **your State Health Plan retiree group coverage will not be reinstated retroactively. As a result, you may experience a lapse in your health coverage** which means you may not have health coverage for a month or more.

When your retirement benefit is restored, your health coverage under the retiree group will be re-instated the first of the month following the month your retirement benefit is restored.

- **After Receiving Disability**

If you accept public or private employment, contact TSERS 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 coverage, and if the reemployment will cause:

- Your State Health Plan retiree group coverage 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.

- **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 Total Retirement Plans for information on provisions that apply to you.

# Section 13: Disability Benefits

Visit our website at [www.myncretirement.com](http://www.myncretirement.com) for additional information on disability benefits and the required forms.

## Disability Income Plan of North Carolina (DIPNC)

If you become disabled while 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.

- **What is a Disability?**

Under DIPNC, disability is defined as the mental or physical incapacity for further performing your usual occupation provided that such disability was not the result of terrorist activity, active participation in a riot, committing or attempting to commit a felony, or an intentional self-inflicted injury.

- **60-Day Waiting Period**

Benefits under DIPNC may begin after a mandatory 60-calendar day waiting period, during which you may exhaust accumulated sick leave, vacation leave, or any other salary continuation your employer provides.

- **Short-Term Disability Benefits**

You must have earned at least 1 year of contributing retirement membership service within the 36 calendar months preceding your disability and meet all eligibility requirements.

Short-term disability payments:

- Are payable after a 60-day waiting period and therefore generally begin on the 61st day of disability.
- Are paid by your employer.
- Provide monthly income **before any offsets** equal to 50% of 1/12 of your annual base salary, including longevity and local supplements, if any, subject to a monthly maximum of \$3,000.

- Are subject to certain offsets or reductions for benefits received from other disability programs.
- Are payable for up to 365 calendar days.

- **Extended Short-Term Disability Benefits**

Additional period(s) of extended short-term disability benefits may be payable:

- For as many as 365 days beyond the short-term period.
- Provided the Medical Board determines that your condition is a temporary, not permanent, disability.

- **Long-Term Disability Benefits**

Long-term disability benefits are payable if you meet all eligibility requirements at the end of the short-term disability period or after salary continuation payments stop, whichever is later.

To be eligible for the long-term disability benefit, you must meet all of the following conditions:

- You must have earned at least 5 years of contributing retirement membership service within the 96 months immediately before becoming disabled or the date of completion of continuous salary continuation payments, whichever is later.
- You must be approved by the Medical Board for a permanent disability that has been continuous and was incurred while you were actively employed.
- You must terminate your employment as a full-time teacher or state employee.
- You must be ineligible to receive an unreduced service retirement benefit from TSERS. (ORP members: You must be ineligible for unreduced service retirement if you had chosen TSERS membership.)

Long-term disability payments:

- Are paid by DIPNC.
- Provide monthly income **before any offsets** equal to 65% of 1/12 of the annual base salary that was last payable to you prior to the beginning of the short-term period, including longevity and local supplements, if any, subject to a monthly maximum of \$3,900 and a monthly minimum of \$10.00.



- Are subject to certain offsets or reductions for Social Security benefits and for disability benefits received from other programs. **These required offsets will cause your DIPNC benefit to be reduced.**
- Are payable until the earliest date you become eligible for unreduced service retirement benefits, or otherwise no longer meet the requirements to receive the long-term disability benefits.

If you had fewer than 5 years of TSERS membership service or ORP employment as of July 31, 2007, after the first 36 months of the long-term disability period, long-term benefits will end unless you are receiving Social Security disability benefits.



### TSERS Disability Retirement Benefits

If you earned and maintained 5 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 5 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 5 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.

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.

## Section 14: Administration & Funding

- **Administration**

TSERS is administered by the Board of Trustees, whose members are:

Janet Cowell, State Treasurer, Chair  
 John Aneralla  
 June Atkinson  
 Lentz Brewer  
 Jack Brooks  
 Van Dowdy  
 Greg Grantham  
 William Grey  
 Alberta Hall  
 Michael Jacobs  
 Michael Mebane

- **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:

Janet Cowell, State Treasurer, Chair  
 John Aneralla  
 David Hartzell  
 Steve Jones  
 Michael Mebane  
 Neal F. Triplett  
 Courtney A. Tuttle

- **Medical Review Board**

The Medical Review Board determines eligibility for disability benefits. Board members are:

Dr. George S. Edwards, Sr.  
 Dr. Robert H. Fleming  
 Dr. Robert Gaddy  
 Dr. Bobby Sellers  
 Dr. Nathaniel L. Sparrow

- **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 reserves the right to 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 6% of gross salary each month to TSERS.

For the 2015–2016 fiscal year, employers contribute 15.32% of the gross payroll of members each month to TSERS for benefits.

