LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM

YOUR RETIREMENT BENEFITS

Building Brighter Futures for Public Employees SM

North Carolina Retirement Systems

Department of State Treasurer
Raleigh, NC
Revised January 2012

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
RETIREMENT SYSTEMS DIVISION

JANET COWELL
STATE TREASURER

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Welcome to the North Carolina Retirement Systems!

The Department of State Treasurer, which administers the retirement systems for state and local government employees, is committed to providing you with information that will help you make informed decisions about your financial future. I encourage you to familiarize yourself with the benefits described in this booklet.

This handbook outlines the benefits available to you as a member of the Local Governmental Employees' Retirement System, including:

- Benefits you will receive at retirement once you meet the service and age requirements
- Benefits your beneficiary may receive if you die while you are an active employee or after you retire (death benefits)
- Qualifications for reemployment after retiring

I also encourage you to visit our website, www.myncretirement.com, for retirement resources, and to register on ORBIT, your safe and secure online access to your personal retirement account information. You can also contact the North Carolina Retirement Systems if you have additional questions. Our customer service representatives can assist with the status of an application or answer questions about retirement, disability and death benefits.

Thank you for your service to North Carolina.

Sincerely,

Janet Cowell

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Your Retirement Benefits

Contents **Page**

Your Retirement System Benefits In Brief . 4
Becoming A Member Of The System 4
Who Pays For The System. 5
Tax-Deferred Savings Advantages 5
How To Qualify For Benefits 6
Becoming Vested 6
Service Retirement (Unreduced Benefits) 6
Early Retirement (Reduced Benefits) 6
Disability Retirement 6
Reciprocity Between Retirement Systems 7
If You Leave The System Before Retirement . .7
How Your Beneficiaries Are Protected. 7
Death Benefit. 7
Survivor's Alternate Benefit 8
How Your Benefit Is Calculated. 8
Example Of How A Benefit Is Calculated . . . 9
At Service Retirement. 9
At Early Retirement 10
Early Retirement Percentages. 10
Examples Of Benefits Paid 11
Retirement Benefit Payment Plans 11
Maximum Allowance 12
Payment Options 12
How The Payment Options Work 14

Contents **Page**

Creditable Service And
Service Purchase Provisions 15
Rollovers To Purchase Retirement
Service Credit 18
Transferring Service And
Contributions Between Systems 18
Refund Of Contributions. 18
Interest 19
Applying For And Receiving
Monthly Benefits 19
Retirement Application Process 19
Your First Monthly Benefit. 20
Post-Retirement Increases 20
NC 401(k) And NC 457 Transfer Benefit . . 20
Income Tax. 20
Retirement Benefits 20
Death Benefits 22
Refunds 22
Reemployment After Retirement 23
Important Information To Remember 25
Administration And Funding. 26
ORBIT (Online Retirement Benefits
through Integrated Technology) 27
How To Contact Us 28

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 handbook 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 of any information provided or omission of information provided herein. In the event of a conflict between this information and Retirement System law, Retirement System law governs.

Your Retirement System Benefits In Brief

- Automatic membership for eligible employees. (See below)
- You and your employer pay the cost of retirement benefits. (See page 5)
- Monthly payments at retirement based on your salary, age, and years of credit. (See page 6)

- *Unreduced* retirement benefit at age 65 with five years of credit, or at age 60 with 25 years of credit, or at any age with 30 years of credit; *reduced* benefit after age 50 and 20 years of credit, or at age 60 with five years of credit. (See page 6)
- A right to a reduced benefit at age 60 after five years of credit, regardless of whether you are working. (See page 7)
- Disability benefits available after five years of credit. (See page 6)
- Survivor monthly income if you die in active service with 20 years of credit regardless of age; or after age 60 with five years of credit. (See page 8)
- Several payment options available to continue income to your beneficiary following your death after retirement. (See pages 11 through 14)
- Death benefit paid to your beneficiary if you die in active service after one year of credit, *and if your employer has chosen to give you this benefit.* (See page 7)

This section only highlights the System. The following pages describe it in detail.

Becoming A Member Of The System

You become a contributing member of the System on your date of hire if you are employed by a participating unit in a regular position that requires 1,000 hours or more of service per year.

A participating unit is any county, city, town or other local government which has agreed to participate in the System.

However, if you are an Agricultural Extension Service employee and a member of the Federal Employees' Retirement System, you may not join this System. You can get more details from your employer.

Shortly after your employer enrolls you in the System, you will be asked to name your beneficiary(ies) to receive a refund of your retirement contributions and a death benefit, if applicable, if you die before retirement.

You can change your beneficiary(ies) at any time before retirement by completing a Form 2RC, "Designating Beneficiary(ies) for Retirement System Return of Contributions," and if applicable, Form 2DB, "Designating Beneficiary(ies) for the Death Benefit." These forms are available on the ORBIT website.

Who Pays For The System

You and your employer, and the investment earnings on total contributions, pay the cost of providing your retirement benefits.

Your share of the cost, which is automatically deducted from your paycheck, is 6 percent of your compensation. Your compensation includes all salaries and wages paid to you, from public funds, which you earn at your covered job while working for your employer. Beginning July 1, 1982, your contributions to the Retirement System *may be* tax sheltered by action of your employer for federal and North Carolina income tax purposes.

Your employer's share of the cost is based on the calculations prepared by an actuary, so that benefits will be funded properly.

Tax-Deferred Savings Advantages

Beginning July 1, 1982, special tax advantages may apply to the contributions you make to the Retirement System. Provided your employer has taken the proper action, your contributions are made on a before-tax basis, meaning that they are deducted from your pay before taxes are calculated. As a result, your taxable income is lowered and the amount of annual taxes you pay is less than if you made contributions on an after-tax basis.

The example below assumes you are married, earn $30,000 a year, have four people in your family, and contribute 6 percent of your salary to the Retirement System. The amount of tax you actually pay will depend on current tax rates and your own financial situation.

	After-Tax Savings	Tax-Deferred Savings
Eligible Pay	$30,000	$30,000
Tax-Deferred Savings	0	-1,800
Taxable Income	$30,000	$28,200
Federal Income Tax Withholding*	-1,882	-1,612
North Carolina State Income Tax Withholding*	-1,259	-1,133
After-Tax Savings	-1,800	0
Take-Home Pay	$25,059	$25,455
Increased Take-Home Pay		$396

*Estimated

How To Qualify For Benefits

Becoming Vested

You become vested in the Retirement System once you have completed a minimum of five years of creditable service. This means that you are eligible to apply for lifetime monthly retirement benefits based on the formula, and the age and service requirements described in this handbook, provided you do not withdraw your contributions.

Service Retirement (Unreduced Benefits)

You may retire with an unreduced service retirement benefit after:

- you reach age 65 and complete five years of creditable service
- you reach age 60 and complete 25 years of creditable service
- you complete 30 years of creditable service at any age

Early Retirement (Reduced Benefits)

You may retire early with a reduced retirement benefit after:

- you reach age 50 and complete 20 years of creditable service
- you reach age 60 (age 55 if you are a firefighter) and complete five 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. Since your benefits may be paid over a longer period of time than if you waited until you were eligible for service retirement, they will be reduced. The table on page 10 shows the effect these reductions would have on your benefit.

