



# Optional Retirement Program (ORP) Retirement Workshop

# What We Will Cover Today

- Retirement readiness
- Your financial needs and sources of income for retirement
- ORP benefit







Will You Be  
Ready?

# Reality or Myth?

Being ready to retire is  
all about how much money  
you have saved.



**Myth!**

Of course your retirement savings are important, but there is much more to consider.

Let's find out what it really means to be ready.

# Will You Be Ready?

A few factors to consider...



## **Your Finances**

Can you afford to retire?



## **Your Family**

Do you still have family members to support?



## **Your Lifestyle**

How will you spend retirement?



## **Your Health**

Are you prepared to spend more on healthcare?



## **Your Home**

Where do you plan to live?



# Reality or Myth?

Experts suggest you'll need at least 70% of your pre-retirement income to maintain your current lifestyle when you retire.



# Reality!

Yes, you will need between 70%-90% of your current income during retirement.

Experts say if you retire at age 65, you will need enough money to last 20-30 years.

How much is that?

Salary at retirement:	\$75,000
70% of salary:	x 70%
Income per year:	\$52,500
Years in retirement:	x 30
<hr/>	
\$1,575,000	



# Reality or Myth?

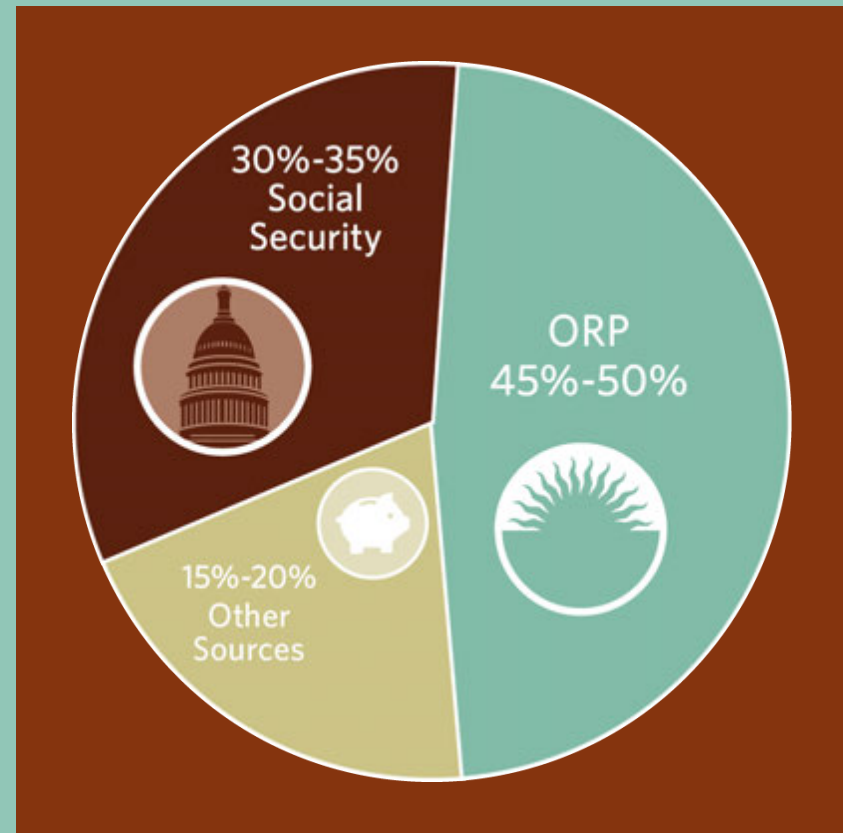
My ORP benefit will  
provide all the income  
I need in retirement.

**Myth!**

Your ORP benefit is only one of the sources of income for retirement.

