

Other Benefits

Voluntary Supplemental Retirement Plans

The State offers the following voluntary supplemental retirement plans to provide a way for an employee to save money and supplement state retirement benefits by making contributions through payroll reduction and postpone paying tax on these contributions until after the employee retires:

- State of North Carolina 401(k) Plan,
- State of North Carolina 457 Deferred Compensation Plan, and
- 403(b) Tax-Sheltered Annuities (limited exclusively for employees of educational, religious and charitable organizations)

In accordance with the Internal Revenue Code (IRC), these plans have annual maximum contribution limits and, in some cases, contributions to one plan may affect contribution limits to another plan (i.e., 401(k) and 403(b) plans). An employee should consult with the plan administrator, the carrier representative or the agency/university benefits representative for more information about maximum contribution limits and coordination of plans.

These voluntary supplemental retirement plans offer significant tax advantages including:

- Money placed into a plan is not considered as taxable income for that year for federal and state income tax purposes, thus lowering an individual's income tax liability.
 - Money is only taxed when it is withdrawn. If it is withdrawn after retirement, the employee's income will probably be less and therefore, may be taxed at lower rates.
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State's 401(k) Plan

The State's 401(k) Plan is a supplemental retirement plan that meets the requirements of Section 401(k) of the Internal Revenue Code. The Plan is sponsored by the State of North Carolina and governed by the Department of State Treasurer and the Plan's Board of Trustees. Under the NC 401(k) Plan, there are a number of investment options available including bank investment options (insured and guaranteed) and no load mutual funds. The plan also includes a loan provision providing employees with access to these funds while employed. More information is available by contacting the Plan Administrator.

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**State's 457
Deferred
Compensation
Plan**

The State of North Carolina 457 Deferred Compensation Plan, provided under Section 457(b) of the Internal Revenue Code, was created by North Carolina State Statute and is overseen by a Board of Trustees through the Department of Administration. The Plan's Board has contracted with BenefitsCorp to be the Plan Administrator. Tax-sheltered contributions may be invested in either fixed return or variable return options under this Plan. More information is available by contacting the Plan Administrator or by visiting the 457 Plan website at: <http://www.benefitscorp.com>

**403(b)
Voluntary Tax
Sheltered
Annuities**

The University of North Carolina and other eligible organizations make available voluntary tax-sheltered annuities that provide tax-advantaged retirement savings programs designed primarily for employees of educational, religious and charitable organizations. These types of arrangements are provided under Internal Revenue Code Sections 403(b) (1) and 403(b)(7). At the University, each institution sets the policy for selecting the carrier(s) that are available to employees. The listing of available companies may include 403(b)(1) insurance annuity contracts that primarily offer fixed and variable accounts and 403(b)(7) custodial accounts that invest in mutual funds. More information is available by contacting the local campus benefits representative.

**Disability
Income Plan of
North Carolina**

Eligible employees who become temporarily or permanently disabled and are unable to perform their regular work duties may receive partial replacement income through the Disability Income Plan of North Carolina (the Plan).

Employees are eligible if they:

- are permanent and work at least 30 hours per week for nine months of the year and
- participate as a member of the Teachers' and State Employees' Retirement System for at least one year during the 36 months preceding the disability

There is a 60-day waiting period before benefits become payable by the Plan. During this period, accumulated sick or vacation leave may be used.

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Disability Income Plan of North Carolina (continued)

The Department of the State Treasurer, Retirement Systems Division, has published a handbook detailing the benefits available under the Plan. The book, "Your Retirement Benefits," is available via the web at <http://www.treasurer.state.nc.us/RET/frbenhand.htm>, or by contacting the State Retirement Systems Division at (919) 733-4191.

Short-Term Disability

Eligible employees may receive a monthly short-term benefit equal to:

- fifty (50) percent of their monthly salary, plus
- fifty (50) percent of their annual longevity

Monthly benefits during the short-term period cannot exceed \$3,000. This monthly benefit is reduced by any workers' compensation benefit received. Short-term benefits are available for up to one year and may be extended for up to one additional year if the disability is temporary and is likely to end within that additional year.

Long-Term Disability

Long-term benefits are payable after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later. In order to qualify for long-term disability benefits, an employee must have at least five years of membership service with the Retirement System during the 96 months preceding the conclusion of the short-term disability period.

During the first three years of long-term disability, eligible employees may receive a monthly long-term benefit equal to:

- 65% of monthly salary, plus
- 65% of annual longevity pay

Monthly benefits during the long-term period cannot exceed \$3,900. This amount is reduced by any Workers' Compensation (excluding permanent partial Workers' Compensation awards); any primary Social Security benefits, regardless of whether the employee elects to receive such benefits; and further reduced by any monthly payments from the federal Veteran's Administration, any other federal agency, or payments made under the

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Disability Income Plan of North Carolina (continued)

provisions of General Statute 127A-108 to which the employee may be entitled if these payments are based on the same disability for which the employee is receiving plan benefits. However, the benefit will be no less than \$10 a month.

