



# FEW are on track, are you?

Maximize Your Retirement with NDPERS 457 Plan, Purchase and Portability Enhancement Provision (PEP)  
Financial Essentials Workshop



**NORTH DAKOTA**  
PUBLIC EMPLOYEES  
RETIREMENT SYSTEM

# Agenda

5

457 Deferred Compensation:  
Personal Retirement Savings

Service Purchase

Portability Enhancement Provision  
(PEP) – Defined Benefit Plans Only



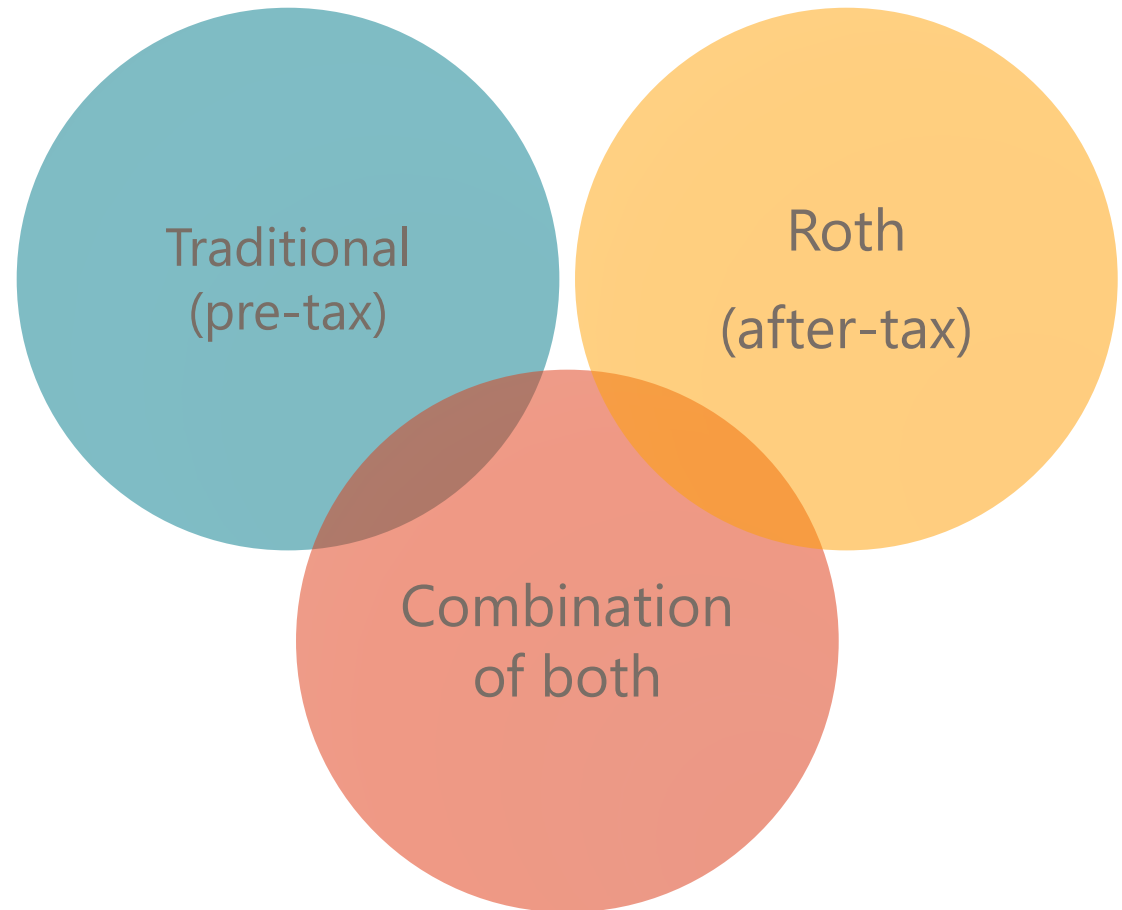
# Consider Supplemental Retirement Savings

Pre-Tax and After-Tax (Roth) Options



# Choose your mix

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Feature	Traditional Pre-tax 457(b)	Roth After-tax 457(b)
Contributions	Reduces taxable income now	No immediate tax benefit
Distributions	Taxable as ordinary income	Generally Tax-free ( <u>IRS requirements</u> )
Generally, best for	Expecting <b>lower</b> tax bracket in retirement	Expecting a <b>higher</b> tax bracket in retirement or want tax-free growth
Required Minimum Distribution	Generally required	Not required
Eligible towards purchasing service in a Defined Benefit Plan?	Yes, use pre-tax 457 funds to complete a service purchase	No, you may not purchase service credit with Roth 457 funds

# Comparing Traditional 457 & Roth 457

# Disclaimers

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- Consult your financial advisor on which saving strategy is best for your retirement
- Not all NDPERS-authorized 457 Plan providers can manage Roth contributions



