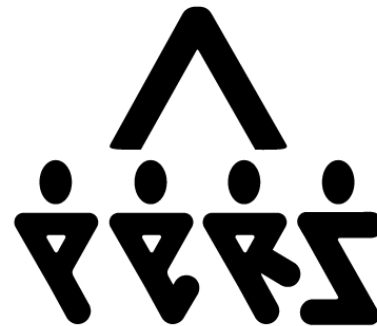


NDPERS



Defined Benefit (DB) Hybrid Plan or “Main” Retirement Plan



**NORTH DAKOTA
PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

NDPERS DEFINED BENEFIT HYBRID RETIREMENT PLAN



- Funded by contributions and investments
- Defines the benefit payment using formula
- Guaranteed member account balance

Eligibility



- At least 18 years of age
- Position is regularly funded & not of limited duration
- Work a minimum of 20 hours per week for 20 or more weeks per year

Enrollment



- Eligible employees employed at the time the employer joins may waive participation
 - Must sign a waiver of participation
 - May not have pay increased as a result of waiver in lieu of enrollment
 - May join at a later date
- All eligible employees hired after the employer joins must participate

Contribution Rates



- Employee Contribution – 7.00%
- Employer Contribution – 8.26%
- Contributions are calculated as a percentage of gross pay, excluding overtime