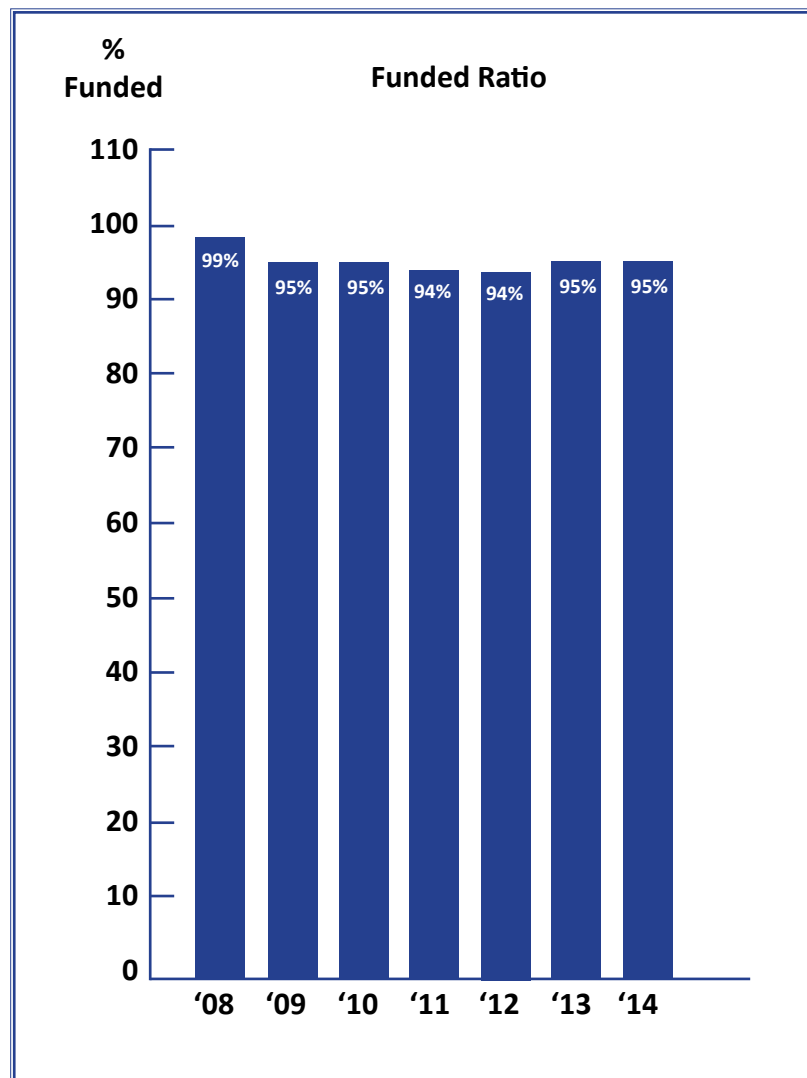
- **Funded Status & Ratio**

The Teachers' and State Employees' Retirement System has been 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. Shown are 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).

	Assets	Unfunded Accrued Liabilities
2014	\$64,734,119,837	\$2,980,946,707
2013	\$62,363,807,168	\$3,441,748,323
2012	\$59,911,833,028	\$3,718,445,444
2011	\$58,125,010,880	\$3,721,686,023
2010	\$57,102,198,448	\$2,773,867,483
2009	\$55,818,099,117	\$2,360,173,025
2008	\$55,127,658,183	\$391,086,516



## Section 15: Resources & Contacts



The North Carolina Department of State Treasurer created ORBIT (Online Retirement Benefits through Integrated Technology) 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.

In ORBIT, active employees are able to view:

- Service credit history
- Retirement estimates
- Service purchase cost estimates
- NC 401(k)/NC 457 Transfer Benefit estimates
- Annual benefit statements

Retirees are able to:

- Maintain tax withholdings
- View and download 1099-R
- 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 into 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

**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 Total Retirement Plans – NC 401(k), NC 457, and NC 403(b) Plans*
- *Review the retirement checklist*
- *Use our service purchase estimator*
- *Read retirement newsletters*
- *Use our benefit estimators*
- *Learn about retirement planning resources*
- *Log into your personal ORBIT account*

**Contact Us**

Phone



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

Address



Teachers' and State Employees' Retirement System  
Department of State Treasurer  
3200 Atlantic Avenue  
Raleigh, North Carolina 27604

Email

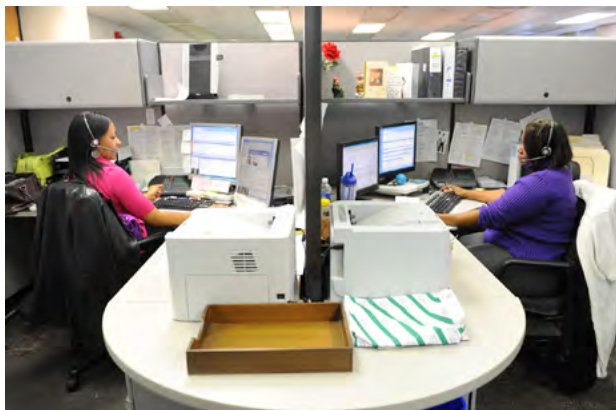


[nc.retirement@nctreasurer.com](mailto:nc.retirement@nctreasurer.com)

Facebook



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



## 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.

**DIPNC:** Disability Income Plan of North Carolina

**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:** Online Retirement Benefits through Integrated Technology

**TSERS:** Teachers' and State Employees' Retirement System

**Vesting:** Having the right, after you have a minimum of 5 years of TSERS membership service, to apply for lifetime monthly retirement benefits once you meet all retirement eligibility requirements, provided you do not withdraw your contributions.