

# EMPLOYER MANUAL

TEACHERS' AND STATE EMPLOYEES'  
RETIREMENT SYSTEM



North Carolina  
Total Retirement Plans



*Dale R. Folwell, CPA*  
STATE TREASURER OF NORTH CAROLINA  
DALE R. FOLWELL, CPA

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Dear Human Resources and Benefits Professionals:

The Teachers' and State Employees' Retirement System (TSERS) is a state-sponsored pension plan administered by the Department of State Treasurer (DST). Our mission is to preserve and protect this benefit for current and future public employees in North Carolina.

DST is excited to partner with you to serve the public employees of North Carolina. In this partnership, our role at DST is to maintain the integrity of the NC Total Retirement Plans while supporting you and your employees. Your role in this partnership is equally as important: you're responsible for enrolling new employees, reporting monthly retirement contributions, providing retirement information to employees and completing employer information sections on retirement forms.

As a Human Resources and Benefits professional, you also have the very important role of helping employees understand and secure their retirement benefits by providing necessary information to the retirement system. To assist you along the way, we're pleased to provide you with the 2019 TSERS Employer Manual. We hope this will be a valuable reference tool for you. The information outlined in this manual is intended as a general guide to retirement plan provisions and procedures. Please feel free to contact a representative with the North Carolina Total Retirement Plans at the number below if you have any questions or need assistance in understanding retirement laws or navigating a specific circumstance.

I encourage you to empower your employees to learn about their retirement options. We've created many resources to aid that effort. One resource, the [TSERS Member Handbook](#), gives new and existing employees all they need to know about their retirement options. The handbook and many other resources can be found on our website, [www.MyNCRetirement.com](http://www.MyNCRetirement.com). Employees can learn about their benefits in the member sections, and you, as an employer, can visit the [Government Employers](#) section for many comprehensive retirement resources.

Please urge your employees to register for a secure ORBIT account at [www.orbit.MyNCRetirement.com](http://www.orbit.MyNCRetirement.com). Once they've registered, they'll be able to manage their retirement account and complete many account changes online, so you don't have to stockpile forms or deal with the hassle of mailing them!

Thank you for your service to the people of North Carolina. We appreciate your help providing timely and accurate information to our members.

Sincerely,

Dale Folwell, CPA

1-877-NC-SECURE (877-627-3287) Toll-free

[nc.retirement@nctreasurer.com](mailto:nc.retirement@nctreasurer.com)

[www.MyNCRetirement.com](http://www.MyNCRetirement.com)

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*DISCLAIMER: The availability and amount of all benefits your employees might be eligible to receive are governed by North Carolina law. The information provided in this manual cannot alter, modify or otherwise change the controlling North Carolina 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 North Carolina law, North Carolina law governs.*

# Retirement Systems Division Sections

Below is a brief description of each of the Retirement Systems Division's Sections.

## **Member Services Section**

This section is responsible for written, electronic and telephone communications with members and employers participating in TSERS and other benefit programs. This section also responds to all questions regarding retirement and related benefits. In addition, this section prepares and conducts pre-retirement seminars across the state and via webinar, and conducts conferences at the request of employer and employee associations. All visitors to the division requiring counseling about their benefits are referred to this section.

## **Retirement Processing Section**

This section is responsible for the calculation of retirement estimates and for the calculation and payment of monthly retirement allowances to members. This section also handles the calculation of cost statements for members who wish to purchase additional eligible retirement service credits and conducts service audits prior to retirement.

## **Benefits Processing Section**

This section is responsible for the calculation and payment of refunds of accumulated contributions to former employees who are no longer members of TSERS. This section also handles the payment of death claims and lump-sum death benefits. Administrating the Disability Income Plan, and determining eligibility for disability retirement benefits from the several retirement systems, through the system's Medical Review Board, rests with this section as well.

## **Payroll Services Section**

This section is responsible for receiving and processing monthly ORBIT payroll reports from employers, and for working with employers to ensure that accurate and timely records are received and posted. This section is also responsible for paying retirees their monthly benefits. Death and refund payrolls are also processed by this section. Other duties include the preparation and transmittal of data for the State Health Plan for covered retirees. Employers may contact this section if they have questions about a retirement report or ORBIT payroll reporting.

## **Specialty Plans and Records Retention Section**

The Specialty Plans Section is responsible for written, electronic and telephone communications with members and employers, retirement calculations and payments, purchases, audits, disability claims, payment of refunds, death claims and lump sum death benefits and applicable line-of-duty death benefits for the following plans:

- Register of Deeds' Supplemental Pension Fund
- National Guard Pensions
- Firefighters' and Rescue Squad Workers' Pension Fund
- Legislative Retirement System
- Consolidated Judicial Retirement System

The Records Retention Section is responsible for imaging every document submitted to the Retirement Systems in whatever form (email, mail, fax, hand-delivered, etc.) submitted. A record of submitted documents is electronically scanned/uploaded into each individual or employer's file where it will be kept for historical purposes.

### **Administration/Executive Director's Office**

The executive director and his immediate staff are responsible for the overall general operation of the Retirement Systems Division and carry out the policies and directives of the State Treasurer and various governing boards.



# Retirement System and Employer Responsibilities

## Retirement System Responsibilities

- The Board of Trustees is the administrator of the Retirement System. It is the responsibility of the Retirement Systems Division to:
- Manage TSERS for all public employees of the state in accordance with TSERS Board of Trustees directives
- Manage three other retirement systems in addition to TSERS. These include the Local Governmental Employees' Retirement System, the Consolidated Judicial Retirement System and the Legislative Retirement System
- Manage the following programs:
  - Disability Income Plan
  - Legislative Retirement Fund
  - Firefighters' and Rescue Squad Workers' Pension Fund
  - National Guard Pension Plan
  - Registers of Deeds' Supplemental Pension Fund
  - Supplemental Retirement Income Plan (NC 401(k) Plan)
  - Contributory Death Benefit for Retired Members
  - Separate Insurance Benefits Plan for Law Enforcement Officers
  - Public Employee Deferred Compensation Plan (NC 457 Plan)
  - Public School Teachers' and Professional Educators' Investment Plan (NC 403(b) Program)
- Assist agencies desiring Social Security coverage with their application for coverage

The Retirement Systems Division is **not** responsible for:

- Matters relating to Social Security, other than those listed above (**NOTE:** Members with questions about Social Security benefits should contact the nearest [Social Security district office](#))
- Administering other insurance plans that may deduct money from employees' or retirees' paychecks
- Matters concerning personnel policies, such as annual leave or sick leave (except where sick leave may be converted to additional creditable service at retirement)
- State or federal income tax matters (except for retiree tax withholding)
- Matters relating to credit unions, banks, savings and loan, and other financial institutions (we are not connected with the State Employees' Credit Union.)

The above list is not all-inclusive.

North Carolina public records laws limit the release of certain types of information in accordance with [G.S. 135-6.1](#). However, TSERS employers may request any information from the Retirement Systems Division about their own employees, except medical information.

### Employer Responsibilities

We greatly respect and appreciate the role that you play in sharing information about TSERS benefits. However, please remember that as an employer or payroll officer, you are not a TSERS representative. **Although your employees may turn to you first with their questions, please redirect them to the Retirement Systems Division Call Center at 1-877-627-3287.** By directing your employees' questions to the Retirement Systems Division, we can all make sure that the answers that employees receive are accurate and reflect the current federal and state laws, regulations, policies and procedures that govern TSERS.

It is the responsibility of the employer to ensure that all eligible members are reported to TSERS, as required by state law, and to send monthly contributions to the Retirement Systems Division in an accurate and timely manner.

It will also be helpful to the employee for the employer to do the following:

- Direct employees to TSERS publications on our website at [www.MyNCRetirement.com](http://www.MyNCRetirement.com) and TSERS forms in [ORBIT](#)
- Validate the service and salary paid to a member in the year of retirement or death in service
- Certify previously uncredited service of members desiring to purchase allowable service credit
- Inform the Retirement Systems Division of any deaths of members in service
- Inform the Retirement Systems Division when employees have committed work-related criminal offenses, so that we can determine whether felony forfeiture laws may apply.
- Encourage members to establish their ORBIT secure retirement accounts at [www.orbit.MyNCRetirement.com](http://www.orbit.MyNCRetirement.com)
- Direct members to contact the Member Services Section with any questions by calling toll-free 1-877-627-3287 (1-877-NCSECURE), by emailing us at [nc.retirement@nctreasurer.com](mailto:nc.retirement@nctreasurer.com), or by writing to:

North Carolina Retirement Systems  
Member Services Section  
3200 Atlantic Avenue  
Raleigh, North Carolina 27604

If the contact person handling retirement matters in your agency changes, be sure to notify the Retirement Systems Division in writing or by email. Also, we ask that employers inform us of changes in other related matters, such as changes to the mailing address, email address or telephone number we have on file.

## Distribution of Publications and Forms

All the publications below can be accessed by visiting our website at [www.MyNCRetirement.com](http://www.MyNCRetirement.com).

### **TSERS Member Handbook**

The TSERS Member Handbook is designed to give members general information about their benefits. Whenever there are significant legislative changes that need to be communicated, a new edition of the handbook is completed and posted to our website.

### **myNCRetirement Statement**

This is a statement prepared annually for each member with at least one full calendar year of employment that shows the amount of the member's accumulated contributions, years of creditable service with TSERS, and an estimate of monthly benefits at retirement if the member had one or more years of service in TSERS as of December 31 of the previous year. The statement also includes information regarding contributions in the NC 401(k) and NC 457 Plans and the NC 403(b) Program, and a retirement income gap analysis. These statements are made available to members only through their personal [ORBIT](#) account. Notifications are sent about the availability of the statement in ORBIT.

To access the statement through ORBIT, the member should visit [www.MyNCRetirement.com](http://www.MyNCRetirement.com) and select the "ORBIT" link from the menu. The member will be directed to the log in page to register or log in if already registered. Once logged on to his or her personal ORBIT account, the member may view or print out his or her statement. Statements are available for the last two calendar years only.

### **Forms**

The Retirement Systems Division maintains and periodically updates the forms that personnel and payroll officers will need in connection with TSERS. All are located in ORBIT, which can be found through our website. Samples of the forms referenced in each section of this manual are also located in ORBIT. Personalized forms are available to members after they log in to ORBIT. **Please do not mass-print forms as you may be distributing outdated forms and guides to your employees.**

### **Law Books**

The most recent edition of [North Carolina Retirement Systems Laws](#), which contains a reprint of the North Carolina General Statutes, contains laws currently in effect governing the retirement systems and benefit plans administered through the Department of State Treasurer. It is available to employers as a resource and reference tool on the [Government Employers](#) page on our website.

### **Retirement Monitor**

The *Retirement Monitor* is an electronic newsletter that the Retirement Systems Division periodically sends by email to employers. The *Retirement Monitor* provides news, tips and updates regarding law and policy changes and other retirement-related issues. An archive of articles is available in the Employer Resources section on our website at [www.MyNCRetirement.com](http://www.MyNCRetirement.com).

# TSERS Membership Requirements

## Required Membership

Newly hired employees are required to become contributing members of TSERS, as a condition of employment, on the date they are hired, if they are:

- A permanent full-time teacher or employee of a state, supported board of education or community college
- A permanent employee of the state (or any of its agencies, departments, bureaus, or institutions) and work at least 30 hours per week for nine months per year
- A retired member of TSERS who is later re-employed by employers as stated above
- A permanent employee of a charter school that has elected to participate in the Retirement System and who works at least 30 hours per week for nine months per year

Any newly hired employee should be enrolled as a member of TSERS using the enrollment process described on [page 12](#). Membership is effective on the first day of employment.

## Optional Retirement Program (ORP) Membership

On their date of hire, the following employees who are eligible for membership in TSERS may make a one-time decision to join the Optional Retirement Program (ORP) instead of TSERS:

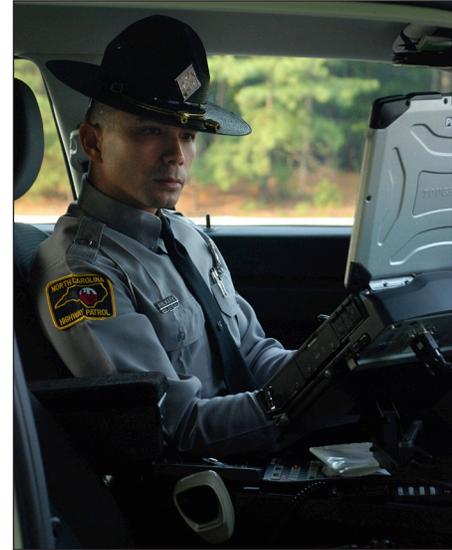
- Administrators and faculty of the University of North Carolina (UNC) System with the rank of instructor or above
- The President and employees of the UNC System who are appointed by the Board of Governors on recommendation of the President or who are appointed by the Board of Trustees of a constituent institution of the UNC System upon recommendation of the Chancellor
- Non-faculty UNC System instructional and research staff who are exempt from the State Human Resources Act and the faculty of the North Carolina School of Science and Mathematics
- Field faculty of the Cooperative Agricultural Extension Service and tenure track faculty in the North Carolina State University agricultural research programs who are exempt from the State Human Resources Act
- Eligible employees of UNC Health Care
- All employees hired on or after January 1, 2013 by the UNC System

An ORP member cannot transfer his or her contributions from that plan to TSERS.

## Law Enforcement Officer Membership

A newly-hired law enforcement officer (LEO) is required to become a contributing member of TSERS on the date he or she is hired. These members are eligible for the additional benefits that are provided to a TSERS LEO, if he or she meets all of the following conditions:

- Be a permanent, full-time paid employee of the state (or any of its agencies, departments, bureaus, or educational institutions)
- Be actively serving in a position with assigned primary duties and responsibilities for the prevention and detection of crime or the general enforcement of the criminal laws of the state, or serving civil processes
- Possess the power of arrest by virtue of an oath administered under the authority of the state



In many cases, an employee may perform ancillary duties which fall within the boundaries of the definition of a LEO. However, it is the employee's primary duties that qualify him or her for LEO benefits. In order for employees to receive all the benefits they are eligible to receive, it is very important that the employees be properly reported to the Retirement Systems Division.

## Probation and Parole Officers

Probation and parole officers are eligible for some, but not all, law enforcement benefits. Probation and parole officers are eligible for:

- Separate Insurance Benefits Plan
- Special Separation Allowance
- Line of duty death benefit

Probation and parole officers are not eligible for:

- Automatic membership in the NC 401(k) Plan

If your employees do not qualify for TSERS LEO benefits, they may still qualify for retirement benefits as a TSERS.

As of July 1, 2017, probation and parole officers will earn service credit as a law enforcement officer (LEO). A current probation/parole officer with no prior service as a LEO must work at least five years (vesting) from this date to be eligible for an unreduced retirement as a LEO at age 55. Prior service as a non-LEO (including service as a probation or parole officer prior to July 1, 2017) will not count toward the five-year vesting as a LEO.

The special separation allowance is administered by the employer and has an additional eligibility requirement. Half of the creditable service must be as a LEO or as a probation/parole officer, and LEO service prior to July 1, 2017, may be used to meet this requirement. If a probation/parole officer had two years of prior probation/parole officer or LEO service, the two years can be added to the LEO service accrued after July 1, 2017, to count toward separation allowance eligibility.

