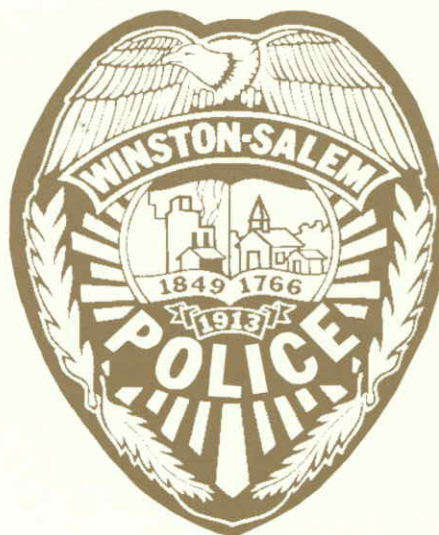


# Winston-Salem



## *Police Retirement Benefits*

*For Employees Engaged  
in Full-Time  
Law Enforcement*



To the Employees of the City of Winston-Salem, NC Engaged in Full-Time Law Enforcement

It gives us great pleasure to present to you this employee benefit handbook “Police Retirement Benefits.” This booklet describes your retirement benefits as an employee and police officer of the City of Winston-Salem.

The benefits provided by the City are part of your total package of compensation, consisting of benefits you are presently receiving and those which are deferred until you retire. The City of Winston-Salem helps you build a solid retirement program by sharing with you the cost of the City’s benefits and benefits provided by state and federal government.

This booklet tells you about your retirement and benefit package, including when you qualify for benefits, how much you can expect to receive, and who to contact to find out more about specific benefits. We encourage you to take this booklet home and share it with your spouse or dependents.

We hope you will find “Police Retirement Benefits” helpful in understanding your benefits as an employee of the City of Winston-Salem.

Sincerely,

*Scott A. Cunningham*

Scott A. Cunningham, Chief of Police

*Carmen D. Caruth*

Carmen D. Caruth, Director of Human Resources

*Denise C. Bell*

Denise C. Bell, Chief Financial Officer

## **DISCLAIMER**

The information contained in this booklet is intended to serve as a general source of reference outlining the major provisions of the City of Winston-Salem, NC benefit plans pertaining to full-time law enforcement officers. While this booklet is intended to be as accurate as possible, the explanation is subject in all respects to the detailed provisions of the City of Winston-Salem Code of Ordinances and Resolutions, State of North Carolina General Statutes, and federal laws that empower and regulate these benefits.

It must be understood that the explanation in this booklet cannot alter, modify, or otherwise change the controlling legal documents, City Ordinances or General Statutes in any way nor can any right accrue by reason of any statement or omission of any statement in this booklet. Unless required by law, the City of Winston-Salem, State of North Carolina, and United States Government may add, delete, change, or terminate any benefit plan, benefit rule, procedure, calculation or provision at any time without notice to the employees.

Public notice requirements are provided in the public processes that enact the laws that control these benefits plans. This booklet in no way establishes a contractual obligation between the City of Winston-Salem and any employee, group of employees or former employees.

# **Police Retirement Benefits**

## **RETIREMENT BENEFITS AND PENSION PLANS:**

### **Winston-Salem Police Officers' Retirement System and North Carolina Local Government Employees Retirement System (for Members Engaged in Full-Time Law Enforcement)**

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## **Your Retirement Systems in Brief**

There are two defined benefit retirement plans available to you. Membership in the Winston-Salem Police Officers' Retirement System (WSPORS) is mandatory for all full-time sworn City police officers. Membership in the North Carolina Local Government Employees' Retirement System for Members Engaged in Full-Time Law Enforcement (NCLGERS-LEO) is not mandatory under state law.

The structures of your benefit plans are built with the expectation that you will belong to both plans. **It is greatly to your advantage to belong to both systems.** To be a member of both plans you are required to contribute 6% of your gross pay to each system. The WSPORS plan benefits are designed to be similar to those offered by the NCLGERS-LEO plan. The benefits from each system offer a little more than half working pay at retirement with 30 years of service. This allows the members of both plans to retire with income slightly higher than working income, not taking into account any benefits mandated by the State of North Carolina such as; Separation Allowance or 401k. Membership in both plans is most important in the event a member becomes disabled or dies prior to retirement.

**The following information relates to both plans. Where there are differences between the two plans, notations are made about them.** There may be differences in the technical details of calculations between the two plans that are beyond the scope of this document. You should contact the City's Employee Accounting/Payroll office, if you need more detailed information than is contained in this document.

### **Plan Highlights**

- Membership for eligible law enforcement employees. See page 7.
- You and the City of Winston-Salem pay the cost of retirement benefits. See page 7.
- Monthly payments at retirement are based on your salary, age, and years of creditable service. See page 8.
- *Unreduced* retirement benefit at age 55 with 5 years of credit, or at any age after 30 years of credit; *reduced* benefit after age 50 with 15 years of creditable service. See page 8.
- Line-of-Duty disability benefits. See page 9.
- A right to an unreduced benefit at age 55 after 5 years of creditable service, even though you are no longer employed as a law enforcement officer. See page 9.
- Disability benefits available after 5 years creditable service. See page 9.
- Survivor monthly income if you die in active service with 20 years of credit regardless of age; or after age 55 with 5 years of credit; or after age 50 and 15 years of creditable service. Also, special provision for Line-of-Duty deaths. See page 10.
- Death benefit paid to your beneficiary if you die in active service after one year of creditable service in NCLGERS-LEO (**15 years of credit in WSPORS**). See page 10.
- Several payment options available to continue income to your beneficiary following your death after retirement. See pages 14-15.

## **Becoming A Member Of The System**

You are eligible to become a member of NCLGERS-LEO and **required** to join WSPORS, once you have met the following criteria:

1. Possess the power of arrest;
2. Have taken the law enforcement oath administered under the authority of the State prescribed G.S. 11-11, and
3. Are certified as a Law Enforcement Officer under the provisions of Chapter 17c of the General Statutes.

If you were hired to participate in the rookie training class scheduled to begin August 21, 2000 and any classes forward, you will be **required** to join the North Carolina Local Governmental Employees' Retirement System, during the rookie training class period.

After meeting the criteria above, the training period service can be transferred to NCLGERS-LEO but not to WSPORS. If you decide not to enroll in NCLGERS-LEO and withdraw the funds, you will have an opportunity to buy back the training period at a discounted rate during your 10<sup>th</sup> to 13<sup>th</sup> years of membership in the WSPORS plan. Also, please note that if you decide to enroll in the NCLGERS-LEO plan you will not be able to disenroll from the plan until termination of employment.

During the rookie training period, your earnings will be subjected to all FICA withholdings (FICA-HI & FICA-OASDI). Your department must provide Human Resources the proper documentation to change your employee record upon graduation. Human Resources will change your record to sworn Police Officer status. As an officer, your earnings will only be subject to FICA-HI.

When you begin working for the City and when you change retirement plans (due to change in status as a Police Officer), you will be asked to complete a Notice of Enrollment form. You will also be asked to name a beneficiary to receive a refund of your contributions and a death benefit should you die before retirement. You can change your beneficiary at any time by completing the appropriate form, available under the Forms section of the City's intranet website. **(B) Beneficiary Designation for Retirement System, (L) LEO Death Benefit Designation and/or (W) WSPORS Notice of Change of Beneficiary**

## **Who Pays For the System**

You, the City of Winston-Salem, and the investment earnings on total contributions pay the cost of providing your retirement benefits.

Your share of the cost, which is automatically deducted from your paycheck, is 6% of your salary for each plan. Your salary includes all wages paid to you which you earn while working for the City. Beginning July 1, 1982 (January 1, 1984, if you were a member of the former Law Enforcement Officers' Retirement System), your contributions to the Retirement System are deducted from your pay pre-tax for federal and state income tax purposes.

The City's share of the cost is based on the calculations prepared by an actuary, so that the benefits will be funded properly.

# **How Your Benefit is Calculated**

Your annual retirement benefit is based on this formula:

- ◆ 1.85% of “average final compensation”  
*times*
- ◆ years of “creditable service”

**Average final compensation** means the average of your salary during your four highest consecutive years. Termination payments, if any, for unused holiday and vacation are included in your average final compensation.