# How much can I contribute?

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IRS Annual Limit (applies to all members)

Age 50+ catch-up limit (between ages 50 – 59, and 64+)

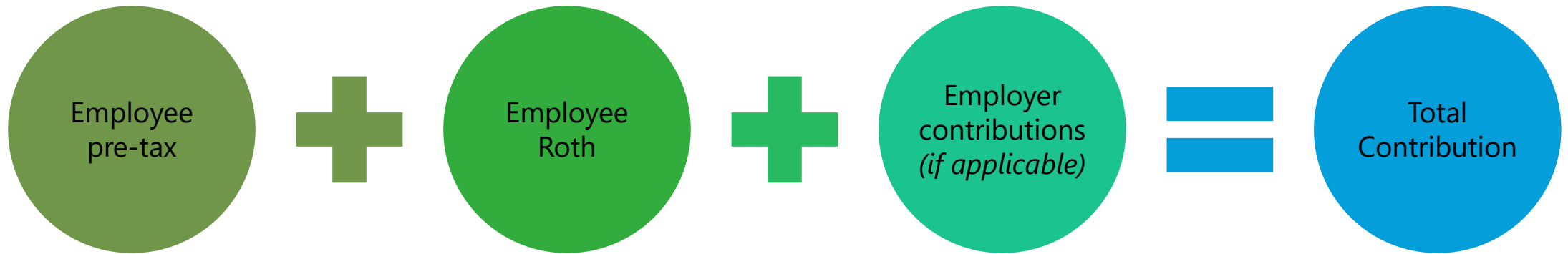
Super catch-up (ONLY for those between ages 60 – 63)

Regular 3-year catch-up (available 3 years prior to your retirement year and not concurrent with other catch –up limits. Contact PERS to apply\*)

Special IRS rules apply to high earners

# Which contributions count towards the IRS Limit?


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# IRS Annual Contribution Limits

Verify with your financial advisor and review IRS guidelines to ensure you're maximizing your contributions appropriately.

Contribution Type	2026 Total Contribution Limit
Annual limit	\$24,500
Age 50+ catch-up Available to members between ages 50 - 59	\$32,500
Super catch-up Available to members between ages 60 - 63	\$35,750
Regular 3-year catch-up Must be within three years prior to the year in which you retire and <b>not concurrently with other catch-ups</b>	\$49,000

A photograph of the entrance to an Internal Revenue Service building. The building is constructed of light-colored stone blocks. Above the entrance, a rectangular plaque is set into the wall with the words "INTERNAL REVENUE SERVICE" in capital letters. The entrance itself is a large archway with a decorative pediment above it. Two black lantern-style light fixtures hang from the archway. The view through the archway shows a continuation of the building's architecture and a glimpse of the sky.

INTERNAL  
REVENUE  
SERVICE

# Mandatory Roth Catch-Up Contributions

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- Applies to highly compensated employees (HCE), also known as high-income earners
- Prior year social security wages to determine HCE status
- Example: Earning above \$150,000 (social security wages) in 2025 is considered HCE for 2026
- Verify current year threshold at [IRS.gov](https://www.irs.gov)

# Mandatory Roth Catch-up for High Income Earners

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IRS Annual Limit => **Pre-tax or Roth**

Age 50+ catch-up limit => **Must Contribute Roth**

Super catch-up => **Must Contribute Roth**

Regular 3-year catch-up => **Pre-tax or Roth**

Special IRS rules apply to high earners

# High Earners in the DC 2025 Plan

**DC 2025 members who are age 50+, contributing Roth catch-up, and receiving an employer match through the 457 Plan**

**Monitor** your total (employer + employee) contributions to stay within the 457 annual limits.

**Consider** your options as a Highly Compensated Employee (High Income Earner).

- Employers cannot match DC 2025 contributions with Roth.
- You may choose to make your Roth 457 catch-up contributions earlier in the year before reaching your annual contribution limit.
- This helps ensure you don't miss out on the up to 3% pre-tax employer match when receiving it through the 457 Plan

# How do I enroll?

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[Member Self Service](#)

\*Recommended

[Enrollment/Change Form SFN 3803](#)

Return to NDPERS





# Timing of contributions & changes

- 2-month delay before the contribution is deducted from your paycheck
- IRS regulations require you to make your deferral election in the month prior to month you will earn the money

January	Make your election in MSS or SFN 3803
February	The month the new election is effective
March	February contribution deducted from March paycheck

# Rollover / Transfer funds

- NDPERS 457 Deferred Compensation Plan will accept pre-tax and Roth roll-ins from other plans (except Roth IRA)
- Members must submit [Rollover/Transfer to 457 Deferred Compensation Plan \(SFN 50177\)](#)
- Members work with provider to complete provider paperwork





