



National Life
Group®



SAVE FOR A BETTER TOMORROW

Understanding How Your **North Carolina** State Pension Plan Works

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DREAM...

Establish a Clear Picture

One of the most important, but often overlooked, steps in preparing for retirement is to visualize what you want it to look like and to prioritize your life goals.

- What is your target retirement date?
- Calculate how much income you need to live during retirement.
- Create a retirement income strategy that incorporates all of your anticipated sources of retirement income.

EXPERTS SAY YOU'LL NEED
70% TO 80%

Of your pre-retirement income to cover expenses each year in retirement¹.

ARE YOU ONE OF THE

44%

Of Americans worry they'll never be able to retire – an all-time high.²

23%

Of Americans don't have any kind of retirement plan.²

25%

Of Americans in their 60's could not last more than 3 months off their savings – an all-time high.²

Picture Your Retirement

One of the most important, but often overlooked steps in preparing for retirement is to visualize what you want it to look like and to prioritize your life goals.

Build Towards Your Goals

Estimate your total retirement income

It's fine to use a percentage of your current income as a benchmark, but it's worth going through all of your current expenses in detail. Your next step is to assess how prepared you are to meet your needs over time as your transition to retirement.

What sources of retirement income will be available to you?

- Lifetime income: annuities, social security and pensions
- Savings: IRAs, CDs
- Earnings: full or part-time job
- Other assets: real estate and equity in your home

The biggest concern retirees have is running out of money.

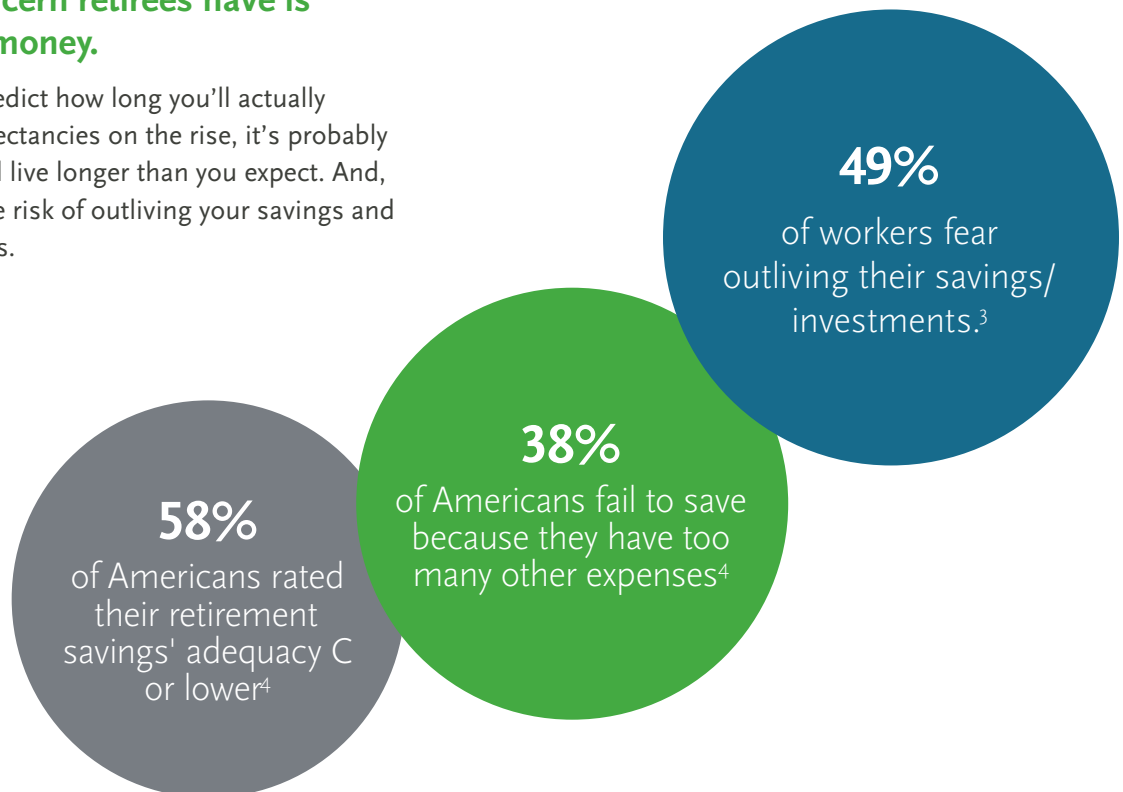
There's no way to predict how long you'll actually live, but with life expectancies on the rise, it's probably best to assume you'll live longer than you expect. And, you may even run the risk of outliving your savings and other income sources.

