



Your Retirement Benefits

LEGISLATIVE RETIREMENT SYSTEM



North Carolina Retirement Systems



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To the Members of the Legislative Retirement System:

It is a pleasure to provide you with the 2009 employee booklet, *Your Retirement Benefits*. As a member of the Legislative Retirement System, you are covered by a plan that provides considerable benefits. 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 Retirement System, including:


- Benefits you will receive at retirement once you meet the service and age requirements;
- Benefits your beneficiary may receive if you die while you are an active employee or after you retire (death benefits).

Your retirement benefit is part of your compensation earned while you are an active member of the General Assembly of North Carolina. You are part of a defined benefit plan. This means when you become eligible for retirement, your life long benefits are guaranteed to be there when you need them in retirement. Your Retirement System benefits, when combined with your Social Security benefits and other savings, such as the NC 401(k) Plan or the NC 457 Deferred Compensation Plan, can help provide you with financial security for your retirement years.

Our staff of dedicated professionals joins me in my commitment to providing you with retirement benefits information 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 N. C. Retirement Systems if you have additional questions.

It is an honor to serve as your State Treasurer, and I encourage you to learn about your retirement benefits and plan for your financial future.

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.

Legislative Retirement System Benefits In Brief

- Automatic membership for eligible active members. See below.
- You and the State pay the cost of retirement benefits. See page 3.
- Monthly payments at retirement based on your salary, age, and years of service. See page 3.
- *Unreduced* retirement benefit at age 65 after five years of service. See page 4.
- Reduced benefit at age 60 after five years of service and at age 50 with 20 years of service. See page 4.
- Disability benefits available after five years of service. See page 4.
- Survivor monthly income if you die in service after age 60 with at least five years of service, or at any age after 12 years of service. See page 5.
- Several payment options available to continue income to your beneficiary following your death after retirement. See pages 8 and 9.
- Death benefit paid to your beneficiary if you die in active service. See page 5.

This section just highlights the System. The following pages describe it in detail.

Becoming A Member Of The System

You become a member of the System on the date you take your oath of office.

Shortly after your employer enrolls you in the System, the Retirement System will send you a Form 2C, “Designating Beneficiary(ies) for Retirement System Contributions and the Death Benefit” to complete. On the Form 2C, you will be asked to name your beneficiary(ies) to receive a refund of your contributions and a death benefit if you die before retirement.

You can change your beneficiary(ies) at any time by completing another Form 2C, available from the Legislative Disbursing Office or the Retirement System.



Who Pays For The System

You and the State both pay the cost of providing your retirement benefits. Your share of the cost, which is automatically deducted from your paycheck, is 7% of your compensation. Your compensation includes all wages paid to you as a member of the General Assembly, including the expense allowance, but does not include your travel allowance and per diem. Beginning November 1, 1986, your contributions to the Retirement System are tax sheltered for federal and North Carolina income tax purposes.

The State bases contributions on the calculations prepared by an actuary. The State will contribute 4.10% of all members' salaries during the 2008–2009 fiscal year to pay for the benefits for you and other members.

How Your Benefit Is Calculated

Your annual retirement benefit is based on this formula:
4.02% of "highest annual compensation" as a member of the General Assembly
TIMES
years of "creditable service."

Highest annual compensation means the twelve consecutive months of salary authorized during a member's final legislative term for the highest position that a member ever held as a member of the General Assembly.

Creditable service means any period during which you contribute to the System and any service which you have purchased. See pages 9 and 10 for more details. If you leave this System and withdraw your own contributions, the service represented by the withdrawn contributions is forfeited and is not counted as creditable service should you become a member at a subsequent date.

The law provides that in no case can your initial maximum allowance exceed 75% of your highest annual compensation as a member of the General Assembly.

Your benefit may be increased periodically after retirement to help you keep up with the cost-of-living. Increases are not automatic and will be dependent upon the action of future General Assemblies.

How To Qualify For Benefits

Service Retirement (Unreduced Benefits)

You may retire with an unreduced service retirement benefit after your 65th birthday provided that you have five years of creditable service.