Payment of Employee Contribution

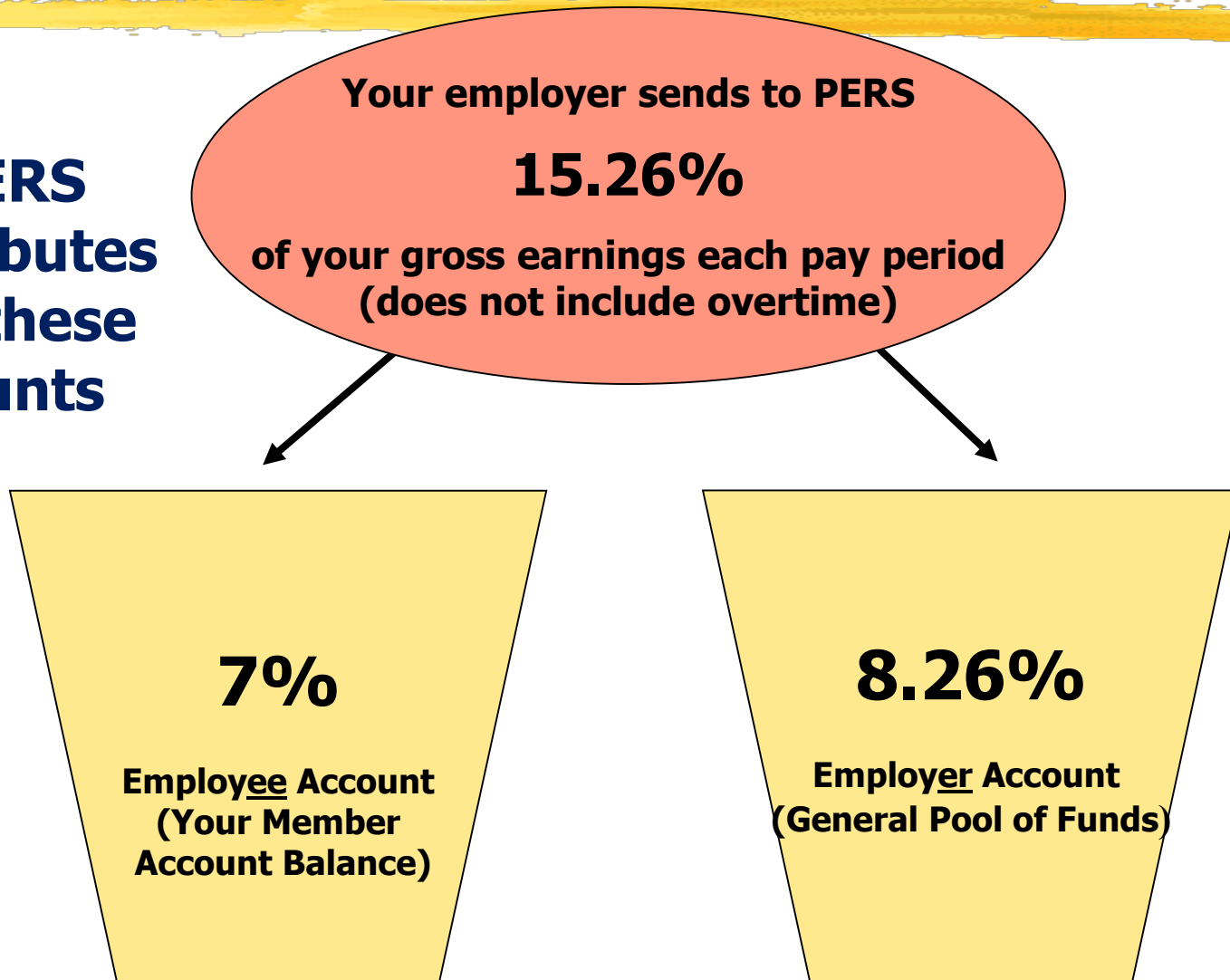


- Employee Paid
 - after tax deduction
 - salary reduction (tax deferred)
- Employer Paid
 - All or a portion
 - Offset against future salary increase
- Combination of salary reduction and salary increase offset (employer pays more into retirement in lieu of increase)

Defined Benefit Hybrid (DB) Plan

How Your Retirement Contributions are Allocated

**NDPERS
distributes
into these
accounts**



Service Credit & Vesting

- A member will receive a month of service credit for each contribution
- A member is vested the earlier of:
 - Achieving 36 months (3 years) of service credit or
 - Attaining 65 years of age
- A member has become legally entitled to a monthly benefit from NDPERS



DB Retirement

Normal Retirement	Early Retirement**
Lifetime benefit <ul style="list-style-type: none">At the earlier of:	Lifetime benefit <ul style="list-style-type: none">Reduced by 8% for each year or .667 for each month if:
Attain Age 65 OR	NOT Age 65 OR
Achieve Rule of 90 (with minimum age of 60) Member's Age + Service Credit <u>Example:</u> 60 years + 30 years = 90	HAVE NOT met Rule of 90 **Must be at least age 60

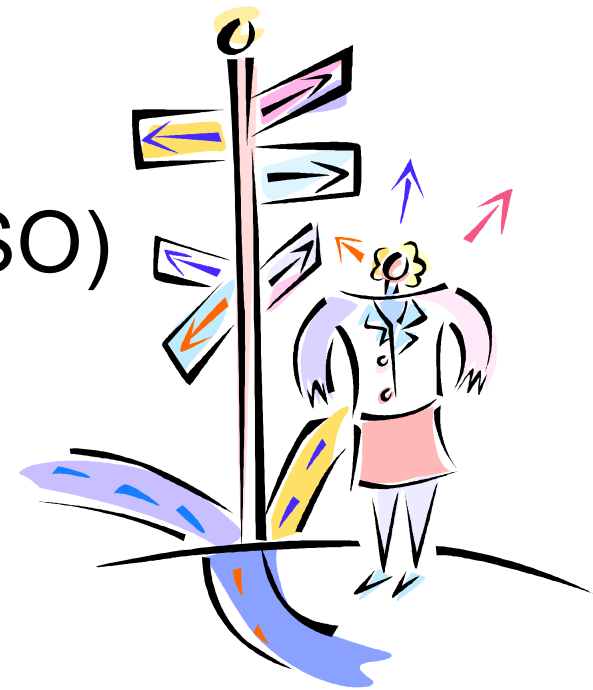
Retirement Benefit Formula

- Final average salary (FAS)
 - The average of your 3 highest 12-month consecutive periods during the last 180 months worked
- Benefit multiplier
 - 1.75%
- Credited service
 - One month of service for each contribution

$$\text{(FAS x 1.75\% x Service Credit = Single Life)}$$

Retirement Benefit Options

- Single Life
- Joint & Survivor Options
- Term Certain Options
- Partial Lump Sum Option (PLSO)
- Graduated Benefit Option



Retirement Benefit Example

Disclaimer: This example may not be interpreted as a personal calculation

Assumptions: Member is Age 64 with a Spouse Age 59
Rule of 90 Applies*

Retirement Benefit Formula:

$\$3,000 \text{ (FAS)} \times 1.75\% \times 26 \text{ Years} = \$1,365.00$

Single Life Benefit = **\$1,365.00**

Alternate Options:

- 50% or 100% Joint & Survivor Benefit
- 10 or 20 Year Term Certain

Early Retirement Benefit Example

Disclaimer: This example may not be interpreted as a personal calculation

Assumptions: Member is Age 64 with a Spouse Age 59
(Does not meet Normal Retirement Date: Age 65 or “Rule of 90”)

Retirement Benefit Formula:

\$3,000 (FAS) x 1.75% x 24 Years =	\$1,260.00
<i>(Early Retirement Reduction 8.0%)</i>	<u>- 100.80</u>
<i>(Early Single Life Monthly Benefit)</i>	\$1,159.20
Single Life Benefit =	\$1,159.20

Alternate Options:

- 50% or 100% Joint & Survivor Benefit
- 10 or 20 Year Term Certain

Partial Lump Sum Option



- Referred to as PLSO
- Only for retiring members at or past Normal Retirement Date
 - Excludes Disability Retirees and Surviving Spouses
- Payment equal to 12 months of Single Life
- Permanently reduces ongoing benefit
 - Approximately 10%

Graduated Benefit Option



- Select either a 1% or 2% annual increase
- Monthly benefit is actuarially reduced
- May still choose an alternate benefit option
 - Joint & Survivor
 - Term Certain
- Normal or past normal retirement
- Once in a lifetime election
 - Made at initial application for retirement benefits
 - Will be applied to any subsequent retirement

Disability Retirement Benefits

- Vested after 6 months
- Long Term Disability
 - Determined by Medical Consultant or
 - Social Security Award
- 25% of Final Average Salary (FAS)
 - \$100 per month minimum
- Eligibility will be recertified



Surviving Spouse Benefits



Assumption: Member is Active Prior to Death

- Lump Sum Payment
 - Also applies to single and non-vested members
- Lifetime Payments – Surviving Spouse Only
 - 50% of Normal Single Life, or
 - 100% Joint & Survivor Payment
 - If deceased was age 65 or met Rule of 90

Member Account Balance Options at Separation of Employment

NOT Vested	Vested
<p>Leave member account balance with NDPERS</p> <ul style="list-style-type: none"> ▪ Withdraw later ▪ Return to service, accrued service and account balance are recognized ▪ Member account balance continues to accrue interest at 7.00% 	<p>Receive a lifetime annuity (retire as early as age 60 or attaining Rule of 90, or age 65, whichever is earlier).</p> <p>Interest no longer accrues when you receive retirement benefit.</p>
<p>Lump Sum Refund</p> <ul style="list-style-type: none"> ▪ Federal tax withholding ▪ ND state tax withholding ▪ IRS Penalty for early withdrawal 	<p>Lump Sum Refund</p> <ul style="list-style-type: none"> ▪ Federal tax withholding ▪ ND state tax withholding ▪ IRS Penalty for early withdrawal
<p>Direct Rollover</p> <ul style="list-style-type: none"> ▪ Taxable & non-taxable monies ▪ Avoid tax & early withdrawal penalties 	<p>Direct Rollover</p> <ul style="list-style-type: none"> ▪ Taxable & non-taxable monies ▪ Avoid tax & early withdrawal penalties
<p>Combination rollover/refund</p>	<p>Combination rollover/refund</p>

Can You Invest MORE in Your DB Plan?



YES!

Purchasing service may:

1. Vest you sooner
2. Increase your lifetime benefit
3. Get you to “Rule” sooner

Purchase of Service Credit



- Previous Employment:
 - Non-Covered ND Governmental Service
 - Out-of-State Governmental Service
 - Refunded NDPERS Service
- Federal Service
- Legislative Service
- Military Service (limited to 48 months)
- Leave of Absence
- Generic (must be vested & limited to 60 months)
- At Termination of Employment – Unused Sick Leave

Purchase Provisions



- **Cost of Purchase**
 - Actuarial Calculation
 - Request for Purchase SFN 53718
 - Online (Member Self Service)
- **Payment Methods**
 - Direct Rollover/Transfer of Pre-Tax Dollars from other retirement plans
 - Payroll Deductions (pre or post-tax)
 - Periodic Payments

Purchase of Service Credit



A member may not claim service credit under NDPERS if the same years claimed can also qualify for retirement benefits from another retirement system.

