



Your Retirement Benefits

**FIREMEN'S AND RESCUE SQUAD
WORKERS' PENSION FUND**



North Carolina Retirement Systems



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STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

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To the Members of the North Carolina Firemen's and Rescue Squad Workers' Pension Fund:

It is a pleasure to provide you with the 2009 employee booklet, *Your Retirement Benefits*. Your Pension Fund benefits are administered by the Retirement Systems Division of the North Carolina Department of State Treasurer. I want to make sure you understand your benefits so you can take full advantage of them when you are eligible.

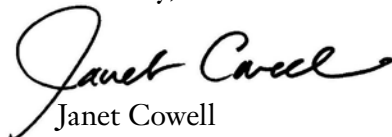
This booklet summarizes the benefits available to you as a member of the Pension Fund, including:

- Becoming a member of the Firemen's and Rescue Squad Workers' Pension Fund; and,
- Qualifications to apply for a monthly benefit.

Our staff of dedicated professionals joins me in my commitment to providing you with the information you need about your Pension Fund benefits to help you make informed decisions about your future. I encourage you to familiarize yourself with the benefits described in this booklet and contact the Pension Fund's staff if you have additional questions.

It is a great privilege and honor to serve as your State Treasurer. Thank you for your dedicated service to the people of North Carolina.

Sincerely,


Janet Cowell

Your Retirement Benefits

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

Your Pension Fund Benefits In Brief

- Eligibility for membership. See below.
- You and the General Fund pay the cost of retirement benefits. See page 3.
- Monthly payments at retirement are a set amount. See page 3.
- Monthly pension benefit at age 55 with 20 years of credit as a fireman or rescue squad worker. See page 3.
- Disability status available, if eligible. See page 3.
- Line-of-duty disability benefits available, if eligible. See page 3.

This section only highlights the Pension Fund. The following pages describe it in detail.

Becoming A Member Of The Pension Fund

You are eligible to become a member of the Pension Fund if you are an “eligible fireman.” An “eligible fireman” must belong to a fire department that:

- (1) is rated by the Fire Insurance Rating Bureau and is certified by the Department of Insurance as not less than a Class “9S” department,
- (2) meets minimum equipment requirements (\$5,000 replacement value),
- (3) files a roster annually with the North Carolina State Firemen’s Association (which is forwarded to the Pension Fund Office), and
- (4) holds drills and meetings not less than four hours monthly (of which members are required to attend at least 36 hours per year).

Drills and meetings are defined as any meeting in which the members of the department conduct official departmental business, or training sessions/drills, in which attendance by the member will result in the preparation of, or knowledge gained by, the member in the area of fire prevention, fire suppression, or protection of life and property. Such drills and meetings held by the department to meet the requirements of this Section shall be held for the purpose of providing a learning or preparation experience for the members, or participation by the member in the business affairs of the department.

In order to become a member of the Pension Fund, you must complete an application through your department or squad and mail it with your first payment (contributions are \$10 per month) to the Pension Fund Office address on page 12 of this guide. Your enrollment date in the Fund will be effective in the month in which both the application and contribution are received by the Fund. (Credit for prior service in a department or squad is referenced on page 5.)

Also, you are eligible to become a member of the Pension Fund if you are an “eligible rescue squad worker.” An “eligible rescue squad worker” must belong to a rescue squad that:

- (1) is eligible for membership in the North Carolina Association of Rescue and Emergency Medical Services, Inc., and
- (2) files a roster annually with the North Carolina Association of Rescue and Emergency Medical Services, Inc. (which is forwarded to the Pension Fund Office).

The eligible rescue squad worker must attend a minimum of 36 hours of training and meetings each year.

Training and meetings are defined as any meeting in which the members of the department/ squad conduct official business, or training sessions/ drills, in which attendance by the member will result in the preparation of, or knowledge gained by, the member in the area of rescue, Emergency Medical Services, injury prevention, or protection of life and property. Such drills and meetings held by the squad to meet the requirements of this

Section shall be held for the purpose of providing a learning or preparation experience for the members, or participation by the members in the business affairs of the department.



Who Pays For The Fund

Your contributions to the Pension Fund, the investment earnings on total contributions, and an annual appropriation by the State from its General Fund pay the cost of providing your Pension Fund benefits.