You also need to consider:

- Social Security
- Other Sources  
(i.e., supplemental retirement plans, personal savings)



# Social Security

Social Security may replace 30%-35% of your pre-retirement income

- The higher your income, the lower the replacement percentage
- You can begin to receive benefits before your Social Security retirement age at 62; however, your benefit will be reduced
- You can delay receiving your benefit past your retirement age
- Consult with your financial advisor on the best time to begin receiving benefits



# Social Security...continued

Check your estimated Social Security benefit at least three months before your birthday:

- Visit online ([www.ssa.gov](http://www.ssa.gov))
- Call 1-800-772-1213

2016 maximum annual Social Security benefit = \$31,668 (if you retire at your full Social Security retirement age)





# Other Sources of Income



## State of NC and UNC Supplemental Retirement Plans

- UNC System 403(b) Plan
- UNC System 457(b) Plan
- State 457 Deferred Compensation Plan
- State 401(k) Plan



## Personal Savings

- Savings accounts
- CDs
- IRAs
- Stocks
- Bonds
- Mutual funds
- Retirement benefits from a previous employer
- Spouse's retirement benefits
- Inheritance
- Additional life insurance
- Other investments



# Supplemental Retirement Plans

## UNC System 403(b) Plan

- Vendors: TIAA and Fidelity
- All employees who pay Social Security and Medicare taxes are eligible
- You may elect to make either pre-tax or Roth after-tax contributions
  - Pre-tax contributions and earnings are generally taxed as ordinary income upon distribution at retirement
  - Roth after-tax contributions and earnings are generally not taxed upon distribution at retirement

## UNC System 457(b) Plan

- Vendors: TIAA and Fidelity
- All employees who pay Social Security and Medicare taxes are eligible
- You may elect to make either pre-tax or Roth after-tax contributions
  - Pre-tax contributions and earnings are generally taxed as ordinary income upon distribution at retirement
  - Roth after-tax contributions and earnings are generally not taxed upon distribution at retirement



# Supplemental Retirement Plans...continued

## State 457 Deferred Compensation Plan

- Administered by Prudential
- All NC public employees are eligible
- Contributions are made pre-tax and/or after-tax through a Roth account
  - Pre-tax contributions and earnings are generally taxed as ordinary income upon distribution at retirement
  - Roth after-tax contributions and earnings are generally not taxed upon distribution at retirement

## State 401(k) Plan

- Administered by Prudential
- All permanent employees who participate in TSERS/ORP are eligible
- State-sponsored plan that allows you to make contributions pre-tax and/or after-tax through a Roth account
  - Pre-tax contributions and earnings are generally taxed as ordinary income upon distribution at retirement
  - Roth after-tax contributions and earnings are generally not taxed upon distribution at retirement

# Medicare

- **You must apply for Medicare ([www.ssa.gov](http://www.ssa.gov))**
- You become eligible when you turn 65
- You should enroll for Medicare Parts A and B three months prior to turning age 65 (If you are actively at work at age 65, you can delay enrolling for Medicare Part B until your employment ends)
- Upon your retirement if you are age 65 or older, Medicare will begin paying primary coverage the month in which you retire. Your State Health Plan coverage, if applicable, will be considered secondary
- Be sure to enroll in Medicare Part B to receive full benefit coverage





Today you  
learned what  
it really means  
to be ready  
to retire...

Now it's time to check your financial  
readiness with these online tools and  
resources:

- ☐ [www.northcarolina.edu/hr/unc/benefits/  
retirement/index.htm](http://www.northcarolina.edu/hr/unc/benefits/retirement/index.htm)
- ☐ [www.captrustadvice.com](http://www.captrustadvice.com)
- ☐ [www.netbenefits/com/unc](http://www.netbenefits/com/unc)
- ☐ [www.tiaa-cref.org/unc](http://www.tiaa-cref.org/unc)