Move pre-tax NDPERS 457 Plan funds to a Roth fund within the same plan



Pay income tax on the pre-tax portion of the converted funds in the year of the conversion



Converted funds grow tax-free allowing for tax-free distributions provided [IRS regulations](#) are met

# Convert existing pre-tax contributions to Roth

# Distributions while employed

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*\*Distributions may have tax consequences*

01

Unforeseeable  
Financial  
Hardship

02

De Minimus  
Distribution

03

Required  
Minimum  
Distribution  
(RMD)

04

Qualified  
Domestic  
Relations Order  
(QDRO)

05

Funds rolled in  
from another  
provider



# For more information

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- <https://ndpers.nd.gov>
- Active Members > Retirement Plans > 457 Deferred Compensation
  - Plan Handbook Overview
  - Investment Providers Options
  - Current Year Contribution limits
  - Forms



# Purchasing Service Credit

# Reasons to Purchase Service Credit

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01

Vest earlier

02

Meet normal  
retirement  
sooner

03

Increase your  
monthly  
retirement  
benefit (pension)

04

Increase your  
Retiree Health  
Insurance Credit  
(RHIC)

exception Main Plan,  
*Tier 3*

# Types of Service Credit

You can purchase different types of service credit:

- Generic (*after you are vested*)
- Military (*up to 48 months*) \*
- State (non-NDPERS that was refunded)\*
- Federal \*
- Legislative \*
- NDPERS Leave of Absence/Seasonal
- NDPERS previous service that was refunded
- USERRA (Defined Benefit and Defined Contribution members eligible). Special provisions apply.
- Unused sick leave upon leaving employment

*\*Must deplete the retirement plan associated with the previous public employment*



# Service Credit Purchase Example

## No Purchase

\$3,000 FAS

X \*2.00% Multiplier

X **20 Years of Service**

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= \$1,200 Monthly

(Single Life)

= \$14,400 Annually

= \$288,000 over 20 years

## Purchase - 60 months

\$3,000 FAS

X \*2.00% Multiplier

X **25 Years of Service**

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= \$1,500 Monthly

(Single Life)

= \$18,000 Annually

= \$360,000 over 20 years

**(\$72,000 additional income)**

## Hypothetical Illustration

	No Purchase	Purchase
	\$1,200.00	\$1,500.00
Monthly increase		<b>\$300.00</b>
Purchase Cost	60 months	\$46,441.59
# of years for return on investment (ROI)		12.90

Cost will vary, based on age, FAS, etc.

If you invested \$46,441.59, could your investment professional guarantee \$300.00 per month for the rest of your life beginning at retirement ?

***This example may not be interpreted as a personal calculation***

***Multipliers will vary by plan***

# Unused Sick Leave Purchase Formula

## Calculation:

$$1,450 \text{ hours} / 173.3 = 8.37 \text{ months (}\sim 9 \text{ months)}$$

$$\text{FAS} \times \# \text{ months} \times \text{*Plan Contribution Rate \%} = \text{purchase cost}$$

### No Purchase

\$3,000 FAS

X \*\*2.00% Multiplier

X **20 Years of Service**

-----  
= \$1,200 Monthly (Single Life)

### Purchase - 9 months

\$3,000 FAS

X \*\*2.00% Multiplier

X **20.75 Years of Service**

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= \$1,245 Monthly (Single Life)

Remember, even if you choose to purchase unused sick leave when you leave employment, your employer may still pay out a portion of your sick leave too

\* Contribution Rates will vary by plan

# Service Purchases

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## Submitting a Purchase Request

- Online through Member Self Service (MSS)
- Request for Purchase Information - SFN 53718

## Payment Methods

- Direct Rollover/Transfer another Pre-Tax Retirement Account. **Roth funds are not accepted.**
- Personal Check (following 1995 or 1998 IRS limits)
- Payroll Deductions\* (before or after-tax)
  - Depends on Employer

\*Interest applies when making installment payments

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# Defined Benefit Plans Only

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**Make MORE out  
of your  
Retirement  
Contributions**

**Portability  
Enhancement  
Provision (PEP)**



# Different plans

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**Plan 1:** Your NDPERS  
Defined Benefit Retirement  
Plan

**Plan 2:** *Optional*  
Supplemental Retirement  
Savings (Deferred  
Compensation)

**How Plan 1 and 2 can work  
together automatically:**  
Portability Enhancement  
Provision (PEP)

# Portability Enhancement Provision (PEP) Defined Benefit Plans Only

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DB Plan and Deferred Compensation work together