**Creditable service** means any period during which you contributed to the system(s). In addition, if you were working for the City before its participation in the system(s), were in military service, worked out-of-state in related governmental employment, or have unused sick leave, special rules may apply in determining creditable service. See pages 17 through 21 for more details.

If you left the system(s) and withdrew any of your contributions, you may be eligible to restore your creditable service by making a lump sum payment. See details and qualifications on page 19.

# **How To Qualify For Benefits**

## **BECOMING VESTED**

You become vested in the Retirement System once you have completed a minimum of five years of creditable service. This means that you are eligible to apply for lifetime monthly retirement benefits based on the formula, and the age and service requirements described in this handbook, provided you do not withdraw your contributions.

## **SERVICE RETIREMENT (Unreduced Benefits)**

You may retire with an unreduced service retirement benefit after:

- ◆ You reach age 55 and complete 5 years of creditable service as an officer, or
- ◆ You complete 30 years of creditable service at any age.

## **EARLY RETIREMENT (Reduced Benefits)**

You may retire early with reduced retirement benefits after:

- ◆ You reach age 50 and complete 15 years of creditable service as an officer.

Your early retirement benefit is determined by the same formula as a service retirement multiplied by a reduction percentage based on your age and/or service at early retirement. Since your benefits may be paid over

a longer period of time than if you waited until you were eligible for service retirement, they will be reduced. The table on page 12 shows the effect these reductions would have on your benefit. ***If you retire under an early retirement, you are not eligible for separation allowance.***

## **DISABILITY RETIREMENT**

After 5 years of creditable service, if you become totally and permanently disabled to perform your job, you may become eligible for disability retirement benefits. There are separate medical review boards for each system established to review disability retirement applications. **The WSPORS plan also has special provisions to protect your right to earn full service benefits if you are transferred to a non-sworn position as the result of your inability to perform your duties as a law enforcement officer.** Contact the Chief of Police's office or the City Human Resources' office for more information. Notwithstanding the requirement of five or more years of creditable service to the contrary, a member who is a law enforcement officer and becomes incapacitated for duty as the natural and proximate result of injuries incurred while in the actual performance of his or her duties, and meets all other requirements for disability retirement benefits, may be retired by the WSPORS Medical Review Board on a disability retirement. Your disability benefit is based on the same formula as a service retirement and you may choose any payment option, except Option 4 (Social Security Leveling). In figuring your benefit, your average final compensation is calculated as of your disability retirement date, but creditable service is counted as though you had continued working to the ***earliest*** date you would have qualified for an unreduced service retirement allowance (age 55 or 30 years of service).

In the event you die after you have filed an application for disability retirement, but before its effective date and you have otherwise met all requirements for disability retirement benefits, your beneficiary may elect to receive the retirement allowance provided by Option 2 (100% Joint and Survivor), instead of a return of your retirement contributions and interest, provided the following conditions apply:

- ◆ You had designated only one person to receive a return of your retirement contribution and interest, and
- ◆ You had not indicated to the Retirement System in writing, that you did not want your beneficiary to have this choice.

If you retire on an early or service retirement allowance, you have three years from the effective date of your retirement to convert to a disability retirement allowance provided you can prove that you would have met all requirements for disability retirement benefits *while you were still in service as an active member*. If you retire under disability, you may choose to convert to a service retirement under NCLGERS-LEO when you reach normal full service retirement age. This has the advantage of waiving the income limitations applicable to disability retirements. **Conversion from disability to service retirement is not available in WSPORS. *If you retire under a disability retirement, you are not eligible for separation allowance.***

### **If You Leave the System Before Retirement**

Even if you leave before service or early retirement, you may still receive a benefit. You are entitled to a benefit at age 55 if you leave for any reason - at any age - after you have completed 5 years of creditable service as an officer, provided you do not withdraw your contributions.

Your benefit is determined under the formula in effect when you apply for benefits. Your benefit is based on your average final compensation and years of service at that time. You can apply for payments to begin when you reach age 55.

If you have at least 15 years of creditable service as an officer when you leave, you can apply for early payments starting at age 50; however, your benefit will be reduced because you may receive payments for a longer period of time than if you waited until you were eligible for service retirement.

If you leave the system(s) before you have 5 years of creditable service, the only payment you can receive is a refund of your contributions. See page 21 regarding a refund of contributions.

## **How Your Beneficiaries Are Protected**

Although the system(s) primary purpose is to provide retirement income, it recognizes that some employees will not live to enjoy their retirement benefits. So, it provides a death benefit that protects your beneficiary in the event you die before retirement.

In addition, your beneficiary will receive a refund of your accumulated contributions. More details on refunds appear on page 21. If you meet certain age and/or service requirements at the time of death, a survivor's alternate benefit may be paid instead of the refund of contributions.

In the event you die after retirement, depending on the payment option you chose, your beneficiary may receive income following your death.

### **Survivor's Alternate Benefit**

The principal beneficiary named to receive a refund of your contributions and interest (provided you have named only one person) may chose to receive a monthly benefit for life instead of a refund.

Your beneficiary may elect the survivor's alternate benefit, if you die while in active service (while being paid salary or within 180 days after salary payments cease), and meet one of the following conditions:

- ◆ completing 20 years of service credit regardless of age (not including credit for unused sick leave), or
- ◆ reaching age 50 with 15 years of service credit as an officer, or
- ◆ reaching age 55 with 5 years of service credit as an officer, or
- ◆ completing 15 years of service credit regardless of age and death occurs as a result of a line-of-duty injury

If you have named two or more persons or your estate as beneficiary, the Survivor's Alternate Benefit does not apply. The benefit equals the same monthly amount you would have been entitled to under Option 2 (Joint and Survivor) had you retired on the first of the month following your death. If you do not want your beneficiary to have this choice, you should so indicate, in writing, to each of the retirement systems.

### **Death Benefits**

#### **NCLGERS-LEO PLAN:**

In the event of your death while still in active service\*, your beneficiary will receive a single lump-sum payment. The payment equals the highest 12 months' salary in a row during the 24 months preceding your death, but not less than \$25,000 and not more than \$50,000. This benefit is also paid if you die within 180 days of the last day for which you were paid salary and is in addition to any other benefits to which you may be entitled.

\* while being paid salary.

## **Example of How a Benefit is Calculated**

Benefits are calculated the same way in both WSPORS and NCLGERS-LEO. Creditable service can differ between the plans, so the exact benefit dollar amounts may differ.

To give you an idea of how benefits are figured, let us look at some examples:

➤ *Service Retirement*

*Example:* Assume an employee, Mike Benson, is 60 years old and has 32 years of creditable service. As we go through the steps to figure Mike's benefit, write in your own figures for an estimate of your benefit.

Step 1.	Add your salary during your four highest paid years in a row	\$ 30,600 31,700 32,900 <u>34,000</u> \$129,200	\$    + _____ \$
Step 2.	Divide Step 1 by 4 to get your average final compensation	\$ 32,300	\$
Step 3.	Multiply Step 2 by 0.0185 to apply formula	\$ 32,300 x <u>0.0185</u> \$ 598	\$ x <u>0.0185</u> \$
Step 4.	Determine Creditable Service (See pages 17-21)	32 Years	___ Years
Step 5.	Multiply Step 3 by Step 4 to get an Annual Total	\$ 598 x <u>32</u> \$ 19,136	\$ x _____ \$
Step 6.	Divide Step 5 by 12 to get a maximum monthly benefit	\$ 19,136 ÷ <u>12</u> \$ 1,595	\$ ÷ <u>12</u> \$

Because Mike has over 30 years of creditable service at retirement, he receives his maximum benefit of about \$19,136 annually, or about \$1,595 each month for the rest of his life. If Mike is a member of both plans with the same years of creditable service in each, his combined benefit will be about \$38,272 annually. In addition, he may also be eligible for Social Security benefits as early as age 62 provided he has had the required amount of social security taxed income for 40 quarters (ten years). As a police officer you will not earn credit for Social Security retirement benefits. If you have or have had a second job with the City or another employer in a civilian capacity, you may earn credit towards Social Security retirement benefits.

➤ *Early Retirement*

*Example:* Now let us look at an employee, Fred Smart, who retires early. Assume Fred retires at age 51, his average final compensation is \$32,300 and 24 years of creditable service.

