



# Teachers' and State Employees' Retirement (TSERS) System Workshop

# What We Will Cover Today

- Retirement readiness
- Your financial needs and sources of income for retirement
- TSERS 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
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\$1,575,000	



# Reality or Myth?

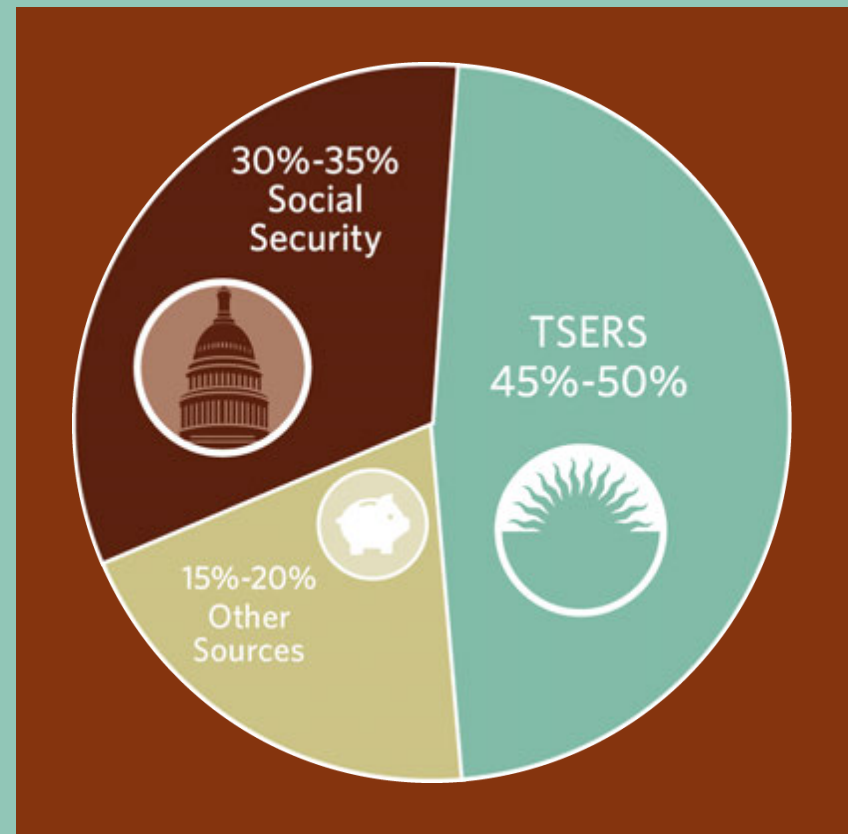
My TSERS benefit will provide all the income I need in retirement.

**Myth!**

Your TSERS 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.nctreasurer.com](http://www.nctreasurer.com)
- ❑ [www.captrustadvice.com](http://www.captrustadvice.com)
- ❑ [www.myncretirement.com](http://www.myncretirement.com)
- ❑ [www.orbit.myncretirement.com](http://www.orbit.myncretirement.com)







## Getting the Most from TSERS

# TSERS Basics

- Defined Benefit Plan
- You contribute 6% of pay on a pre-tax basis; UNC contributes an amount as defined by the General Assembly
- State Treasurer makes all the investment decisions and assumes investment risk
- You must complete five years of membership service to be fully vested
- The benefit formula is based on:
  - your years and months of Creditable Service
  - salary
  - actuarial formula
  - the payment option you choose when you retire

Creditable Service is the total of all service credits that count toward retirement. Membership service is service you earn while an active employee contributing to TSERS that has not been withdrawn.



# Vesting

- Vesting refers to the portion of your retirement benefit that you own
- You must complete five years of membership service to be completely vested





# Determining Your Mandatory Retirement Benefit

- Your benefit is determined by a set formula based on:
  - **Average Final Compensation** (the average compensation of your highest 48 consecutive months)
  - **Creditable Service**
  - **Retirement Factor** (currently 1.82%)
- Unused sick leave as of your retirement date will be converted to Creditable Service (every 20 days of unused sick leave as of your retirement date will convert to one month of Creditable Service)
- You also receive one more month of Creditable Service for any amount of unused sick leave that is less than 20 days but at least one hour
- To check your Creditable Service, obtain your Estimate of Retirement Benefits or access your annual benefits statements to determine your retirement readiness, visit ORBIT at [www.orbit.myncretirement.com](http://www.orbit.myncretirement.com)



## Options for Taking Your Retirement Benefit

# Eligibility and Requirements

You may take a full benefit from TSERS if you:

- Are age 65 with five years of membership service,
- Are age 60 with 25 years of Creditable Service, or
- Have 30 years of Creditable Service at any age

You may take a reduced benefit if you retire early, as follows, and are:

- Age 50 + 20 years of Creditable Service, or
- Age 60 + 5 years membership service



# Choose Your Payment Option

Choose the option that best suits your goals:

➡ Maximum Option

➡ 100% Joint and Survivor

➡ 50% Joint and Survivor

➡ Social Security Leveling

➡ Modified Joint and Survivor (also referred to as “pop-up” options)

- Combination benefit between the 100% Joint and Survivor Option and the Maximum Option
- Combination benefit between the 50% Joint and Survivor Option and the Maximum Option

## Receive Payments

Once you elect your distribution option:

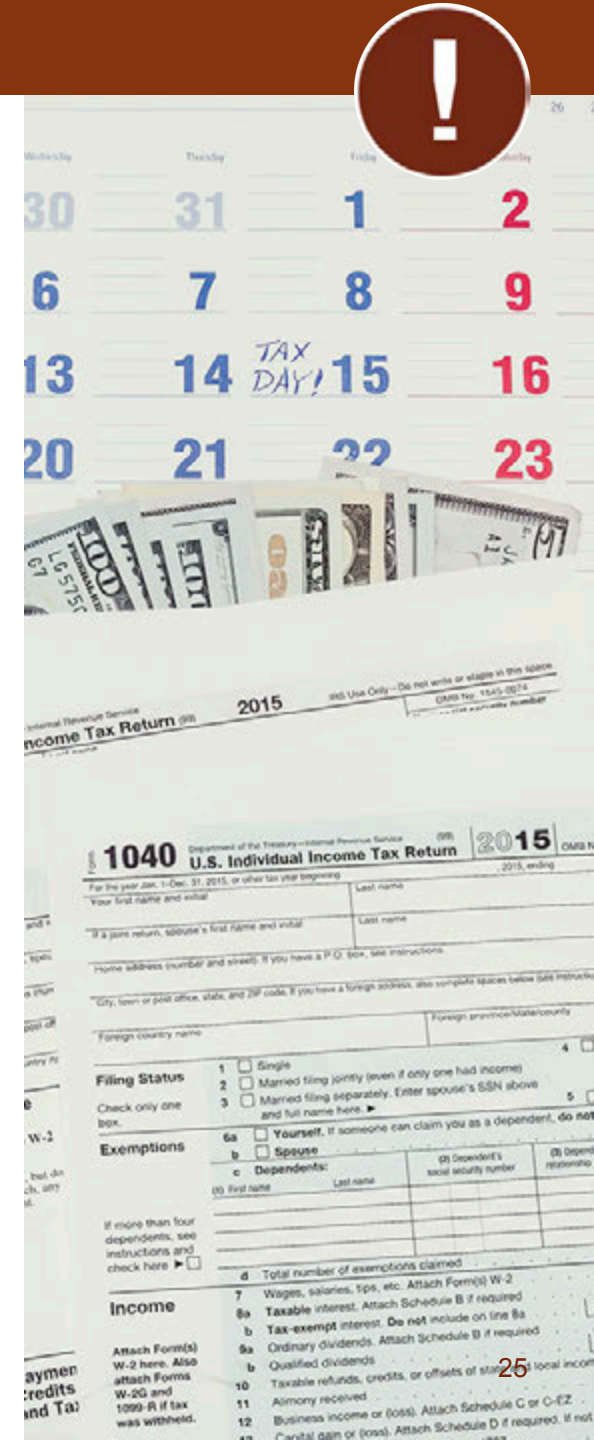
- Your first payment is always a physical check
- Subsequent payments will be sent to you via direct deposit on the 25th of each month



# Don't Forget About Taxes

## State Taxes

- Primary residence is in North Carolina
- The Bailey Settlement — if you enrolled in TSERS and had five years of Membership Service (vested) as of 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.dornc.com](http://www.dornc.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 all of your contributions from TSERS, 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 TSERS 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

# Break In Service

## Contributing Employers

- Six-month break in service is MANDATORY
  - Except in the case of “phased retirement” for faculty
- Direct vs. indirect employment with a State Agency
- Revoke retirement
- Pay back benefits
- Lose health insurance



# Return to Work

## Permanent Employment (30 or more hours per week)

- Retirement payment stops
- Employer pays health insurance
- Resume retirement contributions

## Permanent or Temporary Employment (less than 30 hours per week)

- Earnings allowance applies
- In 2016, the greater of: \$31,380 or 50% of reported earnings in the 12-month period prior to retirement (includes OT and longevity)
- *Final payouts excluded (i.e., vacation and/or bonus leave)*



