Make Use of All the Financial Planning Tools Available To You

Understanding Your Gap Analysis

Financial planning is an on-going activity that most of us put aside for a rainy day. But, as most of us have experienced, those days turn into weeks, weeks turn into years, and then you realize that you have been working for 10, 15 or 20 years and you still don’t have a financial plan for retirement. One tool to help you understand if you will be ready for retirement is the gap analysis provided in your Annual Benefits Statement.

The gap analysis provides an estimate to help you better plan for your financial future. If you contributed to your retirement account in December 2009 and had at least one full year of service, your statement included a gap analysis that graphically showed the amount of income you may need in retirement compared to the monthly income you may have when you retire from your public sector position.

The monthly income is based on your retirement income through the North Carolina Retirement Systems, an estimate of Social Security benefits based on your public sector income, if you are projected to retire at age 62, and your supplemental retirement income savings through the NC 401(k) and Deferred Compensation (NC 457) plans. The gap analysis does not include income or savings that you may have outside of the N.C. Retirement Systems.

Excess Savings

If the bar on the left equals the bar on the right, you are projected to have a retirement income in excess of what you may need in retirement.

Savings Shortfall

If the bar on the left is shorter than the bar on the right, you may have a gap, and you may want to consider finding other income or savings to meet your day-to-day needs.

The gap analysis is designed to help you better plan for your financial future.

Start Your Financial Plan Today

To view your gap analysis and personalized benefit statement:
- Visit www.myncretirement.com
- Click on “ORBIT” button
- Log in to your account
- Select “View Annual Benefits Statement”
Ask the Retirement Systems

Most Commonly Asked Questions

The N.C. Retirement Systems receives hundreds of questions each month from members. The following are the most commonly asked questions and responses.

Q: If I continue to work, will I qualify for an unreduced retirement benefit when the sum of my age and creditable service equal 85?

A: No. Under current law, there is no “rule of 85” (meaning your service plus age equals 85) to receive an unreduced, service retirement benefit. You may retire with an unreduced service retirement benefit when:

1) You reach age 65 and complete five years of creditable service for LGERS members, or reach age 65 with five years of membership service for TSERS members,
2) You reach age 60 and complete 25 years of creditable service, or
3) You complete 30 years of creditable service at any age.

You may use your unused sick leave to complete your service requirement.

Q: What is social security leveling, and how can it affect my retirement income?

A: Social Security leveling is retirement Option 4. You will receive an increased monthly payment until age 62, when you are eligible for Social Security. At age 62, you will receive a reduced monthly amount from the Retirement System, but combined with Social Security, the total amount should remain the same throughout your retirement. Benefit payments will stop at the time of your death.

How it works:

• You would then apply for your Social Security benefit in order to make up the difference. There can be some difference in the amount you receive prior to age 62 and what you receive after age 62.

If you meet all the requirements for entitlement, you can receive reduced Social Security benefits beginning with the first full month in which you are age 62. Thus, benefits are not paid for the month you reach age 62 unless your birthday is on the first or second day of the month, for example:

Reduction schedule for birthdates on the first of the month

<table>
<thead>
<tr>
<th>Birth Date to Reach 62</th>
<th>Social Security Entitlement</th>
<th>First Social Security Check</th>
<th>First Reduced N.C. Retirement Systems Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 1</td>
<td>May</td>
<td>June</td>
<td>May</td>
</tr>
</tbody>
</table>

Reduction schedule for birthdates not on the first day of the month

<table>
<thead>
<tr>
<th>Birth Date to Reach 62</th>
<th>Social Security Entitlement</th>
<th>First Social Security Check</th>
<th>First Reduced N.C. Retirement Systems Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 10</td>
<td>August</td>
<td>September</td>
<td>August</td>
</tr>
</tbody>
</table>

There will be one month where your retirement income will be less than you previously received. So, be sure to budget wisely for the month after your turn age 62.
Retirement Options for N.C. Retirement Systems’ Retirees

The North Carolina Retirement Systems offers several options to retiring members. One common question from our membership is which option to choose. Listed below are the six options offered by the N.C. Retirement Systems for members planning to retire.

Please remember that 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.

Retirement Options

- **Maximum Payment**
  The maximum payment option provides the largest monthly payout of benefits. This monthly payment will stop at your death.

- **Option 2, 100% Joint and Survivor**
  You will receive a reduced monthly payment for life. After your death, your beneficiary will receive 100% of your monthly benefit amount for the rest of his or her life. Your retirement payment amount is calculated with both your age and the age of your beneficiary taken into consideration.

- **Option 3, 50% Joint and Survivor**
  You will receive a reduced monthly payment for life. After your death, your beneficiary will receive half of your monthly payment for the rest of his or her life. Your retirement payment amount is calculated with both your age and the age of your beneficiary taken into consideration.