Disability Retirement

You become eligible for disability retirement benefits after five years of creditable service if you become totally and permanently disabled for your job, as approved by the Medical Review Board. (If you are a firefighter or rescue squad worker who becomes disabled as a result of a "line-of-duty injury," you need only one year of creditable service to apply for disability retirement.)

Your disability benefit under the Maximum Allowance is calculated using the same formula as a service retirement benefit and you may choose any payment option except Option 4. (See pages 11 through 14 for descriptions of retirement payment plans.) If you choose a survivorship option, it will be calculated using disability reduction percentages.

Your average final compensation is calculated as of your disability retirement date, but creditable service is counted as though you continue working to the *earliest* date you would have qualified for an unreduced service retirement allowance, whether it be age 65, or 30 years of service, or age 60 with 25 years of service.

If you die after you have filed an application for disability retirement but before its effective date, and you have otherwise met all requirements for disability retirement benefits, your beneficiary may elect to receive a monthly retirement allowance provided by Option 2, instead of a return of your retirement contributions and interest, provided the following conditions apply:

- you have one and only one eligible beneficiary for the return of contributions living at the time of your death
- you have not indicated to the Retirement System, in writing, that you did not want your beneficiary to have this choice of receiving a retirement allowance provided by Option 2

See pages 24 and 25 for more information regarding disability benefits. Also, please visit our website at www.myncretirement.com for additional information about disability benefits and the required forms.

Reciprocity Between Retirement Systems

Any credit you may have in the Legislative, Judicial, or Teachers' and State Employees' Retirement Systems may be counted along with your credit in this Retirement System for the purpose of determining your *eligibility* for a reduced, unreduced, or disability benefit. However, only your creditable service in this System will be used in computing the *amount* of your benefit in this System, and creditable service in any other System will be used in computing benefits from that System. (See page 18 concerning transfers between this System and the Teachers' and State Employees' Retirement System.)

If You Leave The System Before Retirement

Even if you leave before service or early retirement, you may still receive a deferred benefit at a later date. You are entitled to apply to receive a benefit once you meet retirement eligibility requirements after you have completed five 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, your average final compensation, and years of creditable service. You can apply for deferred payments to begin when you reach age 60.

If you have at least 20 years of creditable service when you leave, you can apply for early payments starting at age 50. However, your benefit is reduced because you may receive payments for a longer period of time than if you waited until you were eligible for service retirement.

If you leave the System before you have five years of creditable service, the only payment you can receive is a refund of your contributions. See page 18 regarding a refund of contributions.

How Your Beneficiaries Are Protected

Although the System's primary purpose is to provide retirement income, it recognizes that some employees will not live to enjoy their retirement benefits. So, *if your employer elected it, a death benefit may apply.* The death benefit protects your beneficiary should you die before retirement.

In addition, your beneficiary will receive a refund of your contributions (with interest, if applicable). More details on refunds appear on page 18. If you meet certain eligibility requirements, a *Survivor's Alternate Benefit* may be paid instead of the refund of contributions if you have one eligible beneficiary living at the time of your death. See next page.

If you die after retirement, depending on the payment option you chose, your beneficiary may receive income following your death. See pages 11 through 14.

Death Benefit

If your employer elected this coverage and you die while still in active service after one year as a contributing member, your beneficiary will receive a single lump-sum payment. The payment equals the highest 12 months of salary in a row during the 24 months before you die, but no less than $25,000 and no more than $50,000. This benefit is also paid if you die within 180 days of your last day of service. It is in addition to any other benefits to which you may be entitled. For this death benefit, you may name the same or different beneficiary(ies) than the one(s) you named to receive the refund of contributions.

Survivor's Alternate Benefit

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

- completing 20 years of creditable service (not including credit for unused sick leave) regardless of age
- reaching age 60 with five years of creditable service
- completing 15 years of creditable service as a firefighter or rescue squad worker if killed in the line of duty

This beneficiary may choose to receive a monthly benefit (known as the Survivor's Alternate Benefit) for life instead of a return of your contributions.

The Survivor's Alternate Benefit does not apply if you have two or more eligible beneficiaries for the return of contributions living at the time of your death, or if your estate is your eligible beneficiary at the time of your death, or if you have retired. The benefit equals the same monthly amount you would have been entitled to receive under Option 2 had you retired on the first of the month following your death. If you do not want your beneficiary to have the choice to receive the Survivor's Alternate Benefit, you should so indicate, in writing, to the Retirement System.

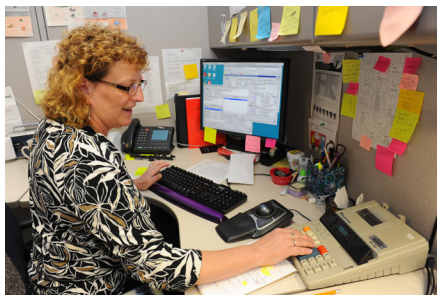
How Your Benefit Is Calculated

Your annual retirement benefit is based on this formula:

1.85% of "average final compensation"
TIMES
years and months of "creditable service"

Average final compensation means the average of your salary during your four highest-paid years in a row. If your four highest-paid years in a row include a final payment for unused vacation leave and/or prorated longevity, your average final compensation may be increased by the extra payment(s). (Final payments, if any, for unused sick leave or reimbursements for expenses are not includable in your average final compensation.)

Creditable service means any period during which you contribute to the System. In addition, if you were working for your employer before its participation in the System, have unused sick leave, were in military service, or worked out of state in related governmental employment, special rules may apply in determining creditable service. See pages 15 through 18 for more details.



If you left the System and withdrew any of your own contributions, you may restore your creditable service by making a lump-sum payment, as outlined on page 16.

Example Of How A Benefit Is Calculated

At Service Retirement

To give you an idea of how benefits are calculated, let us look at some examples. Assume an employee, Mary Benson, retires at age 60, with 32 years and two months of creditable service. As we go through the steps to figure Mary's benefit, write in your own figures for an estimate of your benefit.

Because Mary has more than 30 years of creditable service at retirement, she receives her basic benefit of about $19,221 annually, or about $1,601 each month for the rest of her life under the maximum allowance, with monthly payments ceasing at her death. In addition, she may also be eligible for Social Security benefits as early as age 62.

At Service Retirement	Mary	You
Step 1 Add your salary during your 4 highest-paid years in a row.	$30,600 31,700 32,900 + 34,000 $129,200	$ _____ $
Step 2 Divide Step 1 by 4 to get average final compensation.	$32,300	$ _____
Step 3 Multiply Step 2 by .0185 to apply formula.	$32,300 x .0185 $597.55	$ x .0185 $
Step 4 Determine creditable service. (see pages 15 through 18)	32.1667 years	
Step 5 Multiply Step 3 by Step 4 to determine your annual retirement benefit.	$597.55 x 32.1667 $19,221.21	$ x _____ $
Step 6 Divide Step 5 by 12 to get monthly maximum allowance.	$1,601.77	$

You can also create your own custom estimate by visiting our website at www.myncretirement.com, clicking on the "ORBIT" icon, and logging into your personal ORBIT account.