Here is how we calculate his benefit:

$$\begin{array}{r}
 \$ 32,300 \quad \text{average final compensation} \\
 \times .0185 \\
 \hline
 \\
 \$ 598 \\
 \times 24 \quad \text{creditable service} \\
 \hline
 \\
 \$ 14,352
 \end{array}$$

Now apply the early retirement reduction percentage from the chart below:

$$\begin{array}{r}
 \$ 14,352 \\
 \times .84 \quad \text{percentage at age 51 (If you are between birthdays when payments start, the reduction} \\
 \hline
 \\
 \$ 12,056 \quad \text{will be adjusted proportionately)}
 \end{array}$$

In this case, Fred receives a maximum payment of about \$12,056 a year, or about \$1005 a month, unless he chooses another payment option (see p.14-15). His benefit payments will start at age 51 and continue for the rest of his life. In addition, he may also be eligible for Social Security benefits as early as age 62 provided he has had the required amount of Social Security taxed income for 40 quarters (ten years).

<b>Early Retirement Percentage Chart</b>							
<b>Creditable Service</b>							
<u>Age</u>	<u>29</u>	<u>28</u>	<u>27</u>	<u>26</u>	<u>25</u>	<u>20</u>	<u>15</u>
<b>54</b>	<b>96%</b>	<b>96%</b>	<b>96%</b>	<b>96%</b>	<b>96%</b>	<b>96%</b>	<b>96%</b>
<b>53</b>	<b>95%</b>	<b>92%</b>	<b>92%</b>	<b>92%</b>	<b>92%</b>	<b>92%</b>	<b>92%</b>
<b>52</b>	<b>95%</b>	<b>90%</b>	<b>88%</b>	<b>88%</b>	<b>88%</b>	<b>88%</b>	<b>88%</b>
<b>51</b>	<b>95%</b>	<b>90%</b>	<b>85%</b>	<b>84%</b>	<b>84%</b>	<b>84%</b>	<b>84%</b>
<b>50</b>	<b>95%</b>	<b>90%</b>	<b>85%</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>	<b>80%</b>

## Examples of Benefits Paid

The following chart shows the approximate monthly benefit paid at various salary levels, depending on age and creditable service. Please keep in mind these are *only* examples. Your own benefit is calculated individually and depends on *your* age, creditable service and average final compensation.

### Monthly Retirement Benefit Under Maximum Payment

Average Final Compensation	50 15	52 28	55 25	n/a 30	n/a 40	Age Service
\$ 50,000	\$925	\$1,942	\$1,927	\$2,312	\$3,083	
40,000	740	1,554	1,541	1,850	2,466	
37,000	684	1,437	1,426	1,711	2,281	
35,000	647	1,359	1,348	1,618	2,158	
33,000	610	1,282	1,271	1,526	2,035	
31,000	573	1,204	1,194	1,433	1,911	
28,000	518	1,087	1,079	1,295	1,726	
26,000	481	1,010	1,002	1,202	1,603	
24,000	444	932	925	1,110	1,480	
22,000	407	854	847	1,017	1,356	
20,000	370	777	770	925	1,233	
18,000	333	699	693	832	1,110	

## **R**etirement Benefit Payment Plans

When you retire you have to decide which monthly payment option to select. Your decision will be personal and should take into account your health and needs during retirement and the needs of a dependent, if any, after your death. Neither the payment option selected by a co-worker nor the one selected by the largest number of retirees should have any affect on your personal decision. The same payment options are available from both NCLGERS-LEO and WSPORS.

Before you select a payment option, you should know that, on average, each payment option is mathematically equal to the other options. That is, each payment option is calculated so that the total value of the plan you select is the same as the value of the other plans if you and your beneficiary, if any, live your expected lives.

You should first decide if you need to select a type of monthly payment plan, which provides for some payment to a beneficiary after your death, or a plan that does not. If you elect not to provide for a beneficiary after your death you will receive 100% of your benefit for your life, under the maximum payment option. Regardless of which payment option you select, if you and your beneficiary die before receiving benefits equal to the total amount of your personal contributions and interest, the balance of that amount will be payable to a third party named by you. You may name one or more beneficiaries for the guaranteed refund provision and you may change your beneficiary(ies) for this purpose as often as you desire. Of course, any beneficiary named for this purpose cannot be named as beneficiary for a monthly benefit.

**You may not change the payment option you select once you have received your initial benefit direct deposit payment or after the 25th of the month following the month your first deposit is made (whichever is earlier), except as follows:**

- ◆ if you select a payment option that provides a monthly benefit to your beneficiary after your death (i.e. Options 2,3, or 6) and later become divorced from the beneficiary, you may change your payment plan.
- ◆ if you are rehired in a position covered by the retirement system(s) and contribute to your new account for at least three years, you may select another payment plan.

## **Payment Options**

If you elect to provide some form of payment to a beneficiary after your death by choosing a payment option, you give up some of your retirement benefit while you are living. The amount you give up is placed in reserve to be paid to your designated beneficiary after your death. The amount your retirement benefit is reduced depends on the amount of your maximum payment benefit, your age, and the age of your beneficiary.

### ➤ Maximum Payment

When you retire on a service or disability retirement benefit, your maximum payment is calculated using the formula on page 8. If you retire early, your maximum payment is calculated under the same formula and then reduced for early retirement. In either case, unless you choose another payment option, you will receive your maximum payment for as long as you live. All monthly payments stop at your death. In the event of your death before the total monthly retirement allowances paid equals your accumulated contributions, with interest, then the balance of contributions will be paid in a lump sum to the person(s) designated by you or otherwise to your estate.

### ➤ Option 2: 100% Joint and Survivor

You receive reduced monthly payments for life. After your death, your beneficiary receives the same amount for life. Should you and your surviving beneficiary die before the total monthly retirement allowances paid equals your accumulated contributions, with interest, then the balance of contributions will be paid in a lump sum to the person(s) designated by you or to your estate.

### ➤ Option 3: 50% Joint and Survivor

You receive reduced monthly payments for life. After your death, one-half of your payment continues to your designated beneficiary for life. Should you and your surviving beneficiary die before the total monthly retirement allowances paid equals your accumulated contributions, with interest, then the balance of contributions will be paid in a lump sum to the person(s) designated by you or to your estate.

### ➤ Option 4: Social Security Leveling

You receive larger monthly payments than you would otherwise be entitled to receive, until you become eligible for Social Security at age 62. Beginning at age 62, your monthly payments would be reduced to an amount that is less than what you would otherwise be entitled to receive. However, your reduced retirement payments after age 62 together with your allowance from the Social Security Administration will be approximately the same amount as the payment you received from the Retirement System before age 62. All monthly payments stop at your death.

The reduction in your monthly retirement payments after age 62 allows the retirement system(s) to recover the inflated amounts you received before age 62. Therefore, on the average, the inflated amounts received before age 62 together with the reduced amounts received after age 62 are equal in value to the other retirement payment options over your life expectancy.

Under Option 4, any Cost of Living Adjustment (COLA) increase you are granted in your retirement payments before age 62 will be applied to the inflated benefit you are receiving at that time; however, upon reaching age 62 your retirement payments will be reduced to the original amount promised after age 62 plus the percentage increases (not the dollar amount of increases) granted before age 62.

If you chose Option 4, you are also covered by the return of contributions feature of the Maximum Payment.

If you chose Option 4, you will need to provide an estimate of the benefit from the Social Security Administration. You should request the estimate from the Social Security Office at least 3 months prior to when you intend to retire.

➤ Option 5: This option is no longer available

➤ Option 6: Modified Joint and Survivor

You receive reduced monthly payments under a combination of Option 2 and the maximum payment, or under Option 3 and the maximum payment. Your death or the death of your beneficiary affects monthly payments as follows:

- ◆ Under a combination of Option 2 and the maximum payment (Option 6-2), your death entitles your beneficiary to receive a monthly payment for life in the same amount as you received. However, if your beneficiary dies before you do, your monthly payments are increased to the amount payable under the maximum payment. Should you and your surviving beneficiary die before the total monthly retirement allowances paid equals your accumulated contribution, with interest, then the balance of your contributions will be paid in a lump sum to the person(s) designated by you or to your estate.
- ◆ Under a combination of Option 3 and the maximum payment (Option 6-3), your death entitles your beneficiary to receive a monthly payment for life of one-half the amount you received. However, if your beneficiary dies before you do, your monthly payments are increased to the amount payable under the maximum payment. Should you and your surviving beneficiary die before the total monthly retirement allowances paid equals your accumulated contribution, with interest, then the balance of your contributions will be paid in a lump sum to the person(s) designated by you or to your estate.

