

Winter 2011

On the HORIZON



North Carolina Retirement Systems

*A Newsletter for Public
Employees in North Carolina*

Message from State Treasurer Janet Cowell

“Take Care of my Money!” This is a common refrain when I run into teachers, state employees and local government employees across North Carolina. Like you, other public employees want to make sure that their pension is secure both now and many years into the future.

Here at the Department of State Treasurer, my team and I are taking care of your money. We understand how important your pension is to you and the loved ones who depend on you. You can be confident that I have a great team of people working with me, including:



- 27 Investment professionals whose job it is every day to invest your money for a good return while managing risk
- 25 Call Center professionals who stand ready to answer your retirement questions
- 20 professionals who process your retirement applications
- A technology team who is putting together an even better website to make it easier to get information and do transactions online

It is important for you to hear about the status of the pension from neutral, third-party experts as well. On p. 2, you can read what others are saying about the NC Retirement Systems.

While your pension is solid and will be for many years into the future, it will still take a lot of effort to keep it that way with all the ups and downs in the stock market. Even if you work for 30 years, your pension is approximately 54 percent of your current salary. Once you are in retirement, cost of living increases may not necessarily keep up with inflation.

All this is to say, you should save money for retirement to supplement your pension and Social Security. At the end of this newsletter, you can see what retirement will look like for a public employee with 10, 20 and 30 years of service at a \$50,000 salary. You will also find resources to help you understand how your own personal savings can supplement your pension to increase your retirement income. Contact information for setting up a supplemental savings account through Prudential is also listed on p. 5.

Thank you for your service. If I don't run into you in person, I want you to know I am “taking care of your money.”

Spotlight on Financial Literacy

While teachers, state employees and local government employees rely on the Department of State Treasurer to take care of their pension, we also care about the well-being of every North Carolinian. Students dealing with educational debt, teachers saving for retirement, and children in our schools need to know the value of a dollar.

(cont'd. next page)

Brenda Williams is the director of Financial Literacy for the Department. She worked for years in Charlotte providing tax and financial counseling for individuals. She is now using her expertise to help individuals across the state in a variety of ways:



- Elementary school students – The Department worked with the NC Department of Public Instruction to include financial literacy in the K-12 Social Studies curriculum. Financial literacy will be included as a component of a well-rounded education, providing students at all ages with information to help them get a good financial start in life.
- Community college students – To support financial literacy at the college level, the Department is partnering with the Community College System and the College Foundation of North Carolina to provide an online financial literacy tool for community college students. [Advanced Money Management for Community College Students](#) will help students manage their debt and budget while furthering their education.
- Teachers – We are also partnering with the Charlotte and Triangle Chapters of the NC Financial Planning Association to provide a financial coaching program for faculty and staff at Corinth Holders High School in Wendell, NC. This project is an opportunity to stress the importance of personal financial literacy and strengthen the Department’s efforts to help members with retirement planning and securing a stable financial future.

To learn more about financial literacy initiatives, please visit the Department’s [website](#).

North Carolina Retirement Systems Receive National and Local Accolades

National Study Finds North Carolina’s Pension Remains Well Funded

The National Institute on Retirement Security (NIRS) identified TSERS as one of six well-funded pension plans in its study: “[Lessons from Well-Funded Public Pensions: An Analysis of Six Plans that Weathered the Financial Storm](#).” The study examined public pension systems that successfully weathered the 2008 financial crisis.



The report highlights the importance of healthy public plans: “State and local pension plans remain critically important to ensuring the financial security of millions of middle class Americans in retirement after a lifetime of work. For governmental employers, traditional pensions remain an attractive recruitment and retention tool, and the pooled nature of [defined benefit] plans makes them a cost-effective way to provide retirement benefits.”

State Legislative Review Concludes NC Pension Well Funded

Compared to other states’ retirement plans, the North Carolina Teachers’ and State Employees’ Retirement System (TSERS) is well funded and its plan features are typical or less generous than peer plans, according to a study by the Program Evaluation Division of the North Carolina General Assembly’s Joint Legislative Program Evaluation Oversight Committee.

