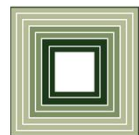


# Pension Overview

**LRC Study Committee on Treasurer  
Investment Targets and State Employee  
Retirement Options**

**February 17, 2014**



**FISCAL RESEARCH DIVISION**  
A Staff Agency of the North Carolina General Assembly

# Teachers' and State Employees' Retirement System

## Employees Covered

- Covers employees of:
  - State agencies
  - UNC System (except those electing Optional Retirement Program)
  - Community colleges
  - Local public schools
  - Charter schools (if elected)
- Elected officials in the judicial and legislative branches are in separate systems
- Employees of local governments are in a separate State-administered system (if elected)

# **Teachers' and State Employees' Retirement System Defined Benefit - formula**

- Years of Service x Average Final Compensation (48 highest consecutive months salary) x Accrual Factor (1.82%) = Annual Benefit Amount
- Annual pension benefits equal approximately 54% of Average Final Compensation with 30 years of service.
- Benefit paid monthly for life of retiree and, if elected, life of beneficiary.

# **Teachers' and State Employees' Retirement System Retirement Ages**

- Unreduced benefits available at earliest of:
  - 30 years of service (any age)
  - Age 60 and 25 years of service
  - Age 65 and 5 years (10 if hired Aug 2011 or later)
- Reduced benefits available at earliest of:
  - Age 50 with 20 years of service
  - Age 60 with 5 years (10 if hired Aug 2011 or later)
- Different ages apply to law enforcement officers

# **Teachers' and State Employees' Retirement System Sources of Funding**

- Active Employees contribute 6% of salary
- Employers contribute annually based upon recommendations of the System's actuary and funding appropriated by the General Assembly  
Employer contribution rate is 8.69% for FY 2013-14
- Investment income



# Teachers' and State Employees' Retirement System

- Benefit does not vary with investment return, unlike a 401(k) plan
- Cost-of-living adjustments (COLAs) are ad-hoc, not automatic
- Can take a refund of employee contributions in lieu of retirement benefit or if not eligible for benefit
- Benefit features are similar to those offered by most state and local governments in the U.S.

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