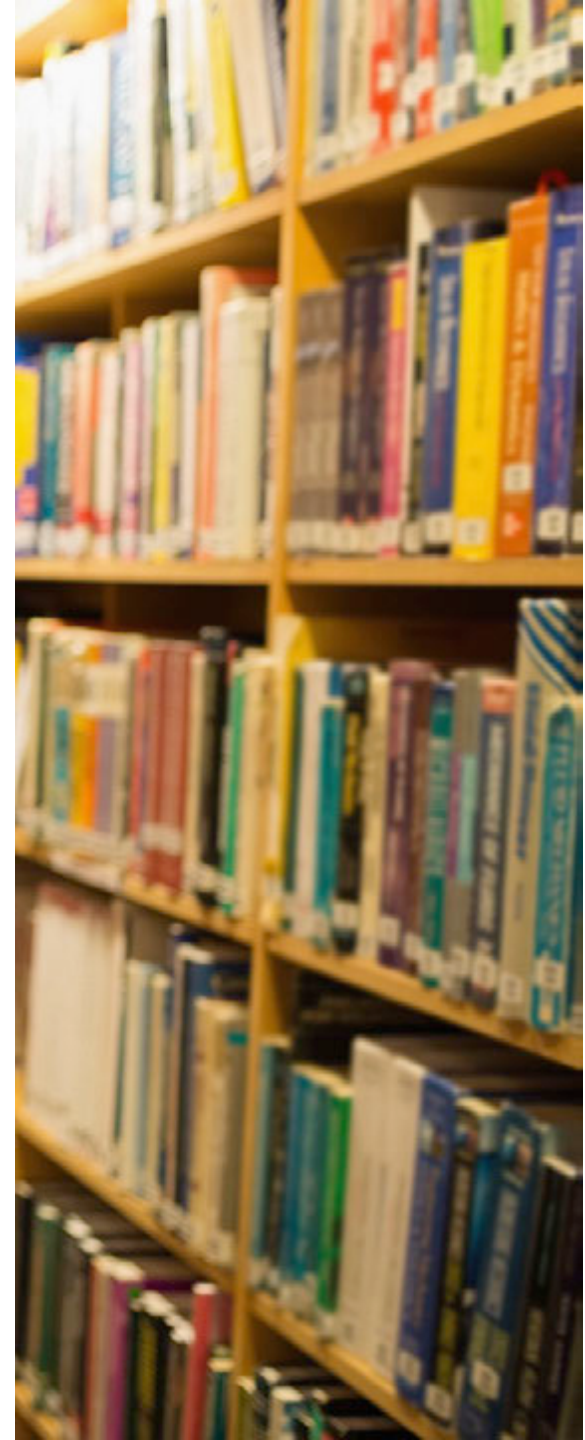


## Getting the Most from the ORP



# ORP Basics

- Defined Contribution Plan
- You contribute 6% of pay on a pre-tax basis; UNC contributes 6.84%
- You control and monitor your investment choices, distribution methods and retirement goals
- You choose between two carriers (Fidelity or TIAA)
- Your benefit is based on:
  - contributions to the plan
  - investment performance
  - the payment option you choose when you take a distribution from the plan



# Vesting

- Vesting refers to the portion of your retirement benefit that you own
- You are 100% vested in your contributions immediately
- You are 100% vested in the University's contributions after five years of ORP participation

## Vesting Reciprocity

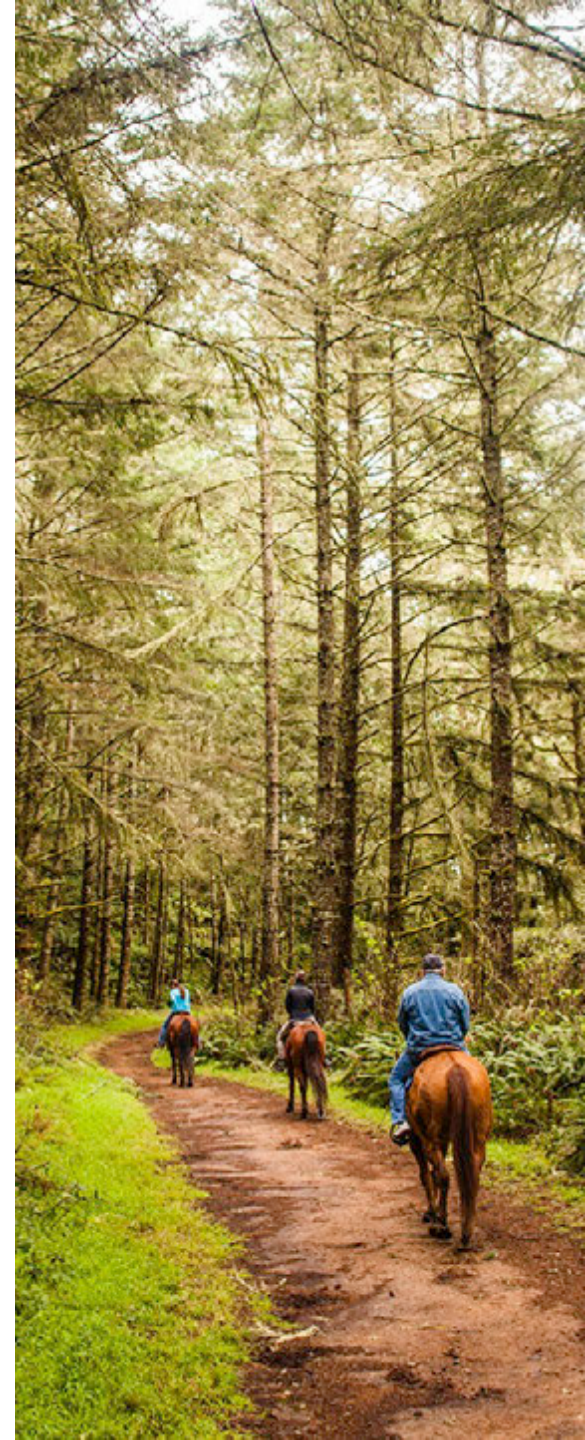
Total membership service under TSERS, LGERS or CJRS and participation in the ORP can be counted toward the ORP vesting requirement of five years of service, provided that in most cases the TSERS, LGERS or CJRS participation occurs first.