### Employees Not Eligible for Membership

A new employee is NOT eligible to become a contributing member if he or she is:

- An employee who meets the eligibility requirements described under “Optional Retirement Program (ORP) Membership” on [page 9](#) who elects to join the Optional Retirement Program in lieu of this Retirement System
- An agricultural extension service employee who is a member of the Federal Employees’ Retirement System
- An exchange teacher defined as a nonimmigrant alien teacher participating in an exchange visitor program designated by the U.S. Department of State
- Any other person whose employment requires less service than described under “Required Membership” [on page 9](#), except for a part-time magistrate under the jurisdiction of the Administrative Office of the Courts

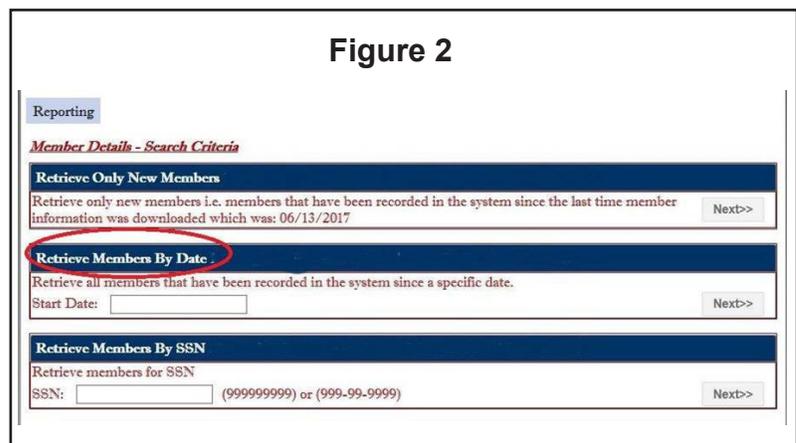
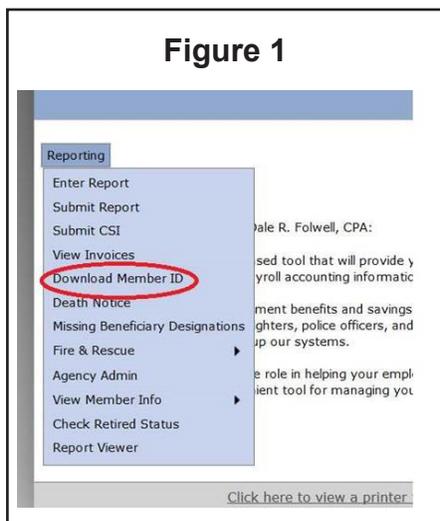
# Enrolling a New Member

All new eligible members must be enrolled in TSERS as part of the [ORBIT](#) employer reporting process. It is important to accurately report all employees each month so they can receive credit toward their retirement and receive resources such as the *myNCRetirement* Statement each year. [See page 13](#) for more information about the monthly reporting process.

## Enrollment Process

- After the ORBIT payroll deadline, each employer should obtain a list of new employees by performing the following steps:
  1. Click on “Download Member ID” and select the option to “Retrieve Only New Members.” (See Figures 1 and 2 below.) (**Note:** It is best to save the report to your work computer for future reference.)
  2. The employer should then communicate the Member Identification (ID) number to each newly hired employee, and instruct the employee to log on to ORBIT to activate his or her personal account and designate a beneficiary(ies).
- If you have not saved the report and wish to retrieve the list of new employees:
  1. Click on “Download Member ID” and select the option to “Retrieve Members By Date.” (See Figures 1 and 2 below.) (**Note:** Once you run the report, it is best to save the report to your work computer.)
  2. Inform each newly hired employee of their Member ID number, and instruct the employee to log on to ORBIT to activate his or her personal account and designate a beneficiary(ies).
- The member can access the [New Hire Welcome Kits](#) page on our website which provides an overview of the benefits provided and available under the North Carolina Total Retirement Plans.

**NOTE:** An error in the initial payroll record will delay the availability of the member ID.



# Reporting Monthly Member and Employer Contributions to the System

## Member Contributions

Members currently contribute six percent of their salary, which is deducted each payday. “Compensation” includes all salaries and wages (except terminal payments for unused sick leave) earned by employees or teachers in a unit of TSERS if they are performing full-time work. “Compensation” also includes longevity payments. Not included are payments, as determined by the Board of Trustees, for the reimbursement of expenses or payments for housing or any other allowances, whether or not classified as salary or wages.

In addition to salaries and wages earned by a member for service as an employee or teacher, the following items also meet the statutory definition of “compensation” for retirement purposes:

- Performance-based compensation (regardless of whether paid in a lump sum, periodic installments or on a monthly basis)
- Conversion of additional benefits to salary (such as health, life or disability plans), as long as the benefits are not mandated by state law or regulation
- Payment of tax consequences for benefits provided by the employer if they are an adjustment or increase in salary, and not a “reimbursement of expenses”
- Payout of vacation leave that is permitted by applicable law and regulation
- Employee contributions to eligible deferred-compensation plans
- Payment of military differential wages

The following items do not meet the statutory definition of “compensation” for retirement purposes:

- Any supplement or allowance provided to an employee to purchase additional benefits such as health, life or disability plans
- Travel supplement or allowance (non-accountable allowance plans)
- Employer contributions to eligible deferred-compensation plans
- Employer-provided fringe benefits (additional benefits such as health, life or disability plans)
- Reimbursement of uninsured medical expenses
- Reimbursement of business expenses
- Reimbursement of moving expenses
- Reimbursement or payment of personal expenses
- Incentive payments for early retirement
- Bonuses paid at or near retirement
- Contract buy-out or severance payments
- Payouts for unused sick leave

**Employer Contributions**

There are also employer contributions to TSERS which are determined each year by the North Carolina General Assembly. These contributions are not credited to a member’s individual account. Instead, they are placed in the various trust funds for the payment of specific benefits. For example, from July 1, 2018 to June 30, 2019, an amount equal to 12.29 percent of payroll is placed in the Pension Accumulation Fund for the payment of lifetime benefits to all TSERS retirees. From July 1, 2018 to June 30, 2019, the total employer contribution rate for the fiscal year 2017-2018 are:

**State Employer Contribution Rate for Teachers and State Employees**

Retirement System Pension Fund	12.29%
Death Benefit Trust Fund	.16%
Retiree Health Plan Reserve	6.27%
<u>Disability Income Plan</u>	<u>.14%</u>
Total from July 1, 2018 to June 30, 2019	18.86%

**State Employer Contribution Rate for State Law Enforcement Officers**

Retirement System Pension Fund	12.29%
Death Benefit Trust Fund	.16%
Retiree Health Plan Reserve	6.27%
Disability Income Plan	.14%
<u>Supplemental Retirement Income Plan</u>	<u>5.00%</u>
Total from July 1, 2018 to June 30, 2019	23.86%

**Employer Contribution Rate Paid to Retirement Systems Division for Optional Retirement Program Members from Total from July 1, 2018 to June 30, 2019**

Retiree Health Plan Reserve	6.27%
<u>Disability Income Plan</u>	<u>.14%</u>
Total from July 1, 2018 to June 30, 2019	6.41%

**Required Monthly Contributions Reporting**

Each month, employers must submit to the Retirement Systems Division required reports and contributions based on each member’s salary. From July 1, 2018 to June 30, 2019, the General Assembly set the member’s contribution rate at six percent of compensation and the employer’s contribution rate at 18.86 percent.

Employers must report and submit monthly member and employer contributions, which are based on each member’s salary, to the Retirement Systems Division through the ORBIT employer reporting process. By submitting your required TSERS employer monthly information to the Retirement Systems Division, you are certifying the accuracy of the information.

## Reporting Monthly Contributions to the System

All reporting and funds must be transmitted electronically through [ORBIT](#). Both data and funds should be submitted by the close of business on the fourth day of the month. If contributions are received on or after the fifth state government working day of the month, a penalty of one percent of the contributions due, with a minimum of \$25 per month, must be paid by the employer due to delinquent employee and employer contributions. The TSERS Board of Trustees may waive one penalty per employer every five years if the Board determines that the employer consistently demonstrated good-faith efforts to comply with the deadline.

<b>Schedule for Submitting Contribution Summary Instructions</b>	
<b>Reporting Cycle</b>	<b>Submitted by</b>
January	Wednesday, February 6
February	Wednesday, March 6
March	Thursday, April 4
April	Monday, May 6
May	Thursday, June 6
June	Friday, July 5
July	Tuesday, August 6
August	Friday, September 6
September	Friday, October 4
October	Wednesday, November 6
November	Thursday, December 5
December	Tuesday, January 7, 2020

If an employer fails to submit required payments to TSERS within 90 days of the date due, the Retirement Systems Division may collect delinquent payments by intercepting state appropriations allocated to the delinquent employer. Upon notification from the Retirement Systems Division of the employer's failure to submit payment, the Office of State Budget and Management must withhold the amount due to the Retirement Systems Division from any state appropriations for the employer and transmit the amount to the Retirement Systems Division. Also, the State Board of Education must withhold from any state appropriation due to a local school administrative unit the sum of all delinquent contributions and payments due to the Retirement Systems Division and remit that amount to the Retirement Systems Division.

In addition, if TSERS (or the Disability Income Plan of North Carolina) prevails in a civil action against a participating employer to collect monies owed, the Retirement Systems Division may attach or garnish the employers' credit card receipts or other third-party payments.

Employers must submit detail data, summary information and contributions through [ORBIT](#) each month through one of the following methods:

- Enter Report: Through the secure ORBIT Employer website, you can enter the data.
- Submit Report: Through the secure ORBIT Employer website, you can upload the data file to the Retirement Systems Division for processing.
- FTP (File Transfer Protocol): If you do not wish to use ORBIT, you must send the monthly data file to the Retirement Systems Division for processing.

Detailed information about all of these methods and all reporting requirements can be found on the [Government Employers](#) page on our website.

In accordance with [Rule .0401, Chapter 2B, Title 20](#), of the North Carolina Administrative Code, the Retirement Systems Division cannot make refunds of employer contributions in cases of erroneous employee deductions, except those which are corrected by the employing unit on a subsequent payroll within the calendar year in which the errors occur. The only exception to this rule is that an error occurring in December may be corrected (without loss of the employer contribution) by submission of a revised payroll for the correct amount before January 31 of the following year.

Employers of law enforcement officers must also contribute on a monthly basis to the Supplemental Retirement Income (NC 401(k)) Plan. An additional five percent of each law enforcement officer's compensation must be submitted each month. [See page 17](#) for information regarding reporting NC 401(k) Plan contributions to Prudential Retirement.

If you have any questions, or need help with monthly contributions reporting, please contact our Employer Reporting Unit by email at [OER@nctreasurer.com](mailto:OER@nctreasurer.com) or by phone, toll-free, at 1-877-627-3287.

### Reporting Re-hired Retirees

Employers must report all re-hired retirees to the Retirement Systems Division each month. These re-hired retirees should be reported in ORBIT along with the rest of the ORBIT payroll report with the appropriate pay period, pay type, plan code, salary and all other applicable fields. For detailed information regarding ORBIT requirements, see the [Government Employers](#) page on our website.

If the report is not received by the Retirement Systems Division within 90 days of the end of each month in which a retiree is re-employed, the Retirement Systems Division is required to charge a penalty of 10 percent of the compensation of the unreported, re-employed retiree during the months the employer did not report the re-employed retiree, with a minimum penalty of \$25.

The Retirement Systems Division developed Form ESRR (*Certifying Employee Status Under Retirement Re-employment Laws*) to assist employers in determining who is a re-hired retiree. This form is located on the [Employer Forms](#) section of the forms page in ORBIT.

In order to avoid a potential penalty, we ask that employers:

- Obtain signed documentation (Form ESRR) from the employee, stating he/she is or is not currently receiving a monthly benefit from TSERS.
- Report any known re-hired retirees who may be subject to the earnable allowance to the Retirement Systems Division through ORBIT.

Please keep each completed Form ESRR in your employee files. If a member falsifies their Form ESRR by not reporting himself/herself as a benefit recipient, you will not be penalized if you provide the Retirement Systems Division with the member's falsified Form ESRR. However,

if the employee exceeds his/her earnable allowance, or violates other return-to-work laws, the employee will be held fully responsible for repaying any overpayment to TSERS.

To help employers report all re-hired retirees and avoid a potential penalty, the Retirement Systems Division created a tool in ORBIT to help employers track employees who are returning to work. This tool was designed to assist you in verifying which of your employees are retired and have returned to work, so you will know which re-hired retirees to report to the Retirement Systems Division. To use this tool, you should sign in to [ORBIT](#) and:

- Access the ORBIT Employer website. Under “Reporting,” click on “Check Retired Status.”
- On a monthly basis, upload a list of employee Social Security numbers.
- Make adjustments to rehired retiree information, if needed, under the “Check Retired Status” heading.

Your employee list will be compared to the Retirement Systems Division retiree list to generate a report of members who are actively receiving a benefit from TSERS.

### **Reporting NC 401(k) and NC 457 Plans, and 403(b) Program Contributions to Prudential Retirement**

For your convenience, Prudential Retirement offers you three ways to submit NC 401(k) and NC 457 Plans, and 403(b) Program contributions:

- Web-based application (Internet Contribution Center), which is ideal for up to 50 participants
- Excel-based application (VDES) sent through a secure transmission program, which is suited for mid-sized employers with up to 500 participants
- Custom file sent through a secure transmission program, which is ideal for employers with more than 500 participants

A preferred standard layout is used for sending NC 401(k) and NC 457 Plans, and 403(b) Program contributions to Prudential Retirement. All three methods allow you to send contributions by bankwire or ACH debit (automated clearing house).

Prudential Retirement will work with individual employers to determine which method will best work for your entity. A Prudential Retirement NC 401(k), NC 457 and NC 403(b) payroll representative will also review the layout, process and procedures you use to report and send contributions. For more information about contributions to the NC 401(k), NC 457 and NC 403(b) please email the NC Production Support Department at [NC.Payroll@prudential.com](mailto:NC.Payroll@prudential.com). Please be sure to include the employer name, contact person and phone number in all email correspondence.

# Changing a Member's Social Security Number, Birthdate or Beneficiary

## Changing a Social Security Number

If you find that a member's Social Security number is incorrect, or if there is any type of discrepancy in his or her records between the number and the number the Retirement Systems Division is using, you must send a copy of the member's Social Security card to the Retirement Systems. Once the Retirement Systems Division receives this information, the correction will be made. Also, Please be sure to update your records and future reporting forms with the member's correct Social Security number.

## Changing a Birthdate

If you find that the member's date of birth has been listed incorrectly, or if the date of birth of a beneficiary has been listed incorrectly, you will need to send a copy of one of the following items that shows the date of birth before the Retirement Systems Division can change the member's account:

- Driver's license
- Birth certificate
- Passport
- State, federal or military identification

If none of the above items can be provided, the Retirement Systems Division may accept a letter from the Social Security Administration that states the date it has accepted as the member's date of birth.

Once this information is received, the Retirement Systems Division will make the necessary corrections.

## Changing a Beneficiary

An active TSERS member may designate beneficiaries online for the employee death benefit (if applicable), or for a return of contributions in the event of the member's death.

To add or change a beneficiary online:

- The member should go to [www.orbit.MyNCRetirement.com](http://www.orbit.MyNCRetirement.com) and log in.
- The member should then click on "View Account Summary." There, the member will see a current list of beneficiary designations.
- Click on the "Change Beneficiaries" link underneath the list of beneficiaries, and add or change the names of the person(s) to be designated.

## Reporting a Member's Death

The Retirement Systems Division should be contacted immediately in the event of an active member's death so the necessary information can be provided to the beneficiary(ies). Upon notification of the death of the member, the Retirement Systems Division will forward to the employer Form 253 (*Reporting an Employee's Work Record in the Event of Death*). Form 253 is located in [ORBIT](#).

If the survivor(s) of a retired member in receipt of a monthly TSERS benefit contacts you regarding the death of a retired member, please ask the survivor(s) to contact the Retirement Systems Division immediately. We will need to be provided with the deceased retiree's name, Social Security number, and a copy of the death certificate. In addition, if the retiree elected to provide survivor benefits after his or her death, we will need to be provided with the Social Security number and current mailing address of the survivor. The monthly benefit that is payable in the month of death belongs to the retiree and can be kept. Any benefits made payable to the retiree after the month of his or her death must be returned to the Retirement Systems Division.

