



# FEW are on track, are you?

Part 1 of 5: NDPERS Benefits

Financial Essentials Series



**NORTH DAKOTA**  
PUBLIC EMPLOYEES  
RETIREMENT SYSTEM

# Agenda

## Retirement and Benefits

- Main Retirement Plan
- Planning for Unexpected Events
- Supplemental Retirement Savings: 457 Deferred Compensation

## Member Self Service (MSS)

# Debunking Retirement Myths

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SOURCE: FINANCIALANSWERS.COM

## Myth

I only need a fixed-income for 10 to 15 years.

## Truth

**Many will spend 20+ years in retirement.**

My living expenses will be lower during retirement years.

**What are you cutting out?**  
Inflation will erode purchasing power

Social Security will replace my pre-retirement earnings and it won't be taxed.

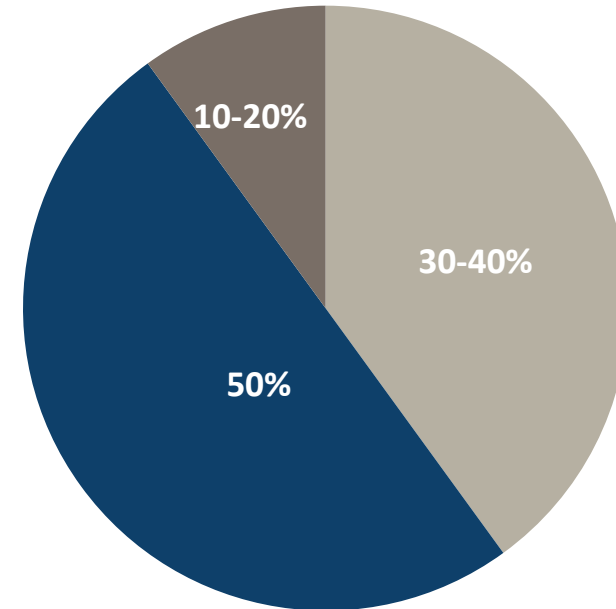
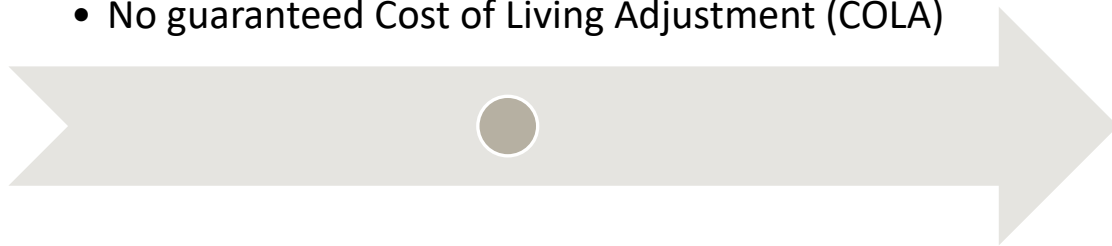
**Social security is only a partial replacement** and strong possibility 50-85% will be taxed (depending on your income).

# Your NDPERS Retirement Income (Pension)

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## With applicable multiplier at Normal Retirement

- 25 years of employment = 50% pre-retirement earnings
- NDPERS Pension + Social Security = 90% of pre-retirement income with Social Security
- No guaranteed Cost of Living Adjustment (COLA)



- Social security
- Pension
- Personal Savings





# Defined Benefit (DB) Hybrid Retirement Plan - Main

Pension



# Which tier are you in?

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MAIN – DEFINED BENEFIT RETIREMENT PLAN



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RETIREMENT SYSTEM



Before January  
2016



From January 1,  
2016, through  
December 31, 2019



On or after January  
1, 2020



When did you first enroll in the Main Plan?