Under the Maximum Payment and Option 4, you may name as many beneficiaries as you desire for the lump-sum payment payable at your death. You may change your beneficiary or beneficiaries as often as you desire under these options.

Under Options 2, 3, 6-2, and 6-3 you may name only one beneficiary to receive a monthly payment after your death. **You may not change your survivor beneficiary after you retire** *except* under the following conditions:

1. You named your spouse as survivor beneficiary and later become divorced from that spouse
2. You return to employment under the retirement system(s) and contribute to your new account(s) for at least three years
3. You selected Option 2 or 3 at retirement, designated your spouse as survivor beneficiary, your spouse predeceases you and you remarry. You may name your new spouse as your beneficiary within 90 days of your remarriage under the same option chosen at retirement. Your new benefit will be actuarially reduced based upon your age and the age of your new spouse at the time of the change.

Under Options 6-2 and 6-3, if your survivor beneficiary dies before you, you will **not** be eligible to name another beneficiary.

## How the Payment Options Work

*Example:* Bob Murphy has earned a maximum service retirement benefit of \$800 a month. Unless he chooses a payment option, he will receive \$800 each month for life.

But let us assume he wants to share his benefit with his wife, Janet. Janet is 51 when Bob retires at 57 after 30 years and 3 months of creditable service. Here is how much Bob and Janet would receive under the various payment options:

	<u>To Bob</u>	<u>To Janet After Bob's Death</u>
Maximum	\$800 monthly	\$0
Option 2	\$672 monthly	\$672 monthly
Option 3	\$731 monthly	\$365 monthly
Option 4*	\$1,131 up to age 62 and \$591 thereafter	\$0
Option 6 With Option 2	\$665 monthly If Janet dies before Bob, he receives \$800 monthly thereafter	\$665 monthly If Bob dies before Janet
Option 6 With Option 3	\$727 monthly If Janet dies before Bob, he receives \$800 monthly thereafter	\$363 monthly If Bob dies before Janet

\*Assumes Bob is eligible for Social Security and Bob's primary Social Security benefit is \$540 a month after age 62.

Of course, the actual amounts of the payment options you can choose are based on many variables, such as your age, your beneficiary's age, and when payments start. Before you retire, you will receive an estimate of the actual amounts that would be paid to you.

## **C** reditable Service (Special Rules)

Your benefit at retirement is based, in part, on your creditable service. In addition to the years and months you contribute to the system(s), creditable service also includes:

### ❖ **Prior Service**

If you were employed by the City of Winston-Salem before its participation in NCLGERS-LEO, you have received credit for your waiting period of service before you became a member in WSPORS. Also, if you were a member of the former Law Enforcement Officers' Retirement System and have completed 10 years as a contributing law enforcement officer, you may purchase credit for service performed as an officer after July 1, 1940. The cost, which must be paid in a lump sum payment, will cover the employee and employer funding, and will likely be lower if the credit is purchased within three years from the date you become eligible. The City does not share this cost with you.

### ❖ **Military Service**

Your periods of active duty in the United States military up to the time you were first eligible for discharge counts as creditable service at no cost to you if you were a local governmental employee when you entered the military, and

- ◆ You returned to employment with the same local government employer within two years after your earliest discharge date, or
- ◆ You returned to employment with the same local government employer at any time after discharge and completed at least 10 additional years of service with that employer.

If you are not eligible for the free credit under the rules above, you may be eligible to buy credit for your first period plus later *required* periods of active duty by making a lump-sum payment. Your cost will depend on when you became a member and when you make your payment.

If you became a member *on or before January 1, 1988* and have credit for 5 years of contributing membership service, your cost will be equal to full actuarial liabilities created on account of the additional credit purchased. However, as soon as you have 10 years of credit for your contributing membership service and/or prior service (if any) combined, there immediately follows a three-year period during which your cost will likely be lower than at any other time. If not paid during that three-year period, your cost will again become equal to full actuarial liabilities created on account of the additional credit purchased.

If you became a member *after January 1, 1988*, you must have credit for five years of service as a contributing member. Your cost will be equal to the full actuarial liabilities created on account of the additional credit purchased.

If your service is creditable in another system, your ability to buy credit in either NCLGERS-LEO or WSPORS may be restricted. You may buy a given period of service in either WSPORS or NCLGERS-LEO, but not in both plans. The rules that determine the eligibility of a period of service for purchase are the same in both plans.

### ❖ **Out-of-State Service**

If you have performed out-of-state public employment, you may be eligible to buy credit for that service. Credit that can be purchased must have been with:

- another state or governmental subdivision of a state,

- a federal, overseas dependent or military dependent school,
- the Public Health Service,
- the Merchant Marine (if you were also in the Naval Reserve), or
- the International Cooperation Administration or Agency for International Development, while on an approved leave of absence.

If you became a member on or before January 1, 1988, and have contributed to the retirement system(s) for five years but less than 10 years since completing your out-of-state service, your cost will be equal to the full actuarial liabilities created on account of the additional credit purchased. However, as soon as you have contributed to the retirement system(s) for 10 years, there immediately follows a three-year period during which your cost will likely be lower than any other time. If not paid during that three-year period, your cost will again become equal to the full actuarial liabilities created on account of the additional credit purchased.

If you became a member after January 1, 1988, you must have contributed to the retirement system(s) for five years since completing your out-of-state service. Your cost will be equal to the full actuarial liabilities created on account of the additional credit purchased.

If your service is creditable in another retirement system, your ability to buy credit in the system(s) will be restricted. If you are eligible, you may buy credit at the rate of one year of out-of-state service for each two years of service under the system(s).

❖ **Sick Leave**

Sick leave earned monthly under duly adopted policy and for which you would receive full salary if you were absent from work on account of sickness, counts as creditable service. One month of credit is allowed, at no cost to you, for each 20 days of your unused sick leave when you retire. One more month is allowed for any part of 20 days left over.

Sick leave is used to increase your creditable service, but sick leave cannot be used to meet the minimum qualifications for a disability retirement benefit or a deferred benefit. However, you may use your sick leave to complete 30 years of service, regardless of age; 15 years of service after age 50; or 5 years of service after age 55. The City of Winston-Salem will certify the amount of sick leave you have on your Application for Retirement.

❖ **Educational Leave**

If you had interrupted service or approved leave of absence for educational purposes prior to July 1, 1981, credit may be purchased if:

- ◆ you returned to service as a contributing member within 12 months after completing an educational program
- ◆ you have contributed to the retirement system(s) for at least 10 years after returning to service; and,
- ◆ you make a lump sum payment equal to full actuarial liabilities created on account of the additional credit purchased.

If you have interrupted service or approved leave of absence for educational purposes after July 1, 1981, credit may be purchased if regular employee and employer contributions are paid by the 15<sup>th</sup> of the month following the month for which service credit is allowed. If contributions are not made by the 15<sup>th</sup> of the following month, a penalty of 1% per month shall be assessed to the total cost. In addition, unless you return to service as a contributing member within 12 months after completion of your educational program and contribute to the retirement system(s) for at least 3 years (except in the event of death or disability)

your contributions will be refunded and the service credits cancelled. You will be responsible for both your portion and the City's portions of this buyback.

Regardless of when the educational program was completed, the maximum allowable credit for educational leave or interrupted service for educational purposes is 4 years.

❖ **Withdrawn Service**

If you have ever received a refund of your contributions from:

- ◆ the North Carolina Local Government Employees' Retirement System for Full-Time Law Enforcement Officers,
- ◆ the Teachers' and State Employees' Retirement System, or
- ◆ the former Law Enforcement Officers' Retirement System,

you may be eligible to make a lump sum payment and restore to *NCLGERS-LEO* the creditable service you lost when you received your refund. Before you are eligible to pay for this service, you must be rehired and contribute to this System for 5 years. The same rules apply for withdrawn service in WSPORS, but withdrawn service may not be purchased in both plans.