It is a Class 1 Misdemeanor to fraudulently receive the retirement benefit of a deceased retiree or beneficiary for two months or longer after the recipient's death.

## Refund of Contributions

To receive a refund, the member must complete Form 5 (*Withdrawing Your Retirement Service Credit and Contributions*), have it properly notarized and send it to the Retirement Systems Division. State law does not allow the Retirement Systems Division to issue a refund earlier than 60 days after the member's termination/separation from a TSERS employer.

A member should not complete and sign Form 5 until the approximate date of his or her termination. The "Employer Certification" section (Section G) of Form 5 must be completed only if the member left employment within three months of the application date. After the form is completed, the member should not submit it to the Retirement Systems Division before the effective date of termination. Form 5 is located in [ORBIT](#). Guide A on Form 5 includes instructions to help the member expedite the accurate payment of his or her retirement refund. Please inform the member that taking a refund means they are also forfeiting their years of membership service and the rights associated with that service. Also, make sure the member is aware that he/she will receive a refund of their six percent contributions, plus four percent interest, not any other contributions made to the Retirement Systems on their behalf.



## Transferring Service and Contributions Between Systems

If a member terminates employment covered by the Local Governmental Employees' Retirement System (LGERS) and is later employed in a position covered by TSERS, the member can transfer his or her contributions and creditable service in LGERS to TSERS as long as the member:

- Is an eligible member of TSERS
- Has not received a refund from LGERS
- Files Form 5TR (*Transferring Service and Contributions Between Systems*) with the Retirement Systems Division



A member who terminates employment covered by TSERS who is later employed in a position covered by LGERS may transfer his or her contributions and creditable service in TSERS to LGERS under the same conditions listed above. Transfer of service from TSERS to the Consolidated Judicial Retirement System (CJRS) is allowed after completion of five years of membership service in CJRS; and transfer of service from the Legislative Retirement System and CJRS to TSERS is allowed after completion of five years of membership service in TSERS. Overlapping transferred service cannot be counted twice for the same period of time.

A Form 5TR can be submitted by the member at any time before retirement, but should not be submitted until after the member's first retirement contributions have been submitted to the Retirement Systems Division. The employer portion of the form (Section F) must be completed by the former employer only if the member's termination was within three months before the application date. A sample copy of Form 5TR is located [ORBIT](#).

Since a transfer can affect eligibility for retiree health coverage, a member who has five or more years of membership service in TSERS who is considering a transfer of his or her service from TSERS to LGERS should carefully read Guide B on Form 5TR for further information on the effect of a transfer on his or her individual benefits before completing Form 5TR.

The member should allow the Retirement Systems Division approximately 60 days to process their Form 5TR. Members can call the Retirement Systems Division at 877-NCSECURE (877-627-3287) to check the status of their Form 5TR.

## Creditable Service and Service Purchase Provisions

Creditable service is any service for which retirement credit has been allowed. An employee earns membership credit for each month that he or she makes a contribution to TSERS. Creditable service may also include sick leave credit, military service credit and certain types of purchased service credit listed below.

Please note that all types of purchases are not available in all retirement systems. A list of available purchase types for TSERS is located in the “Adding to Your Creditable Service” section of the [TSERS Member Handbook](#).

**Sick Leave:** Unused sick leave, including sick leave converted from excess vacation leave in accordance with state law, can be converted to additional retirement service credit at the time of retirement if:

- The member earned the sick leave under a duly adopted sick leave policy
- The member would receive full salary when using the sick leave if absent from work due to sickness
- The member has not and will not be paid for this sick leave
- The member’s last day of service with his or her last participating TSERS employer is within five years before his or her TSERS effective date of retirement

When a member retires, one month of credit is allowed for each 20 days of unused sick leave. For any part of 20 days left over, one additional month is allowed provided the remaining portion is at least one hour.

Accumulated Sick Leave Days*			
Number of Days	Months	Number of Days	Months
1-20 =	1 Month	241-260 =	13 Months
21-40 =	2 Months	261-280 =	14 Months
41-60 =	3 Months	281-300 =	15 Months
61-80 =	4 Months	301-320 =	16 Months
81-100 =	5 Months	321-340 =	17 Months
101-120 =	6 Months	341-360 =	18 Months
121-140 =	7 Months	361-380 =	19 Months
141-160 =	8 Months	381-400 =	20 Months
161-180 =	9 Months	401-420 =	21 Months
181-200 =	10 Months	421-440 =	22 Months
201-220 =	11 Months	441-460 =	23 Months
221-240 =	12 Months	461-480 =	24 Months

\*Assuming an eight-hour day. Sick leave earned monthly counts as creditable service.

**NOTE:** A sick leave “day” is determined by the employer’s sick leave accrual policy and may or may not be equal to eight hours. For example, assume John Smith earns one day of sick leave per month under his employer’s sick leave accrual policy while working an extended shift of 12 hours per day and he accrues 12 hours of sick leave each month. When his employer certifies his unused sick leave on his Form 6 (*Claiming Your Monthly Retirement Benefit*), for each 12 hours of eligible unused sick leave, his employer should report one day of unused sick leave, rather than 1.5 days.

In another example, assume Mary Brown earns one day of sick leave per month while working 7.5 hours per day and accrues 7.5 hours of sick leave each month. When her employer certifies her unused sick leave on her Form 6, for each 7.5 hours of eligible unused sick leave, her employer should report one day of unused sick leave.

Sick leave *cannot* be used to meet the minimum eligibility requirements for a deferred benefit, the Survivor’s Alternate Benefit or for coverage under the State Health Plan.

Sick leave can be used to increase a member’s creditable service to allow the member to complete:

- 30 years of service, regardless of age
- 25 years of service after age 60
- 20 years of service after age 50 (for law enforcement officers, 15 years of service as an officer after age 50 or five years of service as an officer after age 55)

You will need to certify to the Retirement Systems Division the amount of unused sick leave on the member’s Form 6 (*Claiming Your Monthly Retirement Benefit*). You should not certify any sick leave, unless a member could be paid for it, in the event he or she was absent due to illness.

**Free Military Service:** Periods of active duty in the United States military, up to the time the member was first eligible for a discharge that is not dishonorable, count as creditable service at no cost to the member if he or she was a teacher or State employee when he or she entered the military, did not receive a refund, and the member returned to TSERS employment under one of the following circumstances:

- Within two years after his or her earliest discharge date
- Any time after his or her discharge and completed at least 10 additional years of service as a contributing member



The TSERS employer is required to pay the employer and employee contributions to TSERS for the full period that a member was in active military duty if the employee was a TSERS member immediately prior to the active duty military service and returns to TSERS membership service within two years after the military discharge date.

In order for the Retirement Systems Division to grant free military service credit, the member should complete Form 462 (*Purchasing Retirement System Credit or Requesting Free Credit for Military Service*) and attach a copy of his or her military discharge papers (Form DD 214), and send them together to the Retirement Systems Division. The employer should also send a letter to the Retirement Systems Division stating the last date the member worked prior to the military service and the date the member returned to work after the military service.

**All of the forms listed below are located in [ORBIT](#).** Each form contains guides which will explain the type of service purchase and what is required to receive credit for that service.

**Periods of Active Military Duty Not Eligible Under the Free Provisions:** See Form 462 (*Purchasing Retirement System Credit or Requesting Free Credit for Military Service*)

**Withdrawn State, Local Governmental or Law Enforcement Retirement Accounts:** See Form 461 (*Purchasing Retirement System Credit for Withdrawn Service*). Eligible LGERS or TSERS withdrawn service purchased in LGERS or TSERS counts as creditable service, not membership service. TSERS withdrawn service purchased in TSERS does not count toward the 5-year membership service requirement for eligibility for State Health Plan coverage as a TSERS retiree.

**Educational Leave:** See Form 463 (*Purchasing Retirement Credit for a Period of Interrupted Service For Educational Purposes*) and Form 463F (*Requesting Continuation of Contributions and Credit for Planned Educational Leave*)

**Out-of-State Governmental Service:** See Form 455 (*Purchasing Retirement System Credit for a Period of Out-of-State Employment*)

**Workers' Compensation Leave:** See Form 441 (*Purchasing Retirement Credit for a Period of Workers' Compensation*)

**Temporary State and Local Service:** See Form 443 (*Purchasing Retirement Credit for State or Local Government Temporary Employment*)

**Part-Time State and Local Service:** See Form 451 (*Purchasing Retirement Credit for a Period of Part-Time State or Local Governmental Employment*)

**Omitted State or Local Government Service:** See Form 466 (*Purchasing Retirement System Credit for Unreported Service Omitted Through Error*)

**Service with the Federal Government:** See Form 467 (*Purchasing Retirement System Credit For a Period of Federal Service*)

**Federally-Funded Public Community Service:** See Form 479 (*Purchasing Retirement System Credit for a Period of Federally-Funded Service*)

**Parental Leave:** See Form 430 (*Purchasing Retirement Credit for a Period of Interrupted Service Related to Parental Leave*)

**Service with a Local Governmental Employer not in LGERS:** See Form 452 (*Purchasing Retirement Credit for a Period of Service with a Non-Participating Local Unit*)

**Local Waiting Period:** See Form 470 (*Purchasing Retirement Credit for a Waiting Period Imposed by a Local Unit*)

**Membership Service not Earned Due to Extended Illness or Injury:** See Form 485 (*Purchasing Retirement Credit for a Period of Interrupted Service Due to Extended Illness*)



**Service as a Member of the General Assembly:** (No form necessary)

**Prior Law Enforcement Service:** See Form 481 (*Purchasing Retirement Credit for a Period of Service Not Credited by the Former Law Enforcement Officers' Retirement System*)

**Involuntary Furlough:** See Form 432 (*Purchasing Retirement Credit for a Period of Interrupted Service Due to Involuntary Furlough*)

**Charter School Service:** See Form 499 (*Purchasing Retirement Credit for a Period of Service with a Non-Participating Charter School*)

**Withdrawn University of North Carolina Optional Retirement Program Service:** A member may purchase credit for periods of withdrawn University of North Carolina Optional Retirement Program service, provided he or she is not receiving, and is not entitled to receive, any retirement benefits resulting from this service. To purchase this service, the member must have completed five years of service as a contributing member of TSERS since the Optional Retirement Program service. The member's cost will be a lump-sum payment equal to the full actuarial liabilities created from the additional credit purchased. See Form 478 (*Purchasing Retirement System Credit for Withdrawn Optional Retirement Program Service*)

**Using a Rollover or Plan-to-Plan Transfer from an Eligible Retirement Plan or IRA to Purchase Allowable Creditable Service:** See Form 398 (*Using a Distribution of Tax-Sheltered Savings to Purchase Retirement Credit*)

# Retirement Benefit Eligibility Requirements

The information contained in this section is to provide you with some general information about retirement eligibility. **If an employee comes to you with questions about their personal eligibility, please do not advise them.** Because of the many laws, statutes and individual circumstances that impact eligibility, we do not expect you to be an expert in North Carolina retirement rules and laws. Therefore, please refer all employee questions about eligibility and other retirement-related issues to the Retirement Systems Division.

Below is information about the TSERS benefits available to general employees of a TSERS employer. This information is also included in the [TSERS Member Handbook](#). Please encourage your employees to read this handbook during new employee orientation sessions so they can plan early for their retirement and learn all they need to know to make informed decisions about their benefits.

TSERS benefits can be divided into two basic categories, *Unreduced Benefits* and *Reduced Benefits*.

## Vesting

A member becomes vested in TSERS after completing a minimum of five years of membership service. This means that the member will be eligible to apply for lifetime monthly retirement benefits based on age, service requirements and the formula described in this manual, as long as the member does not withdraw his or her contributions. A member also may be eligible for retiree health coverage as described [on page 43](#).

## Service Retirement (Unreduced Benefits) for General Employees

A member may retire with an unreduced service retirement benefit after:

- Reaching age 65 with at least five years of **membership** service
- Reaching age 60 with 25 or more years of **creditable** service
- Completing 30 years of creditable service, regardless of age

## Service Retirement (Unreduced Benefits) for Law Enforcement Officers

- A law enforcement officer qualifies for an unreduced benefit after reaching age 55 with at least five years of creditable service as a law enforcement officer.
- A law enforcement officer also qualifies for an unreduced benefit after completing 30 years of creditable service, regardless of age.

## Required Distributions After Age 70½

In most cases, TSERS is required to pay benefits to non-retired members with open TSERS accounts by April 1 of the year after the member reaches 70½ years old or ceases to be an employee, whichever is later. Members who are vested (five or more years of eligible service) who fail to complete the retirement process will receive a monthly retirement benefit based on the Maximum Allowance. Non-vested members who fail to complete a refund application will receive a refund of their contributions and interest.

## Retirement Formula and How Service Retirement Benefits are Calculated

### Retirement Formula:

$$\begin{aligned} \text{Your annual benefit} = & \\ & 1.82\% \\ & \text{of average final compensation} \\ & \times \\ & \text{years and months} \\ & \text{of creditable service} \end{aligned}$$

Once a member meets all retirement eligibility requirements, the member's annual retirement benefit is calculated by using the formula above.

**Average final compensation** is the average of the member's salary during the four highest consecutive paid years. If the member's four highest-paid years in a row include a final payment for unused vacation leave (and/or prorated longevity), the member's average final compensation may be increased by the extra payment(s). Final payments, if any, for unused sick leave, payments for housing or any other allowances or reimbursements for expenses, whether or not these are classified as salary or wages, are not includable in average final compensation. Normally, the four consecutive highest-paid years of salary will be the last four; however, they could have been earlier in one's career.

**Creditable service** is the total of all service credit that counts toward retirement. It includes membership service for any period during which a member contributes to TSERS, provided the member has not withdrawn his or her contributions. It also includes eligible purchased service and eligible unused sick leave that is converted to creditable service at retirement. See the section on "Creditable Service and Service Purchase Provisions," which begins on page 20, for more details.

One year of credit is given for the full number of months that make up that member's work year (not tied to calendar year). For public school teachers, a year is usually 11 months; for state employees, a year is usually 12 months. A member earns credit for each month in the normal work year that he or she makes a retirement contribution. For example, a teacher contributing for 11 months will earn one full year's credit. If, however, a teacher contributes only eight months, he or she will earn credit for  $\frac{8}{11}$  of one year. As a regular 12-month per year employee, eight months of contributions would earn credit for  $\frac{8}{12}$  of one year.

The following steps show how we calculate a service retirement benefit for a general employee or law enforcement officer retiring at age 60 with 32 years of creditable service.

### Step 1

Add the salary during employees 4 highest-paid years in a row

### Your Employee

*example*

Year 1	\$	\$40,209
Year 2	\$	\$40,709
Year 3	\$	\$41,709
Year 4	\$	\$42,209
<b>Total</b>	<b>\$</b>	<b>\$164,836</b>

Then, divide the total by 4 to get the average final compensation

*divide by 4*

*/ 4*

#### Average Final Compensation

\$	<b>\$41,209</b>
----	-----------------

### Step 2

Multiply Step 1 by .0182 to apply the retirement formula\* ([see page 27](#))

Step 1	\$	\$41,209
	<b>x .0182</b>	<b>x .0182</b>
<b>Total</b>	<b>\$</b>	<b>\$750.00</b>

### Step 3

Determine the creditable service ([see pages 22-25](#))

32 years
----------

### Step 4

Calculate the annual benefit\* by multiplying Step 2 by Step 3

Step 2	\$	\$750.00
Step 3	<b>x</b> <span style="border: 1px solid black; display: inline-block; width: 100px; height: 15px;"></span>	<b>x 32</b>
<b>Total Annual Benefit</b>	<b>\$</b>	<b>\$24,000.00</b>

### Step 5

Calculate the monthly benefit\* by dividing Step 4 by 12

Step 4	\$	\$24,000.00
	<i>divide by 12</i>	<i>/ 12</i>
<b>Total Monthly Benefit</b>	<b>\$</b>	<b>\$2,000.00</b>

*(This is an estimate of the payment your employee will receive each month before taxes or any other deductions.)*

\*Remember, if the employee retires early, these numbers will change.