After the first 36 months of the long-term disability period, the benefit is reduced by an amount equal to the primary Social Security benefit the member would be entitled had he or she been awarded Social Security disability benefits. Long-term benefits are payable to eligible employees until they become eligible to receive an unreduced service retirement under the North Carolina Teachers' and State Employees' Retirement System.

State Health Plan

An employee with a permanent, probationary, time-limited or trainee appointment, working at least 30 hours per week, may enroll in the State of North Carolina Comprehensive Major Medical Plan or PPO Health Plan. The state pays 100% of the cost for each permanent employee who works 30 hours or more per week for coverage in the Indemnity Plan and the PPO Basic and Standard Plans. The employee pays a portion for coverage in the PPO Plus Plan. Permanent employees who work 20 but less than 30 hours per week are eligible to participate in the health plan but must pay the full cost of coverage. Dependents' coverage is also available at group rates.

New employees who enroll themselves and dependents within 30 days of employment are not subject to a waiting period for pre-existing conditions.

Employees who separate from State service are deemed to be covered by the State health plan as follows:

- An employee who separates from State service prior to the 16th of the month of separation is not be eligible for State health insurance coverage in the subsequent month.
- An employee who separates from State service on or after the 16th of the month of separation is eligible for health insurance coverage in the subsequent month.

More information is available via the State Health Plan website at <http://statehealthplan.state.nc.us> or by contacting the agency/university benefits representative.

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Legal Defense State employees may be provided legal defense for any civil or criminal action or proceeding against them because of an act done or an omission made in the scope of their employment as a State employee. According to the provisions of the law, the Attorney General has the authority to determine whether the State will provide defense for the employee.

Retirement System The Teachers' and State Employees' Retirement System was created by the North Carolina General Assembly in 1941 and was established to provide retirement benefits for teachers and state employees in North Carolina. An employee with a permanent, probationary, time-limited or trainee appointment, who works at least 30 hours per week for nine months of the year, is automatically a member of the State Retirement System.

Employer and employee contribution percentages are established by the North Carolina General Assembly. The employee's current share of the cost is six percent of salary and is automatically deducted from the employee's paycheck on a before-tax basis.

An employee can retire with unreduced monthly benefits:

- At age 65 upon completion of five years of creditable service in the Retirement System,
- At age 60 upon completion of 25 years of creditable service, or
- With 30 years of creditable service at any age.

An employee can retire with reduced monthly benefits:

- At age 50 upon completion of 20 years of creditable service, or
- At age 60 upon completion of five years of membership service.

Law Enforcement Officers can retire with:

- Unreduced benefits at age 55 with five or more years of creditable service as an officer or after 30 years of creditable service, at any age.
 - Reduced benefits at age 50 with 15 years of creditable service as an officer.
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Retirement System (continued)

Retirement benefits are fully vested after a member completes five years of membership service. Vesting means ownership of benefit in the assets held in your retirement account. Vesting does not mean that a member has immediate access to these assets, but merely that a member will not forfeit them upon termination of employment.

If a member leaves State employment before completing five years of creditable service, he or she may:

- Request a refund of only the employee contributions, with such amount subject to any income taxes and early withdrawal penalties, unless the member requests a trustee-to-trustee transfer (direct rollover) of the refund to an IRA or another qualified plan that will accept the transfer, or
- Leave the contributions in the Retirement System in anticipation of a return to State service in the future.

A vested employee who terminates employment may elect to leave his or her contributions with the Retirement System and receive a retirement benefit starting at age 50 with at least 20 years of creditable service or, otherwise, at age 60.

Death Benefit

If an employee should die while in active service while being paid salary (or within 180 days of the last day for which the employee is paid salary), after one year as a contributing member, the beneficiary will receive a single lump sum payment. The payment equals the highest consecutive 12 months' salary during the 24 months before the member's death, but no less than \$25,000 and no more than \$50,000.

The Department of the State Treasurer, Retirement Systems Division, publishes a handbook detailing retirement benefits. The book, "Your Retirement Benefits," is available via the Retirement Systems Division web site or through the agency benefits representative.

Visit the website: <http://ncdst-webt.treasurer.state.nc.us/ret/frest.htm>

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Social Security Social Security is a program of Old Age, Survivor, Disability and Health Insurance benefits. The employee and the agency/university contribute the same amount of taxes each month (based on the employee's earnings) for Social Security (FICA) and Medicare up to a maximum taxable amount established by federal law. For more information, contact the local Social Security office or visit the website at:

<http://www.ssa.gov/planners/calculators.htm>

Supplemental Insurance Programs State agencies and universities offer various supplemental after-tax insurance products to employees through private insurance providers. Each agency/university insurance committee is responsible for reviewing insurance products and determining whether or not they meet the needs of employees at the local level. The committees are also charged with competitively selecting the best insurance products that reflect the needs and desires of the employees they represent. Insurance products available at the local level may include life, dental, disability, accidental death and dismemberment, prepaid legal expenses, and others.

More information about these supplemental plans is available from the agency/university benefits representative.

U.S. Savings Bonds State employees may buy U.S. Savings Bonds through convenient payroll deduction. A \$100 bond is the minimum that can be purchased and \$10 is the minimum deduction that can be taken. Bonds are automatically sent to the employee once the savings add up to the purchase price.
