Teachers’ and State Employees’ Retirement System (TSERS)

A BASIC REVIEW OF THE NORTH CAROLINA PENSION PLAN
MARCH 2014

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Lisa Honeycutt
Disclaimer

- This presentation is based on current legislation for a 12-month, 40 hour per week permanent employee and is subject to change without notice.

- This material is to be used for training purposes only.

- Please contact the Retirement System for guidance or assistance.
Presentation Overview

- Plan Type
- Benefit Eligibility
- Unused Sick leave at retirement
- What is deducted from benefit
- Retiree benefits from UNC Asheville
- Retiree benefits from the State
- Timeline
- Re-employment
- Questions
Plan Type
401(a) Defined Benefit Plan

- Qualified under Internal Revenue Code 401(a)
- Guaranteed monthly lifetime benefits based on defined formula
- Benefits not based on employee and employer contributions typical of 401(k) plans
Who Pays for the System?

You

6% of your salaries and wages are put in to the system. This is a pre-tax deduction.

UNC Asheville

The amount UNC Asheville adds to the entire system changes with each legislative session. The current contribution amount is 14.69% for 2013–2014.

Pension Accumulation Fund 8.69%
Death Benefit Trust Fund .16%
Retiree Health Benefit Fund 5.40%
Disability Income Plan .44%

14.69%
Defined Formula

Annual retirement benefit based on:

1.82% of “average final compensation” TIMES
the years and months of
“creditable service”

As determined by the General Assembly

Note:
This formula is if you do NOT plan to retire early.
Average Final Compensation (AFC)

- AFC is the average of the highest four consecutive “retirement service period” years of reported salary.

**Note:**
If the last four years produce the highest AFC, final payments for vacation leave, bonus leave and longevity are included in your AFC.
Creditable Service
Total of All Service

- **Contributory**
  - 6% of gross monthly wages and salary
  - Set by state law
  - Condition of employment for those .75 FTE/9 months or more

- **Noncontributory**
  - Service time for which member receives retirement credit
  - 6% is not withheld from gross salary
  - Examples:
    - Temporary employment, short-term, extended short-term and long-term disability

- Unused sick leave as allowed by law
Service Retirement Eligibility
(Unreduced Benefits)

- 30 years of creditable service at any age
- Age 65 with 5 years (10 years if you became a member on or after August 1, 2011) of membership service
- Age 60 with 25 years of creditable service
- Law Enforcement Officers (LEO) qualify at age 55 with 5 years (10 years if you became a member on or after August 1, 2011) of creditable service as an officer
Early Retirement Eligibility (Reduced Benefits)

- Age 60 with 5 years (10 years if you became a member on or after August 1, 2011) of membership service

- Age 50 with 20 years of creditable service

- Law Enforcement Officers (LEO) qualify at age 50 with 15 years of creditable service as an officer
Unused Sick Leave at Retirement

- One month of creditable service is allowed for each 20 days of accrued sick leave and one more month for any additional portion (greater than one hour)
Earned Sick Leave

Can be used to complete:

- 30 years of service
- 25 years of service after age 60
- 20 years of service after age 50
Earned Sick Leave

Cannot be used to meet minimums for:

- 5 years to become eligible for retirement at age 60 or age 65*

- 5 years to become eligible for health insurance

*10 years to become eligible for retirement at age 60 or 65 for employees who become members on or after August 1, 2011
## Accumulated Sick Leave (Days)

<table>
<thead>
<tr>
<th>Range</th>
<th>Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>1–20</td>
<td>1</td>
</tr>
<tr>
<td>21–40</td>
<td>2</td>
</tr>
<tr>
<td>41–60</td>
<td>3</td>
</tr>
<tr>
<td>61–80</td>
<td>4</td>
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<tr>
<td>81–100</td>
<td>5</td>
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<tr>
<td>101–120</td>
<td>6</td>
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<tr>
<td>121–140</td>
<td>7</td>
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<td>141–160</td>
<td>8</td>
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<td>161–180</td>
<td>9</td>
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<td>181–200</td>
<td>10</td>
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<tr>
<td>201–220</td>
<td>11</td>
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<tr>
<td>221–240</td>
<td>12</td>
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<tr>
<td>241–260</td>
<td>13</td>
</tr>
<tr>
<td>261–280</td>
<td>14</td>
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<tr>
<td>281–300</td>
<td>15</td>
</tr>
<tr>
<td>301–320</td>
<td>16</td>
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<tr>
<td>321–340</td>
<td>17</td>
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<tr>
<td>341–360</td>
<td>18</td>
</tr>
<tr>
<td>361–380</td>
<td>19</td>
</tr>
<tr>
<td>381–400</td>
<td>20</td>
</tr>
</tbody>
</table>
## Accumulated Sick Leave (Hours)