If you have ever received a refund of your contributions from:

- ◆ The Consolidated Judicial Retirement System,
- ◆ The Legislative Retirement System, or
- ◆ The Teachers' and State Employees' Retirement System,

you may be eligible to make a lump sum payment and restore the creditable service you lost when you received your refund. Your credit will be restored to the System *from which it was withdrawn*. Before you are eligible to pay for this service, you must have 5 years of current creditable service in the Judicial, Legislative, Teachers' and State Employees', NCLGERS-LEO, or have a combination of 5 years of credit in any of these Systems. *Service purchased under this method may be used in determining your eligibility for benefits in NCLGERS-LEO but will not be used in computing the amount of your benefits.*

Your cost, which must be paid in a lump sum, will depend on when you make your payment. If paid after you have 5 years of eligible service but less than 10 years, your cost will be equal to full actuarial liabilities created on account of the additional service. As soon as you have 10 years, however, there immediately follows a three-year period during which your cost will likely be lower than at any other time. If not paid during that three-year period, your cost will become equal to full actuarial liabilities created on account of the additional credit purchased.

❖ **Worker's Compensation Leave**

If you are granted a leave of absence to receive benefits under the North Carolina Workers' Compensation Leave Act, you may purchase credit for the period of time you received those benefits. Your cost for Workers' Compensation leave must be paid in a lump sum and will include the total amount required to cover the employee and the employer funding. For leaves ending on or after July 1, 1983, a penalty of 1% per month shall be added to the total cost if payment is not made within 6 months after you return to service.

Contact the City's Employee Accounting/Payroll office immediately upon returning to work to get more information or to make a purchase of this service.

❖ **Service with the Federal Government**

You may purchase credit for service you performed on a full-time basis with the federal government, if you have completed 5 years of service as a contributing member of the retirement system(s) since performing the federal service. In order to be eligible to purchase this credit, your federal service must not be creditable in any other retirement system. Your cost will be a lump sum payment equal to the full actuarial liabilities created on account of the additional credit purchased. You may purchase the service in NCLGERS-LEO or WSPORS, but not both.

❖ **Public Community Service**

If you worked on a full-time basis with a public community service entity in North Carolina that was funded entirely with federal funds, and are not otherwise eligible for credit for that service, you may be eligible to purchase credit for that time. To do so, you must have completed 5 years of service as a contributing member since completing the public service employment. Your cost will be a lump sum payment equal to the full actuarial liabilities created on account of the additional credit purchased.

❖ **Omitted Service**

You may purchase credit for a period of eligible service to a participating employer, if during that period you should have been a contributing member of the State or Local Governmental Retirement System and/or the Winston-Salem Police Officers' Retirement System, but were omitted from contributing membership through error. You may purchase this service from both plans. Your cost, which must be paid in a lump sum payment, will probably be much lower if you purchase this time within 90 days of the omission. The City will pay the employer portion of the cost provided you pay the employee portion of 6% and apply within 90 days of the discovery of the omission. If the omission is an error by the City of Winston-Salem, the City will fund the lump sum amount and allow you to repay the City over time at zero interest on set terms, provided you sign a repayment contract agreeing to the terms.

❖ **Service as a Member of the General Assembly**

You may purchase credit for service as a member of the General Assembly if that service is not creditable in the Legislative Retirement Fund or the Legislative Retirement System. Your cost will be a lump sum payment equal to the full actuarial liabilities created on account of the additional credit purchased.

❖ **Probationary or Waiting Period Service**

You may purchase credit in NCLGERS-LEO for the period of service you performed with the City of Winston-Salem, during which time you were in a probationary or City imposed waiting period status between your date of employment and the date of membership in NCLGERS-LEO. In order to be eligible to purchase this credit, the employer must have revoked its probationary or waiting period policy, which the City of Winston-Salem has done. Your cost will be a lump sum payment equal to the full actuarial liabilities created on account of the additional credit purchased. The City of Winston-Salem will not share the cost with you, if you were hired prior to July 8, 1982. The City of Winston-Salem has already given credit for any applicable waiting period at no cost to you in WSPORS.

❖ **Temporary Local and State Service**

You may purchase credit for full-time temporary local and state government employment if you have completed 5 years of service as a contributing member after the temporary employment. Your cost will be a lump sum payment equal to the full actuarial liabilities created on account of the additional credit purchased.

#### ❖ **Part-time Local and State Service**

You may purchase credit for part-time local and state government service, if you have completed 5 years of service as a contributing member. If your purchase of credit for part-time service makes you eligible to retire and you do so immediately after your purchase, the 5 years of service as a contributing member may be performed at any time before and/or after completion of the part-time employment. Otherwise, the 5 years of service must be performed since completion of the part-time employment. Your cost will be a lump sum payment equal to the full actuarial liabilities created on account of the additional credit purchased.

#### ❖ **Other Service with a Local Government Employer**

You may purchase credit for service to a unit of local government in this State if that service is not creditable in any other retirement system. To be eligible, you must have 5 years of service as a contributing member since completing the service to be purchased. Your cost will be a lump sum payment equal to the full actuarial liabilities created on account of the additional credit purchased.

Please contact the City's Employee Accounting/Payroll Department to obtain more information and the appropriate application for the service types shown above.

## **Refund of Contributions**

If you leave the system(s) for any reason other than retirement or death, you can either:

- ◆ receive a refund of your contributions (plus interest, if you have at least five years of service as a contributing member), or
- ◆ leave your contributions in the system(s) and keep all the creditable service you earned to that date.

To receive a refund, complete an Application (Form 5) and file it with the City's Employee Accounting/Payroll office. These forms are available under the forms section of the City's intranet website. State law does not permit the retirement systems to make a refund earlier than 60 days after your separation from covered employment. Upon receipt of your refund of contributions, you waive any right to the employers' contributions or any other benefit from the retirement system(s). (See pages 23-24 for information about taxation.)

### **Interest**

The interest credited to your contributions and paid with a refund is set by State law. The amount currently applied is 4% per year on your balance at the first of each calendar year, compounded annually. Interest is a benefit to you only if you leave the systems, get a refund, and qualify for an interest payment. The difference between the total investment earnings on your contributions and the 4% paid with your refund is kept by the system to help pay the cost of retirement benefits for career employees. If the law allowed a higher rate of interest to be paid with refunds, your retirement benefit and other career employee benefits would be lower.

## **Transferring Service and Contributions Between Systems**

You can transfer your contributions and creditable service between the NCLGERS-LEO and the Teacher's and State Employees' Retirement System if:

- ◆ you are an eligible member of the system to which you are transferring

- ◆ do not receive a refund of your contributions from the system which you are transferring; and
- ◆ file a Form 5TR

Form 5TR is available from the State Retirement System or the City of Winston-Salem Human Resources department. Creditable service transferred counts toward eligibility for monthly benefits *and* is used in computing the amount of your benefit.

## **Reeemployment After Retirement**

Some employees will officially retire and receive monthly benefits from the system(s) and later be rehired as employees of a participating local government. When this occurs the retirement systems must be notified of the terms of the reemployment.

### **Rehire after receiving early or service retirement benefits**

If you retire with early or service retirement benefits from the retirement system(s) and are rehired by an employer that participates in the system(s), the following rules apply:

If you are rehired by an employer participating in the system(s) on a part-time, interim, temporary, contractual basis, or any basis that does not require membership in the retirement system(s), your retirement payment will be stopped if you receive or earn any of the following:

1. salary, fees or both in excess of \$29,280 during any calendar year;
2. salary, fees or both in excess of 50% of your compensation, excluding termination payments reported to the retirement system during the 12 months of service preceding the effective date of your retirement;

The above amounts will be increased each year by the percentage increase in the Consumer Price Index.

Your retirement payments will be stopped on the first day of the month following the month in which your earnings exceed the greater of the two limits stated above. Your retirement payment will start again on January 1 of the year after your benefit is stopped.

If you are rehired in a position that requires membership in the retirement system and meet one of the earnings tests described above, you will again become a contributing member. Also, you may elect to become a contributing member immediately after you are rehired on a permanent and full-time basis even if you do not meet the conditions of the earnings tests. In either case your retirement payments shall be reinstated the month following termination of re-employment or the month following the month in which the conditions set forth herein are no longer met.

At any time you are rehired and become a member of the retirement system again, you will earn greater retirement benefits for your second early or service retirement benefits. If you return to service and contribute for at least three additional years, you can change the retirement payment plan and/or beneficiary you selected at the time of your original retirement.

### **Rehire after receiving disability retirement benefits**

If you accept public or private employment, contact the NC State Retirement System, Human Resources or Employee Accounting/Payroll offices for information on provisions that apply to you.