## 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 TSERS participation, and
- They receive a monthly retirement benefit from TSERS

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 TSERS

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 TSERS, 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 **120 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

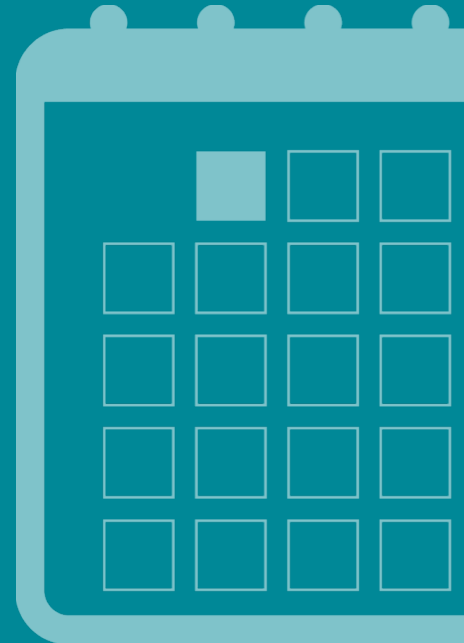
## Health Plan Questions?

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

## Coverage Timing

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

## Tools and Resources

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

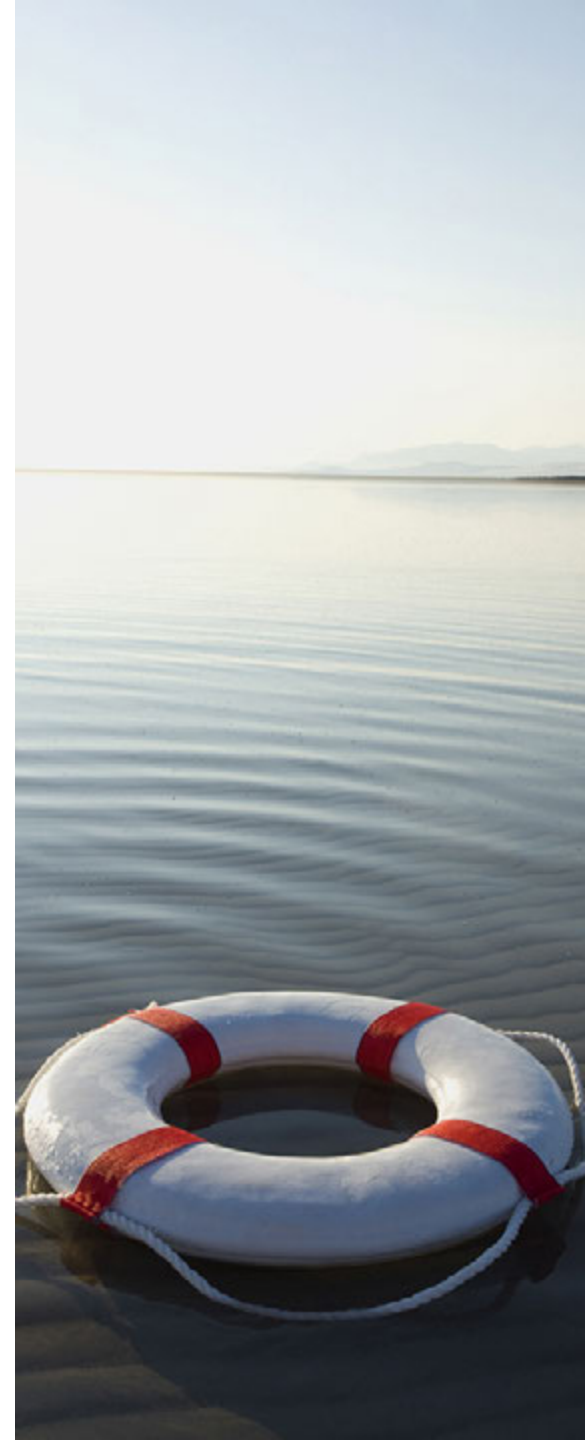




Other  
Benefits:  
Dental,  
Vision, Life  
and Death

# Dental, Vision and Life Insurance

- If you are enrolled as an active employee through NCFlex, dental, vision and life insurance will end upon termination of employment
- You have two options:
  - Elect to continue your current dental and vision coverage through COBRA
  - Elect to enroll for retiree dental, vision and/or life and accident disability coverage through Pierce Insurance, which is offered through the State Retirement System
- 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