Early Retirement (Reduced Benefits)

You may retire early with a reduced retirement benefit after you reach age 60 and complete five years of creditable service, or you reach age 50 and complete 20 years of creditable service.

Your early retirement benefit is determined by the same formula as a service retirement benefit multiplied by a reduction percentage based on your age and/or service at early retirement. Since your benefits may be paid over a longer period of time than if you waited until you were eligible for service retirement, they will be reduced. The table on page 7 shows the effect these reductions would have on your benefit.

Disability Retirement

After five years of creditable service and while a contributing member of the General Assembly, if you become permanently disabled before your 60th birthday and are unable to continue your service as a member of the General Assembly, as approved by the Medical Review Board, you are eligible for disability retirement benefits. Your disability benefit under the Maximum Allowance is calculated using the same formula as a service retirement benefit and you may choose any payment option. If you choose a survivorship option, it will be calculated using disability reduction percentages. In calculating the disability retirement benefit, your highest annual salary as a member of the General Assembly is determined and your creditable service is counted as though you continue membership to age 60.

Reciprocity Between Retirement Systems

Any credit you may have in the Judicial, Teachers' and State, or Local Governmental Employees' Retirement Systems will be counted along with your credit in this Retirement System for the purpose of determining your *eligibility* for a reduced or unreduced benefit. However, only your creditable service in this System will be used in computing the *amount* of your benefit in this System, and creditable service in any other System will be used in computing benefits from that System.

If You Leave The System Before Retirement

Even if you leave before service or early retirement, you may still receive a deferred benefit at a later date, once you meet eligibility requirements, after you have completed five years of creditable service, provided you do not withdraw your contributions. This right to a benefit is called "**being vested.**" See page 16 for information regarding retiree health coverage.

Your vested benefit is calculated under the formula in effect when you apply for benefits. It is based on your highest salary as a member of the General Assembly and your years of creditable service at that time.

You can apply for vested payments to begin when you reach age 60. If you have at least 20 years of creditable service when you leave, you can apply for early payments starting at age 50.

If you leave the System before you are vested (less than five years of service), the only payment you can receive is a refund of your contributions. If you are vested (five or more years of service), you may receive a refund of your contributions, with interest, that are credited to your account. See page 10 regarding a refund of contributions.

How Your Beneficiaries Are Protected

Although the System's primary purpose is to provide retirement income, it recognizes that some members will not live to enjoy their retirement benefits. A death benefit is provided that protects your beneficiary should you die while a contributing member of the General Assembly before retirement.

In addition, your beneficiary will receive a refund of your contributions with interest. If you meet certain age and/or service requirements, a monthly benefit to a surviving beneficiary may be paid instead of the refund of contributions if you have named only one principal beneficiary. See below.

If you die after retirement, depending on the payment option you chose, your beneficiary may receive income following your death. See page 8.

Survivor's Alternate Benefit

If you have named one principal beneficiary for the refund of your contributions and die while in active service (while a contributing member of the Retirement System) after 12 years of creditable service or after reaching age 60 with five years of service, your surviving beneficiary may choose to receive a monthly benefit instead of a refund of your contributions with interest. The benefit equals the same monthly retirement allowance to which you would have been entitled under Option 2 on the first day of the calendar month following your date of death. This benefit is payable for the life of your surviving beneficiary.

Death Benefit

If you die while a contributing member of the Retirement System, but after completing one year of creditable service, your beneficiary will receive a single lump sum payment. The payment equals the member's highest annual compensation as a member of the General Assembly, not to exceed \$15,000.

In addition, after you retire, there is a Contributory Death Benefit in the amount of \$10,000 that you, as a retiree, may elect to have by paying the cost for the coverage. The benefit is available to those who elect coverage at retirement, and the benefit is payable to your surviving spouse or your legal representative, if you are not survived by a spouse.



Example Of How A Benefit Is Calculated

To give you an idea of how benefits are calculated, let us look at some examples. Assume a member retires at age 65 with 20 years of creditable service. As we go through the steps to calculate

the member's benefit, you may wish to write in your own figures for an estimate of your benefit.