Plan To Live Longer Than You Think

When you reach age 65...your lifespan could look like this:

65 Year-old Male		65 Year-old Female	
Age	Probability	Age	Probability
70	91%	70	94.2%
75	79%	75	85.52%
85	43%	85	55.13%
95	7.29%	95	13.93%

Source: Finder.com, "Your Odds of Dying by Age and Gender" May 2019.



Your North Carolina Teachers' & State Employee Retirement System. (TSERS)

You become vested in TSERS once you have completed a minimum of five years of membership service. This means that you are eligible to apply for lifetime monthly retirement benefits based on the retirement formula in effect at the time of your retirement 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 65 and complete five years of **membership service**
- Reach age 60 and complete 25 years of **creditable service**
- Complete 30 years of creditable service at any age

You may retire early with a reduced retirement benefit after you:

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

How to calculate your standard monthly benefit:

1. Calculate your Average Final Compensation (AFC)
2. Multiply by 1.82% (0.0182)
3. Multiply by years and months of creditable service
4. Divide by 12

Early Retirement (Reduced Benefits)

Determining Total Years of Service (YOS)

Your benefit at retirement is based, in part, on your creditable service. Creditable service includes your years and months of membership service in which you contributed to TSERS. Creditable service may also include sick leave credit, military service credit and certain types of purchased service credit, which are described below. One month of service is credited for each 20 days of unused sick leave.

Sick Leave

One month of service is credited for each 20 days of unused sick leave. Sick leave is used to increase your creditable service, but it cannot be used to meet the minimum qualifications for a deferred benefit or the Survivor's Alternate Benefit. You may use your sick leave to complete 30 years of service regardless of age, 25 years of service after age 60, and 20 years of service after age 50. Please refer to handbook for more information.

Additional years of service can also be purchased if members meet one of the following:

- Deployed in the military
- Had withdrawn service
- Have out of state service
- Have temporary local and state service
- Have probationary or waiting period service
- Workers compensation leave
- Part time local and state service
- Service with a local government employer
- Service with federal government
- Public community service
- Omitted service
- Service as member of general assembly
- Service as a member of a charter school
- Withdrawn University of North Carolina Optional Retirement Program service
- Extended illness leave
- Parental Leave

Each of these situations has particular guidelines please see the TSERS handbook for more information.

Determining Average Final Compensation

For all plan participants the Average Final Compensation is the average of the members four highest years of salary in a row. If one of the four years included a final payment for unused vacation and/or prorated longevity the final average compensation will include that amount. Note that final payments for unused sick leave or reimbursement of expenses are not includable in the final average compensation.

This is a 42% reduction of income per month from what is being earned today!

Payment Options

North Carolina Teachers' and State Employees' Retirement System provides for five different payout option ranging from life only to life with survivor ship. All options contain a guaranteed refund feature that states that if the participant, and survivorship beneficiary if applicable, die before all the total of all payment equals participants contributions plus interest any unrecovered amount will be paid to another beneficiary(ies). The options are as follows:

- **Maximum allowance** – payments for as long as the participant lives
- **Option 2** 100% joint and survivor – participant receives a reduced monthly payment for life, at death of the participant the beneficiary receives the same amount for life
- **Option 3** 50% joint and survivor – participant receives a reduced monthly payment for life, at death of the participant the beneficiary receives one half of the participants payment for life
- **Option 4** Social Security leveling – member receives a higher payment until they become eligible for Social security at age 62. At that point payments are reduced to an amount less than the normal maximum benefit. All payment stop at the death of the participant. Please see the member handbook for full details on this option.

Example:

Mary, TSERS Member retiring at age 60 with 32.2 years of creditable service with an AFC of \$40,954.

