



NORTH CAROLINA

OFFICE OF THE TREASURER

JANET COWELL, TREASURER

Dear Member:

Welcome to the North Carolina Local Governmental Employees' Retirement System. As a North Carolina public employee, your retirement benefits are administered by the Department of State Treasurer's Retirement Systems Division. As your State Treasurer, I encourage you to learn about your retirement benefits and plan for your financial future.

Attached is a new member information packet that:

- Summarizes the benefits under your retirement system and
- Presents two partner plans: the NC 401(k) Plan and the NC Deferred Compensation (457) Plan

As a new employee, you can designate your beneficiaries online for the employee death benefit or for a return of contributions in the event of your death prior to retirement. This convenient online process is only available to members with less than 10 years of service, so I encourage you to take advantage of the opportunity.

You can track your retirement information and complete your beneficiary designations through ORBIT (Online Retirement Benefits through Integrated Technology), which provides secure, online access 24 hours a day. Visit www.myncretirement.com and click on the "ORBIT" button to register and log on.

We are cautious in protecting your personal information and limit the display of Social Security numbers on retirement-related communication. Please use your Member identification number, located in your personal ORBIT account, in all correspondence with our office.

Thank you for giving me the opportunity to serve as your Treasurer. My staff and I want to be helpful to you as you learn about your retirement benefits and plan for your financial future. Please do not hesitate to call us with questions. Our retirement counselors are available at 1-877-627-3287 (toll free) or 919-807-3050 (in the Raleigh area) from 8:00 a.m. to 5:30 p.m., Monday through Friday.

Sincerely,


Janet Cowell



North Carolina Retirement Systems

Highlights of Your Retirement Benefits

Local Governmental Employees' Retirement System

How do I qualify for retirement benefits?

Service Retirement (Unreduced) Benefits are available:

- at age 65 with 5 years of creditable service,
- at age 60 with 25 years of creditable service, or
- at any age with 30 years of creditable service.

Early Retirement (Reduced) Benefits are available:

- at age 50 with 20 years of creditable service, or
- at age 60 with 5 years of creditable service.

Your early retirement benefit is determined by the same formula as a service retirement benefit multiplied by a reduction percentage based on your age and/or service at early retirement.

If You Leave The System Before Retirement, you may still receive a deferred benefit at a later date, once you meet eligibility requirements, after you have completed 5 years of creditable service, provided you do not withdraw your contributions.

Your benefit is determined by the formula in effect on the effective date of your retirement. If you leave the System before you have 5 years of creditable service, the only payment you can receive is a refund of your contributions.

What formula is used to calculate retirement benefit?

Your annual retirement benefit is based on this formula:

1.85% of your average final compensation

TIMES

your years and months of creditable service

Average Final Compensation (AFC) means the average of your salary during your four highest-paid years in a row.

Creditable Service means any period during which you contribute to the System, provided you do not withdraw your contributions. Creditable service may also include unused sick leave and service credit purchased or granted under the creditable service provisions outlined in *Your Retirement Benefits* handbook, which is located on our website.

Sick Leave earned monthly under a duly adopted policy, and for which you would receive full salary if you were absent from work on account of sickness, counts as creditable service. One month of credit is allowed, at no cost to you, for each 20 days of your unused sick leave when you retire. One more month is allowed for any part of 20 days left over, provided the remaining portion is at least one hour.

Sick leave is used to increase your creditable service but cannot be used to meet the minimum qualifications for a deferred benefit or the Survivor's Alternate Benefit. Sick leave may be used to complete 30 years of service, regardless of age; 25 years of service after age 60; 20 years of service after age 50; and 5 years of service after age 60.

How are early and service retirement benefits calculated?

EARLY RETIREMENT PERCENTAGES. If you are between ages 50 and 59, with less than 30 years of creditable service, your early retirement benefit will be reduced to the following percentages:

AGE	CREDITABLE SERVICE									
	29	28	27	26	25	24	23	22	21	20
59	95%	90%	85%	80%	80%	80%	80%	80%	80%	80%
58	95%	90%	85%	80%	75%	75%	75%	75%	75%	75%
57	95%	90%	85%	80%	75%	70%	70%	70%	70%	70%
56	95%	90%	85%	80%	75%	70%	65%	65%	65%	65%
55	95%	90%	85%	80%	75%	70%	65%	60%	60%	60%
54	95%	90%	85%	80%	75%	70%	65%	60%	55%	55%
53	95%	90%	85%	80%	75%	70%	65%	60%	55%	52%
52	95%	90%	85%	80%	75%	70%	65%	60%	55%	50%
51	95%	90%	85%	80%	75%	70%	65%	60%	55%	50%
50	95%	90%	85%	80%	75%	70%	65%	60%	55%	50%

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

If you are between ages 60 and 65, with less than 25 years of creditable service, your early retirement benefit will be reduced to the following percentages:

AGE	Percentage of Benefit
64	97%
63	94%
62	91%
61	88%
60	85%

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

MONTHLY RETIREMENT BENEFIT UNDER MAXIMUM ALLOWANCE

Average Final Compensation	50	55	60	any 30	any 40	Age Years of Service
\$60,000	\$925	\$2,331	\$2,312	\$2,775	\$3,700	
\$50,000	\$770	\$1,942	\$1,927	\$2,312	\$3,083	
\$40,000	\$616	\$1,554	\$1,541	\$1,850	\$2,466	
\$30,000	\$462	\$1,165	\$1,156	\$1,387	\$1,850	
\$20,000	\$308	\$777	\$770	\$925	\$1,233	

These are only examples. Your benefit is calculated individually.