# Determining Your ORP Benefit

- Your benefit is determined by the contributions you and UNC make to your ORP account and how well your investments perform over time
- Your benefit is based on the value of your ORP account at the time you begin taking a distribution
- Access and monitor your ORP account on your investment vendor's website
- Use the online tools and calculators to estimate your monthly benefit and identify potential income gaps
- Before you retire, you will need to meet with a retirement representative from your investment vendor





## Options for Taking Your Retirement Benefit



# Eligibility and Requirements

- You become eligible to receive a distribution from the ORP upon termination from employment or retirement from the University
- You need five years of ORP participation to be fully vested and receive your ORP benefit
- As you consider your distribution options, note that the IRS requires you to take a distribution from the ORP no later than April 1 of the calendar year following the calendar year in which you either become age 70 ½ or you retire, whichever is later.  
**Note:** Minimum Distribution Rules also apply to individuals who are in “phased retirement” and receiving distributions from the ORP. To be eligible to receive distributions from the ORP, an employee must meet the definition of “normal retirement” under the plan, so for ORP purposes, an employee is considered retired.



# Choose Your Payment Option

Choose the option that best suits your goals:

- ➡ Single Life Annuity
- ➡ Two Life Annuity
- ➡ Systematic Withdrawals
- ➡ Fixed Period Withdrawals
- ➡ Any combination of payment options available from the ORP investment carrier that meets your income needs