At Early Retirement

Now let us look at an employee, Fred Wise, who retires early. Assume when Fred retires at age 61, he has:

- average final compensation of $32,300
- 24 years and three months of creditable service

Here is how we calculate his benefit:

$	32,300	(average final compensation)
x	.0185	
$	597.55	
x	24.25	(creditable service)
$	14,490.59	

Now apply the early retirement reduction percentage from the chart in column two.

$	14,490.59	
x	.88	(percentage at age 61)
	$12,751.72	

In this case, Fred receives a maximum allowance of about $12,751 a year, or about $1,062 a month, unless he chooses a payment option. His payment will start at age 61 and continue for the rest of his life. In addition, he may also be eligible for Social Security benefits as early as age 62.

Early Retirement Percentages

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

If you are this age when payments start	You receive this percentage of your benefit
64	97%
63	94%
62	91%
61	88%
60	85%

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

If you are between ages 50 and 59, with less than 30 years of creditable service, your early retirement will be reduced to the percentages shown in the chart below.

	Creditable Service									
Age	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%

Examples of Benefits Paid

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

Of course, these are only examples. Your own benefit is calculated individually and depends on your age, creditable service, and average final compensation.

Monthly Retirement Benefit Under Maximum Allowance

Average Final Compensation					
Age	50	55	60	N/A	N/A
Service	20	28	25	30	40
$80,000	$1,233	$3,108	$3,083	$3,700	$,4,933
70,000	1,079	2,719	2,697	3,237	4,316
60,000	925	2,331	2,312	2,775	3,700
55,000	847	2,136	2,119	2,543	3,391
50,000	770	1,942	1,927	2,312	3,083
45,000	693	1,748	1,734	2,081	2,775
40,000	616	1,554	1,541	1,850	2,466
35,000	539	1,359	1,348	1,618	2,158
30,000	462	1,165	1,156	1,387	1,850
25,000	385	971	963	1,156	1,541

Retirement Benefit Payment Plans

When you retire you have to decide which monthly payment plan to select. Your decision will be personal and should take into account your needs during retirement and the needs of a dependent, if any, after your 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 your personal decision.

Before you select a payment plan, you should know that, on average, each payment plan is mathematically equal to the other plans. That is, each payment plan is calculated so that the total value of the plan you select is the same as the value of the other plans if you and the beneficiary (if any) you name to receive a monthly payment live your expected lifespans.

You should first decide if you need to select a type of payment plan that provides for a monthly payment to a beneficiary after your death. If you do not select such a plan, all of your retirement benefits will be used to provide you with a lifetime monthly payment that ceases at your death.

There is a **Guaranteed Refund** feature of your retirement benefits, which provides that the total amount paid out after your retirement will not be less than the amount of your contributions and interest, regardless of which retirement plan you select.

Should your death and the death of the beneficiary named to receive a monthly payment, if any, occur before the total of all monthly payments equals the amount of your contributions and interest, the unrecovered portion of your contributions and interest will be paid in one lump-sum to another beneficiary(ies).

Payments made to purchase additional creditable service after retirement are also covered by the Guaranteed Refund provisions. You may name one or more beneficiaries for the Guaranteed Refund provision, and you may change this beneficiary(ies) as often as you desire. Of course, any beneficiary named for the Guaranteed Refund *cannot* be named as beneficiary for a monthly benefit.

You may not change the payment plan you select once you cash a retirement check or after the 25th of the month following the month your first check is mailed (whichever is earlier), *except* under the following conditions:

- if you select a payment option that provides a monthly benefit to your spouse as named beneficiary after your death (i.e., Option 2, 3, 6-2, or 6-3) and later become divorced from that spouse
- if you are rehired in a position covered by the Retirement System and contribute to your new account for at least three years

Maximum Allowance

When you retire on a service retirement allowance, your basic benefit is the maximum allowance and is calculated under the formula on page 8. If you retire early, your maximum allowance is calculated using the same formula and then reduced for early retirement. In either case, unless you choose a payment option, you will receive your maximum allowance for as long as you live. All monthly payments stop at your death.

Payment Options

Instead of the maximum allowance, you can choose one of the following payment options.

If you elect to provide a monthly payment to a beneficiary after your death by choosing Option 2, 3, 6-2, or 6-3, you give up some of your retirement benefit while you are living. The amount you give up is placed in reserve to be paid to one beneficiary after your death. (A beneficiary for a monthly benefit *cannot* be named as beneficiary for the Guaranteed Refund.) The amount your retirement benefit is reduced depends on the amount of your maximum allowance, your age, and the age of your beneficiary.

Option 2
100% Joint and Survivor

You receive reduced monthly payments for life. After you die, your beneficiary receives the same amount monthly for life.

Option 3
50% Joint and Survivor

You receive reduced monthly payments for life. After you die, one-half of your payment continues to your beneficiary for life.

Option 4
Social Security Leveling

You receive 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. Nevertheless, your reduced retirement payments after age 62 plus your allowance from the Social Security Administration should be approximately the same amount as the inflated payment you received from the Retirement System before age 62. However, the actual amount of your retirement payments both before and after age 62 will be based on the estimate of benefits you provide to our office from the Social Security Administration prior to your retirement. All monthly payments cease at your death.

The reduction in your monthly retirement payments after age 62 allows the Retirement System to recover the inflated amounts you received before age 62. Therefore, on average, the inflated amounts received before age 62 together with the reduced amounts received after age 62 are equal in value to the other retirement plans over your life expectancy.

Please be sure to contact the Social Security Administration to inquire about how to apply for benefits and what date your first age 62 Social Security benefit will be paid to you; this will help you plan your finances in the event your Social Security age 62 benefit is not paid until the latter part of the month following the month your Option 4 benefit is reduced.

Under Option 4, any percentage increase you are granted in your retirement payments before age 62 will be applied to the inflated benefit you are receiving at that time; however, upon reaching age 62 your retirement payments will be reduced to the original amount promised after age 62 plus the *percentage increases* (not the dollar amount of increases) granted before age 62. For additional information regarding Option 4 and Social Security, see pages 21 and 25.

Option 6
Modified Joint and Survivor

You receive reduced monthly payments under a combination of Option 2 and the maximum allowance, or under Option 3 and the maximum allowance. Your death, or the death of your beneficiary, affects monthly payments as follows:

- **Option 6-2** — Under a combination of Option 2 and the maximum allowance, your death entitles your beneficiary to receive a monthly payment for life in the same amount as you received. However, if your beneficiary dies before you do, your monthly payments are increased to the amount payable under the maximum allowance.
- **Option 6-3** — Under a combination of Option 3 and the maximum allowance, your death entitles your beneficiary to receive a monthly payment for life of one-half the amount you received. However, if your beneficiary dies before you do, your monthly payments are increased to the amount payable under the maximum allowance.