<table>
<thead>
<tr>
<th>Less than 160 hours</th>
<th>1121 – 1280 hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>= 1 Month</td>
<td>= 8 Months</td>
</tr>
<tr>
<td>161 – 320 hours</td>
<td>1281 – 1440 hours</td>
</tr>
<tr>
<td>= 2 Months</td>
<td>= 9 Months</td>
</tr>
<tr>
<td>321 – 480 hours</td>
<td>1441 – 1600 hours</td>
</tr>
<tr>
<td>= 3 Months</td>
<td>= 10 Months</td>
</tr>
<tr>
<td>481 – 640 hours</td>
<td>1601 – 1760 hours</td>
</tr>
<tr>
<td>= 4 Months</td>
<td>= 11 Months</td>
</tr>
<tr>
<td>641 – 800 hours</td>
<td>1761 – 1920</td>
</tr>
<tr>
<td>= 5 Months</td>
<td>= 12 Months</td>
</tr>
<tr>
<td>801 – 960 hours</td>
<td>1921 – 2080</td>
</tr>
<tr>
<td>= 6 Months</td>
<td>= 13 Months</td>
</tr>
<tr>
<td>961 – 1120 hours</td>
<td>2081 – 2240 hours</td>
</tr>
<tr>
<td>= 7 Months</td>
<td>= 14 Months</td>
</tr>
</tbody>
</table>
Payment Options Include:

- The ability the maximum allowance per the defined benefit formula (Option 1)
- Receiving a reduced retirement payment that provides a benefit to a beneficiary upon your death (Options 2, 3, 6–2, 6–3)
- Adjustment of your retirement check based on Social Security benefits (Option 4)
- See “Highlights of Your Retirement Benefits” handout for more detailed information
Payment Plan Option Changes

- Retirees cannot change payment plan option once first retirement check is cashed except under the following conditions:

- Exceptions
  - Divorce from spouse
  - Return to employment covered under TSERS and contribute to a new retirement account for at least 3 years
  - Redesignation* of spouse provision under Options 2 or 3

*Redesignations must be made within 90 days of remarriage and must be filed with RSD no later than 120 days after remarriage.
Orbit Online Tool

www.myncretirement.com
Register for the ORBIT system

Create Custom Benefit
helpful information to have on-hand:
- Your hourly pay rate
- Sick and vacation leave balance
- Bonus leave balance (if applicable)
- Social security benefit at 62
Orbit Online Tool (Continued)

Retirement Criteria area
Retirement Estimate Results

Orbit Online Tool (Continued)
Retirement Benefit Payment Plans

- Selection of monthly payment plan required
- Personal decision
  Popular choices made by others should not influence your decision
- Consider your financial situation, age, health, need to provide for dependent and your dependent’s financial situation, age, health, etc.
What Is Deducted From My Retirement Benefit?

Whoever We Want? Or Not?
North Carolina Income Tax

- If you have maintained five or more years of retirement membership service in TSERS as of August 12, 1989, your entire retirement benefit is exempt from North Carolina income tax. (“Bailey vested”)

- If you were not vested as of August 12, 1989 you will be required to pay North Carolina income tax on the taxable portion of your retirement benefit if you are a resident of North Carolina.
Federal Income Tax

- Retirement benefits are subject to federal tax but NOT FICA taxes

- The retirement system withholds federal tax based on:
  - The taxable portion of the benefit
  - The filing status (married, single)
  - The number of allowances claimed (0, 1, 2, etc.)

- The **taxable portion** of the monthly retirement benefit consists of:
  - Contributions made on a “pre–taxed” basis after July 1, 1982
  - All interest accrued prior to retirement
Tax Documentation

Form 1099–R mailed before January 31
- Provides amount of retirement benefits
- Taxable portion (if any)
- Amount withheld (if any)

Changing Tax Withholdings
- Retirees complete Form 290 Choosing Income Tax Withholding Preferences
State Paid Health Insurance Eligibility (under the current law)

- 1st hired prior to October 1, 2006:
  - Need 5 years of State contributory membership service to be eligible for State-paid individual retiree group coverage under the State Health Plan 70/30 Plan at retirement *

- 1st hired on or after October 1, 2006:
  - Need 20 years of retirement service credit to be eligible for State-paid individual retiree group coverage under the State Health Plan 70/30 Plan at retirement *
  - If 5 years but less than 10 years, you may enroll and pay full cost *
  - If 10 years but less than 20 years, you may enroll and pay 50% of the cost *

*additional fee for the 80/20 Plan
Health Insurance

2014 Pre–Medicare Plans

• Enhanced 80/20 Plan
• Traditional 70/30 Plan
• Consumer–Directed Health Plan

State Health Plan: 1–888–234–2416
www.shpnc.org
Health Insurance

2014 Medicare Primary Plans
• Medicare Advantage Base Plan
• Medicare Advantage Enhanced Plan
• Traditional 70/30 Plan

Humana: 800–944–9442
UnitedHealthcare: 866–747–1014
Auto-enroll in the State Health Plan If No Election Made

- Eligible retiring employees under 65 will be automatically enrolled in the State Health Plan they were in as an active employee along with any covered dependents.