# Your tier determines...

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Your normal retirement date after meeting the applicable rule of 85 or 90

The multiplier used in calculating your monthly retirement benefit

The right to Retiree Health Insurance Credit (RHIC)

The reduction percentage in case of early retirement



Date First Enrolled	Vesting	Contributions	Early Retirement	Normal Retirement	Multiplier
<b>TIER 1</b> Prior to Jan 2016	36 months	7.00% Employee 8.12% Employer 1.14% RHIC	Age 55 6% reduction	Rule 85 or age 65	2.00%
<b>TIER 2</b> Jan 2016 through Dec 2019	36 months	7.00% Employee 8.12% Employer 1.14% RHIC	Age 55 8% reduction	Rule 90 with <u>min</u> <u>age 60</u> or age 65	2.00%
<b>TIER 3</b> Jan 2020	36 months	7.00% Employee 9.26% Employer <b>No RHIC</b>	Age 55 8% reduction	Rule 90 with <u>min</u> <u>age 60</u> or age 65	1.75%

# Main Retirement Plan Tiers

Tiers 2 and 3 require BOTH age 60 and meeting the rule of 90 to be eligible for normal (unreduced) benefit

# Retirement Benefit Formula

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- **Years of Service (YOS):** One month of service for each month of contribution
- **Final Average Salary (FAS):** Average of your highest 3 consecutive 12-month periods during the last 180 months worked
- **Benefit Multiplier:** **Varies** depending on Tier
  - Tier 1 and 2: 2.00%
  - Tier 3: 1.75%



Your retirement dollars never run out. How is this possible?



First, NDPERS pays you from your account balance.



When that is gone, we pay you the rest of your life from the General Pool.



# Planning for unexpected events



# Survivor Benefits

***Assumption: Member is not receiving a retirement benefit.***

## **Lump sum payment**

- Member vested or non-vested
- Any beneficiary (spouse or non-spouse)

## **Lifetime survivor benefit**

- Member must be vested
- Spouse only
- Amount based on normal retirement
  - Not at normal retirement, benefit is 50% of Single Life amount
  - At normal retirement, benefit is 100% Joint & Survivor amount

# Designating your Beneficiaries

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## **Retirement:**

A spouse must be your sole, primary retirement plan beneficiary unless they sign off on the designation form.

If your spouse signs off and you are or will become vested, NDPERS cannot offer your spouse a monthly, lifetime survivor benefit.

Contingent beneficiaries are not required, but it might be a good idea.

If you and your primary beneficiary pass away and there is no designated contingent, the Estate is written to, and PR must be appointment.

## **Life Insurance:**

Spouse is not required to be primary.

Contingent beneficiaries are not required, but it might be a good idea.

If you and your primary pass away and there is no designated contingent, family members must complete an Affidavit about Heirs.

# Disability Benefits

## Disability Retirement

- Vested after 6 months
  - Must separate from employment
  - Determined by medical consultant or Social Security award
- 
- 25% of Final Average Salary (FAS)  
\$100 per month minimum
  - Recertification required
  - Highway Patrol and Judges Plan have a different disability retirement option

# Account Balance & Separation of Employment

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## NOT VESTED

Leave member account balance with NDPERS

- Return to service, accrued service and account balance are recognized
- Account accrues interest (subject to legislative change)

### Lump Sum Refund

- Tax Penalties
- Forfeit service credit and RHIC

### Direct Rollover

Forfeit service credit and RHIC

### Combination rollover/refund

## VESTED (36 MONTHS OR AGE 65)

Receive a lifetime annuity

- Retire as early as age 55 or attain “Rule” or age 65
- Interest no longer accrues once payments begin.

### Lump Sum Refund

- Tax Penalties
- Forfeit service credit and RHIC

### Direct Rollover

Forfeit service credit and RHIC

### Combination rollover/refund





## Purchasing Service Credit

Purchasing service credit is a lump sum contribution (or installment payments with interest) into your retirement account to increase your lifetime benefit.

# 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) – first  
enrolled *before 2020*

# Types of Service Credit

You can purchase different types of service credit.