Please continue to the next page.



Highlights of Your Retirement Benefits

Local Governmental Employees' Retirement System

North Carolina Retirement Systems

What retirement payment plans are available?

When you retire, you will be asked to elect one of the payment plans listed below. Regardless of the plan elected, there is a **guaranteed refund** feature of your retirement benefits which provides that should you and the beneficiary, if any, you have designated to receive a monthly survivorship benefit die before the total of the retirement allowances paid equals the amount of your contributions and interest at the date of retirement, the excess of such contributions and interest shall be paid in a lump sum to such other beneficiary(ies) you designate.

Maximum Allowance - Basic, Straight Life Benefit (No Monthly Survivorship) is paid throughout your lifetime with all monthly benefit payments ceasing at your death

Option Two - 100% Joint and Survivorship (One Monthly Survivorship) is a reduced retirement allowance which provides that upon your death, after retirement, the same reduced retirement allowance will be continued to the beneficiary designated for a monthly survivorship benefit the remainder of his/her life.

Option Three - 50% Joint and Survivorship (One Monthly Survivorship) is a reduced retirement allowance which provides that upon your death, after retirement, one-half of the reduced

retirement allowance will be continued to the beneficiary designated for a monthly survivorship benefit the remainder of his/her life.

Option Four - Adjustment of Retirement Allowance and Social Security Benefits (No Monthly Survivorship) is a retirement allowance which provides for larger monthly payments than you would otherwise be entitled to receive, until you become eligible for Social Security at age 62. Beginning at age 62, your monthly payments will be reduced to an amount that is less than what you would otherwise be entitled to receive. However, your reduced retirement payments after age 62 plus your allowance from the Social Security Administration will be approximately the same amount as the inflated payment you received from the Retirement System before age 62.

Option Six-Two or Six-Three - Modified Joint and Survivorship (One Monthly Survivorship) is a reduced retirement allowance as provided by Option Two or Option Three, with the added provision that if the beneficiary designated for a monthly survivorship dies before you do, your retirement allowance will revert to the Maximum Allowance the following month for the remainder of your life.

How do I contact the Retirement System?

INTERNET: www.myncretirement.com

Visit our website to learn more about the benefits available to you:

- estimate your monthly benefits using our "Retirement Estimator,"
- download and complete retirement applications and forms,
- download and view *Your Retirement Benefits* handbooks,
- review "Frequently Asked Questions," and
- manage your retirement account online using our ORBIT System.

EMAIL: nc.retirement@nctreasurer.com

ADDRESS:

Local Governmental Employees' Retirement System
Department of State Treasurer
325 North Salisbury Street
Raleigh, North Carolina 27603-1385

PHONE NUMBERS:

Toll-Free: 1-877-627-3287
Raleigh Area: 919-807-3050
Fax: 1-919-508-5350

NOTE: Appointment Only Policy: Please contact the Retirement System to schedule an appointment if you wish to visit our office.

Thank you

DISCLAIMER: The availability and amount of all benefits you might be eligible to receive is governed by Retirement System law. The information provided in this publication cannot alter, modify or otherwise change the controlling Retirement System law or other governing legal documents in any way, nor can any right accrue to you by reason to any information provided or omission of information provided herein. In the event of a conflict between this information and the Retirement System law, Retirement System law governs.

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Page 2 of 2



North Carolina Retirement Systems

The Local Governmental Employees' Retirement System (LGERS)

Quick Reference Guide

How the Retirement System Works

As you are a permanent, regularly scheduled or otherwise eligible local governmental employee, you are contributing 6% of your compensation to the Retirement System as a condition of your employment. Ultimately, these contributions will be returned to either you or your beneficiaries.

Your employer is also making contributions to the System. During the course of your career, these contributions are managed as a part of one of the strongest public pension systems in the United States. The contributions from employees, employers, and investment earnings from the investment of those contributions are used to provide monthly retirement benefits, as well as death and disability benefits, to local governmental employees.

For you to be eligible to receive a benefit, you will have to meet certain age and service requirements. A significant milestone in your career is the five-year mark when you are vested in the System. Being vested means being eligible for a retirement benefit as soon as you meet an age requirement.

While the amount of your eventual retirement benefit may be affected by your rate of compensation over the years, this

benefit is *not* based on the amount you have contributed to the System. The System is a defined benefit plan qualified under Section 401(a) of the Internal Revenue Code. This means that your retirement benefit will be based on a formula which reflects the amount of retirement credit you have earned over the course of your career in North Carolina. You earn retirement credit each month you make contributions to the System. Increasing the amount of credit you have in the System increases your benefit from the System.