At Service Retirement

	Member	You
Step 1 Highest annual compensation	\$ 20,659	\$
Step 2 Multiply by accrual rate	<u>x .0402</u> \$ 830.49	<u>x .0402</u> \$
Step 3 Multiply by years of creditable service	<u>x 20</u>	<u>x</u>
Preliminary Annual Benefit	\$ 16,609.80	\$
Step 4 Divide by 12	<u>÷ 12</u>	<u>÷ 12</u>
Step 5 Preliminary Monthly Benefit	<u>\$ 1,384.15</u>	<u>\$</u>
<i>Test for Maximum Benefit</i>		
Step 6 Multiply highest annual compensation by 75%	<u>\$ 20,659.00</u> <u>x .75</u>	<u>\$</u> <u>x .75</u>
Step 7 Maximum annual benefit	\$ 15,494.25	\$
Step 8 Divide by 12	<u>÷ 12</u>	<u>÷ 12</u>
Step 9 Maximum monthly benefit	<u>\$ 1,291.19</u>	<u>\$</u>
Monthly Benefit (Lesser of Step 5 or 9)	<u>\$ 1,291.19</u>	<u>\$</u>

Because the member had 20 years of creditable service at retirement which provides a benefit in excess of 75% of highest annual compensation, he is entitled to the maximum payment of \$15,494.25 annually, or \$1,291.19 each month for the rest of his life.

At Early Retirement

Let's assume the member decides to take early retirement at age 61 with 16 years of service and the highest annual compensation is \$20,659. Here is how we calculate the benefit:

\$ 20,659	(highest annual compensation)
x .0402	(accrual rate)
\$ 830.49	
x 16	(creditable service)
\$ 13,287.84	

Now apply the early retirement reduction percentage from the chart in the column on the right.

\$ 13,287.84	
x .88	(percentage at age 61)
\$ 11,693.30	

In this case, the member receives a maximum payment of \$11,693.30 a year, or about \$974.44 a month, unless he chooses a payment option. His payment will start at age 61 and continue for the rest of his life.

Early Retirement Percentages

If you are between ages 60 and 65, your early retirement benefit will be reduced to the following percentages:

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

If you are between ages 50 and 59 with at least 20 years of creditable service, your early retirement will be reduced to the percentages in the chart below:

Age	Creditable Service									
	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%

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

Retirement Benefit Payment Plans

There is a **guaranteed refund** feature of your retirement benefits which provides that the total amount paid out after your retirement will not be less than the amount of your contributions and interest at retirement, regardless of which retirement plan you select. Should your death and the death of the beneficiary named to receive a monthly payment, if any, occur before the total of all monthly payments equals the amount of your contributions and interest at retirement, the unrecovered portion of your contributions and interest will be paid in one lump sum to another beneficiary(ies). You may name one or more beneficiary(ies) for the guaranteed refund provision and you may change your beneficiary(ies) for this purpose as often as you desire. Of course, any beneficiary named for this purpose cannot be named as beneficiary for a monthly benefit.

Maximum Payment

When you retire on a service or disability retirement benefit, your maximum payment is calculated under the formula on page 3. If you retire early, your maximum payment is calculated under the same formula and then reduced for early retirement. In either case, unless you choose a payment option, you will receive your maximum payment for as long as you live. All monthly payments stop at your death.

Payment Options

Instead of the maximum payment, you can choose one of the following reduced payment options if you feel it better suits your personal needs.

Option 2

100% Joint And Survivor

You receive reduced monthly payments for life. After you die, your beneficiary receives the same amount for life.

Option 3

50% Joint And Survivor

You receive reduced monthly payments for life. After you die, one-half of your payment continues to your beneficiary for life.

Under Options 2 and 3, you may name only one beneficiary to receive a monthly survivor payment after your death. You may not change your survivor beneficiary after you retire *except* under the following conditions:

- if you named your spouse as survivor beneficiary and later become divorced from that spouse,
- if you return to employment covered under this Retirement System and contribute to a new retirement account for at least three years, or
- if you chose Option 2 or 3 at retirement and designated your spouse as survivor beneficiary and this spouse dies before you, and you subsequently remarry, you may name your new spouse as your beneficiary within 90 days of your marriage under the same option you chose at retirement. 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 prior to the death of your original spouse, additionally reduced in order to cover your new spouse as beneficiary.