Purchase Provisions for New Groups



Direct Rollover or Transfer of Pre-Tax Dollars from the current plan:

- Must fully liquidate account to date group joins
- May continue to participate from the date group joins
 - Employer continues to offer savings vehicle
 - Employee contributes only

Sick Leave Conversion

Final Average Salary (FAS)

X

15.26% (Contribution Rate)

X

Number of Months
(hours divided by 173.3)

=\$Cost

If your employer pays out a portion of your sick leave,

can you still convert your sick leave balance for service purchase? **Yes!**

Note: sick leave conversion can only occur when a member separates from service.



Portability Enhancement Provision (PEP)

Portability Enhancement Provision (PEP)



- PEP allows a member to vest in the employer contribution
- *Requires participation in an eligible Deferred Compensation Plan*
 - 457
 - 403(b)
- Vested employer contributions are added to the member's account balance
- Faster growth of Member Account Balance and gives you more “portability”

How PEP Works

For every dollar you invest in a Deferred Compensation Plan, NDPERS will reallocate one dollar from the employer contribution to your member account balance, subject to a vesting schedule.



Employer Contribution Vesting Schedule (PEP)

Service Credit	Minimum	Maximum
0-12 Months	\$25	1%
13-24 Months	\$25	2%
25-36 Months	\$25	3%
37+ Months	\$25	4%