You can keep track of your contributions and retirement credit through ORBIT (Online Retirement Benefits through Integrated Technology). Visit www.myncretirement.com and log-in to this secure, web-based system that provides you with full access to your personal benefit account.

You will also receive an annual statement. This statement provides information about your System account and beneficiary(ies).

Your Benefits At-A-Glance (Subject to the General Statutes of North Carolina)

Note: The following is not an exhaustive description of all benefits for which you may be eligible, of the eligibility criteria, or the benefit amount. For more information, see your member handbook available on our web site at www.myncretirement.com.

Benefit	Minimum Eligibility Requirement	What You Should Know
Monthly Retirement Benefit	5 years of credit as early as age 60; For law enforcement officers, as early as age 50 if 15 years of credit	The amount is based on the retirement formula, which reflects your compensation record, the amount of retirement credit you have, and other factors. At retirement, you will choose among payment options.
Monthly Disability Retirement Benefit	5 years of credit	An authorized medical professional must certify the illness. Amount is calculated the same way as service retirement.
Return of Contributions	None	At your death, your beneficiary(ies) receives all your undistributed contributions, unless eligible for a monthly Survivor's Alternate Benefit.
Death Benefit (if your employer has chosen to participate)	After 1 year of credit and in service within the last 180 days	At your death, your beneficiary(ies) receives an amount generally based on one year's compensation with a minimum of \$25,000 and a maximum of \$50,000.
Law Enforcement Officers only: Separate Benefit	After 1 year of service and in service	A \$5,000 benefit (more if line-of-duty related)

Contact Us

Write anytime or visit by appointment:

N.C. Department of State Treasurer
Retirement Systems Division
325 North Salisbury St.
Raleigh, NC 27603-1385

Visit us on the web

www.myncretirement.com
Log on to ORBIT

E-mail

nc.retirement@nctreasurer.com

Call

(919) 807-3050 in the Raleigh area
or (877) 627-3287 toll free

Fax

(919) 508-5350



The Supplemental Retirement Plans

NC 401(k) Plan

NC Deferred Compensation (457) Plan

Why choose supplemental retirement savings?

Experts say that you'll need to replace at least 80% of your annual pre-retirement working income to continue your current lifestyle after you stop working full time. As a public employee in North Carolina, you're lucky that you have several sources of income to draw from to reach this target.

Your pension plan, consistently rated as one of the strongest in the country, will provide you with a solid income foundation during your retirement years. And Social Security is an additional source of retirement income. You also have access to two supplemental retirement savings options that can provide you with the additional income you may need to meet your long-term retirement goals.

The NC 401(k) Plan and the NC Deferred Compensation Plan both offer you the opportunity to build supplemental retirement savings.

You've already got information on your defined benefit pension plan (your retirement system). Let's stop to explain how these supplemental, or defined contribution, plans work.

A *defined contribution plan* is a qualified retirement plan that focuses primarily on the contributions made to the plan by you, and in some cases your employer, and the investment earnings of those contributions.

At retirement, the difference comes in how your monthly benefit is derived. In defined contribution plans, the amount you receive at retirement will depend exclusively on the amount you have accumulated in your plan account (your personal contributions plus any employer contributions plus investment earnings).

So which plan is right for you?

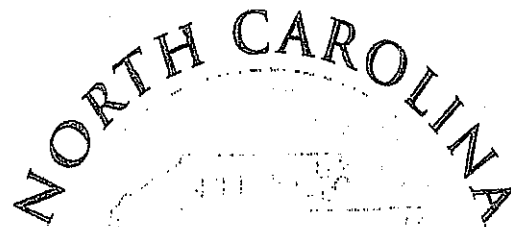
There are many factors to consider about the two plans as you make the decision.

- **Contribution options:** NC 401(k) Plan allows for both traditional pre-tax contributions and Roth after-tax contributions; NC Deferred Compensation Plan can receive only pre-tax contributions.
- **Contribution limits:** IRS regulations allow contributions up to the maximum annual amount to both Plans, \$16,500 to the NC 401(k) Plan and \$16,500 to the NC Deferred Compensation Plan for a total annual contribution of \$33,000.
- **Distribution options:** rollovers, systematic withdrawals in periodic payments and purchasing service credits with the Retirement Systems.
- **Tax considerations:** NC 401(k) Plan is subject to the 10% federal early distribution penalty, where the NC Deferred Compensation Plan is not.
- **Investment options:** The Plans offer a unique set of investment options to encourage diversity in your investment portfolio.

The NC 401(k) Plan

and

NC Deferred Compensation (457) Plan



SUPPLEMENTAL RETIREMENT PLANS

1-866-627-5267

www.ncplans.prudential.com

Your human resources professional should have enrollment information on the NC 401(k) Plan and the NC Deferred Compensation Plan, if it is offered by your agency. You can get more detailed information on both plans anytime by visiting their website.