Your new beneficiary designation will be effective on the first day of the month in which it was made, and it will provide retirement benefits that are mathematically equal to the retirement benefits that were in effect prior to your new beneficiary designation.

Examples

The member elects to retire at age 65 with 20 years of creditable service and has accumulated contributions of \$12,530. The highest annual compensation is \$20,659 and the beneficiary is age 60. The member has earned a service retirement benefit of \$1,291.19 a month payable for life. To see how this amount was calculated, please see page 6.

How The Payment Options Work

Here is how much a member and beneficiary would each receive under the various payment options:

Of course, the actual amounts of the payment options you can choose are based on many factors, such as your age, your beneficiary's age, and when payments start. Before you retire, you will receive an estimate of the actual amounts payable to you.

To Member	To Beneficiary After The Member's Death
Maximum \$1,291.19 monthly.....	\$0.00
Option 2 \$1,007.90 monthly	\$1,007.90 monthly for life
Option 3 \$1,132.12 monthly.....	\$566.06 monthly for life

Creditable Service And Service Purchase Provisions

Your benefit at retirement is based, in part, on your creditable service. In addition to the years you contribute to the System, creditable service also includes:

Prior Service. Prior service is defined as service rendered prior to becoming a member of this Retirement System, not including service transferred from the former Legislative Retirement Fund. Prior service as a member of the General Assembly may be purchased by the payment in a lump sum equal to:

- 7% of your highest monthly legislative compensation for each month of legislative service purchased, plus an administrative fee of \$25 if your last legislative term was during or after the 1975 Regular Session.

You are eligible to purchase the prior service when you become a member of the Retirement System. If the prior service credits are not purchased within two years after you first become eligible, you may still make the purchase; however, the cost will be subsequently higher in most cases.

Military Service. You may purchase creditable service for your active duty in the military up to the time you were first eligible for discharge and subsequent periods of active duty as required by the armed forces of the United States, provided



the military service is not creditable in any other retirement system.

The cost to purchase eligible military service is equal to:

- 7% of your highest monthly legislative compensation for each month of military service purchased plus an administrative fee of \$25.

The purchase may be made upon completion of eight or more years of creditable service. If the eligible military service is not purchased within two years after you first become eligible, the cost will be substantially higher for most members. If you have five or more years of creditable service but less than eight years of creditable service, you may still purchase your military service. The cost will be equal to the full actuarial liability created on account of the additional credit purchased.

You must furnish a copy of your service record (Form DD-214) to the Retirement System to receive any credit for military service.

Withdrawn Service. If you have received a refund of your contributions from this Retirement System, you may purchase the withdrawn creditable service if you become a member of the Retirement System at a later date by paying a lump sum equal to 7% of your highest monthly legislative compensation for each month of creditable service to be purchased plus an administrative fee of \$25. If the withdrawn service is not purchased within two years after becoming a member of this Retirement System again, the cost will be substantially higher for most members.

Rollovers To Purchase Retirement Service Credit

Effective January 1, 2003, pre-tax money from an eligible retirement plan or an eligible IRA may be accepted via rollover or in-service plan-to-plan transfer to purchase creditable service. For further information and instructions, please see Form 398, “Using a Distribution of Tax-Sheltered Savings to Purchase Retirement Credit.”

Refund of Contributions

If you leave the System for any reason other than retirement or death, you can either:

- receive a refund of your contributions
 - with interest, if you have five or more years of creditable service,
 - without interest, if you have less than five years of creditable service, or
- leave your contributions in the System and keep all the creditable service you earned to that date. See page 4.

To receive a refund, simply complete a Form 5, “Withdrawing Your Retirement Service Credit and Contributions,” and file it with the Retirement System. You can get the form from the Legislative Disbursing Office or the Retirement System. State law does not permit the Retirement System to make a refund earlier than 60 days after your last day of service.

