

The University of North Carolina General Administration

**CONSIDERATIONS IN TRANSFERRING FROM THE N.C. TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM (TSERS)
TO THE UNC OPTIONAL RETIREMENT PROGRAM (ORP)**

	TSERS	ORP
Plan Type	Defined Benefit Plan	Defined Contribution Plan
Plan Qualification	Internal Revenue Code 401(a)	Internal Revenue Code 401(a) and 403 (a)
Plan Oversight	TSERS Board of Trustees	UNC Board of Governors and President
Investments	TSERS controls/monitors investments	You control your investments within approved choices
Portability	Portability only to another North Carolina state agency. However, credit you may have in the Legislative, Judicial or Local Governmental Employees' Retirement Systems may be counted along with your credit in TSERS for the purpose of determining your eligibility for a reduced or unreduced benefit. Only creditable service in TSERS will be used in computing the amount of your benefits in TSERS, and creditable service in any other system will be used in computing benefits from that system.	Portability is nationwide to institutions of higher education offering like plans with same ORP carriers.
Loans	No loans available	No loans available
Plan Election	You have 60 days from your date of hire into an eligible ORP position to elect either TSERS or the ORP. If you elect to remain in TSERS, this is a lifetime irrevocable election. You will not be eligible to transfer to the ORP at a later date.	You have 60 days from your date of hire into an eligible ORP position to elect the ORP. Once you elect to participate in the ORP, this is a lifetime irrevocable election. You will not be eligible to transfer to TSERS at a later date.
Vesting	Vested immediately in your employee contributions. Once you have completed a minimum of five years of membership service, you are eligible to apply for lifetime monthly retirement benefits upon reaching certain eligibility requirements, based on your years of service, salary, an actuarial formula, and the payment option you elect, provided you do not withdraw your contributions.	You must start over for vesting if you transfer from TSERS to ORP. Credit toward vesting of ORP employer contributions begins at the time of enrollment in the ORP. Under the ORP, you are vested immediately in the value of your employee contributions; you are vested in the employer contributions after 5 years of participation. However, you are vested immediately in the value of your employer contributions if (1) you leave the University before five years and (2) continue participation in a core retirement plan at another institution of higher education within 12 months following your termination from the University and (3) begin participation in a like retirement plan. Terms are defined in the Plan Document.

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Contributions	<p><i>If vested in TSERS:</i></p> <p>If you are vested in TSERS and elect to transfer to the ORP, you can choose to: (1) leave your contributions in your TSERS account and keep all the creditable service you earned to date; (2) receive a refund of your contributions plus interest and waive any rights to the employer contributions; or (3) directly transfer only your contributions plus interest to your UNC ORP account.</p>	
	<p><i>If <u>not</u> vested in TSERS:</i></p> <p>If you are not vested in TSERS and elect to transfer to the ORP, you can choose to:</p> <p>(1) leave your contributions in TSERS and keep all the creditable service you earned to that date; but, at some point you must make a decision to withdraw or directly transfer your funds or</p> <p>(2) receive a refund of your TSERS contributions and waive any rights to the employer contributions or</p> <p>(3) directly transfer only your contributions to your UNC ORP account.</p>	
	<p><i>Receiving a TSERS refund (vested or not vested):</i></p> <p>A refund of TSERS employee contributions that is eligible for rollover can be taken in two ways. The taxable portion of the payment can be (1) paid as a direct rollover to an IRA or other qualified plan (such as the ORP) or (2) paid directly to the employee.</p> <p>(1) If a direct rollover is chosen, the employee is not taxed on the payment until it is later withdrawn from the IRA or other qualified plan.</p> <p>(2) If the refund is paid directly to the employee, it is subject to 20% income tax withholding and also taxed in the year in which the employee receives it unless, within 60 days, it is rolled over to an IRA or other qualified plan that accepts rollovers. An employee may roll over up to 100% of the eligible rollover distribution, including an amount equal to</p>	

	TSERS	ORP
Contributions (cont.)	<p>the 20% that was withheld. If 100% is rolled over, the employee must find other money within the 60-day period to contribute to the IRA or qualified plan to replace the 20% that was withheld.</p> <p>Alternatively, if only 80% that is received by the employee is rolled over, the employee will be taxed on the 20% that was withheld.</p> <p>Also, if the refund is not rolled over, a 10% penalty charge is imposed on the taxable portion of the refund, which is made prior to death, disability, or the attainment of age 59 1/2. The employee should consult his or her accountant, attorney, or other financial counsel with regard to tax treatment on these distributions.</p>	
Disability	<p>The Disability Income Plan of North Carolina automatically provides coverage once you meet certain TSERS service requirements.</p> <ul style="list-style-type: none"> You are eligible for short-term disability benefits if you have at least one year of contributing membership service in TSERS earned within the 36 calendar months preceding your disability. You are eligible for long-term disability benefits if you have at least five years of contributing membership service in TSERS earned within the 96 calendar months prior to becoming disabled or upon cessation of continuous salary continuation payments (such as exhaustion of sick, vacation or bonus leave), whichever is later. <p>In some cases, you may purchase a voluntary supplemental disability plan through your employer.</p>	<p>ORP participants are eligible for coverage under the Disability Income Plan of North Carolina (DIPNC) upon meeting the same service requirements as under TSERS. If you elect to transfer to the ORP and withdraw your TSERS employee contributions (plus statutory interest, if you have at least five years of service as a contributing member), you forfeit any membership credits earned toward eligibility for the DIPNC and must start over and meet the service requirements while participating in the ORP, even if these contributions are rolled over to the ORP. For example, if TSERS contributions are withdrawn, under DIPNC you must have at least one year of participation in the ORP earned within the 36 calendar months preceding disability to be eligible for short-term disability benefits, and five years of ORP participation earned within the 96 calendar months prior to the end of the short-term disability period to be eligible for long-term benefits.</p>

