Ready to Retire

Optional Retirement Program

Discussion
Introductions

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What are we covering today?

> About the ORP Plan
> Retirement Eligibility & Vesting
> Payment Options
> Other Income Sources
> Taxes
> Phased Retirement Program
<table>
<thead>
<tr>
<th>401(a)</th>
<th>Qualified under the IRC Sections 401(a) and 403(a)</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Benefits are based on amounts contributed and any income and expenses or gains/losses</td>
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<tr>
<td></td>
<td>Combined account (2 sets of assets-employee and employer)</td>
</tr>
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Retirement Vesting & Eligibility

**Age**
- Unlike TSERS, there is no age requirement to retire in the ORP

**Service**
- ALWAYS: 100% vested in your contributions to the plan
- Vested in the University contributions after 5 years of contributing service
- Once vested, no years of service requirement to retire

Always 100% vested in your contributions to the plan

Vested in the University contributions after 5 years of contributing service

Once vested, no years of service requirement to retire
When can I retire?

- When you are ready and able to retire
  - Consider living expenses, debt, etc
- Retirement is always the 1st of any given month
  - 9 month faculty typically Jan 1/July 1
How much do I need to retire?

- Experts say 70 - 90% of the annual income you earned just before retirement
- Consider your debt, retirement plans, Social Security Income, etc…
Am I invested appropriately at this time?

- That depends on your age, risk tolerance and years until retirement
- Have a one-on-one meeting with your retirement account representative
# Health Insurance & the ORP

## Contributing to the ORP before October 1, 2006

- Vested in retiree health insurance after 5 years of participation

## Contributing to the ORP after October 1, 2006

- Vested in retiree health insurance after 20 years of participation
- 50% Vested in retiree health insurance after 10 yrs of participation
- May enroll at full cost after 5 years

## IMPORTANT

You must be in receipt of a monthly benefit from your ORP plan in order to enroll in retiree health insurance!

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*First hired on/after Jan 1, 2021- Not Eligible for Retiree Health Insurance*
Retirement benefit is subject to state and federal tax unless…

**Bailey Act Exemption**

- If enrolled in the ORP before August 12, 1989, you are exempt from State of NC taxes on your ORP benefit
- NC must be primary residence
- Applicable to the NC 401(k) and 457 plans
- Not applicable to the UNC 403(b) and 457 plans
Benefit amount is based on:
- Contributions made to the plan
- Investment performance
- Payment option chosen

Leave eligible retirees will be paid for unused Annual Leave (up to 240 hours) and Bonus Leave
- Consider deferring your leave payouts

Sick Leave does not count, consider donation through the VSL program!
ORP Payment Options

Lifetime Annuity

- Provides income for the life of the ORP participant alone, or with an annuity partner (survivor)
- Once selected, the lifetime annuity is irrevocable
- $10,000 Annuity minimum for both TIAA and Fidelity
Lump Sum Distribution

- Cashing out or rolling over the ORP accumulation in total or incrementally
- Health Insurance Implications
- Bailey tax exemption implications (if applicable)
Systematic Withdrawal

- Provides a stream of cash withdrawals taken on a schedule determined by the participant
- Schedule and amount of the withdrawal can be altered
- Minimum: Fidelity $1/month
  TIAA $10/month
Interest Payment Option

● Participant receives income generated from the ORP investment earnings on an annual basis
● Account balance remains invested and may be withdrawn at a later date
Required Minimum Distribution (RMD)

- Required for retired ORP participants aged 73 who turn 72 starting Jan 1, 2023
  - If retired participant turned 72 in 2022 or earlier, they will need to continue taking RMDs as scheduled
- Allows retiree to keep ORP accumulation tax deferred
- Retiree receives the minimum income required to satisfy federal minimum distribution rules
Lifetime Annuity

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- $10,000 Annuity minimum for both TIAA and Fidelity
Am I required to take a distribution when I retire and if so, when?