Because the member in this example has more than 30 years of creditable service at retirement, he or she can receive the maximum annual benefit of \$24,000, or about \$2,000 each month, which stops when the member dies unless he or she selected a survivor payment option. ([See page 40](#) for information about the Guaranteed Refund feature.)

A member can create a personalized retirement benefit by logging in to ORBIT at [www.orbit.MyNCRetirement.com](http://www.orbit.MyNCRetirement.com), and clicking on “Create Custom Benefit Estimate.”

### Examples of Benefits Paid to General Employees

The following chart shows the approximate monthly benefit paid at various salary levels, depending on age and creditable service.

Age	50	55	60	N/A	N/A
Yrs. of Service	20	28	25	30	40
\$80,000	\$1,213	\$3,057	\$3,033	\$3,640	\$4,853
70,000	1,061	2,675	2,654	3,185	4,246
60,000	910	2,293	2,275	2,730	3,640
55,000	834	2,102	2,085	2,502	3,336
50,000	758	1,911	1,895	2,275	3,033
45,000	682	1,719	1,706	2,047	2,730
40,000	606	1,528	1,516	1,820	2,426
35,000	530	1,337	1,327	1,592	2,123
30,000	455	1,146	1,137	1,365	1,820
25,000	379	955	947	1,137	1,516

Of course, these are only examples. A member’s benefit is calculated individually and depends on age, creditable service and average final compensation.

### Benefit Limitations

Occasionally, a retiree may be subject to the benefit limitations described below:

- **Contribution-Based Benefit Cap**

As a member of TSERS, employees contribute six percent of their monthly income toward their retirement. If the employee receives significant salary increases in the years before retirement or over the course of their career, their monthly retirement benefit at retirement may exceed what their contributions would be expected to fund. If an

employee receives significant salary increases in the years before retirement or over the course of their career, their monthly retirement benefit at retirement may exceed what their contributions would be expected to fund. Significant late-career promotions, conversion of benefits into compensation, and leave payouts at retirement may also cause monthly retirement benefits to exceed what your employees' contributions would be expected to fund. The Contribution-Based Benefit Cap was created to protect this system for current and future retirees, by providing a method for the payment of these unforeseen costs.

If an employee retires with an average final compensation (AFC) of \$100,000 or more (adjusted annually for inflation), they may fall under a contribution-based benefit cap.

If an employee was first hired before January 1, 2015, their last employer will be required to pay the additional contribution if it is determined that their allowance is in excess of the cap and is subject to an adjustment. The Retirement Systems Division will notify the employer and will provide a statement of the cost of the additional contribution required to pay for the benefit in excess of the cap.

If an employee was first hired on or after January 1, 2015, their employer may choose whether or not to pay this additional contribution; if the employer chooses not to pay, the employee will be required to accept a benefit reduced to the benefit cap unless they pay the additional contribution. The Retirement Systems Division will notify the employee and employer and will provide a statement of the cost of the additional contribution required to pay for their benefit in excess of the cap, along with the deadline to submit.

- **IRC Section 415(b) Annual Pension Benefit Limit**

If an employee is a highly compensated employee, their TSERS benefits may be subject to the [Internal Revenue Code \(IRC\) section 415\(b\)](#) annual pension benefit limit. The determination of whether the retirement benefit will be subject to the limit can only be made at retirement. The limit varies every year, so the benefit could be affected one year but not the next. The limit varies each year and is set by the IRS. The limit is affected by many factors that were established by the IRS that may or may not apply to a particular individual.

The 2013 General Assembly established a Qualified Excess Benefit Arrangement (QEBA) fund to pay the part of a retiree's retirement allowance that exceeds the limit. Members hired prior to January 1, 2015, are eligible to receive benefit payments from the QEBA fund. If QEBA-eligible members retire after August 1, 2016, the employer shall reimburse the QEBA fund in the amount of any supplemental payment made to the payee.

Examples of Benefits Paid to Law Enforcement Officers

The following chart shows the approximate monthly benefit paid at various salary levels, depending on age and creditable service.

<b>Monthly Retirement Benefit Under Maximum Allowance</b>						
Age	50	52	55	N/A	N/A	
Yrs. of Service	15	28	25	30	40	
<b>Average Final Compensation</b>	\$90,000	\$1,365	\$3,438	\$3,411	\$4,095	\$5,460
	80,000	1,456	3,057	3,033	3,640	4,853
	70,000	1,274	2,675	2,654	3,185	4,246
	60,000	1,092	2,293	2,275	2,730	3,640
	55,000	1,001	2,102	2,085	2,502	3,336
	50,000	910	1,911	1,895	2,275	3,033
	45,000	819	1,719	1,706	2,047	2,730
	40,000	728	1,528	1,516	1,820	2,426
	35,000	637	1,337	1,327	1,592	2,123
	30,000	546	1,146	1,137	1,365	1,820

Of course, these are only examples. A member’s benefit is calculated individually and depends on age, creditable service and average final compensation.

The benefit calculated in our examples is the Maximum Allowance, which is payable for the life of the retired member with monthly payments ceasing upon his or her death. Several other payment options are available including survivorship benefit options. All of the payment options are described in the section titled “Retirement Benefit Payment Options” which begins [on page 37](#).

# Early Retirement Benefits

## Early Retirement (Reduced Benefits) for General Employees

A member may retire early with a reduced retirement benefit after:

- Reaching age 60 with at least five years of membership service
- Reaching age 50 with at least 20 years of creditable service

Although a member may retire early, the retirement benefits will be paid over a longer period of time and are, therefore, reduced. The amount of the reduction depends on the member's age and service when payments start.

A member who leaves employment before early or service retirement may receive a deferred benefit at a later date once the member has met all retirement eligibility requirements provided he or she does not withdraw his or her contributions.

For a member who is a general employee, the reduction in the allowance for early retirement is calculated as five percent times the lesser of:

- A member's creditable service to 30 years
- A member's age (up to age 60) plus three percent for each year from age 60 to age 65

For example, a general employee who is 60 years old with 10 years of service would receive 85 percent of the unreduced benefit based on the reduction formula.

If a general employee is between ages 60 and 65, with fewer than 25 years of creditable service, his or her early retirement benefit will be reduced to the following percentages:

<b>If member is this age when payments start</b>	<b>Member receives this percentage of their benefit</b>
<b>64</b> . . . . .	<b>97%</b>
<b>63</b> . . . . .	<b>94%</b>
<b>62</b> . . . . .	<b>91%</b>
<b>61</b> . . . . .	<b>88%</b>
<b>60</b> . . . . .	<b>85%</b>

If a general employee is between ages 50 and 59, with fewer than 30 years of creditable service, his or her early retirement will be reduced to the following percentages:

		<b>Years of Creditable Service</b>									
		29	28	27	26	25	24	23	22	21	20
Age	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 the member is between birthdays when payments start, the reduction will be adjusted proportionately.

**Calculating an Early Retirement Benefit for a General Employee**

In this example, a member retires early at age 61, with an average final compensation of \$41,209 and 24 years of creditable service.

**Here is how we calculate this benefit**

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;">\$</td> <td style="width: 15%;">41,209.00</td> <td style="width: 10%; text-align: center;">(</td> <td style="width: 15%;">average final compensation</td> <td style="width: 10%; text-align: right;">)</td> <td style="width: 10%;"></td> </tr> <tr> <td>x</td> <td>.0182</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="6" style="border-top: 1px solid black;"></td> </tr> <tr> <td>\$</td> <td>750.00</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>x</td> <td>24</td> <td></td> <td>(</td> <td>creditable service</td> <td style="text-align: right;">)</td> </tr> <tr> <td colspan="6" style="border-top: 1px solid black;"></td> </tr> <tr> <td>\$</td> <td>18,000.00</td> <td></td> <td></td> <td></td> <td></td> </tr> </table>	\$	41,209.00	(	average final compensation	)		x	.0182											\$	750.00					x	24		(	creditable service	)							\$	18,000.00					<p style="text-align: right; margin-bottom: 10px;"><i>Now apply the early retirement reduction percentage from page 12.</i></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;">\$</td> <td style="width: 15%;">18,000.00</td> <td style="width: 10%; text-align: center;">(</td> <td style="width: 15%;">percentage at</td> <td style="width: 10%; text-align: right;">)</td> <td style="width: 10%;"></td> </tr> <tr> <td>x</td> <td>.88</td> <td></td> <td>age 61)</td> <td></td> <td></td> </tr> <tr> <td colspan="6" style="border-top: 1px solid black;"></td> </tr> <tr> <td>\$</td> <td><b>15,840.00</b></td> <td></td> <td></td> <td></td> <td></td> </tr> </table>	\$	18,000.00	(	percentage at	)		x	.88		age 61)									\$	<b>15,840.00</b>				
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The member in this example receives a maximum allowance of about \$15,840 a year, or about \$1,320 a month, which stops when the member dies unless he or she selected a survivor payment option.

**Early Retirement (Reduced Benefits) for Law Enforcement Officers**

- A law enforcement officer qualifies for a reduced benefit after:
  - reaching age 50 and completing 15 years of creditable service as an officer
  - completing 25 years of creditable service with 15 years of creditable service as an officer

Early retirement benefits are figured using the same formula as for service retirement, and then applying a reduction factor. For example, a law enforcement officer who is age 53 with 25 years of service would receive 92 percent of the unreduced benefit based on the reduction formula.

The table below shows early retirement percentages at various ages and periods of creditable service.

If a law enforcement officer is between ages 50 and 55, with less than 30 years of creditable service, his or her early retirement benefit will be reduced to the following percentages:

		<i>Years of Creditable Service</i>						
		<b>29</b>	<b>28</b>	<b>27</b>	<b>26</b>	<b>25</b>	<b>20</b>	<b>15</b>
<b>Age</b>	<b>54</b>	96%	96%	96%	96%	96%	96%	95%
	<b>53</b>	95%	92%	92%	92%	92%	92%	92%
	<b>52</b>	95%	90%	88%	88%	88%	88%	88%
	<b>51</b>	95%	90%	85%	84%	84%	84%	84%
	<b>50</b>	95%	90%	85%	80%	80%	80%	80%
	<b>49</b>	91%	86%	81%	76%	76%	N/A	N/A
	<b>48</b>	87%	82%	77%	72%	72%	N/A	N/A
	<b>47</b>	83%	78%	73%	68%	68%	N/A	N/A
	<b>46</b>	79%	74%	69%	64%	64%	N/A	N/A
	<b>45</b>	75%	70%	65%	60%	60%	N/A	N/A

If the member is between birthdays when payments start, the reduction will be adjusted proportionately.

Calculating an Early Retirement Benefit for a Law Enforcement Officer

In this example, a law enforcement officer retires early at age 51, with an average final compensation of \$41,209 and 24 years of creditable service .

**Here is how we calculate this benefit**

*Now apply the early retirement reduction percentage from the chart on the chart above.*

<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 10%;">\$</td><td style="width: 15%;">41,209.00</td><td style="width: 75%;">(average final compensation)</td></tr> <tr><td>x</td><td>.0182</td><td></td></tr> <tr><td colspan="3"><hr/></td></tr> <tr><td>\$</td><td>750.00</td><td></td></tr> <tr><td>x</td><td>24</td><td>(creditable service)</td></tr> <tr><td colspan="3"><hr/></td></tr> <tr><td>\$</td><td>18,000.00</td><td></td></tr> </table>	\$	41,209.00	(average final compensation)	x	.0182		<hr/>			\$	750.00		x	24	(creditable service)	<hr/>			\$	18,000.00		<table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 10%;">\$</td><td style="width: 15%;">18,000.00</td><td style="width: 75%;">(percentage at age 51)</td></tr> <tr><td>x</td><td>.84</td><td></td></tr> <tr><td colspan="3"><hr/></td></tr> <tr><td>\$</td><td><b>15,120.00</b></td><td></td></tr> </table>	\$	18,000.00	(percentage at age 51)	x	.84		<hr/>			\$	<b>15,120.00</b>	
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The law enforcement officer in this example receives a maximum allowance of about \$15,120 a year, or about \$1,260 a month, which stops when member dies unless he or she selected a survivor payment option. Additionally, this law enforcement officer would be eligible for benefits from the NC 401(k) Plan and may be eligible for benefits referenced in the “Separate Insurance Benefits Plan” section on [page 52](#).

## Reciprocity Provisions

Creditable service in the Legislative Retirement System (LRS), the Consolidated Judicial Retirement System (CJRS) or the Local Governmental Employees' Retirement System (LGERS) may be counted along with creditable service in TSERS in order to determine eligibility for benefits from each retirement system. However, only the creditable service in TSERS will be used in computing the amount of the retirement benefit payable from TSERS. Creditable service in any other system will be used in computing benefits from that system. This is referred to as reciprocity or reciprocal creditable service.

In addition, any service credit the member may have in the Optional Retirement Program may be added to his or her creditable service in TSERS for the purpose of determining eligibility for TSERS benefits, unless first hired after January 1, 2021.

Reciprocal creditable service in all four retirement systems can be used to determine eligibility for the following benefits:

- unreduced retirement
- reduced retirement
- disability retirement
- survivor's alternate benefit

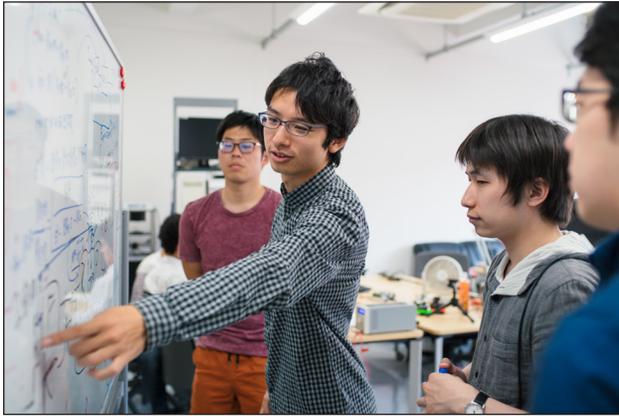
Reciprocal creditable membership service in the three state supported retirement systems (i.e., TSERS, LRS, and CJRS) can be used to determine eligibility for benefits under the State Health Plan.

Reciprocal creditable service cannot be used to determine eligibility for the death benefit or for benefits under the Disability Income Plan. Any member with five or more years of reciprocal membership service may purchase withdrawn credit in the retirement system from which it was withdrawn, regardless of whether he or she has a currently active account in that retirement system. The purchased creditable service may then be counted as reciprocal creditable service.

A member is not required to begin retirement benefits from all retirement systems simultaneously. The member does not have to terminate employment in order to begin retirement benefits from a retirement system that he or she no longer contributes to monthly, except in cases where the reciprocity is between TSERS and CJRS.

If a member had previous membership in two retirement systems and has used reciprocity to begin receiving a monthly benefit from one retirement system, the member may withdraw contributions and creditable service from the other system. The member cannot withdraw from the retirement system that pays the monthly benefit.

# Retirement Benefit Payment Options



When a member retires, he or she must select a payment option. On average, the payment options are mathematically equal to one another. This means that each option is calculated so that its total value is the same as the value of the other options, if the member and the member's named beneficiary (if any) who will receive a monthly payment after the member's death, live their expected life spans.

Initially, the member must decide whether he or she needs a payment option that provides a monthly benefit to a beneficiary after his or

her death. If the member does not select such an option, all of his or her retirement benefits will be used to provide a lifetime monthly payment that stops at his or her death. The benefit amount will differ based on the age of the beneficiary, if any.

The member's choice of payment options is personal and should take into account his or her needs during retirement and the needs of a dependent, if any, after the member's death. Neither the payment plan selected by a co-worker, nor the one selected by the largest number of retirees, should have any effect on the member's personal decision.