Under Options 2, 3, 6-2, and 6-3, you may name only one beneficiary to receive a monthly survivor payment after your death. **You may not change your survivor beneficiary after you retire** *except* under the following conditions:

- if you named your spouse as survivor beneficiary at the time of retirement, and later become divorced from that spouse
- if you return to employment covered under this Retirement System and contribute to a new retirement account for at least three years
- if you chose Option 2 or 3 at retirement and designated your spouse as survivor beneficiary and this spouse dies before you, and you remarry, you may name your new spouse as your beneficiary within 90 days of your remarriage under the same option you chose at retirement. This redesignation must be properly filed with the Retirement System within 120 days of remarriage. Your new benefit will be reduced on the basis of your age and the

age of your spouse at the time of the change. The benefit payable to you will be the benefit you received prior to the death of your original spouse, additionally reduced in order to cover your new spouse as beneficiary.

Under Options 6-2 and 6-3, if your survivor beneficiary dies before you do, you may not name another.

Your new beneficiary designation will be effective on the first day of the month that it was made, and it will provide retirement benefits that are mathematically equal to the retirement benefits that were in effect prior to your new beneficiary designation.

How the Payment Options Work

John Murphy has earned a service retirement benefit under the maximum allowance of $1,000 a month. Unless he chooses a payment option, he will receive $1,000 each month for life with all monthly payments ceasing at his death.

But let us assume he wants to share his benefit with his wife, Pam. Pam is 51 when John retires at 57 after 30 years and three months of creditable service. The table below shows how much John and Pam would each receive monthly under various payment options.

Of course, the actual amounts of the payment options you can choose are based on many factors, such as your age, your beneficiary's age, and when payments start. Before you retire, you will receive an estimate of the actual amounts payable to you.

Payment Option	To John	To Pam After John's Death
Maximum Allowance	$1,000 monthly	$0.00
Option 2	$889.70 monthly	$889.70 monthly
Option 3	$941.60 monthly	$470.80 monthly
Option 4*	$1,402.84 up to age 62, $767.84 thereafter	$0.00
Option 6-2	$882.60 monthly; if Pam dies before John, he receives $1,000 monthly thereafter	$882.60
Option 6-3	$937.70 monthly; if Pam dies before John, he receives $1,000 monthly thereafter	$468.85

*Assumes John's primary Social Security benefit is $635 a month at age 62.

Creditable Service And Service Purchase Provisions

Your benefit at retirement is based, in part, on your creditable service. In addition to the years and months you contribute to the System, creditable service may also include prior service credit, unused sick leave credit and certain types of purchased retirement service credit which are described below.

Prior Service. If you were employed by your employer before its participation in the System, you may have received credit for your service before you became a member.

Sick Leave. Sick leave earned monthly under a duly adopted policy and for which you would receive full salary if you were absent from work due to 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 it cannot be used to meet the minimum qualifications for a disability retirement benefit or a deferred benefit. You may use your sick leave to complete 30 years of service regardless of age, 25 years of service after age 60, 20 years of service after age 50, and five years of service at or after age 60. Your employer will certify the amount of sick leave you have on your retirement application.

To purchase retirement service credit, you will need to complete the appropriate purchase form. These forms, which include detailed information about the service purchase pro-cess, are available on the ORBIT website.

Military Service. Your periods of active duty in the United States military up to the time you were first eligible for discharge count as creditable service at no cost to you if you were a local government employee when you entered the military, and you returned to employment with the same Local System employer:

- within two years after your earliest discharge date or
- at any time after discharge and completed at least 10 additional years of service as a contributing member

Effective July 1, 2011, your Local System employer is required to pay the employer contributions for the full period you were in active duty if you were a Local System member immediately prior to your active duty military service and you return to membership service with the same Local System employer within two years after the military duty.

If you are not eligible for free credit under the previous rules, you may be eligible to buy credit for your first period plus later *required* periods of active duty by making a lump-sum payment.

To be eligible to purchase military service credit, you must have five years of service as a contributing member. Your cost will be equal to the full actuarial liabilities created due to the additional credit purchased.

If your service is creditable in another retirement system, your ability to buy credit in this System may be restricted.

Withdrawn Service. If you ever received a refund of your contributions from this Retirement System, the Teachers' and State Employees' Retirement System, or the former Law Enforcement Officers' Retirement System, you may be eligible to make a lump-sum payment to purchase in this System the amount of creditable service you lost when you received your refund. Before you are eligible to pay for this service, you must be rehired and contribute to this System for five years, or have a combination of five years of currently creditable service in the Judicial, Legislative, Teachers' and State Employees', or this Retirement System.

Effective January 1, 2003, your cost, which must be paid in a lump sum, will be equal to the amount of contributions withdrawn, plus interest at the rate of six and one-half percent compounded annually from the year of withdrawal to the year of repayment, plus an administrative fee of $25.

Other Withdrawn Service Purchase Provisions. If you ever received a refund of your contributions from the Consolidated Judicial Retirement System, the Legislative Retirement System, or the Teachers' and State Employees' Retirement System, you may be eligible to make a lump-sum payment to purchase the amount of withdrawn creditable service in the System *from which it was withdrawn.*

Before you are eligible to pay for this service, you must have five years of currently creditable service in this Retirement System or in the Judicial, Legislative, or Teachers' and State Employees' Retirement Systems, or have a combination of five years of credit in any of these Systems. *Service purchased under this method may be used in determining your eligibility for benefits in this System.* However, only your creditable service in this System will be used in computing the amount of your benefit in this System, and creditable service in any other System will be used in computing benefits from that System.

Eligible Local or State withdrawn service purchased in the Local System or State System counts as creditable service, not membership service. State System withdrawn service purchased in the State System does not count toward the five-year membership service requirement for eligibility for State Health Plan coverage as a Teachers' and State Employees' Retirement System retiree.

Your cost, which must be paid in a lump sum, will be calculated using the withdrawn service purchase provisions in the System under which you are purchasing the service credit.

Out-Of-State Service. If you have performed full-time out-of-state public employment, you may be eligible to buy credit for that service. Credit that can be purchased must have been with:

- another state or governmental subdivision of a state
- a federal, overseas dependent or military dependent school
- the Public Health Service
- the Merchant Marine (if you were also in the Naval Reserve)
- the International Cooperation Administration or Agency for International Development, while on an approved leave of absence

To be eligible to purchase out-of-state service, you must have contributed to the Retirement System for a total of five years with at least one year of membership service after completing your out-of-state service. Your cost will be equal to the full actuarial liabilities created due to the additional credit purchased.

If your service is creditable in another retirement system, your ability to buy credit in this System will be restricted. If you are eligible, you may buy credit at the rate of one year of out-of-state service for each year of service under this System. You may purchase a maximum of 10 years of out-of-state service credit.

Temporary Local And State Service. You may purchase credit for full-time temporary local and State government employment if you have completed five years of service as a contributing member after the temporary employment. Your cost will be a lump-sum payment equal to the full actuarial liabilities created due to the additional credit purchased.

Educational Leave. If you have interrupted service or approved leave of absence for educational purposes, credit may be purchased if regular employee and employer contributions are paid by the 15th of the month following the month for which service credit is allowed. If contributions are not made by the 15th of the following month, a penalty of 1 percent per month shall be assessed to the total costs. In addition, unless you return to service as a contributing member within 12 months after completion of your educational program and contribute to the Retirement System for at least three more years (except in the event of death or disability) your contributions will be refunded and the service credits canceled. If your employer will not make the employer contributions, you may make them in addition to the employee contributions.