Your share of the cost is \$10 monthly. Members normally must pay into the Pension Fund for 20 years, or a maximum of \$2,400, to receive a monthly benefit at retirement.

The Amount of Your Benefit

Your present Pension Fund benefit is \$170 per month, assuming 20 years of creditable service and the attainment of age 55.

The standard for retirement is 20 years of creditable service as a fireman or rescue squad worker by age 55.

Creditable service means any period during which you contribute to the Fund and meet the eligibility requirements described above.

At Disability Retirement

After 10 years of creditable service, if you become totally and permanently disabled (as approved by the Pension Fund's Medical Review Board) and

can no longer perform the duties of a fireman or rescue squad worker, you are eligible for disability retirement status. If your disability is the result of a non-duty related activity, you must continue to pay \$10 per month into the Fund until you have paid for 20 years or \$2,400. At age 55, you may begin drawing a monthly pension provided the 20 years of contributions have been completed and 20 years has elapsed since you joined the Fund.

Becoming totally and permanently disabled (as approved by the Pension Fund's Medical Review Board) while performing your duties, immediately qualifies you to receive a monthly benefit after turning age 55. After being approved for line-of-duty disability, you would not have to make any further contributions to the Fund.

Reciprocity Between Fire Departments And Rescue Squads

Any credit you may have as either a fireman or rescue squad worker may be counted as credit in this Pension Fund. Membership in the Fund is transferable from a fire department to a rescue squad and vice versa. However, if you work and/or volunteer as a fireman and as a rescue squad worker, you cannot simultaneously join the Pension Fund under each department or squad.

If You Leave The Department Or Squad Before Retirement

Even if you leave your department or squad before retirement, you may still receive a benefit. Once you meet eligibility requirements, you are entitled to a benefit at age 55 if you leave for any reason after you have completed 20 years of creditable service, provided you do not withdraw your contributions.

Normally, if you leave the Fund before you have 20 years of creditable service, the only payment you can receive is a refund of your contributions.

Affect Of Annexation

You may continue as a member of the Pension Fund even if your home or fire department/rescue squad location is affected by an annexation, and as a result, you can no longer serve as a fireman/rescue squad worker. If you have 10 years of service at the time of annexation, you may continue contributing \$10 monthly until you have put in \$2,400 or paid for 20 years. Your pension benefit will begin at age 55 provided you have contributed for 20 years.



How Benefits Are Paid

To begin receiving benefits, you must complete and submit to the Pension Fund:

- a “Retiring from the Firemen’s and Rescue Squad Workers’ Pension Fund” form (Form 6FR), and
- an “Authorizing Direct Deposit” form (Form 170). These forms are available on our Web site at www.myncretirement.com or from the Pension Fund office.

You must apply for benefits. They are not paid automatically. Your application and direct deposit form should be returned to the Pension Fund Office 30 days before your scheduled retirement date, so that your first pension check will arrive at the end of the month following the month in which you retire.

Payments To Beneficiaries

Although the Pension Fund’s primary purpose is to provide retirement income, it recognizes that some members will not live to enjoy their retirement benefits.

At your death, your beneficiary should notify the Pension Fund immediately. By retirement law, the beneficiary of a Pension Fund account is pre-determined. If a member of the Fund has a spouse, then the spouse is automatically the beneficiary. If there is no spouse, then the contributions are paid to the children or guardian of the member’s children, provided the member has children. If there is no spouse or children, then the proceeds are paid to the member’s “heirs at law” or to the member’s “estate, if it is administered and there are no heirs.”

If you die before beginning to receive your pension, your beneficiary will receive the amount you paid into the Pension Fund.

If you die after beginning to receive your benefits, your beneficiary will be paid the amount you contributed to the Pension Fund, minus the benefits you collected.

If you die after collecting more from the Fund than you contributed, then payments cease. No additional benefits are paid.

Receiving Your Monthly Benefit

The effective date of your retirement is always the first day of a month. The present monthly benefit is \$170.

Upon receipt of your application, the Pension Fund will send you an acknowledgment letter confirming your retirement information and advising the payment date for your benefits.

Your first monthly Pension Fund benefit will be mailed to you. Thereafter, it is the policy of the Retirement Systems Division for your monthly

benefit to be directly deposited in your bank account when your financial institution opens for business on the 25th day of each month, except in December, when it will be deposited on the 20th. If the day the Pension Fund would normally make your deposit is a Saturday, Sunday, or holiday, then your deposit will be made on the last work day before that Saturday, Sunday, or holiday. Direct Deposit is fast, automatic, and free of cost to you.

