



THE UNIVERSITY OF  
NORTH CAROLINA SYSTEM

# Your Mandatory Retirement Plan 2024 Decision Guide



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East Carolina University

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North Carolina Agricultural and  
Technical State University

North Carolina Central University

North Carolina State University

North Carolina School of  
Science and Mathematics

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University of North Carolina  
at Chapel Hill

University of North Carolina  
at Charlotte

University of North Carolina  
at Greensboro

University of North Carolina  
at Pembroke

University of North Carolina  
Wilmington

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- University of North Carolina  
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Press



# Your Retirement, Your Choice

At the University of North Carolina System (UNC System), we know how important it is to prepare for retirement. We also know that everyone’s financial goals, needs and savings strategies are different. That’s why we are proud to offer our employees a choice between two retirement programs, both of which provide a valuable retirement benefit. As a UNC System employee, you must enroll in either the the University of North Carolina Optional Retirement Program (ORP) or the Teachers’ and State Employees’ Retirement System (TSERS).

In this guide, we’ll introduce you to the programs and provide you with an overview of the key provisions of each plan to help you make sense of your options. Inside, you’ll find helpful graphics and examples to illustrate how your participation in one of these programs might fit into your overall financial picture. Then, we’ll direct you to the convenient, online resources you will need to make the right decision for you.

This guide is not, however, intended to provide detailed information about these programs, so it’s essential for you to review the Plan document and all fund literature available online at <https://myapps.northcarolina.edu/hr/benefits-leave/retirement/> before making your retirement plan election. Remember that all investing carries some level of risk. Be sure to consult with your financial and/or tax adviser before making any investment decisions.

## The Bigger Picture

While both the ORP and TSERS are designed to provide you with a valuable opportunity to prepare for retirement, your UNC System retirement program is just one part of your overall financial picture. How much you need in retirement depends on your current lifestyle, as well as what you want to do in retirement.

While a general rule of thumb says that you’ll need between 70% and 90% of your pre-retirement income to maintain your standard of living in retirement, everyone’s needs are different. Understanding your retirement needs is an important step in choosing which retirement program is right for you. It’s also a key to developing a savings and investment strategy that can help ensure you reach your financial goals.

If you need help establishing your retirement savings goals or developing a savings strategy, we recommend you talk to a financial adviser. Additionally, refer to *Your Guide to Investing in the 2024 UNC System Retirement Programs*, as well as the “Helpful Resources and Contacts” section of this guide for other useful resources.

# Retirement Program Basics

## Eligibility

Permanent (non-temporary) employees working 30 or more hours per week are eligible for the ORP and/or TSERS.

**Both the ORP and TSERS are designed to provide retirement income along with Social Security benefits. Although you and the UNC System share the cost of each plan, each plan works differently.**

You have 30 days from your date of hire/appointment to make your retirement plan decision. Be sure to review your retirement plan information thoroughly so that you are comfortable with your choice. **Keep in mind, once made, your election cannot be changed.**

If you do not make an election, you automatically will be enrolled in TSERS.

## Defined Contribution Plan Versus Defined Benefit Plan

The ORP is a *defined contribution plan*. The value of your benefit is not based on a predetermined formula. Contributions to your account are made by you and the UNC System. The contributions are invested and the returns are credited to your account. The value of your account is based on the amount of contributions made to your account and the performance of the investment funds you select. Your accumulated balance provides monthly income during your retirement. Again, you control your investment choices and distribution methods.

TSERS is a *defined benefit plan*. The benefit you receive at retirement is based on a predetermined formula. This formula considers your years and months of creditable service (any period during which you contribute to TSERS, provided you do not withdraw your contributions), your age and your average final compensation (the average of your salary during your four highest consecutive paid years). The amount of the guaranteed benefit you will receive at retirement is not directly determined by the investment experience of the plan assets or the amount of contributions. Under TSERS, the State controls the investments and assumes all of the investment risks. The plan funds are invested by professional money managers selected by TSERS.

## Contributions

Each plan includes both employee and employer contribution rates as determined by the North Carolina General Assembly.

Your contribution rate is 6% of your eligible pay, regardless of whether you enroll in the ORP or TSERS.

The ORP employer contribution rate is 6.84%. The TSERS employer contribution rate changes annually. To review the current rate, visit <https://myapps.northcarolina.edu/hr/benefits-leave/retirement/>.

Your contributions are made on a pre-tax basis. This means the UNC System will deduct your contributions from your pay before calculating federal and state income tax withholdings. The result? You lower your current taxable income and pay less in federal (and sometimes state) taxes.

