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STATE TREASURER

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DIRECTOR

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TO: Employers of Members of the
Teachers' and State Employees' Retirement System and
Local Governmental Employees' Retirement System

FROM: Michael Williamson

SUBJECT: Increase in Reemployment Earnings Before Benefits Stop

The Boards of Trustees of the Retirement Systems have increased by 3.4% the amounts of compensation a reemployed beneficiary may earn from an employer participating in the same Retirement System under which the beneficiary is retired, effective January 1, 2006. The authority for the change is provided under G.S. 128-24(5)c and G.S. 135-3(8)c.

"Should a beneficiary who retired on an early or service retirement allowance under this Chapter be reemployed, or otherwise engaged to perform service by an employer participating in the Retirement System on a part-time, temporary, interim, or on fee-for-service basis, whether contractual or otherwise, and if such beneficiary earns an amount during the 12-month period immediately following the effective date of retirement or in any calendar year which exceeds fifty percent (50%) of the reported compensation, excluding terminal payments, during the 12 months of service preceding the effective date of retirement, or twenty thousand dollars (\$20,000) , whichever is greater, as hereinafter indexed, then the retirement allowance shall be suspended as of the first day of the month following the month in which the reemployment earnings exceed the amount above, for the balance of the calendar year. The retirement allowance of the beneficiary shall be reinstated as of January 1 of each year following suspension. The amount that may be earned before suspension shall be increased on January 1 of each year by the ratio of the Consumer Price Index to the Index one year earlier, calculated to the nearest tenth of a percent (1/10 of 1%)."

The increase in the Consumer Price Index as of January 1, 2006 for the period from January 1, 2005 was 3.4%. As provided under G.S. 128-24(5)c and 135-3(8)c, the retirement benefit will be suspended for the remainder of 2006 if such beneficiary's earnings during the 12-month period immediately following the

effective date of retirement or during the calendar year 2006 exceed the greater of (i) 50% of the beneficiary's compensation during the 12 months of service before retirement, excluding any termination payments, as increased by 3.4% or (ii) \$26,280.00.

We also remind you that coverage provided to beneficiaries of the Teachers' and State Employees' Retirement System under the retiree group of the State's Medical Plan will be suspended at the same time a retirement benefit is suspended.