In 2009, TSERS ranked sixth out of 84 plans, indicating North Carolina is accumulating assets needed to make future payments for benefits accrued to date. The full report is available on the General Assembly website: http://www.ncga.state.nc.us/PED/Reports/documents/SRS/SRS_Report.pdf.

National Innovation Earns NC Retirement Systems National Recognition

The National Association of Government Defined Contribution Administrators, Inc. (NAGDCA) recently awarded the North Carolina Retirement Systems two leadership Awards of Distinction. The Supplemental Retirement Plans (NC 401(k) & NC 457) received Awards of Distinction for the [Transfer Benefit Plan](#) design and for the National Save for Retirement Campaign.

The Transfer Benefit is a new option allowing all members of TSERS or LGERS to transfer all or a portion of their NC 401(k) and/or NC 457 balance at or after retirement to the Retirement System to receive an additional monthly benefit based on the transferred balance. The National Save for Retirement Week Campaign was a weeklong communication partnering with Prudential.

North Carolina administers the largest state-sponsored 401(k) plan in the United States in addition to a rapidly growing 457 plan.



Accepting the award from NAGDCA President Gay Lynn Bath (third from left) for the Retirement Systems is Supplemental Plan Coordinator Timothy Dale, Supplemental Plan Board Member Dexter Perry, and Retirement Systems Director Steve Toole.

Retirement Systems Change and How It Affects You

New Vesting Requirements for Employees who Join TSERS on or after August 1, 2011

During its 2011 session, the North Carolina General Assembly enacted House Bill 927, changing the vesting requirements to 10 years for any employee who becomes a member of the Teachers' and State Employees' Retirement System (TSERS) **on or after August 1, 2011**.

A guidance publication was created to provide members with more detailed information on the 10-year vesting requirement and definitions of membership in TSERS. See [Guidance on Teachers' and State Employees' Retirement System \(TSERS\) 10-Year Vesting Law Change Effective August 1, 2011](#) in the employees' section of the Retirement Systems web page under "Guidance Publications."

In brief, employees who fall under the new 10-year vesting law must meet the following new minimum eligibility requirements:

- 10 years of membership service at age 60 for TSERS general employee early retirement (and early vested deferred)
- 10 years of membership service at age 65 for TSERS general employee unreduced retirement (and unreduced vested deferred)
- 10 years of creditable service at age 55 as a law enforcement officer (LEO) for TSERS LEO unreduced (and unreduced vested deferred (delay retirement until age eligible)) retirement
- 10 years of membership service at age 60 for TSERS general employee Survivor's Alternate Benefit (SAB)
- 10 years of creditable service at age 55 as a LEO for TSERS LEO SAB