	Sample:	Your Worksheet:
1. Calculate Average Final Compensation (AFC):	\$40,954	
2. Multiply AFC by 1.82%:	$ \begin{array}{r} \$40,954 \\ \times 0.0182 \\ \hline = \$745.36 \end{array} $	$ \begin{array}{r} \text{_____ (AFC)} \\ \times 0.0182 \\ \hline = \$ \text{_____} \end{array} $
3. Multiply by Years of Service (YOS):	$ \begin{array}{r} \$745.36 \times 32.2 = \\ \$24,000.59 \end{array} $	$ \begin{array}{r} \$ \text{_____} \\ \times \text{_____} = \$ \text{_____} \end{array} $
4. Divide by 12 to get Monthly Benefit:	$ \begin{array}{r} \$24,000.59 / 12 = \\ \$2,000.05 \end{array} $	$ \begin{array}{r} \$ \text{_____} / 12 \\ = \$ \text{_____} \text{ Per month} \end{array} $

- **Option 6** modified joint and survivor – this option consists of 2 sub options, Option 6-2 and Option 6-3.
 - Option 6-2 – a combination of Option 2 and the maximum allowance. If the participant dies first the beneficiary continues to receive the same amount, if the beneficiary dies first the monthly payments to the participant are increased to the maximum allowance for the remainder of their life.
 - Option 6-3 – a combination of Option 3 and the maximum allowance. If the participant dies first the beneficiary will receive one half of the amount being paid to the participant, if the beneficiary dies first the monthly payments to the participant are increased to the maximum allowance for the remainder of their life.

Post-Retirement Increases

Post-retirement increases are not guaranteed. However, 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. Please see handbook for more details.

NC made a tough decision to discontinue retiree healthcare insurance for ee hired after 01/01/2021. This is referenced on page 27/40 of the guide. This is a strong point to highlight for new employees.

A woman with dark hair tied back, wearing a pink cardigan over a white top, and a young girl with dark hair in a pink dress are holding hands and looking up at the bright sun in a park. The background is a soft-focus view of trees and a building.

You Have Questions, We Have Answers

Your representative is available to assist you in reaching your retirement dreams and to answer any questions you may have, like:

What retirement benefits will I get ?

You can obtain a personalized retirement benefit estimate by going to your online account. Your representative will use this information to help you see your overall retirement income picture and to identify any gap between your estimated retirement funds and your savings needs.

How much can I contribute to a supplemental retirement account?

The amount you can contribute to a retirement account depends on your earnings, your age, and other factors. Your representative will determine your appropriate contribution limit and can set up a customized savings program that works for you.

What happens if I change jobs?

You have control of your supplemental retirement account. The portability feature allows you to roll over the funds in this account into another retirement plan you may have. Or, you can leave your account in place and any balance has the potential to continue to grow tax-deferred.

What if I need money before I retire?

Your plan may contain provisions for loans and hardship distributions, and you may access your funds if you meet certain conditions. Taking an early distribution from your account should be considered carefully since taxes and fees may be imposed.

What product is right for me?

Your financial professional will determine which of the many savings vehicles are appropriate for meeting your current situation and future needs.

ACT...

Make Savings Your Top Priority

- 1 Are you saving enough for your tomorrow?
- 2 Will your retirement money outlive you?
- 3 What percentage of your final salary will you be living on?
- 4 Do You Have a Retirement Gap? Is there a gap between the amount you've saved for retirement and the amount that you want and need?