- Only if you want to receive the Retiree Health Coverage or at age 73

How flexible are the distribution options?

- The ORP distribution options are all flexible except for the Lifetime Annuity
Is there a “safe” option?

- Differs by vendor

Am I able to roll the entire balance or portion to an IRA?

- Yes, but you will lose your Bailey exemption (if applicable) and will forfeit your retiree health benefits if funds are depleted.
Will I run out of money?

- Depends on your overall financial needs. You are encouraged to conduct a one-on-one review meeting.

How much from the ORP account should be set aside to cover lifetime payments to qualify for insurance?

- Check with your ORP vendor.
ORP Payment Options

Are my ORP funds still invested once I retire?
● Yes

Do I have to move or change my fund allocation at retirement?
● No
# Phased Retirement Program

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<tr>
<th>Elgibility</th>
<th>Full-time Tenured Faculty with at least 5 years of service Are age 59.5 upon entering phased &amp; eligible to retire from ORP</th>
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<tbody>
<tr>
<td>Details</td>
<td>Allows participant to phase to half-time employment status and also receive retirement benefits and retiree health insurance</td>
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<tr>
<td>Application</td>
<td>PRP application period September- February each year <a href="http://go.ncsu.edu/prp">http://go.ncsu.edu/prp</a></td>
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</table>
Steps to Retirement

Contact your ORP Vendor Representative to determine your retirement strategy and monthly benefit

Schedule an appointment with the Benefits Team 120-90 days in advance of your retirement date and submit ORP-3 form
[https://benefits.hr.ncsu.edu/benefits-staff-directory/](https://benefits.hr.ncsu.edu/benefits-staff-directory/)

Complete Medicare enrollment (if applicable) 90 - 60 days in advance of retirement date
ORP-3 RETIREMENT SUBMISSION CYCLE

**Employee**
- Employee determines retirement date
- Employee completes ORP-3 form notifying Benefits Representative of requested retirement date
- Employee contacts applicable retirement vendor to set-up “monthly” retirement benefit payments
- Employee reviews “Optional Retirement Program Summary” booklet to become informed of various “monthly” retirement benefit payment options as well as benefit tax information

**Campus Benefits Representative**
- Benefits Representative reminds member to contact applicable retirement vendor to set-up “monthly” benefit payments
- Benefits Representative inputs/updates ORP Database with submitted ORP-3 information
- Benefits Representative inputs the projected Retirement Date into Benefit Focus

**UNC System - ORP Team**
- UNC System - ORP Consultant receives notification via ORP Database of pending retirement
- UNC System - ORP Consultant reviews, and approves ORP retirement submission, if applicable
- Approval, *ORP-3 Certifications page*, is forwarded to applicable ORP vendor, if applicable (up to 60 days prior)

**ORP Retirement Vendor (Fidelity or TIAA)**
- ORP Retirement Vendor receives ORP-3 Certifications page requesting retirement from UNC System
- ORP Retirement Vendor is contacted by the applicable employee to set up “monthly” retirement benefit payments
- ORP Retirement Vendor signs and returns the ORP-3 Certifications page to UNC System - ORP team, verifying pending retirement distribution

**UNC System - ORP Team**
- UNC System - ORP Specialist receives approved ORP-3 Certifications page from ORP vendor
- UNC System - ORP Specialist sends completed ORP-3 Certifications page to RSD
- UNC System - ORP Specialist updates ORP Database with communication dates and confirmations

**NC Retirement System Division (RSD)**
- RSD receives the ORP-3 Certifications page from UNC System - ORP Specialist
- RSD reviews employees ORP participation to determine eligibility for retirement SHP coverage
- RSD establishes a retirement account for member and sends shell/platform data to Benefit Focus (nightly file submission)
- RSD mails ***HM ONLINE Instructions form to member

**(NOTE:** It may take up to 5 business days before an employee is updated in the ORBIT system.)
Questions?
https://benefits.hr.ncsu.edu/retirement