**The member cannot change his or her selected payment option once he or she cashes the first retirement check or after the 25th of the month following the month the member's first check is mailed (whichever is earlier), except under one of the following two conditions:**

- If the member selected an option that provides a monthly benefit to his or her spouse as a beneficiary after the member's death (Option 2, 3, 6-2 or 6-3) and later become divorced from that spouse
- If the member is re-hired in a position covered by TSERS and contributes to his or her new account for at least three years

## Maximum Allowance

When a member retires, his or her basic benefit is the maximum allowance and is calculated using the formula on page 29. If the member retires early, his or her Maximum Allowance is calculated using the same formula and then reduced for early retirement. In either case, the member will receive his or her Maximum Allowance each month for as long as he or she lives. All monthly payments will stop at the member's death.

## Option 2, 100% Joint and Survivor Option

**This option provides the member with a reduced lifetime monthly benefit. After the member's death, a pre-named beneficiary begins receiving a lifetime monthly benefit. After the death of the member and the surviving beneficiary, all monthly payments stop.**

Under Option 2, the member receives reduced monthly lifetime benefits. After his or her death, the beneficiary receives the same amount for life.

For example, if Mr. Davis, a 51-year-old member, chose Option 2 at retirement and named his wife, who is also 51 years old, as his beneficiary, he would receive about \$1,834 each month for life. After his death, she would receive the same monthly benefit for life.

### Option 3, 50% Joint and Survivor Option

**This option provides the member with a reduced lifetime monthly benefit. After the member's death, a pre-named beneficiary begins receiving a lifetime monthly benefit. After the death of the member and the surviving beneficiary, all monthly payments stop.**

Under Option 3, the member receives reduced monthly lifetime benefits which are slightly larger than the reduced benefit in Option 2. After his or her death, one-half of the monthly payment continues to the pre-selected beneficiary for life.

For example, if Mr. Davis chose Option 3 and named his wife as his beneficiary, he would receive approximately \$1,913 each month for life. After his death, she would receive one-half that amount, or about \$956.50, for life.

### Survivor Beneficiary Considerations with Options 2 and 3

Under Options 2 and 3, the member may name only one beneficiary to receive a monthly benefit payment. Generally, once a beneficiary is selected, no changes can be made except under certain circumstances. For example, if the member selected his/her spouse as the survivor beneficiary and that spouse dies before the member, the member cannot name a new survivor beneficiary unless the member has remarried. In this situation, the member may name the new spouse as the survivor beneficiary within 90 days of the remarriage by contacting the Retirement Systems Division to initiate the redesignation process. The redesignation paperwork must be properly completed and filed with the Retirement Systems Division within 120 days of the remarriage or the change will not be allowed. In these situations, the member's monthly retirement benefit will be recalculated to account for the member's age and the age of the new spouse at the time of the change.

The new beneficiary designation will be effective on the first day of the month in which the designation is made, and it will provide retirement benefits that are mathematically equal to the retirement benefits that were in effect before the change. The benefit payable to the retired member will be the benefit he or she received before the death of his or her original spouse, additionally reduced in order to cover the new spouse as beneficiary. In all instances, the amount of the monthly benefit payable after the designation of the new spouse will be less than the amount being received prior to the new designation.

## Options 6-2 and 6-3, Modified Joint and Survivor Options

**These options provide the member with a reduced lifetime monthly benefit. After the member's death, a survivor beneficiary begins receiving a lifetime monthly benefit. However, if the survivor beneficiary dies before the member, the member's benefit will increase. After the death of the member and the surviving beneficiary, all monthly payments stop.**

**NOTE:** A member receives reduced monthly payments under Option 6-2, which is a combination of Option 2 and the Maximum Allowance, or under Option 6-3, which is a combination of Option 3 and the Maximum Allowance. The member's death, or the death of the beneficiary, affects monthly payments as follows:

- Under Option 6-2, the member's death entitles the beneficiary to receive a monthly payment for life in the same amount as the member received. However, if the beneficiary dies before the member does, monthly payments to the member are increased to the amount payable under the Maximum Allowance.
- Under Option 6-3, the member's death entitles the beneficiary to receive a monthly payment for life in the amount of one-half the amount the member received. However, if the beneficiary dies before the member does, monthly payments to the member are increased to the amount payable under the Maximum Allowance.

For example, if Mr. Davis chose Option 6-2 or 6-3 and named his wife as his beneficiary, he will receive approximately \$1,822 each month for life under Option 6-2 or approximately \$1,907 each month for life under Option 6-3. After his death, his wife will receive either the same amount or one-half the amount he was receiving for the remainder of her life. The amount will depend on which plan he had chosen. If Mr. Davis's wife dies before he does, his monthly payment will increase to \$2,000 each month for life.

Under Option 6-2 or 6-3, the member may name only one beneficiary to receive a monthly survivor payment. Generally, if the monthly survivor beneficiary dies before the member does, the member may not name another monthly survivor beneficiary. The monthly survivor beneficiary may be changed after retirement only if the member named his or her spouse as survivor beneficiary and later became divorced from that spouse, or if the member returns to covered employment and contributes to a new retirement account for at least three years. However, under Options 6-2 and 6-3, if the monthly survivor beneficiary dies before the member dies, the member's monthly benefit will be increased to the amount payable under the maximum allowance beginning the month after the survivor beneficiary's death and no new survivor beneficiary can be named.

## Option 4, Social Security Leveling Option

Option 4 does not provide a monthly payment to a beneficiary after a member's death. It is only available to members who have not reached age 62. All monthly payments will stop at the member's death.

Under Option 4, the member receives larger monthly payments from TSERS than he or she would normally be entitled to receive, until he or she becomes eligible for Social Security at age 62. After the month that the member turns 62 and is entitled to receive Social Security benefits, the monthly payments from TSERS will be reduced. The reduced TSERS retirement payments after age 62, plus the allowance from the Social Security Administration, should be about the same amount as the inflated payment he or she received from TSERS before age 62.

For example, if a member, referred to here as Mr. Davis, was 57 years old and chose Option 4, he would receive his Maximum Allowance figure of \$2,000 plus approximately 65 percent of the monthly amount the Social Security Administration estimates that he will be entitled to receive at age 62.

Assuming that Mr. Davis' Social Security payment is estimated to be \$1,000 a month at age 62, his monthly payment from TSERS until he reaches age 62 would be approximately \$2,650. His monthly TSERS benefit for the remainder of his life will be reduced the month after his initial entitlement for Social Security age 62 benefits to about \$1,650. **This TSERS reduction will occur whether Mr. Davis actually applies for Social Security age 62 benefits or not.** Please note that in this example Mr. Davis' advance of approximately 65 percent of his estimated Social Security payment is based on his age of 57. If he had been only age 51, for example, the advance would have been 39 percent instead of 65 percent to allow for the longer period of inflated payments.



If a member wants a retirement estimate based on Option 4, the member will first have to obtain an estimate of age 62 benefits from the Social Security Administration that is dated within two years of the member's expected retirement date. That Social Security estimate must be submitted to the Retirement Systems Division in order to receive an Option 4 estimate.

### Guaranteed Refund

All payment options include the Guaranteed Refund. This means that if the member and the member's monthly survivor beneficiary (if any) both die before the total of all monthly payments equals the amount of the member's contributions and interest, the balance of his or her contributions and interest will be paid in one lump sum to another beneficiary(ies).

The Guaranteed Refund also covers any purchases the member made for additional creditable service after retirement. The member may name one or more beneficiaries for the Guaranteed Refund, and may change the beneficiary(ies) as often as he or she likes. **However, the beneficiary chosen for the Guaranteed Refund cannot be the same as the monthly survivor beneficiary.**

# Retirement Application Process

Once a member decides to retire and meets the eligibility requirements for monthly benefits, there are certain steps which must be taken to begin the retirement process.

Monthly retirement benefits are effective the first day of any month; however, a retirement application must be signed, dated and filed at least one day and not more than 120 days before the effective date of retirement.

**Approximately 120 to 90 days before the member's planned retirement date, the member should complete a Form 6 (*Claiming Your Monthly Retirement Benefit*).**

The guides on Form 6 contain additional detailed information about the retirement process. This form is available on the ORBIT forms page. Before Form 6 is sent to the Retirement Systems Division, the "Employer Certification" section (Section H) should be completed. A TSERS member who is no longer working for a TSERS employer may receive additional retirement credit for eligible unused sick leave if the member's last day of service was within five years before his or her effective date of retirement. In this situation, if you are the member's last TSERS employer, you should complete Section H on the member's Form 6 to certify the amount of unused sick leave.

If a member wants a retirement estimate based on Option 4, the member will first have to obtain an estimate of age 62 benefits from the Social Security Administration that is dated within two years of the member's expected retirement date. That Social Security estimate must be submitted to the Retirement Systems Division in order to receive an Option 4 estimate.

To be legally retired, a member must terminate employment, live until the effective date of retirement, and not perform any work for a TSERS employer at any time during the 6 months immediately following the effective date of retirement except:

- Serving as an unpaid bona fide volunteer in a local school administrative unit.
- Serving as an unpaid bona fide volunteer guardian ad litem in the guardian ad litem program.
- Serving on an authority, board, commission, committee, council, or other body of the state or of one or more counties, cities, local school administrative units, community colleges, constituent institutions of The University of North Carolina, or other political subdivisions or public corporations in the state, that is authorized to function as legislative, policy-making, quasi-judicial, administrative, or advisory body in a position that does not require membership in the retirement system.
- Volunteering in a position normally designated as an unpaid bona fide volunteer position.

After the Retirement Systems Division receives the member's Form 6, an acknowledgement letter will be sent to the member. The letter will include instructions on the next steps in the retirement process and the additional forms needed to process the retirement:

- Form 170 (*Authorizing Direct Deposit*)
- Form 290 (*Choosing Income Tax Withholding Preferences*)
- Form 333 (*Choosing the Contributory Death Benefit for Retired Members*)

By completing Form 333, the member will have an opportunity to elect coverage under the optional \$10,000 Contributory Death Benefit for Retired Members. This election must be made within 60 days from the effective date of the member's retirement. [See page 47](#) for information about the Contributory Death Benefit.

Later, the member will receive an estimate of the monthly benefits he or she can receive under the Maximum Allowance and other payment options, if applicable. Along with the estimate, the member will receive:

- Form 6E (*Choosing Your Retirement Payment Option*)
- Form 333BEN (*Designating Beneficiary(ies) for the Contributory Death Benefit for Retired Members*)

The member should complete and return all forms and requested documentation to the Retirement Systems Division.

After the Form 6E has been received, the member will be sent Information about enrollment in the the State Health Plan under the Retirement Systems.

**NOTE: The Retirement Systems Division will not be able to pay monthly retirement benefits to the member until the properly completed Form 6E is received.**

### **In the Event of a Member's Death During Retirement Process**

- If a member dies before his/her effective retirement date, the member's contributions and beneficiary(ies) will be treated as if they had never applied for retirement.
- If a member dies after their effective retirement date and their Form 6E (*Choosing Your Retirement Payment Option*) has not been received by the Retirement System, and the member has named only one beneficiary for their return of accumulated contributions, that beneficiary may elect to receive a monthly benefit or a return of the member's contributions in a lump sum payment or, if the member has designated more than one beneficiary or no beneficiary for their return of contributions, the administrator or executor of their estate may select the option and name the beneficiary(ies).
- If a member dies after their effective date of retirement and their Form 6E has been received by the Retirement System, regardless of whether the Retirement System has issued their first check, their benefit will be paid based on the payment option and beneficiary(ies) they elected on your Form 6E.

The first monthly retirement benefit will be sent as a paper check to the member. Thereafter, the Retirement Systems Division will directly deposit the member's monthly benefit into his or her bank account on the 25th day of each month. In December, the member's benefit will be deposited on the 20th. If the pay date falls on a Saturday, Sunday, or holiday, the deposit will be made on the last workday before the 25th. For a full list of monthly benefit payments dates, visit our website at [www.myncretirement.com](http://www.myncretirement.com).

Any authorization or change in a member's direct deposit received on or after the first day of the month will be effective for the next month's benefit payment. Direct deposit is fast, automatic and free.

"Deposit notification" statements are available through [ORBIT](#). Statements are not mailed each month.

## Retiree Health Coverage Eligibility Requirements

When a member retires, he or she may be eligible for State Health Plan coverage under the Retirement Systems. The cost, if any, is determined by two factors: (1) when the member began state employment, and (2) which health plan they select.

- **Noncontributory Coverage (No premium paid by the retiree)**

- Eligible retiree members retiring prior to January 1, 1985.
- Except as otherwise provided, on and after January 1, 1988, eligible retiree members must have completed at least five years of contributory (membership) retirement service with an employing unit prior to retirement from any state-supported retirement system in order to be eligible for group benefits under this Part as a retired employee or retiree. If the retiree withdraws their service (receive a refund of their contributions) and, at a later date, becomes reemployed as an employee, this new start date will be considered their first hired date.
- Employees first hired on and after October 1, 2006, and members of the General Assembly first taking office on and after February 1, 2007, must have 20 or more years of retirement service credit.

- **Partially Contributory Coverage (Partial premium paid by the retiree)**

- Retirees who (i) are employed by an employing unit that elects to be covered by this, (ii) do not qualify for coverage under N.C. Gen. Stat. § 135-48.40(b)(1), and (iii) are determined to be “full-time” by their employing unit in accordance with section 4980H of the Internal Revenue Code and the applicable regulations, as amended. The employing unit shall pay the employer premiums for enrolled retirees enrolled under this section.
- Eligible retiree members retiring prior to January 1, 1985.
- Except as otherwise provided, on and after January 1, 1988, eligible retiree members must have completed at least five years of contributory (membership) retirement service with an employing unit prior to retirement from any state-supported retirement system in order to be eligible for group benefits under this Part as a retired employee or retiree. If the retiree withdraws their service (receive a refund of their contributions) and, at a later date, becomes reemployed as an employee, this new start date will be considered their first hired date.
- Employees first hired on and after October 1, 2006, and members of the General Assembly first taking office on and after February 1, 2007, must have 20 or more years of retirement service credit.

- **One-Half Contributory Coverage (Half premium paid by the retiree\*)**

- Eligible retiree members with 10 years but less than 20 years of retirement service credit provided the employees were first hired on or after October 1, 2006, and General Assembly Members first taking office on or after February 1, 2007.

\*The state shall pay fifty percent (50%) of the Plan's total employer premiums. Individual retirees shall pay the balance of the total premiums not paid by the state, unless prohibited by law. The total premium is the sum of the Plan's total employer premium contribution rate plus the employee or retiree's contribution for individual and dependent coverage.

- **Fully Contributory Coverage (Full premium paid by the retiree)**
  - Eligible retiree members with less than 10 years of retirement service credit, provided the employees were first hired on or after October 1, 2006, and the members first took office on or after February 1, 2007.

In all cases, the full cost of dependent coverage, if elected, must be paid by the member. Please see [Guidance on State Health Plan Changes Effective October 1, 2006](#) on our website for additional information.

**NOTE:** Members hired on or after January 1, 2021, will not be eligible to receive retiree medical benefits.

For additional information, please visit the State Health Plan website at <https://www.shpnc.org> or call 1-855-859-0966.

### Optional Supplemental Insurance

Optional supplemental insurance coverage is available to retirees and benefit recipients through Pierce Insurance. Pierce will mail information to the member after his or her first retirement benefit has been issued. For more information, the member should visit their website at [www.ncretiree.com](http://www.ncretiree.com) or call toll-free at 1-855-627-3847.

## NC 401(k), NC 457 and NC 403(b)

### Benefits to Employers

The NC Total Retirement Plans 401(k), 457 and 403(b) are custom-designed to help meet the needs of North Carolina state and local employers and the public servants who work for them. The nationally recognized, award-winning Plans are specifically designed to complement the NC pension plan and support the more than 1,000 state employers who offer them:

- They help to relieve them of some of employers' essential fiduciary obligations.
- They are overseen by the NC Department of State Treasurer and the Supplemental Retirement Board of Trustees, with the State Treasurer as chair.
- They offer custom-designed funds with top-tiered investment managers at competitive fees, one-on-one assistance with Plan administration tasks, and all Plan governing documents, and personalized employer assistance.
- They provide onsite NC 401(k), NC 457 and NC 403(b) Retirement Educational Counselors to assist you and your employees.