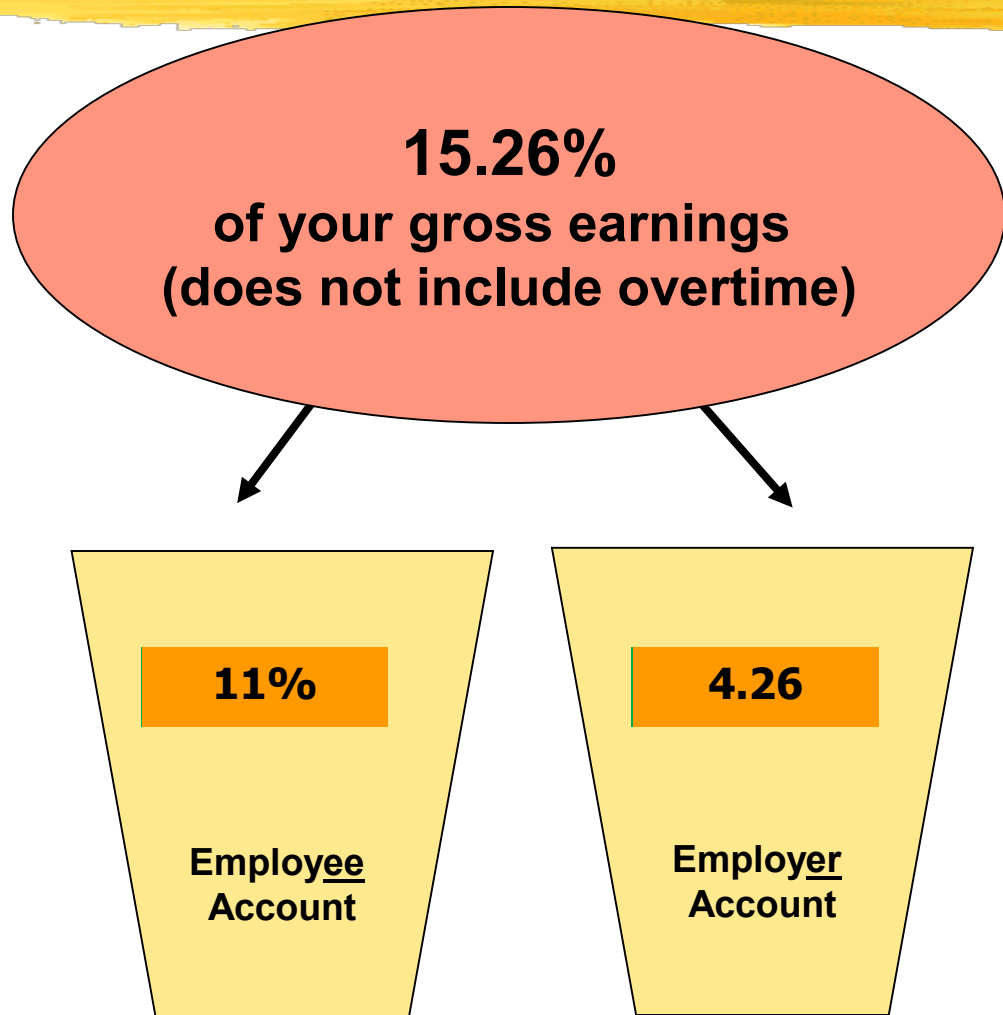


How PEP Works . . .

You invest in an eligible deferred compensation account

Your Defined Benefit Hybrid Retirement Plan funds are redistributed

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



NDPERS distributes into these accounts

Let's See an Example

Assumptions:

- Member participates 5 years
- 5% salary increase after 1st year
- 3% salary increase each following year
- 7.00% annual interest, compounded monthly

Member Account Balance with PEP \$16,175

Member Account Balance without PEP \$11,235

Difference = \$ 4,940

PEP- DETAILED EXAMPLE

Service Credit	Annual Salary	Employee Contribution 7%	Vested Employer Contributions		Member Account Balance (Cash Value)	
			No PEP	With PEP	No PEP	With PEP
0 - 12	\$30,000	\$2,100	\$0.00	\$200 (1%)	\$2,247	\$2,568
12 - 24	\$31,500	\$2,205	\$0.00	\$420 (2%)	\$4,494	\$5,489
25 - 36	\$32,445	\$2,271	\$0.00	\$649 (3%)	\$6,741	\$8,778
37 - 48	\$33,418	\$2,339	\$0.00	\$891 (4%)	\$8,988	\$12,455
39 - 60	\$34,421	\$2,409	\$0.00	\$919 (4%)	\$11,235	\$16,175

PEP & Your Annual Statement



Member's Account:

Previous Balance, June 30, XXXX	\$9,999.00
Member Contributions	\$ 999.00
Vested Employer Contributions (PEP)	\$ 999.00
Interest (through July, XXXX)	<u>\$ 999.00</u>
Balance as of June 30, XXXX	\$12,996.00

How To Activate PEP

- If enrolled in an eligible deferred compensation plan, PEP is automatic.
- If not enrolled in an eligible deferred compensation plan, contact a Deferred Comp provider representative to enroll.
 - Complete Enrollment/Change Form SFN 3803 (or online)
- If your employer does not offer deferred compensation:
 - Discuss the option with your employer.
 - Plan is available to all eligible employers



Saving Made Easy



- Elect to participate in PEP through Expedited Enrollment form SFN 54362 (or online)
 - Minimum contribution of \$25.00 per month
 - Investing in NDPERS Companion Plan funds selected by PERS Board
 - Administered by TIAA-CREF
- Member Self Service allows you to easily enroll, change, or suspend your deductions at anytime

On-Line Services



- One-time Registration nd.gov/ndpers
- Compute
 - Retirement Benefit Estimates
 - Disability Benefit Estimates
 - Service Purchase Estimates
- View
 - Member Account Balance
 - Current Annual Statement

Online Member Self Service



Link on NDPERS Home Page

- View or Update Benefit Plans & Personal Profile
- Perform Retirement Benefit Estimates
- Request Service Purchase Estimates

Personal Profile



[View or Edit Your Personal Profile](#)

NDPERS Plans



[Enroll, Update or View Plans](#)

Member Account Balance



[View Member Account Balance](#)

Benefit Estimates



[Perform, Request or View Benefit Estimates](#)

Service Credit Purchase



[Perform, Request or View Service Purchase](#)

Annual Statements



[View Your Annual Statements](#)

Other Website Features



You have access to:

- Plan Handbooks
- Newsletters
- News Flashes
- Forms
- Kits
- Contact Information

Questions?