- **Option 4, Social Security Leveling**
  You will receive an increased monthly payment until age 62, when you are eligible for Social Security. At age 62, you will receive a reduced monthly amount from the Retirement System, but combined with Social Security, the total amount should remain the same throughout your retirement. Benefit payments will stop at the time of your death.

- **Option 6-2, Modified 100% Joint and Survivor**
  This option is a combination of the maximum payment option with Option 2. Under this option, you will receive a reduced monthly payment for life. After your death, your beneficiary will receive 100% of your monthly benefit amount for the rest of his or her life. However, if your beneficiary dies before you do, your monthly payment will increase and you will receive the maximum payment.

- **Option 6-3, Modified 50% Joint and Survivor**
  This option is a combination of the maximum payment option and Option 3. Under this option, you will receive a reduced monthly payment for life. After your death, your beneficiary will receive half of your monthly payment for the rest of his or her life. However, if your beneficiary dies before you do, your monthly payment will increase and you will receive the maximum payment.

For more information about your retirement options and any other retirement information, please reference the online benefit handbooks found at [www.myncretirement.com](http://www.myncretirement.com). Also, check out the Retirement Planning Guide on the site, under “NC Retirement Planning.” Here you will find basic information about saving and planning for retirement.
Save the Date: 2010 Retirement Planning Conferences at a Location Near You

Retirement planning conferences are available year-round for members of the Teachers’ and State Employees’ Retirement System (TSERS) and the Local Governmental Employees’ Retirement System (LGERS).

The conferences provide an orientation for new members and pre-retirement planning information for members closer to retirement. Our third-party administrator, Prudential Retirement, also offers information on the NC 401(k) and NC Deferred Compensation (457) plans. **TSERS sessions begin at 9:30 a.m. and LGERS sessions start at 1:30 p.m.** Registration is not required. Some locations may charge a parking fee.

<table>
<thead>
<tr>
<th>Town/City</th>
<th>2010 Date</th>
<th>Conference Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Durham</td>
<td>October 7</td>
<td>NC School of Science and Mathematics, ETC Auditorium, 1219 Broad Street</td>
</tr>
<tr>
<td>Graham</td>
<td>October 12</td>
<td>Alamance Community College, Auditorium-Main Campus, 1247 Jimmie Kerr Road</td>
</tr>
<tr>
<td>Plymouth</td>
<td>October 20</td>
<td>Vernon James Center, Conference Room, 207 Research Station Road</td>
</tr>
<tr>
<td>Jacksonville</td>
<td>October 26</td>
<td>Onslow Co Multipurpose Complex, Rooms 1&amp;2 NC Cooperative Ext. Center, 4024 Richlands Highway</td>
</tr>
<tr>
<td>Salisbury</td>
<td>October 28</td>
<td>Salisbury Civic Center, 315 S. Martin Luther King Street</td>
</tr>
<tr>
<td>Marion</td>
<td>November 2</td>
<td>Historic Depot, 58 Depot Street</td>
</tr>
<tr>
<td>Hickory</td>
<td>November 3</td>
<td>City of Hickory, Julian Whitner Municipal Building-Council Chambers, 76 N. Center Street</td>
</tr>
<tr>
<td>Salemburg</td>
<td>November 16</td>
<td>North Carolina Justice Academy, Jones Auditorium, 201 N. Fayetteville Street</td>
</tr>
<tr>
<td>Roxboro</td>
<td>November 18</td>
<td>Person Co Office Building, Auditorium, 304 S. Morgan Street</td>
</tr>
<tr>
<td>Highpoint</td>
<td>November 30</td>
<td>High Point Museum, Lecture Gallery, 1859 E. Lexington Ave.</td>
</tr>
</tbody>
</table>

Unable to attend a conference in your area? Access a copy of the conference presentation at:

- [www.myncreirement.com](http://www.myncreirement.com)
- Click on the Active Employees button
- Click on the appropriate TSERS or LGERS Retirement Planning Conferences Presentation

Check the website regularly for an up-to-date conference schedule at [www.myncreirement.com](http://www.myncreirement.com).

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**Are you saving enough for your retirement?**

**Now is the time to ask!**

**National Save for Retirement Week**

October 17 – 23, 2010

National Save for Retirement Week is a great time to focus on the importance of saving for your retirement.

As an active member of the North Carolina Retirement Systems, a percentage of your pay is set aside toward your retirement. Additionally, the N.C. Retirement Systems provides many tools to assist you with your long-term financial planning, including:

- Your Annual Benefits Statement, and a personalized retirement estimator, available through [ORBIT](http://www.myncreirement.com)
- **The Retirement Planning Guide**, available at [www.myncreirement.com](http://www.myncreirement.com), click on NC Retirement Planning,
- **NC 401(k) and NC Deferred Compensation (457) Plans** through Prudential Retirement

Start planning for your financial future today.