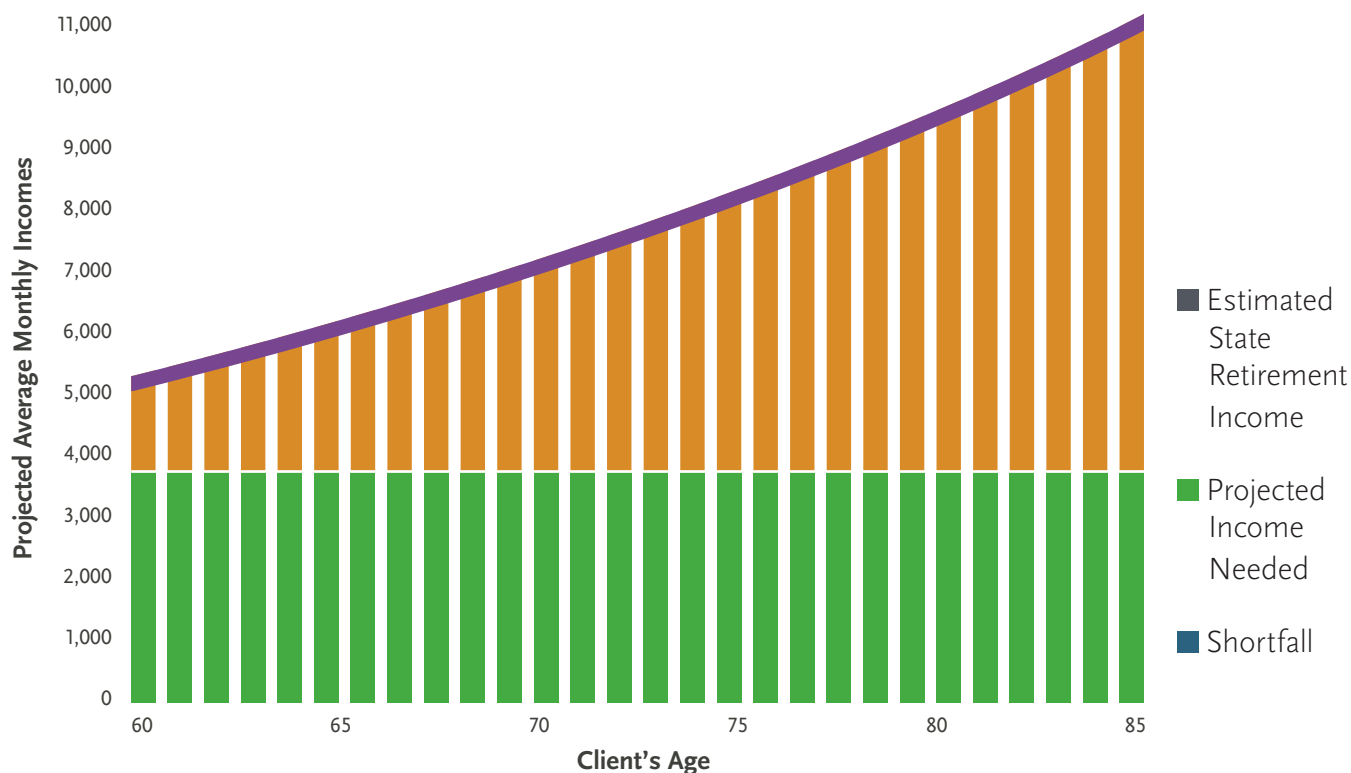
Identifying the amount you're short is the first step in fixing the problem.

Step One: Evaluate how much money you would need in order to retire at the age you desire and live the lifestyle you want.

Step Two: If there is a gap between your predicted needs and your predicted savings (and most people do have a gap), determine what you can do to get more money into your retirement savings. That's generally going to happen in two ways: save more or create a savings strategy geared toward your earnings goal.

Sample Gap Analysis Report – Prepared for Valued Policy Owner

Retirement Years





Source: The Retirement Analysis Kit (TRAK) Software by TrustBuilders, Inc. 2012 Version. www.tbinc.com. For illustrative purposes only.

ACT...

You have gathered information about retirement. You have taken the time to evaluate your needs. You are now ready for an action plan! With the efforts you have made over the years, you will deserve to fully enjoy what life has to offer.

Accumulating funds for retirement can sometimes seem impossible.

First, find simple ways to save. Small contributions to your retirement plan can add up to big savings over time.

		In 20 years you'd have	In 30 years you'd have	In 40 years you'd have
\$5 (7/month)  Lottery Ticket	\$35 per month	\$13,506	\$25,437	\$43,099
\$3.45 (30/month)  Specialty Coffee	\$105 per month	\$38,328	\$72,189	\$122,311
\$4.95 (30/month)  Take-Out Lunch	\$150 per month	\$54,754	\$103,127	\$174,729

This is a hypothetical example for illustrative purposes only - not representative of any particular investment. All figures assume a 4% annual rate of return compounded monthly and do not include any matching contributions made by an employer which are available in some qualified retirement plans.

Make Savings Your Top Priority

Save Regularly.

Make sure to set up systematic payroll contributions to help you get you closer to your goals. You not only defer taxes on the money you contribute, any earnings on your savings also have the potential to compound tax deferred until withdrawal.

Here is a pre-tax savings example for you:

	Post-tax	Pre-tax
Gross Income per Paycheck	\$4,500	\$4,500
Pre-tax contributions	\$0	\$266.66 ⁵
Standard tax deductions	\$686.33	\$619.67
Post-tax retirement contributions	\$200	\$0
Take-home pay	\$3,613.67	\$3,613.67

This hypothetical example is for illustrative purposes only. This example is based on a teacher claiming single and zero allowances and in the 25% tax bracket not considering state or local taxes. Taxes are due at time withdrawals are made from your plan. This information is not intended as tax or legal advice. For advice concerning your own situation, please consult with your appropriate professional advisor.