## Health Insurance Post Retirement

Under the ORP and TSERS, you may be eligible to continue health insurance under the North Carolina State Health Plan when you retire and elect a monthly retirement benefit.

- **If you were first hired on or after January 1, 2021**, retiree health insurance will not be available to you. Check with your institution's Human Resources/Benefits Office for additional information.
- **If you were first hired prior to October 1, 2006**, and retire with five or more years of contributory retirement services, you will be eligible for health care coverage at no cost, under certain plan options. Check with your institution's Human Resources/Benefits Office for details on plans and premiums.
- **If you were first hired on or after October 1, 2006**, in order to receive health care coverage at no cost, you must retire with 20 years of retirement service credit. If you have at least five years of contributory retirement service, but less than 20 years of retirement service credit, you may be eligible for coverage by paying a larger percentage. Check with your institution's Human Resources/Benefits Office for details on plans and premiums.

In all cases, the full cost of dependent coverage, if elected, must be paid by you.

**If you withdraw, transfer or roll over your ORP or TSERS contributions to an IRA or another employer's retirement plan, you will forfeit your right to the State's retiree group health plan coverage.**

## Disability Benefits

As a participant in either retirement program, you automatically are covered under the North Carolina Disability Income Plan (DIP-NC). This benefit provides a short-term benefit after one year of contributing in ORP or TSERS. After five years of contributing to either retirement program, DIP-sNC provides a long-term benefit.

Additional UNC Supplemental Disability coverage is available to you for purchase depending on the retirement program you elect. For more information, read the *2024 Income Protection Plans* brochure or contact your institution's Human Resources/Benefits Office.

## For TSERS Only

### Qualified Excess Benefit Arrangement

Under federal tax law, a retiree is permitted to receive pension benefits up to a set annual allowable limit. Any retirement benefit that may exceed the limits set by the Internal Revenue Code (IRC) cannot be paid from a governmental pension plan like TSERS; however, governmental pension plans can pay amounts above the federal limit through another type of fund or arrangement, typically called a Qualified Excess Benefit Arrangement (QEBA). In 2013, the North Carolina State Treasurer requested that the General Assembly establish a QEBA for TSERS members. A QEBA is a fund that pays retirement benefits of a highly compensated retiree who would otherwise be limited under the IRC.

Effective July 1, 2016, the General Assembly revised the TSERS' QEBA legislation so that only TSERS members hired prior to January 1, 2015 are eligible to participate in the QEBA. Any employee who became a TSERS member on or after January 1, 2015, will not be eligible to participate in the QEBA, and will not be paid more retirement benefits than allowed under section 415(b) of the IRC.



# ORP Basics

## Vesting

You are immediately 100% vested in the value of your contributions. You are 100% vested in the UNC System's contributions after five years of participating in the ORP, as long as there was no break in service over 12 months.

If you enroll in the ORP, you should:

- Select the funds in which to invest, and
- Review and redirect your investments in the future if needed.

## Investment Options

Our ORP carrier, TIAA, offers a variety of investment funds and a broad array of fund categories. These include both fixed and variable account investment options and mutual funds. Before making your investment selections, you should assess your ability to tolerate different types of risk, given your retirement time horizon. You also may want to consider how you invest other retirement assets and diversify as appropriate.

To learn about the investment options provided by TIAA and review other important information, visit <https://myapps.northcarolina.edu/hr/benefits-leave/retirement/orp/>.

The materials on this site will provide:

- Fees, charges and operating expenses
- Explanation of annuity options
- Interest rate history, policies and guarantees
- Descriptions and performance history of investment accounts
- Special features and services offered by TIAA

## Allocations

Both your contributions and the UNC System's contributions are remitted to TIAA. You decide what portions of your contribution and the UNC System's will go into a fixed account versus an investment account. By simply contacting TIAA, you can change your investment allocation for future contributions at any time.

## Portability

Under the ORP, your retirement benefit is portable, which is becoming more important for workers in today's evolving marketplace where the average worker may switch jobs and even careers multiple times over the course of a lifetime. However, keep in mind that if you withdraw, transfer or roll over your ORP account to an IRA or another employer's retirement plan, you will forfeit your right to the State's retiree group health plan coverage.



# TSERS Basics

## Vesting

You must complete five years of membership service (five years of contributing to TSERS) to be fully vested in your retirement benefits.