Redistribution of funds



Faster growth of member account balance

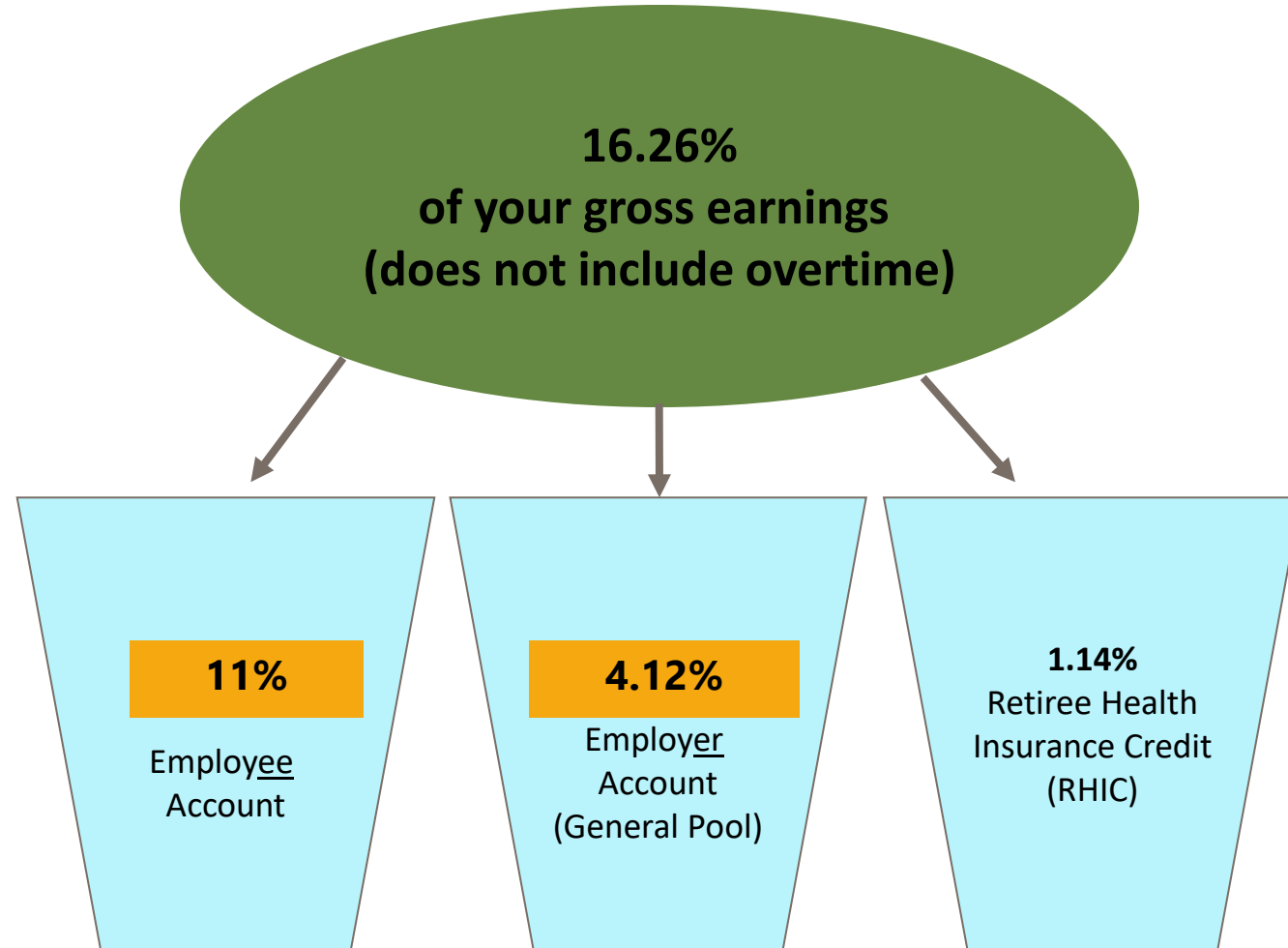


More "portability"

# Main Plan Example

## Contribution Allocation with PEP

Years of Service	Your Investment in Deferred Comp
0-12 months	1% of gross pay or minimum of \$25
13-24 months	2% or minimum of \$25
25-36 months	3% or minimum of \$25
37 + months	4% or minimum of \$25





PEP does NOT  
increase your  
future NDPERS  
monthly  
retirement benefit  
(pension).

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REMEMBER: YOUR FUTURE  
NDPERS PENSION AND YOUR  
SUPPLEMENTAL RETIREMENT  
SAVINGS ARE 2 DIFFERENT PLANS.



**NORTH DAKOTA**  
PUBLIC EMPLOYEES  
RETIREMENT SYSTEM

# Contact NDPERS

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## Customer Service

- Call: (701) 328-3900 or
- TF:(800) 803-7377



## Online Resources

- Website: [ndpers.nd.gov](http://ndpers.nd.gov)
- [Member Self Service \(MSS\)](#)