Regardless of when the educational program was completed, the maximum allowable credit for educational leave or interrupted service for educational purposes is four years.

Workers' Compensation Leave. If you are granted a leave of absence to receive benefits under the North Carolina Workers' Compensation Act, you may purchase credit for the period of time you received those benefits. Your cost for Workers' Compensation leave must be paid in a lump sum and will include the total amount required to cover the employee and employer funding. (For leaves ending on or after July 1, 1983, a penalty of 1 percent per month shall be added to the total cost if payment is not made within six months after your return to service.)

Part-Time Local And State Service. You may purchase credit for part-time local and State government service, if you have completed five years of service as a contributing member. If your purchase of credit for part-time service makes you eligible to retire and you do so immediately after your purchase, the five years of service as a contributing member may be performed at any time before and/or after completion of the part-time employment. Otherwise, the five years of service must be performed *since* completion of the part-time employment. Your cost will be a lump-sum payment equal to the full actuarial liabilities created due to the additional credit purchased.

Other Service With A Local Government Employer. You may purchase credit for service to a unit of local government in this State if that service is not creditable in any other retirement system. To be eligible you must have five years of service as a contributing member of this Retirement System since completing the service to be purchased. Your cost will be a lump-sum payment equal to the full actuarial liabilities created due to the additional credit purchased.

Local Probationary Or Waiting Period Service. You may purchase credit for a period of service you performed with a unit of the Local Governmental Employees' Retirement System, during which time you were in a proba-tionary or employer imposed waiting period status between your date of employment and date of membership in the Retirement System. In order to be eligible to purchase this credit, the employer must have revoked its probationary or waiting period policy. The cost will be a lump-sum pay-ment equal to the full actuarial liabilities created due to the additional credit purchased.

Service With The Federal Government. You may purchase credit for service you performed on a full-time basis with the federal government, if you have completed five years of service as a contributing member of this Retirement System since performing the federal service. In order to be eligible to purchase this credit, your federal service must not be creditable in any other retirement system. Your cost will be a lump-sum payment equal to the full actuarial liabilities created due to the additional credit purchased.

Public Community Service. If you worked on a full-time basis with a public community service entity in North Carolina that was funded entirely with federal funds, and are not otherwise eligible for credit for that service, you may be eligible to purchase credit for it in this Retirement System. To do so, you must have completed five years of service as a contributing member since complet-

ing the public community service employment. Your cost will be a lump-sum payment equal to the full actuarial liabilities created due to the additional credit purchased.

Omitted Service. You may purchase credit for a period of eligible service to a participating employer, if during that period of eligible service, you should have been a contributing member of the State or Local Governmental Employees' Retirement System but were omitted from contributing membership through error.

The cost to purchase this type of service depends on when the omitted membership occurred. The cost, which must be paid in a lump-sum payment, will likely be lower if you purchase the omitted service as soon as possible after the omission.

Service As A Member Of The General Assembly. You may purchase credit for service as a member of the General Assembly if that service is not creditable in the Legislative Retirement Fund or the Legislative Retirement System. Your cost will be a lump-sum payment equal to the full actuarial liabilities created due to the additional credit purchased.

Rollovers to Purchase Retirement Service Credit

Effective January 1, 2003, pre-tax money from an eligible retirement plan or an eligible IRA may be accepted via rollover or in-service plan-to-plan transfer to purchase creditable service. For further information and instructions, please see Form 398, "Using a Distribution of Tax-Sheltered Savings to Purchase Retirement Credit," available from the ORBIT website.

Transferring Service And Contributions Between Systems

You can transfer your contributions and credit-able service between this Retirement System and the Teachers' and State Employees' Retirement System as long as you are an eligible member of the System to which you are transferring, do not receive a refund of your contributions from the System from which you are transferring, and file a Form 5TR, which is available from the Retirement System.

Creditable service transferred counts toward eligibility for monthly benefits and is used in computing the amount of your benefit. (See page 7 concerning reciprocity.) Overlapping transferred service cannot be counted twice for the same period of time.

NOTE: If you have five or more years of membership service in the Teachers' and State Employees' Retirement System, you may be eligible for retiree group coverage under the State Health Plan at a later date if you do not receive a refund or transfer your contributions from the Teachers' and State Employees' Retirement System. Please contact the Retirement Systems Division for additional information.

Refund Of Contributions

If you leave the System for any reason other than retirement or death, you can either receive a refund of your contributions (plus interest, if you have at least five years of service as a contributing member), or leave your contributions in the System and keep all the creditable service you earned to that date. See page 7.

To receive a refund, simply complete a Form 5, "Withdrawing Your Retirement Service Credit and Contributions," and file it with the Retirement System. You can get the form from the ORBIT website. State law does not permit the Retirement System to make a refund earlier than 60 days after your separation from covered employment. Upon receipt of your refund of contributions, you waive any rights to the employer's contributions or any other benefit from the Retirement System. (See page 22 for information about taxation.)

Interest

The interest credited on your contributions and paid with a refund is set by State law. The amount is 4 percent per year on your balance at the first of each calendar year, compounded annually. Interest is a benefit to you only if you leave the System, get a refund, and qualify for an interest payment. The difference between the total investment earnings on your contributions and the 4 percent paid with your refund is kept by the System to help pay the cost of retirement benefits for career employees. If the law allowed a higher rate of interest to be paid with refunds, your retirement benefit and other career employee benefits would be lower.

Applying For And Receiving Monthly Benefits

Retirement Application Process

Once you decide to retire and meet the eligibility requirements for monthly benefits, there are certain steps that 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 prior to the effective date of retirement.

Approximately 90 to 120 days before your planned retirement date, you should complete a Form 6, "Claiming Your Monthly Retirement Benefit" (please see the Guides on the Form 6 for additional detailed information about the retirement process). This form is available from the ORBIT website.

If you contribute to the Retirement System during the six months before your effective date of retirement (or you are currently out of service, but your last day of service with a participating employer of the Retirement System was within the past one year, and you had unused sick leave), your employer should complete the employer certification section (Section H) on the Form 6, "Claiming Your Monthly Retirement Benefit," before the form is sent to the Retirement System.

If you want an estimate under Option 4, you must furnish the Retirement System with an estimate, obtained from the Social Security Administration, of the Social Security benefit available to you at age 62. This estimate should be obtained within one year prior to your effective date of retirement.

You must terminate employment, live until the effective date of retirement, and not perform any work, including part time, temporary, substitute, or contractor service, for a Local System employer at any time during the month of the effective date of retirement in order to be legally retired. Generally, if your death occurs before the effective date of your retirement, your beneficiary will not be eligible for a monthly retirement allowance, based on your retirement account, except as provided under the "Survivor's Alternate Benefit" on page 8.

Upon receipt of your Form 6, "Claiming Your Monthly Retirement Benefit," the Retirement System will send you an acknowledgement letter that will include instructions on your next steps in the retirement process. You will also be sent a Form 170, "Authorizing Direct Deposit."