## Transfers Between Agencies/Systems

Your TSERS membership is transferable. Participating employers include: the 17 institutions within the UNC System and the agencies and departments of the State of North Carolina, and public schools and community colleges within the state.

## Retirement Benefits

Under TSERS, you are eligible to retire with an unreduced retirement benefit once you:

- Reach age 65 and complete five years of membership service,
- Reach age 60 and complete 25 years of creditable service, or
- Have at least 30 years of creditable service, regardless of age.

It is also possible to retire earlier and receive a reduced benefit once you:

- Reach age 50 and complete 20 years of creditable service, or
- Reach age 60 and complete five years of membership service.

Your TSERS monthly retirement benefit is determined according to a retirement formula and is payable to you for your lifetime. There are multiple payment options including options for monthly payments to a survivor in the event of your death. There also is the potential for periodic cost-of-living increases in your retirement benefit, as approved by the North Carolina General Assembly.

## Important Note:

Effective January 1, 2015, there is a contribution-based cap on pension benefits for TSERS members who retire on or after January 1, 2015, and whose average final compensation (AFC) is \$100,000 or more (adjusted annually for inflation). The limits are updated after this guide goes to print, therefore please refer to the following link for the most up-to-date information, including the salary threshold: <https://www.myncretirement.com/pension-spiking>.

The law aims to control the practice of “pension spiking,” in which a member’s compensation substantially increases to create a benefit that is significantly greater than the contributions paid by the member and that the employer would fund.

The law creates a new method of identifying pension spiking through a contributions cap that is based on the actual amount of money state and local employees and employers put into the retirement system.

**For members first hired before January 1, 2015,** the member would continue to receive the difference created through the pension spiking, however the member’s last employer will be required to pay the additional amount.

**For members first hired on or after January 1, 2015,** the employer may choose whether to pay the difference created through the pension spiking; if the employer chooses not to pay, the member may accept a reduced benefit.

# Overview of the ORP and TSERS

Both of these retirement programs offer a valuable retirement savings opportunity, but they differ on several key points. Which one is right for you depends on many factors, such as your time horizon, your savings goals, your financial strategy and even your personal investment style. Review the chart below for a side-by-side comparison of these two programs, as well as some tips on which program might work best for you.

	ORP	TSERS
<b>Type of Plan</b>	Defined contribution plan	Defined benefit plan
<b>Who Oversees the Plan</b>	UNC Board of Governors	TSERS Board of Trustees
<b>Who Controls the Investments</b>	You control and monitor your investments and make all investment decisions.	TSERS controls and monitors the investments and makes investment decisions.
<b>How the Benefit Is Determined</b>	Retirement benefit is based on contributions made to the plan, investment performance and the payment option chosen.	Retirement benefit is based on your years of creditable service, salary, actuarial formula and the payment option chosen, including credit for any unused sick leave (if applicable).
<b>Sick Leave</b>	Sick leave does not count toward ORP participation service. Any unused sick leave that you accumulate as a participant of the ORP is lost at retirement or termination of employment.	If you retire with unused accumulated sick leave, you receive an additional one month of creditable TSERS service for every 20 days of sick leave you have accumulated but not used by the time you retire. You also receive one more month of credited service for any amount of unused sick leave that is less than 20 days but at least one hour.
<b>Vesting</b>	Vested immediately in the value of your employee contribution, vested in the value of the UNC System contribution after five years of participation.  If you leave UNC System employment before completing five years of participation, but within 12 months of your separation from the UNC System, you continue participation in a core retirement plan at another institution, as outlined in the Plan document, we may vest you in the value of the UNC System contribution.	Vested after five years of membership service. If you leave State employment before five years, you may request a refund of your contributions or leave your contributions in TSERS in anticipation of a return to State service in the future.
<b>Vesting Reciprocity</b>	Total membership service under TSERS (prior to ORP participation) and participation in the ORP may be counted toward the ORP vesting requirement of five years of service.	ORP service credit may be added to your TSERS service credit for the purpose of determining your eligibility for a reduced or unreduced TSERS benefit if you were first hired prior to January 1, 2021.
<b>Portability</b>	Portable nationwide.	Not portable nationwide.
<b>Payment Options</b>	Several payment options are available at retirement.	Several payment options are available at retirement.





	ORP	TSERS
<b>Loan Options</b>	No loans available.	No loans available.
<b>Disability Benefit</b>	State of North Carolina Disability coverage is automatic once participation requirements are met.	State of North Carolina Disability coverage is automatic once service requirements are met.
<b>Post-Retirement Health Insurance</b>	Available if you have the years of service required and elect to receive a monthly retirement benefit from your ORP account and were first hired prior to January 1, 2021.	Available if you have the years of service required and elect a monthly retirement benefit from TSERS and were first hired prior to January 1, 2021.