Reemployment After Retirement

After you have officially retired and are receiving monthly benefits, before accepting employment with the State of North Carolina, contact the Retirement System to see what effect your employment will have on your retirement benefits. If you perform work in any capacity for a State of North Carolina employer, you will be subject to the reemployment provisions described below. These provisions may require you to enroll as a contributing member of the Teachers' and State Employees', Consolidated Judicial, or Legislative Retirement System. You will be subject to reemployment provisions based on the nature of the particular work you perform for a covered employer, regardless of your job classification or your technical employment status (which may include being assigned to work for a covered employer by a private company such as a temporary agency). Please note that retirement law requires your retirement date to be on the first day of the month, and for your retirement to become effective on the first day of the month, you must not work as a member of the General Assembly at any time during that month. If you retire with monthly early or service retirement benefits from this System and are reemployed by a covered employer, the following applies:

As A Member Of The General Assembly

If you return to service as a member of the General Assembly, your benefits will stop and you will again become a contributing member of the Legislative Retirement System in the month in which you are restored to service.

Upon your subsequent retirement, your retirement benefit will be calculated as follows:

- If you return to service and earn three years of membership service after returning to service, your retirement benefit shall be based on your

total creditable service before and after your period of retirement and your highest annual compensation earned.

- If you return to service and earn less than three years of membership service after returning to service, your retirement benefit shall be equal to the retirement allowance you were receiving prior to returning to service, plus the retirement allowance that results from service earned since being restored to service.

As A Teacher, State Employee, Or Regular Local Governmental Employee

Effective September 26, 2001, if you become a teacher, State employee, or regular local government employee eligible for membership in the Teachers' and State Employees', Local Governmental Employees', or Consolidated Judicial Retirement Systems, your benefit from this Retirement System will not be suspended.

However, if you retire under the Legislative Retirement System on or after September 1, 2005, your Legislative System benefit will be suspended if you enter covered employment under the Teachers' and State Employees' or Consolidated Judicial Retirement Systems. Upon termination of covered employment, your Legislative Retirement System benefit will be restored.



Transferring Service And Contributions To Other Systems

Effective January 1, 2004, after completion of five years of membership service in the Consolidated Judicial Retirement System or the Teachers' and State Employees' Retirement System, you may be eligible to transfer your service and contribu-

tions in the Legislative Retirement System to the Consolidated Judicial Retirement System or the Teachers' and State Employees' Retirement System. Please contact the Retirement Systems Division for more details.

Income Tax

Benefits from the Retirement System receive special income tax treatment. The following is a brief outline of current tax laws as they apply to System 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 retirement benefits, the taxable portion, the amount of tax withheld, if any, and related information. Copies will also be sent to the Internal Revenue Service and 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. The part of your retirement benefits not subject to federal income tax is exempt because the tax was withheld while you were working. Included in the non-taxable part of your retirement benefits are contributions made by you before November 1, 1986, and any service purchases made by you.

All or part of your retirement benefits are subject to federal income tax because it may not have been taxed before. Included in the taxable part of your retirement benefits are contributions made by

you after November 1, 1986, and all benefits paid by the employer contributions and investment earnings.

When you retire, you will receive an estimate that shows the total amount of your retirement 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 retirement 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 have already 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.

The Retirement System computes the non-taxable portion by using the Internal Revenue Service "Simplified General Rule." Under this method of computation, your "federal tax base" is divided by a specified number, based on the optional payment arrangement you select and your age at retirement, to determine the non-taxable amount of your monthly benefit.



In order to determine in advance the portion of your monthly benefit that is *not* taxable, refer to the tables on page 13. Use Table 1 if you select the Maximum Allowance or use Table 2 if you choose Option 2 or 3. Based on *your* age at retirement for Table 1 or for *your and your beneficiaries combined age* for Table 2, determine the number of expected payments in column two opposite your age bracket. Divide the number of expected payments into your “federal tax base” (as shown in your Final Report of Retirement Benefit). The result is the amount of your monthly benefit that is *not* taxable.

**FOR EXAMPLE —
Maximum Allowance:**

If your “federal tax base” is \$13,950 and your age at retirement is 60, you would divide \$13,950 by 310 to obtain your non-taxable figure of \$45 *per month*. Therefore, regardless of the post-retirement increases you may receive in the future, \$45 of your monthly benefit would be exempt from federal income tax for 310 months. The amount of your monthly benefit *in excess* of \$45 would be immediately includable for federal income tax purposes, and after 310 months your total monthly benefit would be includable.