1. Generic (*after you are vested*)
2. Unused sick leave upon leaving employment
3. Previous public employment\* such as:
  - Military (*up to 48 months*)
  - Leave of Absence/Seasonal
  - State
  - Federal
  - Legislative

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

# Service Credit Purchase Example: Tier 1 & 2

<u>No Purchase</u>	<u>Purchase - 60 months</u>	<u>Hypothetical Illustration</u>																		
\$3,000 FAS X 2.00% Multiplier X <b>20 Years of Service</b> ----- = \$1,200 Monthly (Single Life) = \$14,400 Annually = \$288,000 over 20 years	\$3,000 FAS X 2.00% Multiplier X <b>25 Years of Service</b> ----- = \$1,500 Monthly (Single Life) = \$18,000 Annually = \$360,000 over 20 years <b>(\$72,000 additional income)</b>	<table border="1"> <thead> <tr> <th></th> <th>No Purchase</th> <th>Purchase</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>\$1,200.00</td> <td>\$1,500.00</td> </tr> <tr> <td>Monthly increase</td> <td></td> <td><b>\$300.00</b></td> </tr> <tr> <td>Purchase Cost</td> <td>60 months</td> <td>\$46,441.59</td> </tr> <tr> <td># of years for return on investment (ROI)</td> <td></td> <td>12.90</td> </tr> </tbody> </table>		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
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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.*



# Unused Sick Leave Purchase Example: Tier 1 & 2

## Calculation:

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

$\text{FAS} \times 9 \times 16.26\% = \text{purchase cost } (\$4,390.20)$

### 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**

-----  
= \$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

# DB Plan – Tier 3 - First Enrolled on or after January 1, 2020

## Unused Sick Leave Service Purchase Example

**Calculation:**  
**1,450 hours / 173.3 = 8.37 months (~ 9 months)**  
**FAS x 9 x 16.26% = purchase cost (\$4,390.20)**

<u>No Purchase</u>	<u>Purchase - 9 months</u>
\$3,000 FAS	\$3,000 FAS
X 1.75% Multiplier	X 1.75% Multiplier
X <b>20 Years of Service</b>	X <b>20.75 Years of Service</b>
-----	-----
= \$1,050 Monthly (Single Life)	= \$1,089.38 Monthly (Single Life)

# Service Purchases

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## Submitting a Purchase Request

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

## Payment Methods

- Direct Rollover/Transfer another Pre-Tax Retirement Account
- Payroll Deductions\* (before or after-tax)
  - Depends on employer

\*Interest applies



Consider Supplemental Retirement Savings



# 457 Deferred Compensation

- Voluntary supplemental retirement plan
- Investing Pre-tax dollars to lower your taxable income

Taxed at the time of distribution

- You select how your money is invested
- Increase, decrease, suspend contributions at any time
- May be used to purchase service credit

# 457 Deferred Compensation Example

Pre-tax Savings Cost Less	
\$ 4,000	Monthly Income
\$ - 200	<i>Savings (pre-tax) (5%)</i>
<u>\$ - 760</u>	Federal/State Taxes (20%)
<b>\$ 3,040</b>	<b>Take-Home Pay</b>
\$ 4,000	Monthly Income
\$ - 800	Federal, State Taxes (20%)
<u>\$ - 200</u>	<i>Savings (after-tax) (5%)</i>
<b>\$ 3,000</b>	<b>Take-Home Pay</b>

**This increases savings of \$40 each month = \$480/year!**

# Annual 457 Deferral Limits

## Minimum

\$25 per month

## Maximum

The lesser of:

§ Annual IRS Limit

§ Annual limits are located on the NDPERS Website on [Enrollment/Change Form SFN 3803](#)

or

§ 100% of Taxable Compensation



# Eligible Contributions

## Lump Sum Payments

- Accrued annual leave
- Unused sick leave
- Back pay

## Catch-Up Contributions

### Age 50+ Annual Catch-up (SFN 3803)

### Regular 3-year Catch-up (SFN 51501 & 3803)

- One time only – NDPERS approved
- 3 consecutive calendar years, but not the year in which you retire

Cannot exceed annual IRS limits

## Separation from Employment

- Must be off payroll for 31 days
- No 10% penalty before 59½ years of age

## Unforeseeable Emergency Distribution

- Sudden unexpected event beyond control of participant
- Contact NDPERS for application and approval process