Creditable Service And Service Purchase Provisions

Your benefit at retirement is based on your creditable service. In addition to the years and months you contribute to the Fund, other provisions may apply:

Prior Service. There are several reasons you might want to purchase prior service in the Pension Fund:

- if you were a member of an eligible fire department or rescue squad before its participation in the fund,

- if you were previously eligible, but did not choose to join the Pension Fund, or
- if you had earlier service with a department or squad other than the department or squad through which you joined the Pension Fund.

Any member with prior service may be eligible to purchase the service regardless of age. If you are age 34 or younger, the cost to purchase prior service is \$10 a month plus annual interest of 8%. If you are age 35 or older, the cost is equal to the full actuarial liability. You may purchase prior service in

both a fire department and a rescue squad as long as the service periods do not overlap. You should contact the Pension Fund and/or your department regarding the proper certification form.

Military Service. You may take a leave of absence for one tour of military service and earn service credit during that period if you continue making your Fund contributions during your tour. You will need to submit a copy of your military discharge papers, such as DD214, that reflect the date you entered and the date you were released from active duty.

Leave Of Absence. For five years of any six-year period, you may leave fire or rescue squad service without losing your account provided you contact the Pension Fund to place your account on “leave of absence” status. During that time, you must not withdraw your deposits in the fund. Contributions are not required and service credits will not accrue. You remain eligible for a refund. To reactivate your membership in the Fund, contact the Pension Fund Office within the five-year period.



Refund of Contributions

If you are no longer eligible or choose not to participate in the Fund for any reason other than retirement or death, you can receive a refund of your contributions. However, a refund of contributions will be made directly to your department or squad provided they made the contributions on your behalf and have specified that these proceeds are to be refunded to the department or squad.

To receive a refund, simply complete an application and file it with the Pension Fund. You may obtain the form from your department, squad, or the Pension Fund Office.

No interest will be paid on the amount of the refund. An administrative fee of \$25, or your total contribution, whichever is less, will be deducted from your refund.

Lack Of Qualification

When you turn age 55, if you are a member of the Pension Fund but do not qualify to receive a pension, the amount you paid into the Fund can

be refunded to you minus the \$25 administration fee. If you do not qualify because you have not yet completed 20 years of service, you may continue working toward your service goal.

Default Of The Fund

If the Pension Fund were ever unable to pay all benefits in full, all benefit payments would be reduced. When it again became able, the Fund would resume paying benefits in full. The Fund would not owe back-payments.

Rejoining The Fund

If you leave the Fund and later wish to rejoin, you must first pay a \$25 administrative fee and complete a new application. After rejoining the Fund, you will be eligible to purchase service credits for your previous account.

Transferring Your Pension Benefits

You may transfer your contributions and creditable service between departments or squads as long as you are an eligible member of the department or

squad to which you are transferring, do not receive a refund of your contributions from the Fund, and file the appropriate written request.

Reemployment After Retirement

After retiring as a paid firefighter, you may not return to full-time work as a paid firefighter and receive your pension benefit. Also, if you are a retired, paid rescue squad worker, you may not go back to full-time paid work for a rescue squad while collecting benefits.

However, after retiring as a paid firefighter, you may later return to work as a fireman in a part-time paid status and still receive your Pension Fund benefit if you meet the following conditions:

- 1) You perform no paid services as a fireman for six months after your date of retirement under the Pension Fund, and

- 2) Upon return to work, you perform services as a paid fireman for no more than 20 hours per week.

The above conditions also apply to you if you are a retired rescue squad worker who later returns to work as a rescue squad worker in a part-time paid status.

In addition, as a retired, paid firefighter you can draw your benefit and go to work as a paid rescue squad worker. The reverse also is true if you are a retired, paid rescue squad worker who wishes to work as a paid firefighter and collect your benefits.

If you are a retired volunteer firefighter or rescue squad worker, you may receive benefits and continue to volunteer in either capacity.

Income Tax

Benefits from the Pension Fund receive special income tax treatment. The following is a brief outline of current tax laws as they apply to Fund benefits. However, tax laws often change. You should consult your tax advisor for more details.