### Who Should Enroll in the ORP?

The ORP generally is more favorable for UNC System employees who enter the plan at a younger age and who value a retirement benefit that is portable, in the event they ever leave the UNC System. If you prefer to have more control over how your plan contributions are invested in an effort to better tailor your portfolio to your overall investment strategy, the ORP may be a good fit for you.

### Who Should Enroll in TSERS?

Generally, TSERS is more favorable for employees who are hired and begin participating at relatively later ages — 45 years and older, and for those who plan to stay with the UNC System for the duration of their careers. If you prefer not to have to assume the risks and responsibility of making your own investment decisions, TSERS may be a good fit for you. Additionally, TSERS may be the better option if you prefer to have your retirement based on your consecutive highest four years of UNC System employee salary, your age and your years of service.

However, you should also closely review the contribution-based benefit rules and QEBA provisions.

The UNC System ORP Plan Comparison Tool helps users understand the difference between the two plans with intuitive, mouse-over definitions. It then enables users to compare the plans and help them estimate and compare possible future benefits using a hypothetical illustration. Visit [TIAA.org/uncplancompare](https://TIAA.org/uncplancompare) to get started.

# Plan Comparison Examples

Here are some helpful examples of what your future benefit under each program could be. Remember that your benefit depends on your personal situation, and that these examples are for illustrative purposes only.

## Assumptions for Examples

- Single Life Annuity benefit option
  - ORP reflects a level 12.84% contribution schedule of salary up to the IRC 401(a)(17) limit for defined contribution plans. As of 2024, the 401(a)(17) limit for defined contribution plans is \$345,000.
  - ORP post-retirement interest rate of 4% per year
  - Defined Contribution Plan Mortality Table = Annuity 2012 (MGM1), set back 6 months
  - TSERS Benefit = 1.82% of highest four-year average salary times years of service. The salary is capped by the IRC 401(a)(17) limit for defined benefit plans. As of 2024, the 401(a)(17) limit for defined benefit plans is \$345,000.  
TSERS normal retirement benefits are paid unreduced at age 65 with 5 years of membership service, age 60 with 25 years of creditable service or with 30 years of creditable service regardless of age.
  - TSERS early retirement may not commence prior to age 50 with 20 years of creditable service or age 60 with 5 years of membership service.
  - TSERS Benefit Plan reductions for early retirement:
    1. Reductions apply for retirement ages 60-64 for service under 25 years. Benefits are reduced 3% per each year under age 65 at retirement.
    2. Reductions apply for retirement ages 50-60 for service between 25 and 30. Benefits are reduced 5% per each year under 30 years of service.
    3. Reductions apply for retirement ages 50-60 for service between 20 and 25 years. Reduction levels vary between 20% to 50% and are a function of age and service at retirement.
- Note:** The benefit amounts shown are not guaranteed. Actual benefits may be higher or lower.

### EXAMPLE 1

<b>Name</b>	Joe UNC	<b>Current Salary</b>	\$50,000
<b>Current Age</b>	30	<b>Rate of Return (Pre-Retirement)</b>	5.00%
<b>Current Years of Service</b>	0	<b>Salary Increase Rate</b>	1.00%
<b>Age When Benefits Begin</b>	65		

## Future Service Retirement Benefits Comparison

	Retirement Benefit Payable at Age 65 if Participant Terminates After the Following Additional Years of Service			Continued Employment Until Age 65
	10 years	15 years	20 years	
<b>OPTION 1</b> ORP Annual Benefit	\$19,836	\$27,212	\$33,287	\$45,801
<b>OPTION 2</b> TSERS Annual Benefit	\$9,806	\$15,459	\$21,663	\$44,013

**Note:** The illustration is based upon the assumptions outlined above and actual benefits will vary from those illustrated to the extent that actual experience varies from those assumptions.

EXAMPLE 2			
Name	Joe UNC	Current Salary	\$75,000
Current Age	40	Rate of Return (Pre-Retirement)	5.00%
Current Years of Service	0	Salary Increase Rate	1.00%
Age When Benefits Begin	65		

## Future Service Retirement Benefits Comparison

	Retirement Benefit Payable at Age 65 if Participant Terminates After the Following Additional Years of Service			Continued Employment Until Age 65
	10 years	15 years	20 years	
<b>OPTION 1</b> ORP Annual Benefit	\$18,266	\$25,059	\$30,653	\$35,260
<b>OPTION 2</b> TSERS Annual Benefit	\$14,709	\$23,188	\$32,495	\$42,690

**Note:** The illustration is based upon the assumptions outlined earlier and actual benefits will vary from those illustrated to the extent that actual experience varies from those assumptions.