In addition, you will have an opportunity to elect coverage under the optional $10,000 Contributory Death Benefit for Retired Members. Your election must be made within 60 days of the effective date of your retirement. Information about the cost and coverage provisions will be sent to you shortly after the Retirement System receives your retirement application.

Later you will receive an estimate of the maximum allowance you can receive and the payment options, if applicable. Along with the estimates, you will receive:

- Form 6E, "Choosing Your Retirement Payment Option"
- Form 290, "Choosing Income Tax Withholding Preferences"
- Form 336, "Designating Beneficiary(ies) for the Guaranteed Refund as a Retiree"

Please note that the Retirement System will not be able to pay monthly retirement benefits to you until we have received your properly completed Form 6E.

Please return completed forms directly to the Retirement System.

Your First Monthly Benefit

Your first monthly retirement benefit will be mailed to you. Thereafter, it is the policy of the Retirement Systems Division for your monthly benefit to be directly deposited in your account when your financial institution opens for business on the 25th day of each month, except in December, when it will be deposited on the 20th.

If the day the Retirement System would normally make your deposit is a Saturday, Sunday, or holiday, then your deposit will be made on the last workday *before* that Saturday, Sunday, or holiday. Direct deposit is fast, automatic, and free of cost to you.

Post-Retirement Increases

Your benefit may be increased periodically after retirement to help you keep up with the cost of living. Increases depend on changes in the Consumer Price Index and the availability of funds.

The cost-of-living increases granted are usually figured as a percentage increase in your monthly benefit. That percentage increase becomes a permanent part of your monthly benefit, under all payment plans, and the monthly benefit to be paid to your beneficiary after your death, under Options 2, 3, 6-2, and 6-3. (See page 13 regarding Option 4 increases.)

NC 401(k) And NC 457 Transfer Benefit

You are eligible to make a one-time election at or following retirement to transfer any portion of your eligible contributions, not including Roth contributions and earnings, in the NC 401(k) Plan and/or NC 457 Plan to the Local Governmental Employees' Retirement System and receive a separate additional monthly lifetime retirement allowance based upon your transferred balance.

Allowances are available both with and without cost-of-living increases. Please visit our website at www.myncretirement.com for additional detailed information about the Transfer Benefit, a Transfer Benefit estimator, and the required forms.

Income Tax

Benefits from the Retirement System receive special income tax treatment. The following is a brief outline of current tax laws as they apply to System benefits. However, tax laws often change. You should consult your tax advisor for more details.

Retirement Benefits

Each year by January 31, a Form 1099-R (similar to Form W-2, "Statement of Income and Tax Withheld" that you received annually while you were working) will be sent to you. Shown on the Form 1099-R are the amount of your retirement benefits, the taxable portion (if any), the amount of tax withheld (if any), and related information. Copies will also be sent to the Internal Revenue Service and North Carolina Department of Revenue. Therefore, you should report your retirement benefits on your federal and North Carolina tax returns regardless of whether you owe any income tax.

Federal Income Tax. Part of your retirement benefit may not be subject to federal income tax if the tax was withheld while you were working. Included in the non-taxable part of your retirement benefits are contributions made by you before your employer adopted a tax sheltering resolution (if they have done so) and any non-rollover service purchases made by you.

All or part of your retirement benefit is subject to federal income tax because it has not been taxed before. Included in the taxable part of your retirement benefits are contributions made by you after your employer adopted a tax sheltering resolution (if they have done so), any rollover service purchases, and all benefits paid with the employer contributions and investment earnings.

When you retire, you will receive a statement that shows the total amount of your retirement benefits not subject to federal income tax. That figure will be referred to as your "federal tax base."

Under federal law, the majority of each and every retirement check is includable as taxable income on your federal tax Form 1040. This does not mean that you will pay tax again on the contributions on which you have already paid tax. It does mean, however, that you may exclude only a small portion of your previously taxed contributions each month throughout a period of time specified by the federal government.

The Retirement System computes the non-taxable portion of your monthly benefit by using the Internal Revenue Service "Simplified General Rule." Under this method of computation, your "federal tax base" is divided by a specified number, based on your option and your age at retirement, to determine the non-taxable amount of your monthly benefit.

In order to determine in advance the portion of your monthly benefit that is *not* taxable, refer to the tables on this and the following page. Use Table 1 if you select the Maximum Allowance or Option 4; use Table 2 if you choose Option 2, 3, 6-2, or 6-3. Based on *your* age at retirement for Table 1 or for *your and your beneficiary's combined age* for Table 2, determine the number of expected payments in column two opposite your age bracket. Divide the number of expected payments into your "federal tax base" (as shown in your Final Report of Retirement Benefits). The result is the amount of your monthly benefit that is *not* taxable.

FOR EXAMPLE — Table 1
Maximum Allowance and Option 4:

If your "federal tax base" is $13,950, and your age at retirement is 60, you would divide $13,950 by 310 to obtain your non-taxable figure of $45 *per month*. Therefore, regardless of the post-retirement increases you may receive in the future, $45 of your monthly benefit would be exempt from federal income tax for 310 months. The amount of your monthly benefit *in excess* of $45 would be immediately includable for federal income tax purposes, and after 310 months your total monthly benefit would be includable.

Table 1 - For Maximum Allowance and Option 4

Your Age At Retirement	Number of Expected Payments To Be Divided Into Your Federal Tax Base
55 and under	360
over 55 to 60	310
over 60 to 65	260
over 65 to 70	210
over 70	160

FOR EXAMPLE — Table 2
Options 2, 3, 6-2, and 6-3:

If your "federal tax base" is $13,950, and your age at retirement is 56, and your spouse's age is 63, you would divide $13,950 by 360 to obtain your non-taxable figure of $38.75 per month. Therefore, regardless of the post-retirement increases you may receive in the future, $38.75 of your monthly benefit would be exempt from federal income tax for 360 months. If you fail to live 360 months, the beneficiary to whom you have left a monthly benefit can claim the $38.75 monthly exclusion for the balance of the 360 months. The

amount of your or your survivor's monthly benefit in excess of $38.75 would be immediately includable for federal income tax purposes, and after 360 months your total monthly benefit would be includable.

Table 2 - For Options 2, 3, 6-2, and 6-3

Combined Age At Retirement	Number of Expected Payments To Be Divided Into Your Federal Tax Base
110 and under	410
over 110 to 120	360
over 120 to 130	310
over 130 to 140	260
over 140	210

The illustrations in Tables 1 and 2 are only examples. Your non-taxable amount will be based on your age at retirement and the amount of your "federal tax base."

North Carolina Income Tax. If you are a North Carolina resident and have maintained five or more years of retirement service credit as of August 12, 1989, your retirement benefit paid by this System is not subject to North Carolina income tax. If you do not have five years of maintained retirement service credit as of August 12, 1989, you will be required to pay North Carolina income tax on the taxable portion of your retirement benefit. The amount of retirement benefits subject to North Carolina income tax is the same amount of retirement benefits on which federal income tax must be paid, less a $4,000 annual exclusion. If the taxable portion of your annual retirement benefits is less than $4,000, you will not owe any North Carolina income tax on your retirement benefits.