Ensuring you have enough income to support the retirement you envision requires an ongoing plan that you put in place well before you retire.

ENJOY...

Make Savings Your Top Priority

What's your tomorrow?

Do you dream about being able to pursue hobbies?

Is there a dream vacation you have always envisioned?

- 1 Follow your dreams...
- 2 Now is the time to put your retirement income strategy in place
- 3 Experience the financial security and retirement lifestyle you have always dreamed of.

We can help you get there...We are the right choice for retirement income.

National Life Group offers excellent 403(b) annuities through Life Insurance Company of the Southwest. We have helped thousands of people working in the education field save money for their futures.

DID YOU KNOW...

indexed annuities offer protection, safety, guarantees and income?

Our flexible fixed indexed annuities provide safety, guarantees and income for life and allow you to:

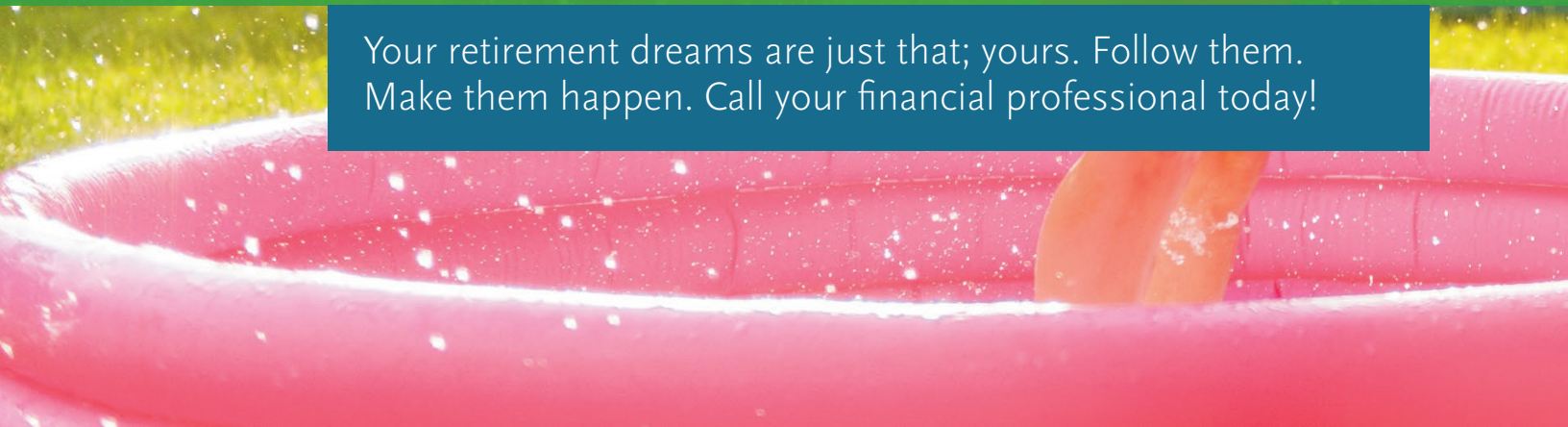
- Contribute to your employer sponsored savings plan with the peace of mind that the money will be there when you need it.
- Receive a guaranteed⁶ stream of income for life without giving up control of your money.
- Leave any balance in your annuity to your loved ones.

Your retirement dreams are just that; yours. Follow them. Make them happen. Talk to your financial professional today.



DREAM, PLAN, ACT,

Your retirement dreams are just that; yours. Follow them.
Make them happen. Call your financial professional today!





ENJOY...



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1. Saving for Retirement: The Quest for Success, Investopedia, <https://www.investopedia.com/articles/retirement/05/061305.asp>
 2. Retirement Confidence Index, January 2021, SimplyWise, <https://www.simplywise.com/blog/retirement-confidence-index/>
 3. This is the No. 1 Fear of Americans Facing Retirement, 401KSpecialist, <https://401kspecialistmag.com/this-is-the-no-1-fear-of-americans-facing-retirement/>
 4. 4. 31+ Retirement Statistics You Need to Know in 2022, LegalJobs, <https://legaljobs.io/blog/retirement-statistics/>
 5. Taxes are due when amounts are withdrawn.
 6. Guarantees are dependent on the claims paying ability of the issuing company.

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