# Your Enrollment Checklist

Now that you've learned the basics about your retirement program options at the UNC System, you're almost ready to make your decision. We recommend you review the detailed information about both the ORP and TSERS available online at <https://myapps.northcarolina.edu/hr/benefits-leave/retirement/> and then follow the steps below to make your choice.

**Don't forget, your mandatory retirement election is made electronically in the UNC (Empyrean) Enrollment Platform. Once you make your retirement choice, it cannot be changed.**

**If you want to enroll in the ORP**, complete the following steps:

- First, log on to the UNC (Empyrean) Enrollment Platform at <https://myapps.northcarolina.edu/hr/benefits-leave/health-and-welfare-benefits/health-benefits-enrollment/> and follow the instructions to select the ORP as your mandatory retirement plan.
- Second, log on to the TIAA microsite at [TIAA.org/UNC](https://www.tiaa.org/UNC) to select your investments and elect beneficiaries.

**Remember, you must enroll in the ORP within 30 days from your date of hire to participate in that plan; otherwise you will be enrolled in TSERS automatically.**

**If you want to enroll in TSERS**, complete the following steps:

- First, log on to the UNC (Empyrean) Enrollment Platform at <https://myapps.northcarolina.edu/hr/benefits-leave/health-and-welfare-benefits/health-benefits-enrollment/> and follow the instructions to select TSERS as your mandatory retirement plan. **Note:** If you do not make an election, you will be automatically defaulted into TSERS.
- Second, designate your beneficiary for the TSERS Return of Contributions and Death Benefit online by logging in to TSERS Online Retirement Benefits through Integrated Technology (ORBIT) at <https://orbit.myncretirement.com>.
  - If you have not used ORBIT before, you will need to register by clicking on the Register button on the same page. To complete the registration, you need to supply your Social Security number, birth date and zip code.  
**You cannot log in to ORBIT** until after the first contribution is withheld from your paycheck and processed by TSERS.



# Helpful Resources and Contacts

Got questions? Review the list of resources below and find the right contact information to help you with your questions.

If you need to ...	Contact ...	At ...
<p><b>Access information about choosing between the ORP and TSERS:</b></p> <ul style="list-style-type: none"> <li>• <b>Your Retirement, Your Choice Video</b></li> <li>• <b>The Retirement Plan Comparison Tool</b></li> </ul>	The UNC System Website	<a href="https://myapps.northcarolina.edu/hr/benefits-leave/retirement/">https://myapps.northcarolina.edu/hr/benefits-leave/retirement/</a>
<p><b>Access additional information about the ORP</b></p>	Your institution’s Human Resources/Benefits Office	
<p><b>Access additional information about TSERS</b></p>	North Carolina Retirement System	877-627-3287 <a href="http://myncretirement.com">myncretirement.com</a>
<p><b>Review detailed information about the ORP investment carrier and/or investment options, or for information about your investment accounts</b></p>	TIAA	800-842-2252 <a href="http://www.TIAA.org/unc">www.TIAA.org/unc</a>
<p><b>Access financial advisers that can provide you:</b></p> <ul style="list-style-type: none"> <li>• <b>Information about choosing between the ORP and TSERS</b></li> <li>• <b>Detailed information about the ORP investment options</b></li> <li>• <b>Specific personal advice on the right investment options to choose</b></li> <li>• <b>Retirement planning</b></li> </ul>	CAPTRUST	800-967-9948 <a href="http://www.captrustadvice.com">www.captrustadvice.com</a>



The information in this guide is general in nature and may be subject to change. Neither the University of North Carolina (UNC), TIAA, nor any of their agents/representatives, can give legal or tax advice. Applicable laws and regulations are complex and subject to change. For legal and tax advice concerning your situation, you should consult your attorney or tax adviser.

For more information about the authorized ORP carrier or their products, including investment options, charges and expenses, please contact a company representative for a prospectus. Please read the prospectus carefully before selecting an ORP carrier or investment option. In the event of a conflict between this guide and the Plan documents, the Plan documents will control. UNC reserves the right to amend the Plan documents.

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