If you are not a resident of North Carolina, you may not owe North Carolina income tax on your retirement benefits from this System. However, you may owe state income tax in the state in which you live. You should contact your tax advisor, the North Carolina Department of Revenue, or the Department of Revenue in the state in which you live for specific information relative to your situation. Our System can only withhold North Carolina income tax. We cannot withhold any other state's income tax from your monthly benefit.

Death Benefits

Your beneficiary pays no income tax on death benefits. They are treated as life insurance benefits for tax purposes.

Refunds

By January 31 of the year following the year of your refund, you will be sent a Form 1099-R on which is shown the amount of your refund, the taxable portion, the amount of tax withheld (if any) and related information. Copies will also be sent to the Internal Revenue Service and North Carolina Department of Revenue.

Federal Income Tax. You pay no federal income tax on the amount you contributed prior to the date your employer adopted a tax sheltering resolution (if they have done so); however, the amount you contribute after the date your employer adopted a tax sheltering resolution (if they have done so) is subject to federal income tax. Also, any interest credited to your account and paid to you is subject to federal income tax.

Federal income tax laws *require* withholding from the taxable portion of your refund *unless* that portion of your refund is directly rolled over to an eligible IRA or eligible employer retirement plan that will accept your rollover. If you do not elect to roll over the taxable portion of your refund directly to an eligible IRA or eligible employer retirement plan that will accept your rollover, 20 percent of the taxable portion of your refund will be withheld for federal income tax purposes. Withholding is *mandatory* unless the taxable portion of your refund is directly rolled over.

In addition to income tax, you may owe a 10 percent excise tax on the taxable portion of a refund, which is made prior to death, disability, or the attainment of age 59½. You can defer the income tax and avoid the 10 percent excise tax by roll-

ing over the taxable portion of your refund to an eligible IRA or eligible employer retirement plan. You should consult the Internal Revenue Service, your attorney, or your accountant for specific information relative to your particular situation.

North Carolina Income Tax. The amount of the refund subject to North Carolina income tax is the amount of the refund on which federal income tax must be paid, less a $4,000 exclusion. Refunds of retirement contributions paid by the Retirement System to former employees who maintained five or more years of retirement service credit as of August 12, 1989, are not subject to North Carolina income tax. Employees who do not have five years of maintained retirement service credit as of August 12, 1989, will be required to pay North Carolina income tax on the taxable portion of their retirement benefit refunds. If the taxable portion of your refund is less than $4,000 for federal income tax purposes, you will not owe any North Carolina income tax on your refund.

Reemployment After Retirement

If you perform work in any capacity for an employer under this Retirement System after you have officially retired and are receiving monthly benefits, you will be subject to the reemployment provisions described below. These provisions may require you to work under an earnings limitation or to reenroll as a contributing member of the Retirement System.

You will be subject to reemployment provisions based on the nature of the particular work you perform for a Local System employer, regardless of your job classification or your technical employment status (which may include being assigned to work for a Local System employer by a private company such as a temporary agency).

Please note that retirement law requires your retirement date to be on the first day of the month. For your retirement to become effective on the first day of the month, you must not perform any work, including part time, temporary, substitute, or contractor service, for a Local System employer at any time during the month of the effective date of retirement.

Reemployment After Receiving Early Or Service Retirement Benefits. If you retire with monthly early or service retirement benefits from the System and are reemployed by, or otherwise engaged to perform work for, an employer that participates in this System, the following apply:

After a one-month break, you may **return to work in a position that requires membership** (see "Becoming A Member Of The System" on page 4 for membership requirements) in the Local Governmental Employees' Retirement System. Your retirement benefit will be suspended on the first day of the month following the month of reemployment and you will again become a contributing member in the month in which you are restored to membership service.

If you return to service and **contribute for at least three additional years**, at the time you terminate your second period of employment, you will have the following choices:

- Combine your service from your first and second periods of employment to create one (generally larger) monthly retirement benefit. You can change the retirement payment plan and/or beneficiary you selected at the time of your original retirement. (Note: If Option Four was elected for your first retirement, the Retirement System must actuarially adjust benefits when you retire again.)
- Reinstate your first retirement account and withdraw your contributions only from your second account.

If you return to service and **contribute for less than three additional years**, at the time you terminate your second period of employment, your first retirement benefit will be reinstated and you will have the following choices for your second retirement account:

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

After a one-month break, if you **return to work with a Local System employer in a position not eligible for membership** in this Retirement System (see "Becoming A Member Of The System" on page 4 for membership requirements), you will be subject to earnings restrictions of the greater of the following:

- 50 percent of your gross 12-month pre-retirement salary (excluding termination payments) or
- $30,160 (2012 amount)

The dollar figure 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 you exceed your earnings limitations, your retirement benefit will be suspended the first day of the month following the month in which you exceed the limit for the remainder of the calendar year. Your retirement payment will start again on January 1 of the year after your benefit is suspended. If your earnings exceed the allowable amount in the month of December, your benefit will not be suspended.

For additional information, please see "Return-to-Work Laws for LGERS" on our website at www.myncretirement.com.

Reemployment After Receiving Disability Retirement Payments. If you accept any type of public or private employment, you may earn on an annual basis, up to the difference between your highest consecutive 12 months of salary in the 48 months preceding your disability retirement date and the amount of your annual disability retirement benefits, without affecting your disability retirement benefit. If you earn more than this amount, your disability retirement benefit will be reduced dollar-for-dollar by the amount of your excess earnings. The amount you are allowed to earn is adjusted each January by any increase in the annual national Consumer Price Index.

For additional information, please see the Disability section on our website at www.myncretirement.com.

Important Information To Remember

- In all correspondence with the Retirement System, give your Member ID number or last four digits of your Social Security number. With more than 850,000 accounts and many duplicate names, it is essential that your inquiries be identified with this information.
- Keep your beneficiary designation up to date. Form 2RC, "Designating Beneficiary(ies) for Retirement System Return of Contributions," and if applicable, Form 2DB, "Designating Beneficiary(ies) for the Death Benefit," are used for this purpose. These forms are available on the ORBIT website.
- No application, form, or other type of document can be effective until it has been received and accepted by the Retirement System.
- At your request, the Retirement System will gladly send you any form, application, or other information it has developed for use by members. Please note that many of our forms are available on the ORBIT website.
- Any error concerning your retirement account should be brought to the attention of the Retirement System, in writing, immediately.
- If you are fully insured, you are guaranteed a monthly retirement income for life from Social Security starting as early as age 62. Social Security also provides medical benefits through Medicare starting at age 65. More information can be obtained from the Social Security Administration. Its toll-free telephone number is 1-800-772-1213.
- Your benefit from the Retirement System and your benefit from Social Security are not paid automatically — you or your beneficiary must apply for them.
- If you become disabled, you should apply for disability benefits from all available sources, including this Retirement System and the Social Security Administration.
- If you retire on an early or service retirement allowance, you have three years from the effective date of your retirement to convert to a disability retirement allowance provided you can prove that you would have met all requirements for disability retirement benefits while you were still in service as an active member.
- Effective July 1, 2007, if you are an elected government official, you may forfeit your right to a monthly benefit from this System if convicted of certain State or Federal offenses involving public corruption.
- Effective December 1, 2011, it is a Class 1 Misdemeanor to fraudulently receive the retirement benefit of a deceased retiree for two months or longer after the retiree's death.