**FOR EXAMPLE —
Options 2 And 3:**

If your “federal tax base” is \$13,950 and your age at retirement is 56 and your spouse’s age is 63, you would divide \$13,950 by 360 to obtain your non-taxable figure of \$38.75 *per month*. Therefore, regardless of the post-retirement increases you may receive in the future, \$38.75 of your monthly benefit would be exempt from federal income tax for 360 months. If you fail to live 360 months, the beneficiary to whom you have left a *monthly benefit*, can claim the \$38.75 monthly exclusion for the balance of the 360 months. The amount of your or your survivor’s monthly benefit *in excess* of \$38.75 would be immediately includable for federal

Table 1 — For Maximum Allowance

Your Age At Retirement	Number Of Expected Payments To Be Divided Into Your Federal Tax Base
55 and under	360
over 55 to 60	310
over 60 to 65	260
over 65 to 70	210
over 70	160

Table 2 — For Options 2 And 3

Combined Age At Retirement	Number Of Expected Payments To Be Divided Into Your Federal Tax Base
110 and under	410
over 110 to 120	360
over 120 to 130	310
over 130 to 140	260
over 140	210

income tax purposes, and after 360 months, your total monthly benefit would be includable.

The illustrations in column 1 are only examples. Your non-taxable amount will be based on your age and the age of your survivor, if applicable, at retirement, and the amount of your “federal tax base.”

North Carolina Income Tax. If you are a North Carolina resident and have maintained five or more years of retirement service credit as of August 12, 1989, your retirement benefit paid by this System is not subject to North Carolina income tax. If you do

not have five years of maintained retirement service credit as of August 12, 1989, you will be required to pay North Carolina income tax on the taxable portion of your retirement benefit. The amount of retirement benefits subject to North Carolina income tax is the same amount of retirement benefits on which federal income tax must be paid, less a \$4,000 annual exclusion. If the taxable portion of your annual retirement benefits is less than \$4,000, you will not owe any North Carolina income tax on your retirement benefits.

If you are not a resident of North Carolina, you may not owe North Carolina income tax on your retirement benefits from this System. However, you may owe state income tax in the state in which you live. You should contact your tax advisor, the North Carolina Department of Revenue, or the Department of Revenue in the state in which you live for specific information relative to your situation. Our System can only withhold North Carolina income tax. We cannot withhold any other state's income tax from your monthly benefit.

Death Benefits

Your beneficiary pays no income tax on lump-sum death benefits treated as life insurance proceeds.

Refunds

By January 31 of the year following the year of your refund, you will be sent a Form 1099-R on which is shown the amount of your refund, the taxable portion thereof, the amount of tax withheld, if any, and related information. Copies will also be sent 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 prior to November 1, 1986; however, the amount you contribute after November 1, 1986, is subject to federal income tax. Also, any interest earned by your contributions 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 rolled over to an IRA or another qualified retirement plan that will accept your rollover. If you do not elect to roll over the taxable portion of your refund directly to an IRA or another qualified retirement plan that will accept your rollover, 20% of the taxable portion of your refund will be withheld for federal income tax purposes. Withholding is mandatory unless the taxable portion of your refund is directly rolled over.

In addition to regular income tax, you may owe a 10% excise tax on the taxable portion of a refund which is made prior to death, disability, or the attainment of 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 IRA or another qualified retirement plan. You should consult the Internal Revenue Service, your attorney, or your accountant for specific information relative to your particular situation.

North Carolina Income Tax. The amount of the refund subject to North Carolina income tax is the amount of the refund on which federal income tax must be paid, less a \$4,000 exclusion. Refunds of retirement contributions paid by the Retirement System to former members who maintained five or more years of retirement service credit as of August 12, 1989, are *not* subject to North Carolina income tax. Members who do not have five years of maintained retirement service credit as of August 12, 1989, will be required to pay North Carolina income tax on the taxable portion of their retirement benefits refund. If the taxable portion of your refund is less than \$4,000 for federal income tax purposes, you will not owe any North Carolina income tax on your refund.

