



Retirement Systems Reciprocity

for members of

**Teachers' and State Employees' Retirement System (TSERS) and
Local Governmental Employees' Retirement System (LGERS)**



North Carolina
Total Retirement Plans

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Welcome

- **Please silence all cell phones**
- **Disclaimer**

Reciprocity

“Reciprocity” – Counting combined creditable service in more than one State-administered retirement system to determine eligibility only for retirement benefits and certain other benefits

A member can use a combination of service in any of the following:

- Teachers’ and State Employees’ Retirement System (TSERS)
- Local Governmental Employees’ Retirement System (LGERS)
- Legislative Retirement System (LRS)
- Consolidated Judicial Retirement System (CJRS)

to meet service requirements in each separate system for early (reduced) or unreduced service retirement benefits and certain other benefits if all other eligibility requirements have been met.

Note: Optional Retirement Program (ORP) service credit may also be used to determine eligibility for TSERS benefits.



Examples of Service Combinations:

- **TSERS** Active and LGERS Active
- LGERS Retired and **TSERS** Active
- **TSERS** Retired and LGERS Active
- LGERS Retired and **TSERS** Retired

Any combination of service credits under active and retired accounts can be used to determine eligibility for retirement benefits, as long as the service credit has not been withdrawn.



Counting Creditable Service and Benefit Calculation

Creditable service (whether earned as a member, purchased or granted as prior service credits) cannot be counted twice for the same period of time to determine total reciprocal service.

Using reciprocity, a member can qualify to receive a separate benefit at retirement from each system. However, the benefit is calculated based only on the actual service, compensation and formula in each individual system.



Continuing to Work in Another System

A member of the TSERS or LGERS does not have to apply to retire at the same time from each system in which he or she has service.

A TSERS or LGERS member can be retired in one system and continue to work in the other system and retire at a future date from the second system.

TSERS/LGERS Service Retirement Eligibility (Unreduced Benefits)

The member must meet the age requirements in each separate system in order to retire.

- 30 years of creditable service at any age
- Age 65 with 5 years of membership service (TSERS) or 5 years of creditable service (LGERS)
- Age 60 with 25 years of creditable service
- Law Enforcement Officers (LEO) qualify at age 55 with 5 years of creditable service as an officer



Early Retirement Eligibility (Reduced Benefits)

- For TSERS
 - Age 60 with 5 years of membership service
- For LGERS
 - Age 60 with 5 years of creditable service
- Age 50 with 20 years of creditable service
- Law Enforcement Officers (LEO) qualify at age 50 with 15 years of creditable service as an officer

Example of Retirement Using Reciprocity

Scenario:

- TSERS member retired with a reduced TSERS benefit at age 54 with 26 years of service
- This TSERS retiree began working as an active member under LGERS at age 55 and continued to receive monthly TSERS benefit

Using reciprocity, member retired with an unreduced LGERS benefit at age 59 calculated using the LGERS formula based on the 4 years of LGERS service and LGERS salary (for average final compensation). The LGERS benefit is unreduced since the combined TSERS and LGERS service totals 30 years.

Reciprocity Calculation Example (based on scenario on previous slide)

TSERS (Reduced Retirement Allowance at age 54):

$$\begin{array}{rclcl} \text{AFC} & \text{TSERS} & \text{Years of} & & \\ \text{\$35,460.00} & \text{accrual rate} & \text{TSERS service} & & \\ & \times \text{ .0182} & \times \text{ 26.0000} & = & \text{\$16,779.62} \end{array}$$

$$\begin{array}{rcl} \text{\$16,779.62} & \text{early retirement} & \\ & \text{reduction factor} & \\ & \times \text{ .8000} & = \text{\$13,423.69 (annually)} \end{array}$$

$\text{\$13,423.69 (annually)} \div 12 = \text{\$1,118.64}$ reduced monthly TSERS benefit under Maximum Allowance

Reciprocity Calculation Example (continued)

LGERS (Unreduced Retirement Allowance at age 59 if this TSERS retiree began working as an active LGERS member at age 55, continued to receive his/her monthly TSERS benefit, and retired under LGERS using TSERS reciprocal service):

<u>AFC</u>	LGERS	Years of		
	<u>accrual rate</u>	<u>LGERS service</u>		
\$28,650.00	x .0185	x 4.0000	=	\$2,120.08

\$2,120.08 (annually) $\div 12 =$ \$176.67 unreduced monthly LGERS benefit under Maximum Allowance



Reciprocal creditable service may be used to determine eligibility for the following benefits:

- Service Retirement
- Early Retirement
- Disability Retirement (LGERS)
- Interest on Refunds
- Survivor's Alternate Benefit
- Eligibility to purchase N.C. withdrawn service credits



Reciprocity cannot be used to determine eligibility for the following benefits:

- Bailey Class Exemption Status
- Disability Income Plan of North Carolina (DIPNC) benefits
- Death Benefit
- Purchase of service credits other than N.C. withdrawn service

Note: LGERS service cannot be used to determine eligibility for State Health Plan coverage for TSERS retirees.

Items to consider at retirement:

- Retirement benefit is based on each separate account
- Under reciprocity, the Average Final Compensation (AFC) is always calculated separately for each retirement system
- The AFC calculated for the former account under reciprocity may produce a smaller benefit amount versus the additional benefit amount produced by transferring the service and contributions in the former account to the most recent account if the AFC is higher in the most recent account
- If service is transferred, any benefits associated with the former system are forfeited (For example, if a person transfers his or her TSERS account to LGERS, the member will no longer be a TSERS member and forfeit the right to State Health Plan coverage as a TSERS retiree.)



Items to consider at retirement (continued):

- A decision to retire under reciprocity is irrevocable after the first retirement check is cashed, or the 25th of the month following the month the first benefit check is mailed unless the first check is returned (except under certain limited circumstances)
- In order to retire as a LEO, the member must meet the LEO eligibility requirements
- If a member is a LEO in one system but is not a LEO in the other system, the member must meet the age and service requirements of each individual system in order to begin benefits from that system



Other Effects of Reciprocity

- **Interest is payable on a refund** if the member has 5 or more years of total combined creditable service (or if involuntarily terminated) regardless of the number of years of service under the account being withdrawn
- **Option election:** Member does not have to elect the same option in each retirement system
- **Contributory Death Benefit for Retirees (CDB):** Retiree can elect CDB at retirement in one system or both systems



Other Effects of Reciprocity (continued)

- Return-to-work laws apply to each separate retirement system (including a retiree who suspends his/her benefit and returns to membership service and a retiree who works under his or her earnable allowance)

How to Contact the Retirement Systems

Phone: Toll Free 1-877-NCSECURE (627-3287)
Fraud and Abuse Hotline 1-855-903-7283

Internet: www.MyNCretirement.com

E-Mail: nc.retirement@nctreasurer.com
OER@nctreasurer.com (Employer ORBIT
Payroll Reporting)



<https://www.facebook.com/MyNCRetirement>



We've Moved!

RSD and the Department of State Treasurer have moved to:

3200 Atlantic Avenue
Raleigh, NC 27604

Phone number for all callers as of Aug. 3:
877-NCSECURE (877-627-3287)



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Thank you