# Dental, Vision and Life Insurance...continued

## COBRA (For up to 18 months following termination)

- For dental and/or vision coverage for up to 18 months
- You pay the full cost of COBRA coverage

## Pierce Insurance (Can start 18 months after termination)

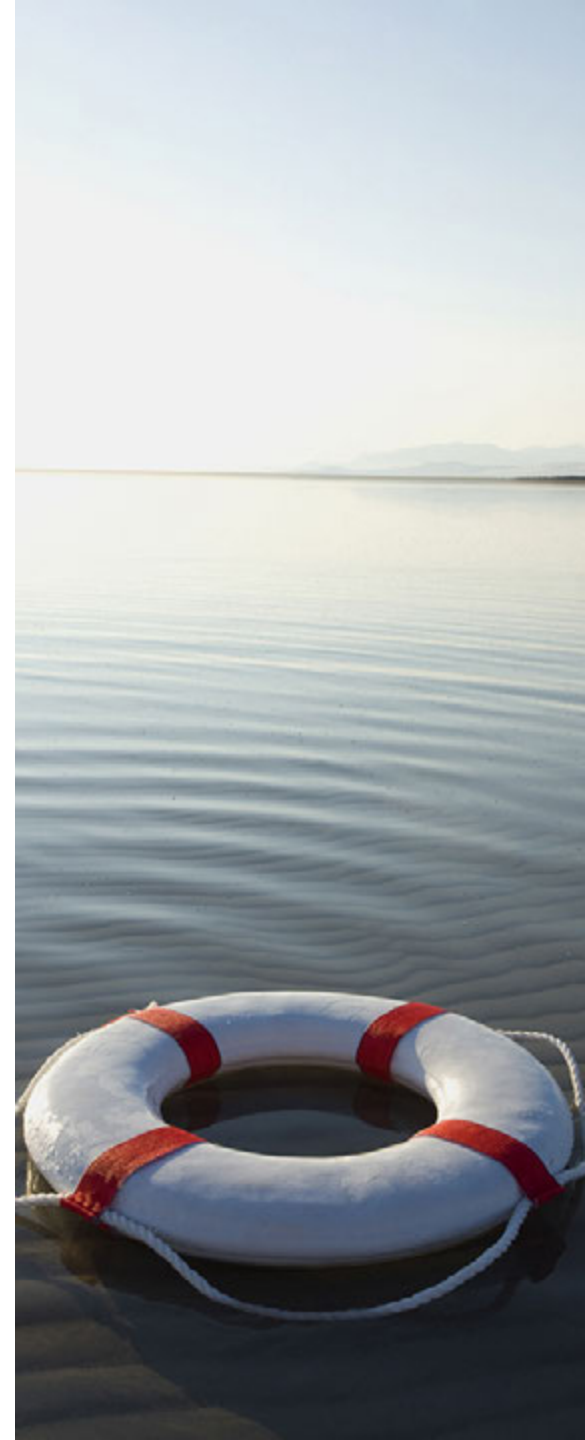
- After 18 months, when your COBRA coverage ends, it is considered a qualifying event known as a “loss of coverage”
- You may elect to enroll for retiree dental, vision and/or life and accident disability coverage with Pierce Insurance

Additional  
information:  
[www.ncretiree.com](http://www.ncretiree.com)  
or 1-855-627-3847



# Death Benefit

- You may elect an optional contributory death benefit, which provides a \$10,000 lump-sum payout to your designated beneficiary in the event of your death
- If elected, you pay the full cost of this benefit, which can be deducted from your monthly retirement check
- TSERS will mail you the information about this benefit once you initiate the retirement process





## 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

## 6 months

- Review your distribution options by reading the TSERS Handbook
- Contact TSERS at 1-919-807-3050 regarding any special service credits you might have purchased or transferred, and review your Creditable Service



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

## 4 months

- Meet with your HR Benefits Representative to:
  - Request an Estimate of Retirement Benefits through ORBIT at [www.orbit.myncretirement.com/orbit/Common/Pages/BPASLogin.aspx](http://www.orbit.myncretirement.com/orbit/Common/Pages/BPASLogin.aspx)
  - Review your vacation, sick and bonus (if applicable) leave balances to determine any impact on your retirement effective date
  - Complete the required forms
    - Forms can only be filed with TSERS 120 days (four months) in advance of your actual retirement date
    - All forms must be completed at the same time and mailed to TSERS together; otherwise, TSERS will not process the retirement application

## 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

## 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 TSERS to maintain retiree health coverage in the State Health Plan

## 25th of the Month After

- Receive your first distribution check
- Payments will be deposited into your checking or savings account automatically on the 25th of each month moving forward

## 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?