Retirement Benefits

Each year by January 31, a Form 1099-R (similar to Form W-2, Statement of Income and Tax Withheld, that you received annually while you were working) will be sent to you. Shown on the Form 1099-R are the amount of your pension benefits, the taxable portion (if any), the amount of tax withheld (if any), and the related information. Copies also

will be sent to the Internal Revenue Service (IRS) and the North Carolina Department of Revenue. Therefore, you should report your pension benefits on your federal and North Carolina tax returns regardless of whether you owe any income tax.

Federal Income Tax. When you retire, you will receive a statement that shows the total amount of your pension benefits not subject to federal income tax. That figure will be referred to as your "federal tax base."

Under federal law, the majority of each and every pension check is includable as taxable income on your federal tax Form 1040. This does not mean

that you will pay tax again on the contributions on which you already have paid tax. It does mean, however, that 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 five or more years of Pension Fund service credit as of August 12, 1989, your monthly benefit paid by the Pension Fund is not subject to North Carolina income tax. If you do not have five years of maintained Pension Fund service credit as of August 12, 1989, you will be required to pay North Carolina income tax on the taxable portion of your monthly benefit. The amount of pension benefits subject to North Carolina income tax is the same amount of pension benefits on which

federal income tax must be paid, less a \$4,000 annual exclusion. If the taxable portion of your annual pension benefits is less than \$4,000, you will not owe any North Carolina income tax on your pension benefits.

Municipal Income Tax. Your pension benefits also may be subject to municipal taxes.

Death Benefits

Monthly benefits are payable to Pension Fund members only. There are no monthly survivor benefits paid. However, there would be a lump sum death benefit payable to the surviving spouse if all contributions are not recovered by the member.

Your beneficiary pays no income tax on death benefits. They are treated as life insurance benefits.

Important Information To Remember

REMEMBER

- In all correspondence with the Pension Fund, give your Member ID number or last four digits of your Social Security number. With over 46,000 accounts and many duplicate names, it is essential that your inquiries be identified with this information.
- No application, form, or other type of document can be effective until it has been filed and accepted by the Pension Fund.
- At your request, the Pension Fund will gladly send you any form, application, or other information it has developed for use by members.
- Any error concerning your retirement account should be brought to the attention of the Pension Fund, in writing, immediately.

- Your benefits from the Pension Fund are not paid automatically — you or your beneficiary must apply for them.
- If you become disabled, you should apply for disability benefits from all available sources, including the Pension Fund and the Social Security Administration.



Administration And Funding

Administration

The Pension Fund is administered by the Board of Trustees. The Board members are:

Janet Cowell,
State Treasurer, Chairman

Brent P. Gerald
Wayne Goodwin
Howard A. Shaw
Terry Tapp
Michael E. Williams

Fund Assets

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

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

Janet Cowell,
State Treasurer, Chairman

Norwood G. Clark, Jr.
Leigh Hammond
Steve Nelson
Paschal W. Swann

Medical Review Board

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

Dr. George S. Edwards, Sr.
Dr. Robert H. Fleming
Dr. Ernest B. Page, Jr.
Dr. Bobby Sellers
Dr. Nathaniel L. Sparrow

Future Of The Pension Fund

The State expects to continue the Pension Fund indefinitely. However, because future conditions cannot be foreseen, the State General Assembly reserves the right to modify the provisions of the Fund.

Fund Documents

This booklet summarizes the main features of the Firemen's and Rescue Squad Workers' Pension Fund. The official text governing the operations of the Fund and the payment of all benefits is found in Chapter 58 of the General Statutes and Title 20 of the North Carolina Administrative Code.

Funded Status

The Pension Fund 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, and
- the recognition of all promised benefits in the actuarial liabilities.