Members Not Affected by Law Change

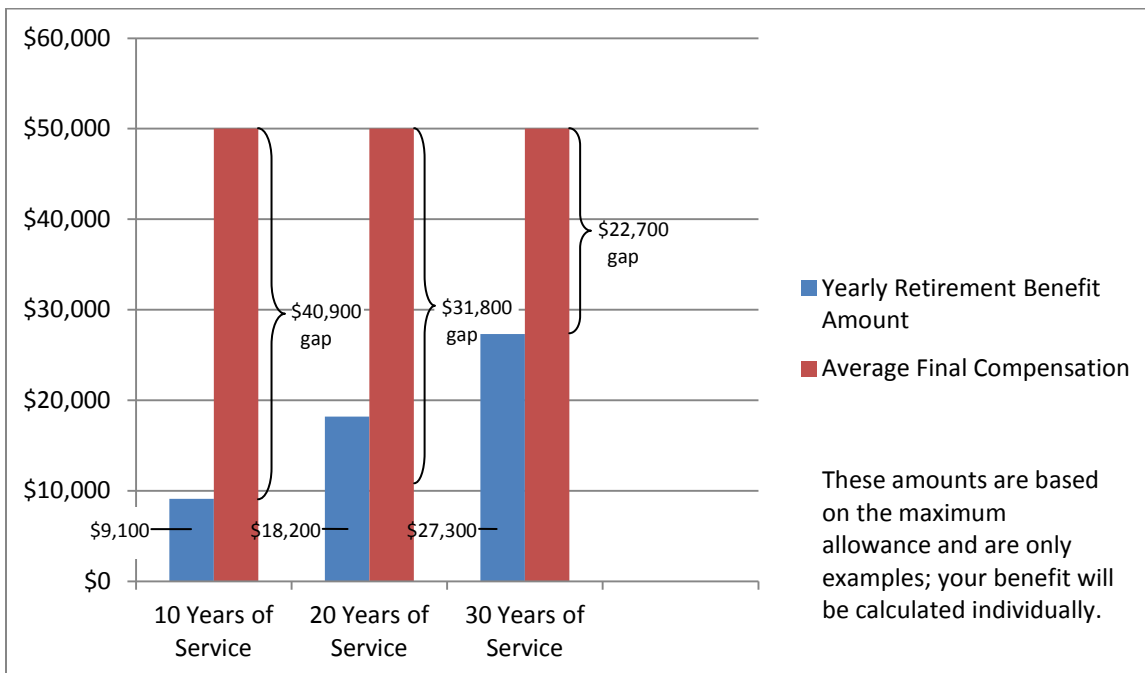
- Employees who became TSERS members **before August 1, 2011**, and who have maintained their TSERS membership service **are not affected by the law change** and will continue to have five-year vesting unless they withdraw their existing TSERS account and later return to TSERS service.
- The law change also does not affect members of the Local Governmental Employees' Retirement System (LGERS). LGERS members continue to vest at five years.

Saving for Your Future

Although you may be years away from retirement, planning for your financial future is one of the most important steps you can take to ensure your golden years are, in fact, golden. The retirement benefits provided through the Retirement System should help you live comfortably when you retire. However, that might not be enough.



The following chart shows the approximate annual benefit paid for a TSERS employee with an Average Final Compensation of \$50,000, retiring at age 65 with 10, 20 and 30 years of service:



The difference between your average final compensation and your annual retirement benefit can be a significant amount, especially if the years of service are low. Social Security will make up some of this gap, but may not bring you up to the level you need to live comfortably. Additionally, your retirement benefit may vary slightly, depending on which payment option you choose (e.g., if you designate a spouse or a child as a beneficiary). For more information about available retirement options, refer to your [retirement benefits handbook](#).





One great first step is to meet with a financial planner to assess your current situation. If you are thinking of retiring early, a financial planner should be able to assist you in determining if that's a wise decision for you. If you are a TSERS member, the [State Employees Credit Union](#) provides retirement and financial planning services free to its members. If you are a TSERS member and you're not a member of SECU, you can open a SECU savings account with a minimal deposit to qualify for this free service. If you are a LGERS member, the [Local Government Federal Credit Union](#) also provides retirement and financial planning services.

Whether or not you meet with a financial counselor, it's a good idea to create a cushion for unexpected expenses by supplementing your Retirement System benefit. Contributing to a 401(k) or other supplemental retirement plan is one way to enhance your retirement savings. Visit [Prudential Retirement's website](#) for information about the NC 401(k) and NC 457 plans offered to state and local government employees.



Contributing to a 401(k) or other supplemental retirement plan is one way to enhance your retirement savings. If you already have a supplemental retirement plan, you might consider increasing your contribution. The sooner you begin saving, the more likely you are to enjoy a secure retirement.

Numbers and Websites to Know

Retirement Systems Division:

-  1-877-627-3287 (Toll-Free)
-  (919) 807-3050 (Raleigh area only)
-  www.myncretirement.com
-  [ORBIT](#)

NC 401(k) and Deferred Compensation Plan:




-  1-866-NCPlans (1-866-627-5267)
-  www.ncplans.prudential.com

Department of State Treasurer's



Unclaimed Property Program:

-  www.nccash.com



State Employees' Credit Union:

-  (888) 732-8562 (Toll-Free)
-  (919) 857-2150
-  www.ncsecu.org/Home.html

Local Government Federal Credit Union:

-  (888)732-8562 (Toll-Free)
-  www.lgfcu.org/index.php

State Health Plan

-  (888) 234-2416 (Toll-Free)
-  www.shpnc.org