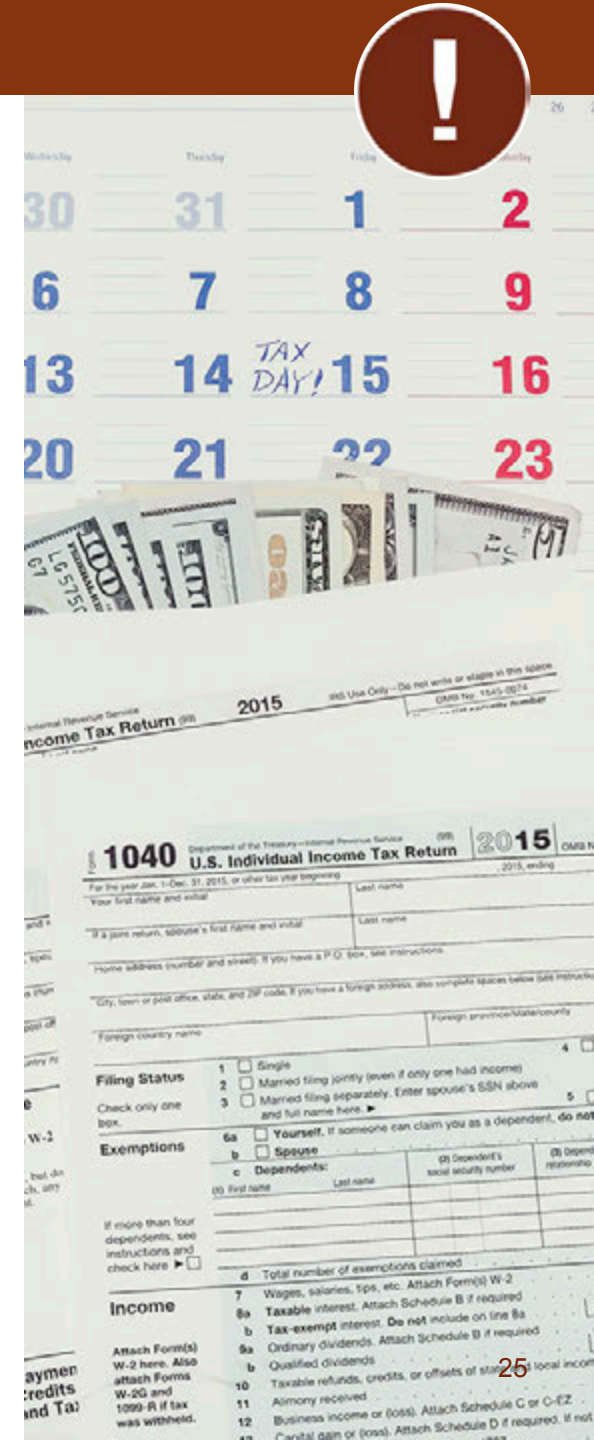
Contact your  
carrier for details



# Don't Forget About Taxes

## State Taxes

- Primary residence is in North Carolina
- The Bailey Settlement — if you enrolled in ORP prior to August 12, 1989, distributions may be tax-exempt
- For more information, contact your HR Benefits Representative or visit the NC Department of Revenue website at [www.dornrc.com](http://www.dornrc.com)





# Don't Forget About Taxes...continued

## Federal Taxes

- Distributions are taxable in the year they are received.
- A 10% penalty tax may apply for early distributions (i.e. distribution received before an employee attains age 59 ½). **NOTE:** If you withdraw your entire account from the ORP, this will impact your eligibility for retiree health insurance
- Retired participants aged 70 ½ or older must begin taking minimum annual distributions or pay a 50% excise tax on the distribution that should have otherwise been received by the participant



# Don't Forget About Taxes...continued

- Prior to July 1, 1982, employee contributions to the ORP were made on an after-tax basis — only the earnings on these contributions will be taxed
- Employee contributions made on a pre-tax basis as well as the earnings on those contributions can be taxed
- Consult your tax or financial advisor to discuss your personal situation and any taxes you may incur



## Retiree Health Insurance



# Retiree Health Insurance

It's important to plan ahead for health care coverage and factor these costs into your retirement.

Through the State Health Plan of North Carolina, you and your dependents may have access to continued coverage, which will coordinate with Medicare (once you become eligible) to provide health care benefits for you in retirement.





## How It Works — Eligibility

Employees first hired prior to October 1, 2006, are eligible to continue health insurance coverage under the State Health Plan of North Carolina when they retire if:

- They have *at least five years* of ORP participation, and
- They receive a monthly retirement benefit from ORP

The amount you pay for coverage will depend on which plan you are enrolled in through the State Health Plan of North Carolina.



## How It Works — Eligibility...continued

Employees first hired on or after October 1, 2006, are eligible to continue health insurance coverage under the State Health Plan of North Carolina when they retire if:

- They have *at least 20 years* of retirement service credit, and
- They receive a monthly retirement benefit from the ORP

If you retire with 10 but less than 20 years of retirement service credit, you will have to pay 50% of the cost of your coverage.

If you retire with five but less than 10 years, you will have to pay the full cost of your coverage.

You pay the full cost of dependent coverage.