# **Income Tax**

Benefits from the retirement system(s) receive special income tax treatment. The following is a brief outline of current tax laws as they apply to System benefits. **However, tax laws often change, you should consult your tax advisor for guidance.**

## ❖ Retirement Benefits

Each year, by January 31<sup>st</sup>, a Form 1099-R (similar to a Form W-2), will be sent to you from each retirement system. Shown on the Form 1099-R are the amount of your retirement benefits, the taxable portion thereof (if any), the amount of the tax withheld (if any), and related information. Copies will also be sent to the Internal Revenue Service and the North Carolina Department of Revenue. Therefore, you should report your retirement benefits on your federal and state tax returns regardless of whether you owe any income tax.

**Federal income tax.** It is likely that part of your retirement benefit is not subject to federal income tax because the tax thereon was withheld while you were working. Included in the non-taxable portion of your retirement benefits are: contributions made by you before the City of Winston-Salem adopted a tax sheltering resolution and any service purchases made by you.

Part of your retirement benefit is subject to federal income tax because it has not been taxed before. Included in the taxable portion of your retirement benefits are: contributions made by you after the City of Winston-Salem adopted a tax sheltering resolution, all benefits paid by the City's contributions, and interest earnings.

When you retire, you will receive a statement that shows the total amount of your retirement benefits not subject to federal income tax. That figure will be referred to as your "federal tax base".

Under federal law, the majority of each and every retirement check is includable as taxable income on your federal tax Form 1040. This does not mean that you will pay tax again on the contributions on which you have already paid tax. It does mean, however, that you may exclude only a small portion of your previously taxed contributions each month throughout a period of time specified by the federal government.

Each retirement system computes the non-taxable portion of your monthly benefit by using the federal "simplified safe harbor method". Under this method of computation, your "federal tax base" is divided by a specified number, based on your benefit option and your nearest age at retirement, to determine the non-taxable amount of your monthly benefits. See IRS Pub. 575 for more information.

**State income tax.** Retirement payments made to members of NCLGERS-LEO and WSPORS who had five or more years of service in the plans before August 12, 1989, are not subject to North Carolina income tax. However, retirement payments made to members of NCLGERS-LEO and WSPORS who did *not* have five years of service by August 12, 1989, will be subject to North Carolina income tax. (See *Bailey v. State of North Carolina*)

For those whose retirement benefits are taxable for state purposes; the amount of retirement benefits subject to State income tax is the same amount of retirement benefits on which federal income tax must be paid, less a \$4,000 annual exclusion. If the taxable portion of your annual retirement benefits is less than \$4,000, you will not owe any State income tax on your retirement benefits.

❖ **Death Benefits**

Your beneficiary pays no income tax on NCLGERS-LEO death benefits. They are treated as life insurance benefits. The City of Winston-Salem has a \$2,000 death benefit that is paid for retirees with 15 or more years of service. This death benefit is taxable only to the extent that, combined with death benefits from other employers, it exceeds \$5,000. You should consult your tax advisor or the Internal Revenue Service, if you are a beneficiary of such a payment. If you have received such a payment from the City of Winston-Salem, you will receive a Form 1099 that notifies you and the Internal Revenue Service of the payment.

❖ **Refunds**

By January 31<sup>st</sup> of the year following the year of your refund, you will be sent a Form 1099-R on which is shown the amount of your refund, the taxable portion thereof, the amount of the tax withheld (if any) and related information. Copies will also be sent to the Internal Revenue Service and the North Carolina Department of Revenue.

**Federal income tax.** You pay no federal income tax on the amount you contributed to the plan prior to becoming tax sheltered; however, the amount you contribute to the plan after becoming tax sheltered is subject to federal income tax. Also, any interest earned by your contributions before and after becoming tax sheltered is subject to federal income tax.

Federal income tax laws require withholding from the taxable portion of your refund unless that portion of your refund is directly transferred to an IRA or another qualified retirement plan. If you do not elect to transfer the taxable portion of your refund directly to an IRA or qualified retirement plan, this portion is subject to a mandatory 20% Federal income tax.

In addition to regular income tax, a 10% excise tax is imposed on the taxable portion of a refund which is made prior to your death, disability, or attainment of age 59 ½. You can defer the income tax and avoid the 10% excise tax by directly transferring the taxable portion of your refund to a traditional IRA or another qualified retirement plan. You should consult the Internal Revenue Service, your attorney, or your accountant for specific information relative to your particular situation. You will receive a tax disclosure and information document when you request an application to apply for a refund. Read this document carefully.

**State income tax.** Effective January 1, 2001, if any portion of the payment to you is an eligible rollover distribution, the Plan is required by law to withhold 4% State tax of that amount if you receive the refund directly.

# **Applying For And Receiving Monthly Benefits**

## **Retirement Application Process**

The effective date of your retirement is always the first day of a month. Therefore, approximately 60-120 days before your planned retirement date, you should complete an application (Form 6). This form is available from the City Human Resources office.

Your completed application for retirement must be signed and filed with the retirement system(s) at least one day (but cannot be executed more than 120 days) before your planned retirement date.

If your death occurs before the effective date of your retirement, your beneficiary would not be eligible for a monthly retirement allowance, based on your retirement account, except as provided under "Survivor's Alternate Benefit" on page 10.

Upon receipt of your application, NCLGERS-LEO will send you a letter acknowledging receipt. You will later receive an estimate of the maximum payment you can receive and the payment options from each retirement system. If you have about the same creditable service in each system the benefit amounts should be within a few dollars of each other. If they are not, you should immediately contact the City Employee Accounting/Payroll office for assistance in reconciling the difference. Service purchases or different entry dates can result in significant benefit differences. Along with the estimates, you will receive an Election of Benefits form (Form 6E) from each retirement system, so you can elect your payment plan. Return the completed NCLGERS-LEO forms to the address indicated. Return the completed WSPORS forms directly to the City Employee Accounting office. If you want an estimate under Option 4, you must furnish each retirement system with an estimate, obtained from the Social Security Administration, of the Social Security benefit available to you at age 62.

## **Monthly Benefit Payments**

Monthly benefit payments from WSPORS will be directly deposited into your account when your financial institution opens for business on the 25<sup>th</sup> day of each month, except in December, when it is deposited on the 20<sup>th</sup>. If the day the City would normally make a deposit is Saturday, Sunday, or a holiday, the payment will be deposited on the last workday before that Saturday, Sunday, or holiday. Direct deposit into your bank account is free and is required for all City employees and retirees.

Your benefit may be increased periodically after retirement to help you keep up with the cost-of-living. Increases depend on changes in the Consumer Price Index and the availability of funds. Cost-of-living increases in the WSPORS shall be made in a manner consistent with the state plan utilizing the same methodology with any such increases contingent upon the Plan having sufficient funds to cover additional actuarial liability.

## **Post-Retirement Increases**

The cost-of-living increases granted are usually figured as a percentage increase in your monthly benefit. That percentage increase becomes a permanent part of your monthly benefit, under all payment plans, and the monthly benefit to be paid to your beneficiary, after your death, under Options 2, 3, 6-2, and 6-3. (See page 14 regarding Option 4 increases.)

**IMPORTANT INFO TO REMEMBER**

- ❑ In all correspondence with either retirement system, give your Social Security and Retirement numbers.
- ❑ Keep your beneficiary designation up to date. See page 7 for a list of forms used for this purpose.
- ❑ No application, form, or other type of document can be effective until it has been filed and accepted by either retirement system.
- ❑ At your request, either retirement system will gladly send you any form, application, or other information it has developed for use by members, if you are unable to obtain access to them online.
- ❑ Any error concerning your retirement account should be brought to the attention of the appropriate retirement system immediately.
- ❑ Your benefits from each retirement system and your benefits from Social Security are not paid automatically – you or your beneficiary must apply for them.
- ❑ If you become disabled you should apply for disability benefits from all available services including:
  - Disability retirement payments from NCLGERS-LEO
  - Disability retirement payments from WSPORS
  - Social Security disability benefits from your nearest Social Security office
- ❑ If you retire on an early or service retirement allowance, you have three years from the effective date of your retirement to convert to a disability retirement allowance, provided you can prove that you would have met all requirements for disability retirement benefits while you were still in service as an active member.