The Plans help recruit and retain top talent. Industry research shows that 89 percent of workers “value a 401(k) or similar as an important benefit.” In fact, more than half (52 percent) say they “would likely switch employers for a nearly identical job that offered better retirement benefits.” Today, more than 1,000 public employers in North Carolina offer one or more of these Plans, and nearly half offer a contribution or match as well. To learn more visit [NCPlans.prudential.com](http://NCPlans.prudential.com).

### Benefits to Employees

Are your employees starting to think about how to generate retirement income from the NC Total Retirement Plans 401(k), 457 Plans or NC 403(b) supplement savings? These account savings can help in *many* ways.

- **Get the big picture.** Employees can learn more about their retirement resources and benefits by viewing their *myNCRetirement* Statement in [ORBIT](#) (formerly known as Annual Benefits Statement).
- **Make a one-time contribution to the plan(s).** Employees can contribute additional compensation or payouts on a one-time basis, such as longevity, vacation and/or bonus leave payments. For more information, refer to our [One-time Contribution Flyer](#) found on [NCPlans.prudential.com](http://NCPlans.prudential.com).
- **Roll over money into a plan account from another qualified retirement plan.** As long as the employee has a balance in the plan(s), they can roll money into their NC 401(k) and/or NC 457 Plan account. To learn more, check out our [Rollover Brochure](#) at [NCPlans.prudential.com](http://NCPlans.prudential.com). Consider these advantages:

	Consolidated into NC 401(k)/NC 457/NC 403(b)	Multiple Accounts
Money remains tax deferred	✓	✓
Avoid taxes and penalties	✓	✓
Convenience	✓	
Lower Costs	✓	
Easier to maintain proper asset allocation: access to GoalMaker	✓	
Strong oversight of fund managers and fees from the Supplemental Retirement Board of Trustees	✓	
Additional fees	✓	✓

***Be careful! Others may encourage employees to roll their balance out, but if they do, they will likely pay much higher fees and lose the high-quality features and strong oversight of the Supplemental Retirement Plan Board of Trustees.***

- **Meet for personal, confidential help.** Find a NC Total Retirement Plans retirement education counselor by calling 1-866-NCPlans or visit [NCPlans.prudential.com](http://NCPlans.prudential.com).
- **Consider the Transfer Benefit, also known as **NC Lifetime Income**.** This allows employees to make a one-time transfer of any portion of their eligible contributions, not including Roth contributions and earnings, from their NC 401(k) and/or NC 457 Plan to TSERS and receive the balance as monthly income. There are many factors employees should consider before taking advantage of this option – This benefit may not be for everyone. Visit the Transfer Benefit Estimator in ORBIT and [www.NCLifetimeIncome.org](http://www.NCLifetimeIncome.org) for more information. There is a one-time fee of \$100 for this option.

### **NC 401(k) LEO Transfer Benefit**

At retirement, a law enforcement officer (LEO) may make a one-time transfer of any portion of his or her eligible contributions — not including Roth contributions and earnings — from the NC 401(k) Plan to TSERS to receive an additional monthly lifetime benefit. This benefit for law enforcement officers is referred to as the NC 401(k) LEO Transfer Benefit and is available to law enforcement officers vested before July 1, 2010. This option is available only at the time of retirement. Once transferred, the decision is irrevocable, and the member cannot access the funds except as the monthly benefit withdrawal.

# Death Benefits

## Active Employee Death Benefits

Although TSERS' primary purpose is to provide retirement income, we recognize that some employees will not live to enjoy their retirement benefits. For that reason, TSERS protects members' beneficiary(ies) should the member die before retiring with the death benefits described below.

- **Return of Contributions**

After a member's death, their beneficiary will receive a return of their contributions plus interest at four percent compounded annually on the member's prior-year ending balance, through their date of death. This is a lump-sum payment. If the member meets certain eligibility requirements, a monthly Survivor's Alternate Benefit may be paid to their beneficiary instead of a return of contributions if they have only one eligible beneficiary living at the time of their death.

- **Survivor's Alternate Benefit**

The Survivor's Alternate Benefit is a lifetime monthly benefit payable to the member's survivor beneficiary that equals the amount the member would have been entitled to receive under Option 2 had they survived and retired on the first of the month following their death.

Provided the member has not retired, the monthly Survivor's Alternate Benefit may be payable if they have only one eligible beneficiary for the return of their contributions living at the time of their death and they die while in active service or within 180 days of their last day of service after meeting one of the following conditions:

- They complete 20 years of creditable service (not including credit for unused sick leave) regardless of age.
- They reach age 60 with five years of membership service.

If the member does not meet one of these two conditions, their beneficiary(ies) will be able to receive only a return of the member's contributions.

The Survivor's Alternate Benefit does not apply if the member has two or more eligible principal beneficiaries for the return of contributions living at the time of their death, if their estate or living trust is their eligible beneficiary at the time of their death, or if they have retired.

- **Lump-Sum Death Benefit for Active Employees**

If member dies while still in active service after one year as a contributing member, their beneficiary will receive a lump-sum payment equal to their highest salary for 12 consecutive months during the 24 months before they die. The lump-sum payment will be at least \$25,000 but no more than \$100,000 and is also paid if the member dies within 180 days of their last day of service provided they have not withdrawn their contributions. The death benefit is in addition to any other benefits to which their beneficiary(ies) may be entitled. For this death benefit, a member may name the same or a different beneficiary(ies) than the one(s) they named to receive the return of contributions.

If the member is a state or local law enforcement officer killed in the line of duty, their beneficiary also may be entitled to a \$50,000 line-of-duty death benefit. This lump sum benefit is administered jointly by the North Carolina Industrial Commission and the Department of State Treasurer.

## Retiree Death Benefits

If a member dies within 180 days of their last day of service, and meet all eligibility requirements, the lump-sum death benefit for active employees described above will be payable. Other retiree death benefits may also be payable as described below.

- **Guaranteed Refund**

A member is automatically eligible for the Guaranteed Refund when they choose a payment option. Under the Guaranteed Refund provision, if the member and their monthly survivor beneficiary (if any) both die before the total of all monthly payments equals the amount of the member's contributions and interest, the balance of their contributions and interest will be paid in one lump sum to another beneficiary(ies).

The Guaranteed Refund also covers any purchases the member made for additional creditable service after retirement. A member may name one or more beneficiaries for the Guaranteed Refund, and they may change their beneficiary selection(s) as often as they like. However, the beneficiary a member chooses for the Guaranteed Refund cannot be the same as their monthly survivor beneficiary.

- **Optional \$10,000 Contributory Death Benefit**

When a member retires, we will mail him or her a Form 333 (*Choosing the Contributory Death Benefit for Retired Members*). To enroll, the member must make their election within 60 days of the effective date of their retirement. If the member enrolled in the optional \$10,000 Contributory Death Benefit for Retired Members and their death occurs on or after the first day of the month following the 24th month of coverage, a lump-sum payment of \$10,000 will be paid to their designated beneficiary(ies). If no beneficiary has been designated, the benefit will be paid to the member's spouse, or legal representative if the member is not survived by a spouse. If the member's death occurs before the first day of the month following the 24th month of coverage, the amount payable will be equal to their premiums plus interest.

- **Continuation of Monthly Benefits under Survivor Options**

When a member chooses benefit their payment option, if they choose one of the survivor options (Options 2, 3, 6-2 and 6-3), their survivor beneficiary will receive a monthly lifetime benefit after their death.

**NOTE:** During the month a retiree or beneficiary dies, the legal representative of the deceased retiree or beneficiary is entitled to a full check for the month the death occurred. It is a Class 1 Misdemeanor for a person to fraudulently receive the retirement benefit of a deceased retiree or beneficiary after the recipient's death.



If a law enforcement officer, firefighter, rescue squad worker or Senior Civil Air Patrol member is killed in the line of duty, his or her dependent(s) may be entitled to receive a one-time \$100,000 line-of-duty death benefit. Eligibility for this lump sum benefit is determined by the North Carolina Industrial Commission and payment is processed by the Retirement Systems Division.

## Re-employment after Retirement

After a member has officially retired and is receiving monthly benefits, if the member performs work in any capacity for an employer under TSERS, the member will be subject to the Return-to-Work laws described below. These provisions may require the member to work under an earnings limitation or to reenroll as a contributing member of TSERS.

The member will be subject to re-employment provisions based on the nature of the particular work the member performed for a TSERS employer, regardless of the member's job classification or technical employment status (which may include being assigned to work for a TSERS employer by a private company, such as a temporary staffing agency).

A **six-month break** from performing any work for a TSERS employer immediately following the member's TSERS retirement date **is required** to avoid a financial penalty, unless the retiree meets the statutory exceptions as listed in the next section under the heading **The Required Six-Month Break Guidelines**.

Also, an active employee may not establish an agreement for post-retirement employment with a TSERS employer.

### The Required Six-Month Break Guidelines

During the six months immediately following the member's TSERS retirement date, to avoid a financial penalty, the retiree cannot work for a TSERS employer in any capacity, except as one of the following:

- Serving as an unpaid bona fide volunteer in a local school administrative unit.
- Serving as an unpaid bona fide volunteer guardian ad litem in the guardian ad litem program.
- Serving on an authority, board, commission, committee, council, or other body of the state or of one or more counties, cities, local school administrative units, community colleges, constituent institutions of The University of North Carolina, or other political subdivisions or public corporations in the state, that is authorized to function as legislative, policy-making, quasi-judicial, administrative, or advisory body in a position that does not require membership in the retirement system.
- Volunteering in a position normally designated as an unpaid bona fide volunteer position.



### Financial Penalty

The financial penalty for returning to work for a TSERS employer on a part-time, temporary, interim, or fee for service basis, during the six months immediately following TSERS retirement, will be the lesser of the following as determined by the retirement system:

- The member will be deemed to have retired the month after the month he or she performed services for the employer and repay all retirement benefits received and the cost of state-provided State Health Plan premiums until that date, **or**

- The member will be required to make a lump sum payment to TSERS equal to three times the compensation earned during the six-month period.

If a member returns to active TSERS membership service during the six months immediately following the retirement date, the member's TSERS benefits will be cancelled retroactively to the member's retirement date, and the member must repay all retirement benefits received as well as the cost of state-provided State Health Plan premiums since the retirement date.

### Re-employment Requiring Membership After the Six-Month Break

After a six-month break, a TSERS retiree may return to work in a position that requires TSERS membership (see "Retirement System Membership Requirements" [on page 9](#)). The retiree's monthly retirement benefit must be suspended on the first day of the month following the month of re-employment. The retired member must be re-enrolled in TSERS and become a contributing member in the month that he or she is restored to membership service. (If TSERS retiree returns to membership service under the Consolidated Judicial Retirement System, the member's TSERS retirement benefit will also be suspended.)

If the member returns to service and **contributes for at least three years or more**, at the time the member terminates the second period of employment, the member will have the following choices:

- Combine service from the first and second periods of employment to create one monthly retirement benefit. The member can change the retirement payment plan and/or beneficiary the member selected at the time of his or her original retirement. (Note: If Option 4 was elected for the first retirement, the Retirement Systems Division must actuarially adjust benefits when the member retires again.)
- Reinstate the first retirement account and withdraw his or her contributions only from the second account.

If the member returns to service and **contributes for less than three years**, at the time the member terminates the second period of employment, the member's first retirement benefit will be reinstated and the member will have the following choices for his or her second retirement account:

- Apply to receive a second (generally smaller) monthly benefit based on the second period of employment
- Withdraw his or her contributions from the second account
- Leave the second account open

For additional information, please see the [Return-to-Work Laws](#) on our website.

### Re-employment Without Membership After the Six-Month Break

After a six-month break, if a TSERS member returns to work with a TSERS employer on a part-time, interim, temporary, or contractual basis in a position not eligible for TSERS membership (see "Retirement System Membership Requirements" [on page 9](#)), the member will be subject to earnings restrictions **of the greater of the following**:

- 50 percent of gross 12-month pre-retirement salary (excluding termination payments)
- \$33,560 (2019 amount)

The dollar figure in the second restriction is adjusted annually according to the Consumer Price Index, which is a national measure of increase in the cost of living from one year to the next. These earnings restrictions apply for the 12 months immediately following retirement and for each calendar year following the year of retirement.

If the retired member plans to work under the earnings limitations with an employer participating in TSERS, the member should contact the Retirement Systems Division before starting the new job in order to have the exact earnable amount calculated.

If the member exceeds his or her earnings limitations, the member's retirement benefit will be suspended the first day of the month following the month in which the member exceeds the limit for the remainder of the calendar year. The member's retirement payment will start again on January 1 of the year after his or her benefit is suspended. If the member's earnings exceed the allowable amount in the month of December, the member's benefit will not be suspended.

If the member's retirement benefit is suspended, his or her State Health Plan retiree group coverage also must be suspended. If the member's benefit is suspended and later reinstated, his or her State Health Plan retiree group coverage will not be reinstated retroactively.

For additional information, please see [Return-to-Work Laws](#) on our website.

### Re-employment in a Temporary Position After the Six-Month Break

A TSERS employer who re-hires a TSERS or Consolidated Judicial Retirement System (CJRS) retiree in a temporary position should carefully evaluate the temporary job classification so that the retiree will not be in violation of return-to-work laws:

- Temporary positions should have a beginning and an ending date of employment.
- Positions classified as temporary are generally restricted to employment periods that are no longer than 12 months.
- While the Retirement Systems Division cannot advise you on how to classify a position, please contact our office if you need assistance in determining if a position meets TSERS membership requirements.
- A re-hired TSERS or CJRS retiree will be in violation of return-to-work laws if the TSERS employer re-hires the retiree in a position that is incorrectly classified as temporary, but should have been a contributing membership position.

For additional information, please see the [Return-to-Work Laws](#) on our website.

### Effect on State Health Plan Coverage

If the retirement allowance of a retired TSERS member is suspended, coverage under the Retirement Systems for the State Health Plan will also be suspended. Coverage will be reinstated the first of the month following the month the member's retirement allowance is restored.

If the member's benefit is suspended and later reinstated, his or her **coverage under the Retirement Systems for the State Health Plan will not be reinstated retroactively. As a result, the member may experience a lapse in health coverage** which means he or she may not have health coverage for a month or more.

Before the retiree accepts re-employment with a TSERS employer, the retiree should ask the new employer whether the employment will affect his or her health coverage, and if the re-employment will cause:

- The member's coverage under the Retirement Systems for the State Health Plan to be suspended.
- The member to qualify for State Health Plan active group coverage and whether he or she will qualify for the state's contribution toward the coverage.

### Re-employment after Receiving Disability Payments

If a member is in receipt of benefits from the Disability Income Plan of North Carolina (DIPNC) and accepts public or private employment, the member should refer to the sections on earnings in the [Disability Income Plan of North Carolina Benefits Handbook](#) and the [Disability Section](#) on our website.

If a retired member is receiving disability retirement benefits from TSERS (not DIPNC) or the Local Governmental Employees' Retirement System (LGERS) and becomes re-employed by your agency, the member should contact the Retirement Systems Division for information regarding re-employment provisions for disability retirees.

### Re-employment Under the Legislative or Consolidated Judicial Retirement Systems

The member should contact the Retirement Systems Division for information on provisions that apply to re-employment under the Legislative Retirement System or the Consolidated Judicial Retirement System.