Funded Ratio

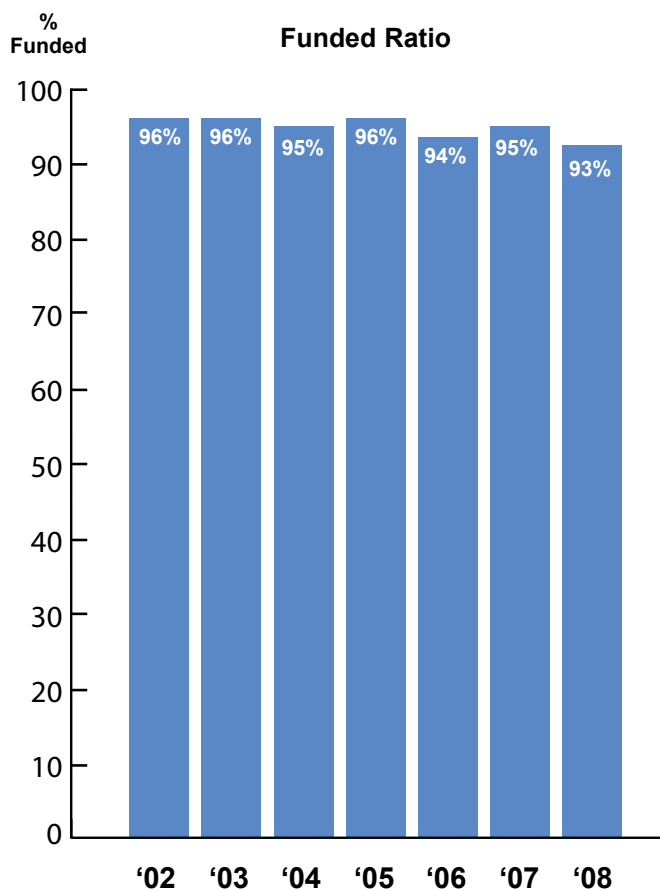
A generally accepted measure of the soundness of any pension fund is to relate the total assets to the total accrued liabilities. This determines the funded ratio or percentage of the Fund.

The total of the accrued liabilities is found by adding the total assets and the unfunded accrued liabilities. Shown are the actuarial assets and unfunded liabilities for the past several years, as of June 30 of each year. Beside the figures is a graph that shows the funded ratio of the Pension Fund (the percentage of the assets to the total accrued liabilities).

	Assets	Unfunded Accrued Liabilities
2008	\$316,973,296	\$22,048,851
2007	\$305,869,434	\$16,584,539
2006	\$287,933,056	\$16,406,150
2005	\$274,265,041	\$11,090,895
2004	\$261,147,858	\$12,677,823
2003	\$249,924,662	\$10,782,233
2002	\$239,918,399	\$9,398,006

Member Contributions

Members contribute \$10 each month to the Fund.



Investments And Operations

At June 30, 2008, the active membership of the Fund was 36,160 while the number of retired members was 10,509. Invested assets at market value amounted to about \$319.2 million.

The distribution of the investments of the assets as of June 30, 2008 was:

Long-Term Fixed Income Investment Fund	\$ 118,596,550
Short-Term Fixed Income Investment Fund	\$ 2,404,282
Real Estate Investment Portfolio	\$ 20,690,758
Equity Investment Portfolio	\$ 162,279,531
Alternative Investment Portfolio	<u>\$ 15,185,796</u>
Total	<u>\$ 319,156,917</u>

Operations of the Pension Fund during the 2007 fiscal year resulted in total receipts of \$4,826,244 and total expenditures of \$22,401,635.

Based on the actuary's report, the General Assembly appropriated \$9,458,957 for the 2007-2008 fiscal year. The yearly appropriation will fund all future benefits, based on current service, and will fund, over a period of nine years from June 30, 2008, the remaining accrued liabilities for past service.



How To Contact Us

Fund Address

The address of the Pension Fund is:

Firemen's and Rescue Squad
Workers' Pension Fund
Department of State Treasurer
Albemarle Building
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

Fund Telephone Number

1-877-508-9110
(toll-free outside of Raleigh area)

919-508-5360
(within local calling distance of Raleigh)

Due to the large volume of calls that are received in the Member Services Section, we recommend that you do not call during the following times:

- Mondays,
- other days between the hours of noon and 2:00 p.m., and
- the day following the mailing of monthly retirement checks.

If you believe that the nature of your inquiry will result in a lengthy conversation or will require research by our staff, we recommend that you submit your questions in writing and we will respond accordingly.

Fund E-Mail

nc.retirement@nctreasurer.com

Fund Internet Address

www.myncretirement.com

Visit our Internet Web site to learn more about the benefits that are available to you:

- download and view *Your Retirement Benefits* handbooks,
- review "Frequently Asked Questions," and
- download and complete applications and forms used by the Pension Fund.

These are some of the options that are currently available to you on our Internet Web site. Please feel free to visit and use this site whenever it may be of assistance to you.