# Forfeiting Eligibility

**Important!** You forfeit your eligibility for the State's retiree group health plan coverage if:

- You withdraw your entire account from the ORP, or
- If you transfer or roll over the entire account to an individual retirement account (IRA) or another employer's retirement plan







# Plan Options

## Retiring and 65 or Older

- Medicare-eligible employees who begin the retirement process **90 days prior to the benefit effective date** will be auto-enrolled into the **Group Medicare Advantage Base Plan** with **Humana** or **UnitedHealthcare**
  - Retirement application must be processed completely and employee enrolled in the Medicare Advantage Base Plan 60 days prior to the effective date of coverage
  - If the application is not completely processed within 60 days of the effective date of coverage, the retiree will be auto-enrolled in the Traditional 70/30 Plan
- Premium-free for retiree-only coverage
- Dependents who are non-Medicare Primary will be automatically enrolled into the health plan they were enrolled in as an active dependent
- Make changes during next Open Enrollment



# Plan Options...continued

## Retiring and Not Yet 65

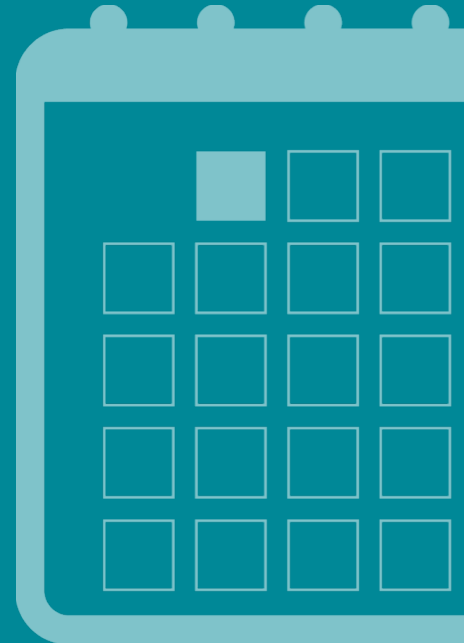
- Auto-enrollment in the health plan you are enrolled in as an active employee, along with covered dependents

## Health Plan Questions?

Call the Eligibility and Enrollment Support Center at 1-855-859-0966

# When Does Coverage Begin?

Coverage is effective the first day of the next month following your effective retirement date. For example, if your effective date of retirement is July 1, your retired group health coverage will be effective August 1.



# Additional Information

## Return to Work

- There are no restrictions on returning to work
- To avoid complications with retiree health care coverage, you should work fewer than 30 hours per week if you return to work at the University

## Coverage Timing

- No break in coverage if your retirement date immediately follows your date of termination

## Tools and Resources

Visit the HR/retirement section on [www.northcarolina.edu](http://www.northcarolina.edu)







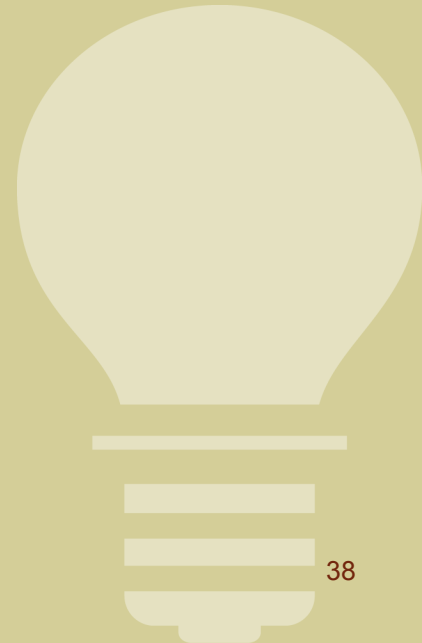
Other  
Benefits:  
Dental,  
Vision, Life  
and Death

# Dental and Vision Insurance

- If you are enrolled as an active employee through NCFlex, dental and vision insurance will end upon termination of employment
- You may elect COBRA coverage for dental and/or vision coverage for up to 18 months
- Upon retirement or at the end of COBRA, choose from options such as dental and vision insurance available through membership in the North Carolina Retired Governmental Employees Association. **Note:** You will not receive any information about these benefits unless you contact the NCRGEA directly