### Overpayments

An overpayment of benefits is payment in excess of what is due. Statutory provisions require the Retirement Systems to recover overpayments. This includes, but is not limited to, the following methods of recovery:

- Deductions from the retiree's monthly retirement benefit
- Monthly payment remittal by the retiree
- Lump-sum payments by the retiree
- Repayment from the NC Department of Revenue through the interception of tax refunds or potential lottery winnings
- Deductions from an active payroll check (*required if you are employed by a TSERS employer and have received an overpayment from TSERS*)

## Law Enforcement Officer Separate Insurance Benefits Plan

The Separate Insurance Benefits Plan provides certain temporary disability benefits and a death benefit to eligible law enforcement officers. Eligible LEOs must enroll in the Plan.

A law enforcement officer is automatically an eligible participant in the Separate Insurance Benefits Plan if he or she is:

- A full-time law enforcement officer of the state or any of its political subdivisions, as defined in [Chapter 135 of the North Carolina General Statutes](#), and has the full power of arrest with the primary duty of preventing and detecting crime, enforcing criminal laws on public property or serving civil processes
- A former law enforcement officer as defined above and (a) had 20 or more years of service as an officer or (b) is in receipt of a disability retirement allowance from any state-administered retirement system
- In receipt of a benefit from the Disability Income Plan of North Carolina



The benefits under the Plan are:

- Accident and sickness insurance
- A death benefit of \$5,000 for participants in active service (while being paid salary)
- A death benefit of \$4,000 for eligible participants who are former officers
- Accidental line-of-duty death benefit of \$2,100

Payments due to accidental injury or sickness will be paid to the participant or his/her legal representative. Payments due to death will be paid to the surviving spouse, if any. If there is no surviving spouse, it will be paid to the estate of the participant unless the participant had designated, in writing since January 1, 1986, another person or persons as beneficiary(ies) and had filed that designation with the Retirement Systems Division.

A “Quick Reference Guide” describing these benefits can be found [here](#) for your review.

Accident and sickness benefits under the Plan are administered by Hartford Life Insurance Company. Claim forms for these benefits should be requested from and claims should be submitted to:

Hartford Life Insurance Company  
ATTN: Association/Affinity Markets Disability  
PO Box 2999  
Hartford, Connecticut 06104-2999  
Policy Number AGP-1673  
Phone: 1-888-232-5340 toll free  
Mon-Fri 8 a.m. – 5 p.m. EST  
Fax: 1-866-913-4044

The death benefit under this Plan is administered by the Retirement Systems Division.

# Disability Income Plan Of North Carolina

The Disability Income Plan of North Carolina (DIPNC) provides an equitable replacement income for eligible TSERS and Optional Retirement Program (ORP) employees who become temporarily or permanently disabled and are unable to perform the duties required of their usual occupation.

As the employer, you administer the provisions of short-term disability during the first six months of the short-term disability period since the benefit is paid by you. After the first six months of the short-term disability period, you will continue to pay benefits for an additional six months, but if the disability began prior to January 1, 2019, you will be reimbursed by DIPNC for the amount paid. An explanation of DIPNC may be found in the [Disability Income Plan of North Carolina Benefits Handbook](#) located on our website. All DIPNC forms are located on the “Employer Forms” section on the [ORBIT forms page](#). Each DIPNC form contains detailed explanations and instructions regarding specific DIPNC processes, and many of the forms include guides which offer additional detailed information.

**NOTE:** The North Carolina General Assembly passed legislation, effective August 1, 2007, which changes certain long-term disability provisions for any member who has less than five years of membership service as of July 31, 2007, but who meets the requirements for long-term disability on or after August 1, 2007. Please see the [Disability Income Plan of North Carolina Benefits Handbook](#) located on our website for additional information regarding these changes.

## 60-Day Waiting Period

DIPNC benefits may begin after a mandatory 60-calendar-day waiting period. The first day of the 60-day waiting period will be the later of the following:

- The day after the last day of actual service, provided the physician certifies that the employee is disabled as of the last day of actual service; or
- The day the disabling event occurred, as certified by the physician, if the disabling event occurred on a day later than the last day of actual service, provided the employee was in a pay status by the exhaustion of leave through that date (If the employee was not in a pay status on the day of the disabling event, he or she would not be considered to be in service and would not be eligible for short-term disability payments.); or
- The day the disabling event occurred, as certified by the physician, if the disabling event occurred on a day other than a normal work day, for example, a Saturday or Sunday, or for public school teachers, a day during the summer months; or
- The day following at least 365 calendar days of employment as a teacher or state employee. For example, if an employee is *first employed* on January 1, 2017, and is certified as disabled on December 20, 2017, the waiting period would begin on January 1, 2018.

If an employee returns to service in any capacity *for any part of a given day* during the waiting period for intervals of not more than five continuous workdays, the waiting period is extended by the number of days he or she returned to service. A return to service for more than five continuous workdays will cause a new waiting period to begin.

During the waiting period, an employee may elect to exhaust any accumulated sick leave, vacation leave or other salary continuation program provided by the employer. Since human resources policies differ for state employees, public school employees, university employees, community college employees, etc., you should consult your HR manual for the exhaustion of leave policy for your agency.

The provisions governing DIPNC do not require employees to exhaust all accumulated leave before benefits begin. The exhaustion of leave does not change the onset of disability or the beginning of the waiting period. If an employee does not have sufficient leave to cover the waiting period, he or she is considered to be in a leave-without-pay status. Retirement contributions should be withheld on any salary paid during this period or for as long as leave is exhausted or salary continuation continues.

Please use Form 710 (*Determining the Waiting Period Before the Short-Term Begins*) to calculate the 60-day waiting period. This form is located on the “Employer Forms” section on the [ORBIT forms page](#).

### Short-Term Disability Benefits

Short-term disability benefits are payable by the employer beginning on the 61st day of disability, or the day after the extended waiting period if the 60-day waiting period has been extended by trial rehabilitation and for as long as the employee continues to meet the definition of disability, up to 365 days. It is the responsibility of the employer and the employee’s physician to determine if the employee is eligible.

An employee is eligible for short-term disability payments if he or she meets all of these requirements:

- Has at least one year of contributing membership service in TSERS earned within the 36 calendar months preceding the disability (The minimum periods of membership service required before a participant becomes eligible for disability benefits include membership service in LRS or CJRS added to membership service in TSERS)
- Applies within 365 days of the start of the waiting period
- Is found to be mentally or physically disabled for the further performance of his or her usual occupation
- Has a disability that has been continuous and was incurred during the time of active employment

Even though your agency is responsible for payments, short-term disability status cannot be given to employees who do not meet all requirements.

First determine if the disability is of a temporary nature or if the disability is expected to be a permanent long-term disability. A temporary disability should be handled as follows:

- Form 701 (*Requesting Short-Term Benefits Through the Disability Income Plan of North Carolina*) should be completed by or on behalf of the employee and submitted directly to you when a disability extends beyond 60 days. Form 701 is located on the [ORBIT forms page](#). Form 701 should be submitted immediately after 90 days of disability, or upon termination of the disability if the disability ended after the 60th day but before the 90th day. Please discuss Guides A through H on Form 701 with the disabled employee. These guides are provided to assist you and the member in understanding the processes and decisions involved in applying for short-term disability benefits.

- Form 700 (*Requesting Employer Information Required for Member Disability Income Plan Benefits*) Sections A, B and C should be completed by you to provide certification of information necessary to process short-term disability benefits. Form 700 is located on the [ORBIT forms page](#).
- Form 703 (*Reporting Earnings for Short-Term Disability Benefits and Medical Report for Eligibility Review*) should be submitted to you on the first day of each calendar month during the waiting period and during the short-term period. Form 703 is located on the [ORBIT forms page](#).

At this point, you are in a position to make the disability determination based upon the doctor's statement of disability on Form 703. If you are unable to determine disability at this point, you may ask the DIPNC Medical Review Board to make a determination of disability for short-term benefits. The employee also has the right to request that the DIPNC Medical Review Board make the final determination if the employer has already determined that the employee does not qualify for short-term benefits. If the DIPNC Medical Review Board is requested to make a determination of disability, Form 701 should be submitted to the Retirement Systems Division along with Form 700, Form 7A (*Medical Report for Disability Eligibility Review*) must be completed by a licensed physician, supporting medical documentation, a job description and any forms that have already been completed. All forms are located on the [ORBIT forms page](#).

In making the determination of short-term disability, the DIPNC Medical Review Board will approve disability only through the date the physician signed the Form 703. If the employee continues to be disabled, additional Forms 703 should be completed by the physician and submitted to you to authorize continued payments. Short-term disability benefits should not be paid beyond the date the physician signs Form 703 for temporary disabilities. A statement by the attending physician signed on a particular date indicating that the temporary disability is expected to last for a set number of months is not sufficient authorization for payment of short-term disability benefits beyond the date the physician signed the certification. Form 703 should be submitted at 30-day intervals until the disability ends or the 365-day short-term disability period after the 60-day waiting period is exhausted.

Payments should always be issued on a retroactive basis. If the disability is expected to be permanent, you should request a preliminary long-term determination by the DIPNC Medical Review Board as soon as the disability appears to be permanent.

A preliminary approval for long-term disability may be requested regardless of whether the employee actually meets the eligibility requirements for long-term benefits. If this determination is approved by the DIPNC Medical Review Board, you may then pay short-term disability benefits prospectively for the balance of the short-term disability period without requiring further medical certification from the attending physician.

A preliminary approval for long-term disability benefits still requires that the employee apply for long-term disability benefits and that the DIPNC Medical Review Board make a determination of eligibility for long-term disability benefits at the conclusion of the short-term disability period.

A request for preliminary approval for long-term disability benefits should be filed with the Retirement Systems Division by you or the employee on:

- Form 701 along with Form 700
- Form 7A
- Supporting medical documentation
- A job description, and
- Any Form(s) 703 that have been completed

### Calculating the Short-Term Benefit

The amount of the short-term disability benefit payable is equal to half of one month's portion of the annual base rate of compensation last paid to the employee before the beginning of the short-term disability period, plus half of one month's portion of the annual longevity payment to which he or she may be entitled, up to a maximum of \$3,000.00 per month. The payment is reduced by any monthly payment provided by the North Carolina Worker's Compensation Act if based on any disability incurred during the same period of state employment as the disability for which the member is receiving the disability benefit, except payments for a permanent partial disability rating. The monthly benefit is further reduced by any monthly payments from the federal Veterans Administration or any other federal agency, or payments under the provisions of [General Statutes section 127A-108](#) to which the employee may be entitled if these payments are the result of the same disability.

Any benefits actually paid during the first six months after the date of disability are subject to FICA (Social Security) taxes. Payments made more than six months after the last calendar month in which the employee worked are not subject to FICA taxes. For example, if an employee last worked in December 2017, any short-term disability payments made before June 30, 2018, would be subject to FICA taxes. If for some reason, no payment was actually made to the employee until July 2018, no Social Security taxes should be withheld.

Short-term benefits paid to employees who had five or more years of maintained service as of August 12, 1989, are not subject to North Carolina income tax. Employees who do not have five years of maintained service as of August 12, 1989, will be required to pay state income tax on their benefits. Short-term benefits are subject to federal income tax. **No TSERS retirement contributions are withheld from short-term disability benefits.**

The base rate of compensation is the regular monthly rate of compensation, not including pay for shift premiums, overtime or other types of extraordinary pay. For public school employees, the base rate of compensation includes any locally paid salary supplement or any coaches supplement. The base rate of compensation is the compensation which was last paid to the employee before the beginning of the short-term disability period.

Form 711 (*Determining and Recording Short-Term Disability Benefits*) should be used by you to calculate the short-term disability benefit and to record the benefit paid each month during the short-term period. Form 711 is located on the "Employer Forms" section of the [ORBIT forms page](#). This form includes space to enter identifying information regarding the disabled employee and instructions to determine the gross monthly benefit amount.

The total compensation (base rate, longevity and supplement, if any) upon which the short-term disability benefit is calculated may be increased by the TSERS Board of Trustees by any percentage across-the-board salary increase granted to employees of the state by the N.C. General Assembly. The Retirement Systems Division will notify each employer of the amount and the effective date of any across-the-board increase.

Public school employees sometimes receive salary increases that are different from those of state employees. In these cases, the compensation upon which the disability benefit is calculated may increase by the percentage applicable to state employees. You should not attempt to adjust an employee's benefit until you have received notification from the Retirement Systems Division of the amount of the increase.

During the short-term disability period, employees are permitted to earn up to the amount of the short-term benefit without reduction in the benefit. Any gross earnings during this period should be reported on [Form 703](#) under Section C.

An employee may return to service for trial rehabilitation for periods of not more than 40 continuous days of service during the 365-day short-term disability period. Trial rehabilitation is a return to service in the same capacity that existed before the disability. The period of trial rehabilitation does not extend the short-term disability period.

Under current law, an employee in receipt of short-term disability benefits who has at least five years of retirement membership service earned as a teacher or state employee is eligible for individual State Health Plan coverage under the non-contributory plan (currently 70/30 Plan or Medicare Advantage Base Plan). The State Health Plan coverage is provided to the eligible employee through the active group during the short-term disability period. The following rule should be used at the time the employee receives an extended short-term disability benefit, a long-term disability benefit or retires on a service retirement at the conclusion of the short-term disability benefit period.

- If the extended short-term or long-term disability benefit period begins between the first and 14th day of a calendar month, State Health Plan coverage under the retiree group will become effective the first of the next month. For example, if the long-term or extended short-term disability benefit period begins March 14, the Retirement Systems Division will place the eligible participant on the retiree group for State Health Plan coverage effective April 1.
- If the extended short-term or long-term disability benefit period begins between the 15th and 31st day of a calendar month, State Health Plan coverage under the retiree group will become effective the first of the month after the first full month of benefits. For example, if the extended short-term or long-term benefit period begins March 15, the first full month of benefits is April, so the Retirement Systems Division will place the eligible participant on the retiree group for State Health Plan coverage effective May 1.
- If an employee in receipt of short-term disability benefits is eligible for a service retirement benefit at the conclusion of the short-term benefit period, the State Health Plan individual coverage, if applicable, under the retiree group will be provided by TSERS effective the first of the month after the effective date of retirement. All service retirements become effective on the first day of a calendar month and a retirement application should be completed at least one day, but not more than 120 days, before the effective date of retirement. Shortly after the Retirement Systems Division receives the member's retirement

application ([Form 6](#)), instructions will be sent to the member on how to enroll in the retiree group of the State Health Plan. (**NOTE:** Short-term disability benefits are payable by the employer until the end of the month in the event of the death of the employee or retirement at the conclusion of the short-term disability period. Payment should not be prorated through the date of death of the employee nor end on the 365th day of the short-term disability period for *those employees applying for retirement*. In these instances, a full monthly benefit would be paid by the employer and reimbursed by DIPNC.)

Information about enrollment in the State Health Plan retiree group coverage will be sent to members who have applied for extended short-term disability, long-term disability or retirement benefits who have at least five years of retirement membership service earned as a TSERS employee.

### Filing for Short-Term Reimbursement and Granting Service Credits

Form 714 (*Requesting Reimbursement and Service Credit for the Short-Term Period*) should be filed by you to grant appropriate service credits to employees who are receiving short-term disability benefits, and in cases where payment extends beyond six months, to apply for reimbursement. Form 714 is located on the “Employer Forms” section of the [ORBIT forms page](#). Section E on Form 714 has a checklist of the forms and information that must be attached to Form 714 when submitted to the Retirement Systems Division. If payment extends beyond the first six months, you may submit Form 714 at the end of the short-term disability period or upon termination of short-term disability, if earlier, to grant service credits and request reimbursement.

Reimbursement of the State Health Plan premium costs during the second six months of the short-term disability period will be as follows:

- If the second six months of the short-term disability period begins between the 1st and the 14th of a calendar month, reimbursement will be the amount of the premium in that month for the following month’s coverage. For example, if the second six months of the short-term disability period begins September 14, reimbursement will be based on the September premium for October coverage. Subsequent months will be reimbursed on the same basis.
- If the second six months of the short-term disability period begins between the 15th and the 31st of a calendar month, reimbursement will be the amount of the premium paid in the next month for the following month’s coverage. For example, if the second six months of the short-term disability period begins September 15, reimbursement will be based on the October premium for the November coverage. The premium costs for subsequent months will be reimbursed on the same basis.