**ADDRESSES and PHONE NUMBERS**

❑ NCLGERS-LEO

Department of State Treasurer (877) 627-3287  
Local Governmental Employees' Retirement System Member Services  
Albemarle Building  
325 North Salisbury Street  
Raleigh, NC 27611

❑ WSPORS

Winston-Salem Police Officers' Retirement System	(336) 747-6800	Human Resources
City of Winston-Salem	727-2981	Employee Accounting/Payroll
P.O. Box 2511	727-2608	Commission
Winston-Salem, NC 27101		

# **Other Benefits Available**

## **RETIREMENT BENEFITS**

### **Supplemental Retirement Income Plan (State 401k)**

As a law enforcement officer, you are automatically a member of the Supplemental Retirement Income Plan (State 401k). You may make contributions to the Plan on a tax-deferred basis up to the limits imposed by the Internal Revenue Service. The City of Winston-Salem contributes 5% of your gross pay each payday to your account. You are immediately vested (take ownership) in the funds when they are deposited in your account. Also, a portion of court costs are allocated and credited to your account in the Plan. You decide how the contributions in your account are invested and also how you want to receive the contributions when you separate from employment. Prudential Retirement administrators the 401k Plan and they can give you further details about the Plan. Their toll-free telephone number is 1-866-627-5267.

### **457 Deferred Compensation**

The City of Winston-Salem offers another supplemental retirement income plan that enables employees to save a portion of their income for retirement through payroll deduction. The 457 Deferred Compensation plan provides that the amount saved, along with the accrued interest, is exempt from income taxes until such time as it is received by the employee at retirement or separation.

If you are interested in participating in this plan, contact the City Human Resources office for further information.

### **Insurance Benefits Plan**

The Separate Insurance Benefits Plan provides certain temporary disability and death benefits to qualified active and retired participants.

You automatically become a participant on your date of hire if you are a law enforcement officer employed by the State or any political subdivision of the State and have the full power of arrest with the primary duty of enforcing criminal laws or the detection and prevention of crime, or serving civil processes.

The benefits under the Plan are:

- Accident and sickness insurance
- A death benefit of \$5,000 for participants in active service (while being paid salary)
- A death benefit of \$4,000 for participants who are eligible former officers
- Accidental line-of-duty death benefit of \$2,100

Payments for accidental injury or sickness shall be payable to a participant or his legal representative. Payments for death benefits shall be payable to the surviving spouse, if any, or otherwise to the estate of the participant unless the participant had designated, in writing, since January 1, 1986, another person(s) as beneficiary(ies) and had filed such designation with the NCLGERS-LEO.

When you stop work as a law enforcement officer, you will end your participation in the Plan unless you:

- have 20 or more years of service as a law enforcement officer, or
- are receiving disability retirement benefits from any State-administered retirement system.

Neither you nor your employer pays anything to this Fund for the benefits. The total cost for the benefits comes from a \$1.00 per case cost-of-court assessment in the criminal cases disposed of in the courts of North Carolina.

The company that provides the accident and sickness insurance is presently carried with the ITT Hartford Insurance Company. Their toll-free number is 1-888-232-5340.

## **DEATH BENEFITS**

### **Death Benefits from NCLGERS-LEO**

When you retire, you will have an opportunity to elect coverage under the \$10,000 Contributory Death Benefit Plan of the State of North Carolina for Retired Members. Your election must be made within 60 days from the effective date of your retirement. Information about the cost and coverage provisions will be sent to you shortly after the NCLGERS-LEO receives your retirement application.

### **Line-of-Duty Death Benefit**

You may also be entitled to a line-of-duty death benefit of \$50,000, which is administered jointly by the North Carolina Industrial Commission and the State Treasurer. This benefit can only be received as \$20,000 the first year following death and \$10,000 each of the three following years. It is distributed between the employee's dependents based upon a State established formula. The City Human Resources has forms and will provide assistance in applying for this benefit.

### **Death Benefit from the Federal Law Enforcement Assistance Administration**

You may be entitled to a line-of-duty death benefit from the Federal Law Enforcement Assistance Administration, United States Department of Justice. As of October 1, 2008 the amount of the benefit is \$315,746, but the amount is increased each year. The Public Safety Attorney's office has information, forms, filing requirements and will provide assistance in obtaining this benefit.

### **City of Winston-Salem Employee Benefits Plan**

The City of Winston-Salem has a \$2,000 death benefit that is paid to retirees with 15 or more years of service. Your beneficiary must provide a death certificate to the City Human Resources office to receive this benefit. If you die while still in active service, your beneficiary is entitled to your City paid basic life insurance. See the Life Insurance section below for information on available life insurance benefits.

Dependents of an employee who dies in the line-of-duty or dies after vesting in the retiree health insurance plan may continue to belong to the health insurance plan by paying retiree dependent premium rates. They may participate in the Dental Plan under the Public Health Services Act (public sector equivalent of COBRA) for up to 36 months by paying the full premium.

Additional information is available from the City Human Resources or Employee Accounting/Payroll office.

### **City of Winston-Salem Workplace Accidental Death Benefit**

The City of Winston-Salem provides a one-time, lump-sum payment equal to the annual base salary of an employee who dies in the line-of duty. This benefit is provided at no cost to the employee. Additional information is available from the City Human Resources or Employee Accounting/Payroll office.

### **Worker's Compensation Death Benefits**

If you are killed in the line-of-duty, the City of Winston-Salem will pay your dependents a tax-exempt benefit of two-thirds of your regular weekly pay up to a maximum set by the Industrial Commission per week for deaths occurring after January 1, 2001. Your spouse and any dependent children share equally in the benefits. Payments for spouse and dependent children ordinarily continue for 400 weeks (about 7 years and 8 months).

For dependent children, their share of the benefit is paid for 400 weeks or until the child turns 18, whichever is longer. These benefits are not subject to taxation, deductions, or garnishments.

The NC Industrial Commission also has a \$3,500 benefit for actual funeral expenses, payable to the person or firm actually entitled to it.

## **SOCIAL SECURITY**

The federal Social Security program provides monthly benefits upon retirement. Social Security has changed frequently since it was passed in 1935, and will continue to do so in the future. Some key facts about current Social Security benefits are shown below.

If you are fully insured, you are guaranteed a monthly retirement income for life from Social Security starting as early as age 62. Your spouse at age 62 can also receive 50% of your benefit – unless he or she is entitled to a higher benefit based on his or her own earnings.

Social Security also provides medical benefits through Medicare starting at age 65 for employees or retirees eligible for Social Security benefits (or with 40 quarters of service as a City of Winston-Salem police officer). Certain long service police officers may not have 40 quarters of service covered under Medicare. These officers and their dependents are eligible to remain in the City of Winston-Salem health benefits plan after they turn age 65.

**You are covered under the Medicare portion of Social Security in your employment as a City of Winston-Salem police officer, but you are NOT covered under the Old Age and Survivors Disability (Fica-OASDI) portion of Social Security.** If you have worked in covered second jobs with other employers, you may also be entitled to Social Security Administration benefits. You are eligible for Social Security benefits as early as age 62 provided you have had the required amount of social security taxed income for 40 quarters (ten years).

More information can be obtained from the Social Security Administration. Their toll-free number is 1-800-772-1213.

## **SPECIAL SEPARATION ALLOWANCE**

As a law enforcement officer, if you retire on a service retirement (i.e. 30 years of creditable service at any age or age 55 with at least 5 years of credit as a law enforcement officer **immediately prior** to your retirement), you may be eligible for a monthly separation allowance. This allowance is payable until you reach the age of 62, or until you return to any employment with local government. The separation allowance is calculated upon your base pay at retirement (hourly rate of pay times 40 hours per week times 52 weeks). You receive .85% times your base rate of pay times your years of creditable service paid monthly.

***Please Note: Any breaks in service during the 5 years immediately preceding your effective retirement date could effect your eligibility to receive a Separation Allowance benefit.***

Contact the City Human Resources or Employee Accounting/Payroll office for details. This benefit is available only as long as it remains mandated by the State of North Carolina.