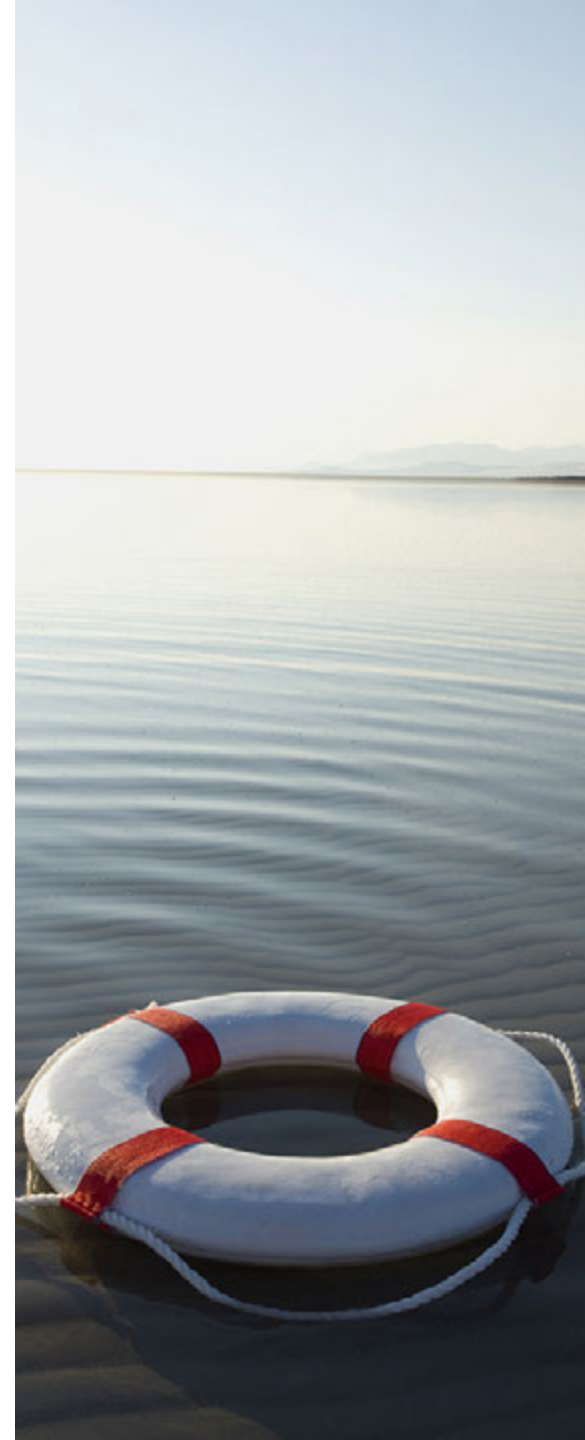
For a List of  
Benefits...

Visit the NCRGEA website  
at [www.ncrgea.com/  
list-of-benefits](http://www.ncrgea.com/list-of-benefits)