- Retiring employees who are Medicare-eligible whose retirement is **processed 60 days** or greater from the benefit effective date will be automatically enrolled in a Group Medicare Advantage base plan (with a 30-day option to change plans).

- Retiring employees who are Medicare-eligible whose retirement is **less than** 60 days prior to the benefit effective date will be automatically enrolled in the Traditional 70/30 plan. Changes can be made next Open Enrollment.
Optional Insurance Benefits for Retirees

- Medical
- Dental
- Vision
- Accident
- Life Insurance
- Contributory Death Benefit (CDB)
Voluntary Dental, Vision, Accident, and Life Insurance

- Soon after retirement, Pierce Insurance Agency will mail insurance plan information for:
  - Dental
  - Vision
  - Accident
  - Term and Whole Life Insurance
- Enrollment is optional
- Retirees pay full cost
- Premiums will be deducted from monthly retirement benefit
- For more information: www.ncretiree.com
Contributory Death Benefit (CDB) for Retired Members

- Retirees receive CDB election forms shortly after submitting retirement application

- Election must occur within 60 days of retirement date

- The lump sum death benefit = $10,000 provided retiree’s death occurs after the 24th full month in which the required contributions have been made

- If death occurs prior to the 24th full month in which the required contributions have been made, amount payable = contributions plus interest

- CDB is payable to legal spouse at time of death, or legal representative if not survived by legal spouse
Retirement Process

Before You Retire:

- Consider the ‘Three-Legged Stool’
  - Pension benefit
  - Social Security
  - Savings

- Are you eligible?

- Create a Custom benefit to know your options

- Know your Social Security Options

- Understand your re-employment options
Retirement Process

Ready? GREAT...

- Meet with Human Resources to initiate the process within 120 days of your retirement date by filling out a ‘Form 6’.

- Several packets will follow from the NC Retirement System over the next few months that will require:
  - Direct Deposit information
  - Tax withholding preferences
  - Payment Option
  - Beneficiary option
Retirement Process Reminders

- Retirements always effective 1\textsuperscript{st} day of the month
- Application must be signed and dated at least one day and not more than 120 days prior to the effective date of retirement
- Applications are processed on a “first in”–“first out” basis
- First payment is always mailed
- Pay day is the 25\textsuperscript{th} of each month (If the 25\textsuperscript{th} falls on a weekend or holiday, the deposit will be made on the last workday before the weekend or holiday)
- December deposit usually on the 20\textsuperscript{th} of the month
Reemployment

2 Categories

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

1. Return as a full-time contributing member of TSERS:
   • After a 6 month break in service from any TSERS participating employer, retiree may suspend his/her retirement and become reemployed in a TSERS position
   • Retirement payment will be stopped the first day of the month following the month of reemployment
   • At that time, the reemployed individual will again become an active contributing member of TSERS
Reemployment (Continued)

2. Return Under an “Earnings Restriction” (after 6-month waiting period)

• Earnable Allowance in a “non–contributing” capacity during the 12 months following retirement or during any calendar year = 50% of the retired member’s compensation during the 12 months of service before retirement excluding termination payments or
  • $31,140.00 (2014 amount), whichever is greater

• The Earnable Allowance is increased each year by the percentage increase in the national Consumer Price Index
Penalty for Exceeding Earnable Allowance

- Retirement payments are **stopped** on the 1st day of the month **following the month** in which the retiree has exceeded the earnable allowance.
- Retirement payments **start again** on January 1st of the year after the benefit is stopped.
- State Health Plan insurance in the retiree group is stopped the 1st day of the month following suspension of retirement payments.
Alert

IN ALL CASES:

- Pre-existing agreements for post-retirement employment are prohibited.
- A return to work in which you perform any type of service for any employer that participates in TSERS (except as a bona fide volunteer with a local school administrative unit) without a 6 month wait causes a revocation of all retirement benefits retroactive to the retirement date, and revocation of any health benefits including dependent coverage through the State Health Plan.
Questions?
How to Reach UNC Asheville Human Resources about Retirement

Amy Owenby
aowenby@unca.edu or
828.250.2357

Lisa Honeycutt
lkhoneyc@unca.edu or
828.232.5114

Materials from today may be found on hr.unca.edu/policies-and-forms
How to Reach RSD

Phone:
Raleigh area 919–807–3050
Toll Free 1–877–627–3287
Fraud and Abuse Hotline 1–855–903–7283

Internet: www.myncretirement.com

Email: nc.retirement@nctreasurer.com

https://www.facebook.com/MyNCRetirement

US Mail: NC Department of State Treasurer
Retirement Systems Division
325 North Salisbury Street
Raleigh, NC 27603–1385

Office visits scheduled by appointment only