# **AAdministration and FFunding**

## **The North Carolina Local Government Employees Retirement System (NCLGERS)**

NCLGERS is administered by the Board of Trustees, the Board members are:

Janet Cowell, State Treasurer, Chairman

June Atkinson  
Jerry L. Ayscue  
R. Mike Bradley  
Kay Cashion  
Dennis Ducker  
Harold T. Keen  
Vera J. Lane

John T. McDevitt  
William Moyer  
Sally Sandy  
Grady N. Smith  
Paschal W. Swann  
Donald L. Tarkenton

### **System Assets**

The State Treasurer is the custodian of the Plan assets and serves as the Chief Investment Officer. Equity assets (i.e., common stock, preferred stock, and debentures convertible into common stock) are invested in conjunction with policies adopted by the Equity Investment Advisory Committee. The Committee members are:

Janet Cowell, State Treasurer, Chairman

Steve Jones  
Dr. Harold Martin  
John Medlin  
Donald L. Tarkenton  
Neal F. Triplett  
Courtney A. Tuttle

### **Medical Review Board**

The Medical Review Board determines eligibility for disability benefits. The members of the Board are:

Dr. George S. Edwards, Sr.  
Dr. Robert H. Fleming  
Dr. Ernest B. Page, Jr.  
Dr. Bobby Sellers  
Dr. Nathaniel L. Sparrow

### **Future of the System**

The State expects to continue the system indefinitely. However, because future conditions cannot be foreseen, the State General Assembly reserves the right to modify the provisions of the system.

## System Documents

This booklet summarizes the main features of the Local Governmental Employees' Retirement System. The official text governing the operations of the system and the payment of all benefits is found in Chapter 128 of the General Statutes and Title 20 of the North Carolina Administrative Code.

## Funded Status

The Retirement System has been labeled as "actuarially sound" because of the consistent use over the years of:

- ◆ actuarial assumptions based on experience,
- ◆ an approved actuarial funding method, and
- ◆ the recognition of all promised benefits in the actuarial liabilities.

See *Local Governmental Employees' Retirement System – Your Retirement Benefits For Local Law Enforcement Officers* for more information. <http://www.nctreasurer.com>

## The Winston-Salem Police Officers' Retirement System (WSPORS)

WSPORS is administered by the Winston-Salem Police Officers' Retirement System Commission. The Commission members are:

Brenda Diggs, Chairman

Lieutenant Robert G. Cozart	Vice Chairman
Denise C. Bell	Administrator
Robert C. Clark	City Council Member
Asst. Chief Michael V. McCoy	Retired Member
Lieutenant Doug Nance	Member
Lieutenant Christopher A. Lowder	Alternate Member
Lieutenant Jeff Watson	Alternate Member

## System Assets

The Chief Financial Officer of the City of Winston-Salem is the custodian of the assets. The U.S. Bank and Trust, N.A. is the trustee of the assets. The assets are divided in relatively equal amounts between ten investment managers. Selection and performance monitoring of the investment managers is provided by Deutsche Banc Alex. Brown.

## Medical Review Board

The Medical Review Board determines eligibility for disability benefits. The members of the Board are:

Dr. Fredric Kahl	Cardiology
Dr. Tadhg James O'Gara	Orthopedics
Dr. Stephen A. Hubbard	Preventive & Occupational Medicine
Dr. Thomas W. Brown	Psychiatry
Dr. Andreas D. Runheim	Neurology

## **Future of the System**

The City of Winston-Salem expects to continue the Winston-Salem Police Officers' Retirement System indefinitely. However, because future conditions cannot be foreseen, the City Council reserves the right to modify or terminate the provisions of the system at any time.

## **System Documents**

This booklet summarizes the main features of the Winston-Salem Police Officers' Retirement System. The official text governing the operations of the System and the payment of all benefits is found in Chapter 50, Article II of the Ordinances Code of the City of Winston-Salem, NC. Copies of the relevant sections may be obtained from the City Secretary's office in City Hall.

## **System Address and Telephone Number**

The address and telephone number of the Retirement System are:

Winston-Salem Police Officers' Retirement System  
Financial Management Services  
P.O. Box 2511  
Winston-Salem, North Carolina 27102

Telephone number: (336)727-2608

## **Funded Status**

The Retirement System has been labeled as "actuarially sound" because of the consistent use over years of:

- actuarial assumptions based on experience,
- an approved actuarial funding method,
- the recognition of all promised benefits in the actuarial liabilities.

Financial statements and required supplementary information for the Winston-Salem Police Officers' Retirement System are included in the City of Winston-Salem June 30, 2011, Comprehensive Annual Financial Report. The report may be obtained by calling the City of Winston-Salem Financial Management Services Office at (336) 727-2608.

# **Sources and Applications of Funds**

## **The North Carolina Local Government Employees' Retirement System**

**Member Contributions:** Members contribute 6% of gross salary each month to the system.

**Employer Contributions:** Employers contribute an actuarially determined percentage of the gross payroll of members each month to the system. The City of Winston-Salem, NC contributed 6.41% of your gross pay during the Fiscal Year ended June 30, 2011 and will be contributing 6.92% of the gross payroll during the Fiscal Year ending June 30, 2012. The amount the City contributes varies depending upon changes in the benefits provided by the NCLGERS-LEO plan, the investment performance of the plan's assets, and actuarial assumptions used by the plan.

## **The Winston-Salem Police Officers' Retirement System**

**Member Contributions:** Members contribute 6% of gross salary each month to the system.

**Employer contributions:** The City of Winston-Salem contributes an actuarially determined percentage of the gross payroll of members each month to the System. The City contributed 21.6% of the gross payroll during the fiscal year ended June 30, 2011 and will be contributing 16.6% of the gross payroll during the Fiscal Year ended June 30, 2012. The amount the City contributes varies depending upon changes in the benefits provided by the NCLGERS-LEO plan, the investment performance of the WSPORS plan's assets, and actuarial assumptions used by the WSPORS plan.

## **Life Insurance**

### **Basic Life/Accidental Insurance**

Automatic coverage under the City's group insurance program is provided to all full-time employees on the first day of the month following one month of continuous service.

The City pays the entire cost for the following coverage:

- Life Insurance: Amount equal to annual earnings (base salary) rounded to the nearest \$1,000. The value of insurance above \$50,000 is taxable to you.
- Accidental Death: Amount equal to life insurance amount.

Upon termination of employment, any employee, without medical examination, may convert up to 100 percent of life insurance coverage and pay the premiums on an individual basis. Premium information is available in the City Human Resources office. See your employee handbook for details.

### **Supplemental Life Insurance**

Additional life insurance may be purchased by full-time employees at group rates on the first day of the month following one month of continuous service. See your employee handbook for details.

### **Permanent Universal Life Insurance**

The City offers an optional permanent life insurance benefit. This benefit provides permanent life insurance for employees and/or dependents. This life insurance will continue even after an employee terminates employment with the City. The policy builds cash value and the premiums are paid by the employee through payroll deduction. Information concerning rates and other policy provisions are available at the City's Human Resources office.

**It is important to notify the Human Resources office when you wish to make a change in your beneficiary.**

# **HHealth and Dental Insurance**

## **Retiree Health Insurance**

City employees who work at least 30 hours per week, hired prior to July 1, 1991, and who retire with five or more years of service are eligible to receive postretirement health care benefits.

Employees hired on or after July 1, 1991, but prior to July 1, 2010, who retire with fifteen or more years of service, are also eligible. Employees who voluntarily terminate employment with 15 or more years of service are eligible for postretirement health care benefits beginning at age 62.

Employees hired after July 1, 2010 are not eligible to receive postretirement healthcare benefits.

Retirees 65 and older are eligible for the Medicare Supplemental Insurance.

Dependent and spouse coverage is also available at current premium rates. Contact the City Human Resources office for current rate information or assistance with claims problems. See your employee handbook for details about plan offerings.

The City of Winston-Salem has no way of knowing whether the level of coverage you choose (individual, retiree/spouse, family) is appropriate to your needs. ***It is your responsibility to review your level of coverage during open enrollment or when you have a change in family condition. Refunds for excess coverage levels will NOT be made for overpayments prior to the most recent open enrollment. Insurance premiums are collected one month in advance.***

## **Public Health Services Act (PHSA)**

Under the provisions of this Federal law, any employee who terminates employment with the City is eligible to continue in the City's group health and dental plans for a period not to exceed 18 months. However, the terminated employee must pay the full cost of coverage.

Also, this law provides that dependents who lose dependency status, widows of employees and divorced spouses are eligible to continue coverage with the group for up to 36 months. Again, the dependent or spouse must pay the full cost of coverage.

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