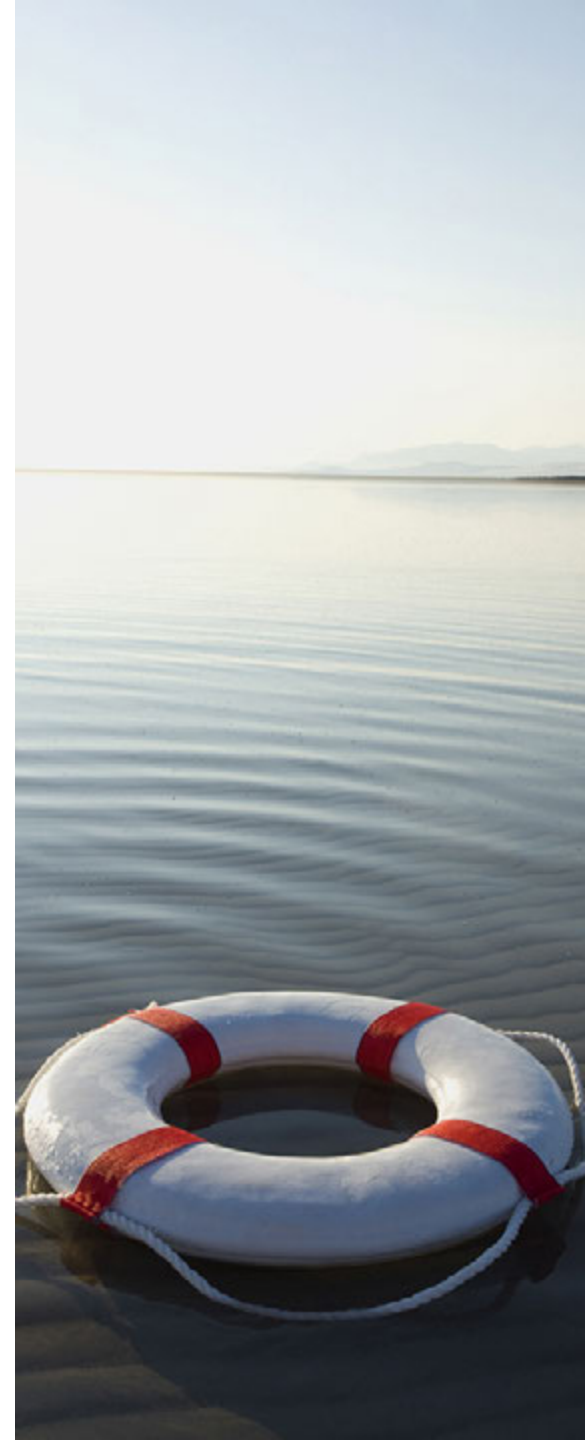
# Life Insurance

- If you have life insurance as an active employee, you may convert your life insurance coverage to a separately rated group term life policy, or make it a whole life policy by contacting the life insurance vendor



# Death Benefit

- Your contributions and UNC's contributions become 100% vested
- Your total ORP account value will be paid to your designated beneficiary







## Countdown to Retirement

# Countdown to Retirement: What You Need to Do Before

## 9-12 months

- Take financial inventory
- Determine your retirement date and contact Social Security Administration, if appropriate

## 6 months

- Contact your ORP vendor(s) to discuss retirement options and have retirement illustrations prepared
- Consider speaking with your tax and/or financial advisor to ensure you understand the tax implications of your decisions
- Notify your manager/supervisor about your upcoming retirement
- Contact your 401(k), 457(b) or 403(b) plan provider to discuss your distribution options



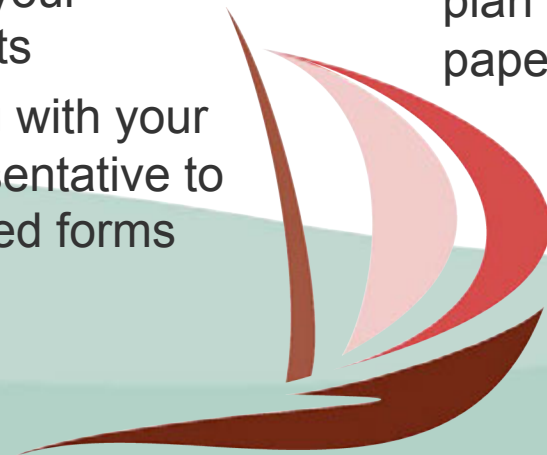
# Countdown to Retirement: What You Need to Do Before...continued

## 3 Months

- Enroll in Medicare Parts A and B online at [www.ssa.gov](http://www.ssa.gov) (if you will be age 65 as of your retirement date) and/or apply for Social Security benefits
- Contact your ORP investment carrier to complete the required documents to start your distribution payments
- Schedule a meeting with your HR Benefits Representative to complete the required forms

## 2 Months

- Prepare your resignation letter
- Provide it to your manager at least two weeks prior to your retirement date if you are paid bi-weekly and one month prior to your retirement date if you are paid monthly
- Contact your 401(k), 457(b) or 403(b) plan provider to complete the required paperwork to receive a distribution



# After Retirement

## First of the Month After

- If enrolled, coverage under the State Health Plan begins. You must be in receipt of an income from ORP to maintain retiree health coverage in the State Health Plan

## Throughout Retirement

- Continue to monitor your investments and savings periodically so you can live comfortably throughout the years





# Reality or Myth?

A comfortable retirement  
is impossible.



**Myth!**

With planning and preparation, a comfortable retirement is within reach!



Questions?