Administration And Funding

Administration

The Retirement System is administered by the Board of Trustees. The Board members are:

Janet Cowell,
State Treasurer, Chair

June Atkinson
Jerry L. Ayscue
Sam Barefoot
R. Mike Bradley
Kay Cashion
Loris R. Colclough
Dennis Ducker
Harold T. Keen
Vera J. Lane
John T. McDevitt
Sally Sandy
Grady N. Smith
Paschal W. Swann

System Assets

The State Treasurer is the custodian of the Plan assets and serves as the Chief Investment Officer.

Equity assets (i.e., common stock, preferred stock, and debentures convertible into common stock) are invested in conjunction with policies adopted by the Investment Advisory Committee. The Committee members are:

Janet Cowell,
State Treasurer, Chair

Steve Jones
Dr. Harold Martin
John Medlin
Donald L. Tarkenton
Neal F. Triplett
Courtney A. Tuttle

Medical Review Board

The Medical Review Board determines eligibility for disability benefits. The members of the Board are:

Dr. George S. Edwards, Sr.
Dr. Robert H. Fleming
Dr. Bobby Sellers
Dr. Nathaniel L. Sparrow

Future Of The System

The State expects to continue the System indefinitely. However, because future conditions cannot be foreseen, the State General Assembly reserves the right to modify the provisions of the System.

System Documents

This booklet summarizes the main features of the Local Governmental Employees' Retirement System. The official text governing the operations of the System and the payment of all benefits is found in Chapter 128 of the General Statutes and Title 20 of the North Carolina Administrative Code.

Member Contributions

Members contribute 6 percent of gross salary (before taxes) each month to the System.

Employer Contributions

Employers contribute an actuarially determined percentage of the gross payroll of members each month to the System.

Funded Status

The Retirement System has been labeled as "actuarially sound" because of the consistent use over the years of:

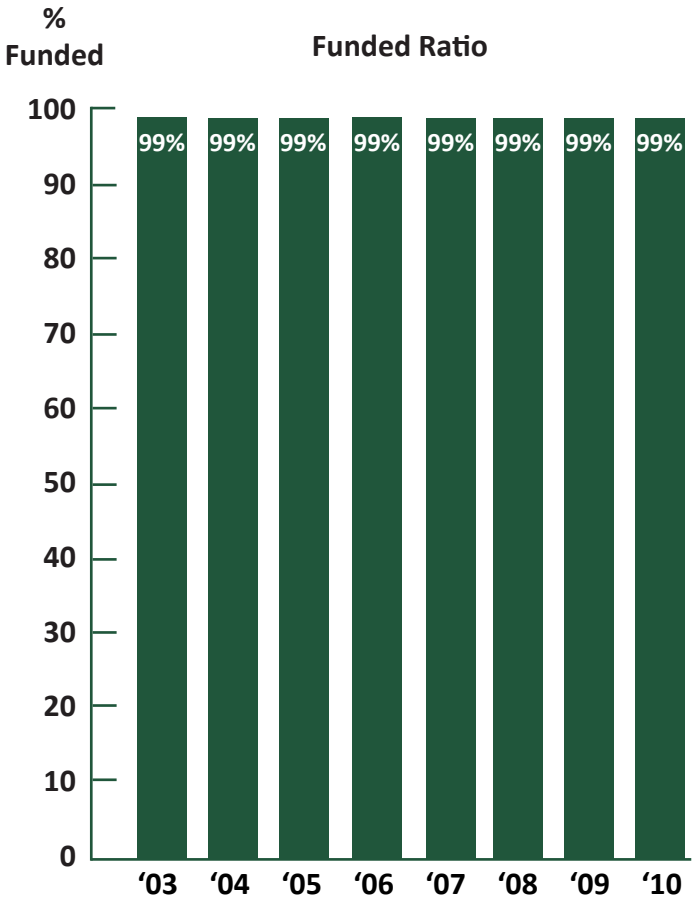
- actuarial assumptions based on experience
- an approved actuarial funding method
- the recognition of all promised benefits in the actuarial liabilities

Funded Ratio

A generally accepted measure of the soundness of any retirement system is to relate the total assets to the total accrued liabilities. This determines the funded ratio or percentage of the System.

The total of the accrued liabilities is found by adding the total assets and the unfunded accrued liabilities. Shown are the assets and unfunded liabilities for the past several years, as of December 31 of each year. Beside the figure is a graph that shows the funded ratio of the Retirement System (the percentage of the assets to the total accrued liabilities).

	Assets	Unfunded Accrued Liabilities
2010	$18,570,513,903	$75,916,127
2009	$17,723,253,496	$81,538,254
2008	$17,100,738,902	$73,235,885
2007	$16,791,983,696	$76,163,736
2006	$15,564,788,942	$78,588,295
2005	$14,395,849,481	$84,359,007
2004	$13,377,297,071	$88,892,117
2003	$12,364,379,979	$91,123,512



The North Carolina Department of State Treasurer created ORBIT (Online Retirement Benefits through Integrated Technology) to allow members convenient access to their retirement account information 24 hours a day, seven days a week. This secure site enables you to view your personal information, account information, and other relevant details specific to your retirement system account.

In ORBIT, active employees are able to view:

- Service credit history
- Retirement estimates
- Service purchase cost estimates
- NC 401(k)/NC 457 Transfer Benefit estimates
- Annual benefits statements

Retirees are able to:

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

To access ORBIT, go to our website at www.myncretirement.com, click on the ORBIT icon and follow the instructions to log into your personal ORBIT account.

1. Register for ORBIT via the Register button on the login page.
2. Follow the prompts for registration.
3. Once you have registered, you are able to gain access to ORBIT using the User ID and Password that you created.

How To Contact Us

System Internet Address

www.myncretirement.com

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

- download and complete applications and forms used by the Retirement System
- view and download *Your Retirement Benefits* handbooks
- review "Frequently Asked Questions"
- manage your retirement account online using ORBIT

These are some of the options that are currently available to you on our website. Please feel free to visit and use this site whenever it may be of assistance to you.

System Email

nc.retirement@nctreasurer.com

System Address

The address of the Retirement System is:

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

System Telephone Number

1-877-627-3287 (toll-free outside of Raleigh area)
919-807-3050 (within local calling distance of Raleigh)

Due to the large volume of calls that are received in the Member Services Section, we recommend that you do not call during the following times:

- Mondays
- other days between the hours of noon and 2:00 p.m.
- the day following the mailing of monthly retirement checks

If you believe that the nature of your inquiry will result in a lengthy conversation or will require research by our staff, we recommend that you submit your questions in writing, and we will respond accordingly.

NOTE: The Retirement System provides members who wish to visit our office with one-on-one and group consultations by **appointment only**. Please *call or email our office* to schedule an appointment.