When requesting reimbursement of State Health Plan premiums, it is not necessary to prorate any portion of the premium cost during the second six months of the short-term disability period.

Here are several examples of reimbursement calculations:

**Full Month Calculation:** A full benefit reimbursement is due in the following situations (assuming there are no complicating factors such as part-time earnings, trial rehabilitation, Workers' Compensation benefits, exhaustion of leave, etc.):

- Reimbursement begins the first day of a month and continues through the end of that month (e.g., 02/01/17 through 02/28/17, 03/01/17 through 03/31/17, or 04/01/17 through 04/30/17)
- Reimbursement begins on a day other than the first day of a month and continues through the day before that date in the following month (e.g., 02/10/17 through 03/09/17, 03/14/17 through 04/13/17, or 04/23/17 through 05/22/17)

In all of the above-referenced examples, a full monthly benefit is due no matter how many actual days are in that given month.

**Partial Month Calculation:** A short-term benefit reimbursement should be prorated in the following situations (assuming there are no complicating factors such as part-time earnings, trial rehabilitation, Workers' Compensation benefits, exhaustion of leave, etc.):

- Beginning of the second six months
  - a. Multiply the number of days in the first month of the second six months that the employer is responsible for paying times the daily rate
  - b. Subtract the total in a. above from the monthly benefit amount
  - c. The difference from b. above is the amount due to be reimbursed for the month
- End of the second six months (this is the end of the short-term disability period or the last date the short-term disability benefit is payable due to a release from the disabling condition, whichever comes first)
  - a. Multiply the number of days a benefit is payable during the month times the daily benefit rate
  - b. The total from a. above is the amount to be reimbursed for the month

If during the second six months, leave is exhausted or paid in a lump sum, or Workers' Compensation is payable, the following procedure should be used:

**Leave Exhaustion and/or Payout:** Leave, whether exhausted or paid in a lump sum, is treated in the same manner with regards to the short-term disability benefit. Leave payout is treated as though the leave had been exhausted and leave paid for any portion of a day is treated as though it were for the whole day. In determining the date leave would have been exhausted, count workdays only. Holidays (based on the employer's holiday schedule) and weekends are not counted. Any leave used on a day during the short-term disability period is in lieu of the short-term disability benefit payable on that day.

- Beginning of the second six months (if leave is exhausted into the second six months)
  - a. Count the number of calendar days left in the calendar month following the leave exhaustion
  - b. Multiply the total number of days arrived at in a. above times the daily benefit rate
  - c. The total from b. above is the amount due to be reimbursed for the month
- Any month during the second six months other than the beginning month of the second six months (e.g., if the second six months began in May and the leave exhaustion began in June or was paid out in June)
  - a. Count all the calendar days in the month that short-term disability benefits were paid, excluding the period for which leave was or would have been exhausted

- b. Multiply the total from a. above times the benefit daily rate
- c. The total from b. above is the amount due to be reimbursed for the month

**Workers' Compensation Benefits:** Workers' Compensation benefits reduce the short-term disability benefit dollar for dollar (except permanent partial Workers' Compensation benefits or a "Clincher" settlement).

- Monthly Benefit After Workers' Compensation Reduction
  - a. Multiply the weekly Workers' Compensation benefit times 52
  - b. Divide the total from a. above by 12 to arrive at the average monthly Workers' Compensation benefit
  - c. Subtract the average monthly Workers' Compensation benefit (b. above) from the monthly short-term disability benefit
  - d. If the total from c. above is less than one dollar, the short-term disability benefit is totally offset and no reimbursement or service credits are due
  - e. If the total from c. above is equal to or greater than one dollar, a reimbursement may be due for any month during the second six months that the reduced benefit is paid; the daily rate is determined by dividing the monthly benefit amount after the reduction from c. above by 30
  
- Partial Month of Workers' Compensation Offset (if Workers' Compensation benefit ends during a month in the second six months of short-term disability)
  - a. Follow the procedure above to arrive at any possible monthly benefit due after the Workers' Compensation reduction
  - b. Count the number of days in the month that Workers' Compensation benefits were payable (as long as those days were in the second 6 months)
  - c. Multiply the number of days from b. above times the benefit daily rate after the Workers' Compensation benefit reduction
  - d. The total from c. above is the amount to be reimbursed while the Workers' Compensation benefit was payable
  - e. Count the number of days in the month the Workers' Compensation benefit was not payable (as long as those days were in the second six months)
  - f. Multiply the number of days from e. above times the benefit daily rate without the Workers' Compensation benefit offset
  - g. The total from f. above is the amount to be reimbursed after the Workers' Compensation benefit ended
  - h. Add the totals from d. and g. above to arrive at the total amount reimbursable for the month

If an employee returns to service in the same capacity that existed prior to the disability, there is no short-term benefit due and, therefore, no reimbursement is due for a period of trial rehabilitation.

### Extended Short-Term Disability Benefits

In some cases, you will have employees who are temporarily disabled but have not recovered to the extent they are able to return to work after the initial 365-day short-term disability period ends. In these cases, the short-term disability period may be extended for as many as 365 days. During

periods of extended short-term disability, the payment of benefits will be made directly by the Disability Income Plan provided the DIPNC Medical Review Board finds that the disability continues to be temporary and is likely to end during the extended period. An employee is not entitled to extended short-term disability benefits if his or her disability is of a permanent and total nature.

The extended short-term disability benefit continues at half of one month's portion of the annual base rate of compensation plus half of one month's portion of the annual longevity, with appropriate reductions as previously indicated [on page 58](#). The extended short-term disability benefit is not reduced by Social Security benefits the employee may be receiving.

The first step in applying for extended short-term disability benefits is the completion of Form 704 (*Requesting Additional Benefits Through the Disability Income Plan of North Carolina*). This form is located on the [ORBIT forms page](#). Form 704 should be completed and signed by the employee or his or her legal representative. You should forward the form to the Retirement Systems Division approximately 90 days prior to the conclusion of the short-term disability period. Please discuss Guides A, B and F on Form 704 regarding extended short-term disability benefits with the employee.

The following forms/information should be submitted with Form 704:

- Form 700 (*Requesting Employer Information Required for Member Disability Income Plan Benefits*)
- Form 7A (*Medical Report for Disability Eligibility Review*) completed by a licensed physician
- Form 701 (*Requesting Short-Term Benefits Through the Disability Income Plan*)
- Form 703 (*Reporting Earnings for Short-Term Disability Benefits and Medical Report for Eligibility Review*)
- supporting medical documentation
- a copy of the member's job description

All forms listed above can be found on the [ORBIT forms page](#). After the above information is received by our office, the application will be referred to the DIPNC Medical Review Board for review. Based on the medical evidence furnished, the Medical Review Board will determine if the employee is eligible for extended short-term disability benefits, and if so, the length of time the benefits may be extended (not to exceed 365 days).

This initial approval for extended short-term disability benefits does not prevent an employee from applying for additional periods of extended short-term disability benefits, if the DIPNC Medical Review Board did not initially extend benefits for the full 365 days, nor does it prevent the employee from applying for long-term disability benefits if it becomes apparent during the extended short-term disability period that the disability is likely to be permanent.

You and the employee will be notified by letter regarding the approval or denial of extended short-term disability benefits, as well as the date through which payment will be extended, if approved.

Extended short-term disability payments are paid on the 25th day of each month. If the 25th falls on a Saturday, Sunday, or holiday, the benefit is paid on the preceding workday. Benefits are paid on the 20th day in December or on the previous workday if the 20th falls on a weekend or holiday.

## Long-Term Disability Benefits

Approximately 60 to 90 days before the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, an employee whose disability is likely to be total and permanent is eligible to apply for long-term disability benefits, provided he or she meets the following requirements:

- The employee must have at least five years of contributing membership service in TSERS earned within 96 calendar months immediately prior to the conclusion of the short-term disability period or the date of completion of continuous salary continuation payments, whichever is later. (The minimum periods of membership service required before a participant becomes eligible for disability benefits include membership service in LRS or CJRS added to membership service in TSERS.)
- The application for long-term disability benefits must be submitted within 180 days after the conclusion of the short-term disability period, or after salary continuation payments cease, or after monthly payments for Workers' Compensation cease, whichever is later. Failure to do so will result in the denial of long-term disability benefits. The Board of Trustees may extend this 180-day filing requirement upon receipt of clear and convincing evidence that the application was delayed through no fault of the disabled employee and was delayed due to the employer's miscalculation of the end of the 180-day filing period. However, in no instance shall the filing period be extended beyond an additional 180 days.
- The employee is not entitled to long-term disability benefits if he or she is already eligible for an unreduced service retirement benefit from TSERS. Employees enrolled in the Optional Retirement Program are not eligible if they meet the age and service requirements for an unreduced service retirement benefit under TSERS.
- The employee must terminate employment as a permanent full-time TSERS employee before long-term disability benefits can be paid.

The determination of disability and eligibility for long-term benefits is made by the DIPNC Medical Review Board. The DIPNC Medical Review Board must be able to determine from the medical information furnished that the employee is mentally or physically disabled for the further performance of his or her usual occupation, and that the disability has been continuous, is likely to be permanent, and was incurred at the time of active employment.

**If the employee had less than five years of TSERS or ORP membership service as of July 31, 2007, their long-term benefits will end after they received 36 long-term disability benefit payments unless they have been approved for Social Security disability benefits.**

Regardless of the requirement that the incapacity was incurred at the time of active employment, any employee who becomes disabled while on an employer approved leave of absence and who is eligible for and in receipt of temporary total benefits under the North Carolina Workers' Compensation Act, may be eligible for long-term disability benefits. An employee who is in receipt of any other disability payments due to the same disability that existed upon entrance into membership in TSERS is not eligible for long-term disability benefits. For example, an employee in receipt of a disability benefit from another retirement plan at the time of covered employment, but who is otherwise able to perform the duties as required, is not eligible to receive benefits from DIPNC as a result of the condition as it existed at the time of employment.

The first step in applying for long-term disability benefits is the completion of Form 704 (*Requesting Additional Benefits Through the Disability Income Plan of North Carolina*). This form is located on the [ORBIT forms page](#). Please discuss Guides C through F regarding long-term disability benefits with the employee. Form 704 should be completed and signed by the employee or his or her legal representative and forwarded to the Retirement Systems Division approximately 90 days prior to the conclusion of the short-term disability period.

The following forms/information should be furnished with Form 704:

- Form 700 (*Requesting Employer Information Required for Member Disability Income Plan Benefits*)
- Form 7A (*Medical Report for Disability Eligibility Review*) completed by a licensed physician
- Form 701 (*Requesting Short-Term Benefits Through the Disability Income Plan*)
- Form 703 (*Reporting Earnings for Short-Term Disability Benefits and Medical Report for Eligibility Review*)
- supporting medical documentation
- a copy of the member's job description

Upon receipt by the Retirement Systems Division of the above information, the application will be referred to the DIPNC Medical Review Board for review. Based on the medical evidence furnished, the DIPNC Medical Review Board will either:

- approve the request for long-term disability benefits
- request additional medical information
- deny the request for long-term disability benefits

If the application for long-term disability benefits is approved, both you and the employee will be advised of the approval by letter. In addition to the approval letter, the employee will receive the following:

- A letter outlining how the employee's benefit is calculated
- Form 705 (*Agreeing to Accept Long-Term Benefits through the Disability Income Plan*). A sample of this form is located on the [ORBIT forms page](#). Form 705 requires the employee to check off and sign that he or she understands his or her responsibility in the event of an overpayment of benefits under DIPNC, and requests information as to whether the employee has applied for Social Security benefits. Since any disability or retirement Social Security benefit an employee is entitled to receive reduces the long-term disability benefits, the following procedures must be followed advising the Disability Income Plan regarding disability or retirement Social Security benefits which are payable or for which an application has been filed:
  - a. If the employee has been approved for disability or retirement Social Security benefits, he or she should forward a copy of his or her Social Security Awards Notice indicating the amount and the effective date of such benefits to the Retirement Systems Division as soon as possible. A delay in the submission of information may cause a delay in the payment of benefits from DIPNC.
  - b. If the employee does not have a claim pending with Social Security, it is suggested that he or she apply at the nearest Social Security Office at his or her earliest convenience.

- c. The employee must also furnish information relative to any Worker's Compensation benefit he or she is or may be entitled to receive and information relative to monthly payments from the federal Veterans Administration, any other federal agency, or payments under the provisions of [General Statutes section 127A-108](#) to which he or she may be entitled if these payments are the result of the same disability.

If the DIPNC Medical Review Board requests additional medical information, the employee will be notified of the information required. A copy of the letter will be sent to you.

In the event the application for long-term disability benefits is denied by the DIPNC Medical Review Board, the employee will be advised of the denial and his or her right to furnish additional information within 90 days from the date of the letter advising him or her of the DIPNC Medical Review Board's decision. A copy of this letter will be sent to you.

If the application for long-term disability benefits has been approved and all of the required information has been received by the Retirement Systems Division, the payment amount will be determined. The employee will be mailed a Report of Disability Benefits just prior to the date his or her first disability payment is mailed. This statement provides all pertinent information relative to the long-term benefit.

Long-term disability benefits are paid on the 25th day of each month. If the 25th falls on a Saturday, Sunday or holiday, the benefit is paid on the preceding workday. Benefits are paid on the 20th day in December or on the previous workday if the 20th falls on a weekend or holiday.

**NOTE:** A North Carolina Supreme Court ruling rendered under the Faulkenbury Class Action Lawsuit affects the calculation of disability benefits for some TSERS members. Under the provisions of the Supreme Court decision, a member who was vested in TSERS prior to January 1, 1988 must have an opportunity of choosing to receive benefits as provided under the Disability Income Plan in the form of short-term and long-term disability payments, or a disability retirement benefit calculated on the basis of a statutory formula with service projected to age 65 or to the earliest unreduced retirement date depending on the date the member became vested, with no offset for Social Security benefits. In order to comply with the requirements of the Supreme Court decision, the Retirement Systems Division provides appropriate information to each employee approved for long-term benefits who is eligible under the provisions of the lawsuit prior to payment of the long-term disability benefits.

If you have questions about administering disability benefits, we are here to help. Call us at 1-877-627-3287.

## ORBIT

The North Carolina Department of State Treasurer created ORBIT to allow members and employers convenient access to their retirement account information and employer reporting features 24 hours a day, seven days a week.



In ORBIT, Employers are able to:

- enroll new eligible members
- submit monthly reports
- report retirees who return to work

In ORBIT, active employees are able to:

- Retire online
- View contribution history
- View service credit history
- View retirement estimates
- Designate beneficiaries
- View service purchase cost estimates
- NC 401(k)/NC 457 Plan Transfer Benefit estimates
- View *myNCRetirement* Statements

Retirees are able to:

- Maintain direct deposit
- Maintain tax withholdings
- View and download 1099-R tax forms
- Generate income verification letters
- Update their contact information

For more information and reference materials about Employer ORBIT reporting, visit the [Employers ORBIT Information](#) page on our website.

## How to Contact the Retirement Systems Division



Toll-free: 1-877-627-3287 (1-877-NCSECURE)

Fax: 919-855-5800

Fraud and Abuse Hotline: 1-855-903-7283 or [retfraud@nctreasurer.com](mailto:retfraud@nctreasurer.com)



Teachers' and State Employees' Retirement System

Department of State Treasurer

3200 Atlantic Avenue

Raleigh, North Carolina 27604

**NOTE:** Office visits scheduled for employees who are within one year of retirement and are by **appointment only**. Please call or email our office to schedule an appointment.



[nc.retirement@nctreasurer.com](mailto:nc.retirement@nctreasurer.com)

ORBIT Employer Reporting: [oer@nctreasurer.com](mailto:oer@nctreasurer.com)



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