Claiming Benefits

We have tried to make it as simple as possible to receive retirement benefits from the System. But, you will have to do a little paperwork. The effective date of your retirement is always the first day of any month. Therefore, about 90 to 120 days before your planned retirement date, you should complete a Form 6, “Claiming Your Monthly Retirement Benefit.” The form is available from the Legislative Disbursing Office or the Retirement System.

You must terminate employment, live until the effective date of retirement, and not work as a member of the General Assembly at any time during the first month of retirement in order to be legally retired.

Your completed retirement application must arrive at the Retirement System office in Raleigh at least one day (but not more than 120 days) before your planned retirement date. The Retirement System will send you a letter acknowledging receipt of your application.

Next, you will have an opportunity to elect coverage under the optional \$10,000 Contributory Death Benefit for Retired Members. Your election must be made within 60 days from the effective date of your retirement. Information about the cost and coverage provisions will be sent to you shortly after the Retirement System receives your retirement application.

You will later receive an estimate of the maximum payment you can receive and the payment options, if applicable. Along with the estimates, you will receive a Form 6EL, “Choosing Your Retirement Payment Option for the Legislative Retirement System,” so you can choose your payment plan. Return the completed form directly to the Retirement System.

Once you retire, you will begin receiving benefits according to your choice of payment plan. You may not change the payment plan you select once you cash a retirement check or after the 25th of the month following the month your first check is mailed (whichever is earlier) *except* under the following conditions:

- if you select a payment option that provides a monthly benefit to your spouse after your death (i.e., Option 2 or 3) and later become divorced from that spouse, or
- if you are rehired in a position covered by the Retirement System and contribute to your new account for at least three years.



Retiree Health Insurance Coverage

When you retire, you are eligible to enroll in the State Health Plan, with the cost determined by when you first took office as a member of the General Assembly and which health coverage you select.

At the time you complete your retirement application, be sure to complete an application to enroll in the retiree group of the State Health Plan.

Under current law, if you first took office as a member of the General Assembly **prior to February 1, 2007**, and retire with five or more years of Legislative Retirement System membership service, the State will pay either all or most of the cost, depending on the plan chosen, for your individual coverage under one of the Preferred Provider Organization (PPO) plans. Based on the conditions described above, if you first took office as a member of the General Assembly **on or after February 1, 2007**, 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 less than 20 years of retirement service credit, you will have to pay 50% of the cost

for your coverage, and with five but less than 10 years, you will have to pay the full cost for your coverage. In all cases, the full cost of dependent coverage, if elected, must be paid by you.

As a retiree, when you or covered dependents become eligible for Medicare, both Parts A (Hospital) and B (Medical) must be elected in order to maintain the same level of coverage provided before retirement.

For information on prescription drug coverage under the State Health Plan and Medicare Part D (Prescriptions), please contact the State Health Plan at 1-888-234-2416 or visit the State Health Plan Web site at www.shpnc.org.

Coverage under the retiree group of the State Health Plan begins on the first day of the month following the effective date of retirement. For example, if your effective date of retirement is January 1, 2009, your retiree group health coverage will begin on February 1, 2009.

Important Information To Remember

- In all correspondence with the Retirement System, give your Member ID number or last four digits of your Social Security number.
- Your benefits from the Retirement System and your benefits from Social Security are not paid automatically — you or your beneficiary must apply for them.
- Keep your beneficiary designation up to date.
- If you become disabled, you should apply for disability benefits from two different sources:
 1. disability retirement benefits from this System,
 2. Social Security disability benefits from your nearest Social Security office.
- Effective July 1, 2007, if you are an elected government official, you may forfeit your right to a monthly benefit from this System if convicted of certain State or Federal offenses involving public corruption.

Future Of The System

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

How To Contact Us

System Address

The address of the Retirement System is:

Legislative Retirement System
Department of State Treasurer
Albemarle Building
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

System Telephone Number

919-508-5377

System E-Mail

nc.retirement@nctreasurer.com

System 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 Retirement System.

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.