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Disability (cont.)	<p>While out on disability, you will still be eligible for the following:</p> <ol style="list-style-type: none"> (1) to earn service credit towards retirement (2) the TSERS Death Benefit (see description below) (3) the Survivor's Alternate Benefit and (4) the State's contribution for health insurance coverage if you have at least five years of retirement membership service earned at the time of disability and you were employed prior to October 1, 2006. If you were hired on or after October 1, 2006, you are eligible for 50% of the State's contribution if you have at least 10 years of retirement membership service earned at the time of disability or 100% if you have at least 20 years of retirement membership service earned at the time of disability. If you do not meet the retirement membership service requirement, you may continue coverage by paying the full premium. 	<p>While on DIPNC, unlike TSERS members, you do not earn service credit toward retirement and, neither the Death Benefit nor the Survivor's Alternate Benefit is applicable. However, the same health insurance rules that apply to TSERS members also apply to ORP participants. Therefore, if you were hired before October 1, 2006 and you elect to receive a refund of your TSERS contributions, you must have five years of participation in the ORP earned at the time of disability to receive the State's contribution for health insurance. If you were hired on or after October 1, 2006, the same rules apply to ORP participants as to TSERS members.</p> <p>Note: Since an ORP participant does not receive service credit toward retirement while on DIPNC, a fully contributory voluntary supplemental disability plan is available to ORP participants that provides a monthly disability benefit and a monthly annuity benefit.</p>
Death Benefit/Survivor's Alternate Benefit	<p>Lump-sum Death Benefit is paid to your beneficiary if you die in active service after one year of creditable service, and either a refund of contributions is payable or a survivor monthly income (the Survivor's Alternate Benefit) if you die after meeting certain age and service requirements.</p> <p>The Death Benefit payment is equal to the highest 12 months of salary during the 24 months preceding your death but no less than \$25,000 and no more than \$50,000.</p> <p>The Survivor's Alternate Benefit and Death Benefit are in effect only for 180 days following the last day in which you are paid as a TSERS contributing member.</p>	<p>If you elect to transfer to the ORP, in the event of your death, your total ORP account value from both employee and employer contributions is 100% vested and available to your designated beneficiary.</p>
Retirement Eligibility	<p>You are eligible for an unreduced (service) TSERS benefit after:</p> <ul style="list-style-type: none"> • You reach age 65 and complete five years of membership 	<p>There are no age and service requirements to meet under the ORP in order for a vested participant to begin receiving</p>

	TSERS	ORP
Retirement Eligibility (cont.)	<p>service</p> <ul style="list-style-type: none"> You reach age 60 and complete 25 years of creditable service, or You complete 30 years of creditable service, at any age <p>You are eligible for a reduced (early) retirement benefit after:</p> <ul style="list-style-type: none"> You reach age 50 and complete 20 years of creditable service or You reach age 60 and complete five years of membership service 	a retirement benefit.
Retirement Benefits	TSERS monthly retirement benefits are based on your years of service, salary, an actuarial formula, and the payment option you elect, including credit for any unused sick leave if applicable.	Your ORP retirement benefit is based on investment performance and the payment option chosen.
Retirement Payment Options	Several payment options available at retirement with fixed monthly income.	Several payment options and methods of payment available at retirement through annuities or mutual funds.
Retiree Legislative Increases	In years past, the General Assembly has granted cost of living increases for TSERS retirees.	Not applicable for the ORP.
Retiree Health Insurance	<p>If you were employed prior to October 1, 2006, upon retirement, you are eligible for the State's contribution for health insurance if you have at least five years of retirement membership service and you are in receipt of a monthly retirement benefit from TSERS.</p> <p>If you were hired on or after October 1, 2006, you are eligible for 50% of the State's contribution for health insurance if you have at least 10 years of retirement membership service or 100% if you have at least 20 years of retirement membership service and you are in receipt of a monthly retirement benefit from TSERS.</p> <p>Otherwise, you must pay 100% of the cost of the premium for the retiree group coverage if you elect to participate.</p>	If you are in receipt of a monthly retirement benefit from the ORP, the same rules apply to ORP participants as apply to a TSERS member.
Sick Leave	As a member of TSERS, one month of TSERS credit is allowed for each 20 days of unused sick leave when you retire. One more month is allowed for any part of 20 days left over, provided the	Sick leave credit does not count as service credit in the ORP. Therefore, any sick leave balance you accrue while participating in the ORP will be lost at retirement or

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	<p>remaining portion is at least one hour.</p>	<p>termination of employment.</p> <p>However, if you are eligible to receive both a TSERS benefit and an ORP benefit when you retire, you may receive additional TSERS credit for any sick leave balance for which you were credited at the time you switched to the ORP, less any days used during the time you were participating in the ORP. In order to receive this additional TSERS retirement credit, you must apply for a TSERS retirement benefit within 5 years of your separation/retirement from the University as an ORP participant.</p> <p>For example, an employee has 8 years of TSERS membership credit and 80 days of accumulated sick leave at the time he/she transfers to the ORP. He/she participates in the ORP for 10 years and then retires. While participating in the ORP, he/she earns 120 days of sick leave and uses 20 days of sick leave. He/she would, therefore, only be eligible to report 60 days of sick leave credit for TSERS purposes.</p>

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