## Small Account Balance

- Account is less than \$5,000
- No deferrals for previous 24 months
- No previous distributions

# Eligible Distributions



# Enrollment Options with NDPERS 457 Plans

## Regular Enrollment

- Choice of providers
- Complete SFN 3803
- Member Self Service (MSS)

## Quick Enrollment

- Complete SFN 54362 or select “Quick Enrollment” online (MSS)
- Administered by Companion Plan provider
- Automatic \$25/month



# Save early

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457 DEFERRED COMPENSATION

# Compounding Long-Term Effects

Investor

A

Begin Saving  
at **Age 30**

\$1,000 per year

For **10 years**

Value at Age 65

**\$62,385**

Investor

B

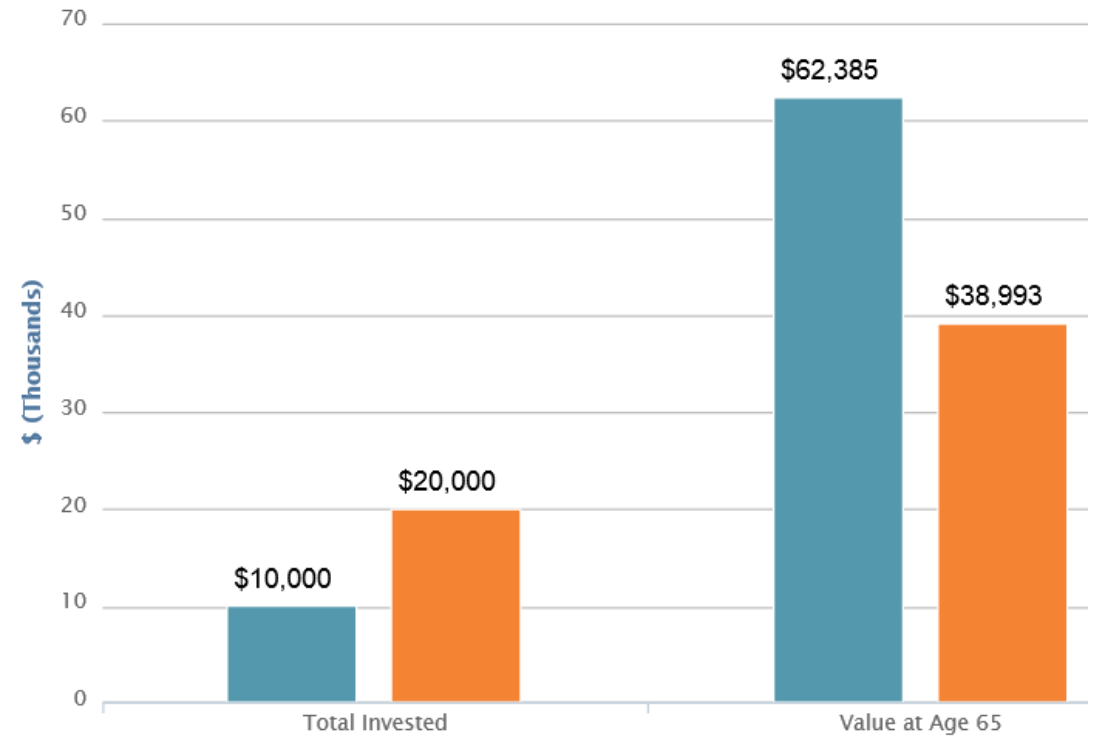
Begin Saving  
at **Age 45**

\$1,000 per year

For **20 years**

Value at Age 65

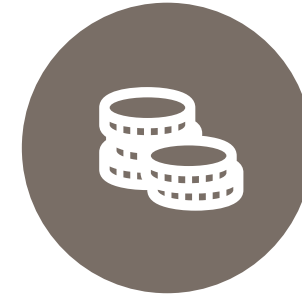
**\$38,993**



# Defined Benefit Portability Enhancement Provision (PEP)



DB PLAN AND 457 PLAN  
WORK TOGETHER



REDISTRIBUTION OF  
FUNDS



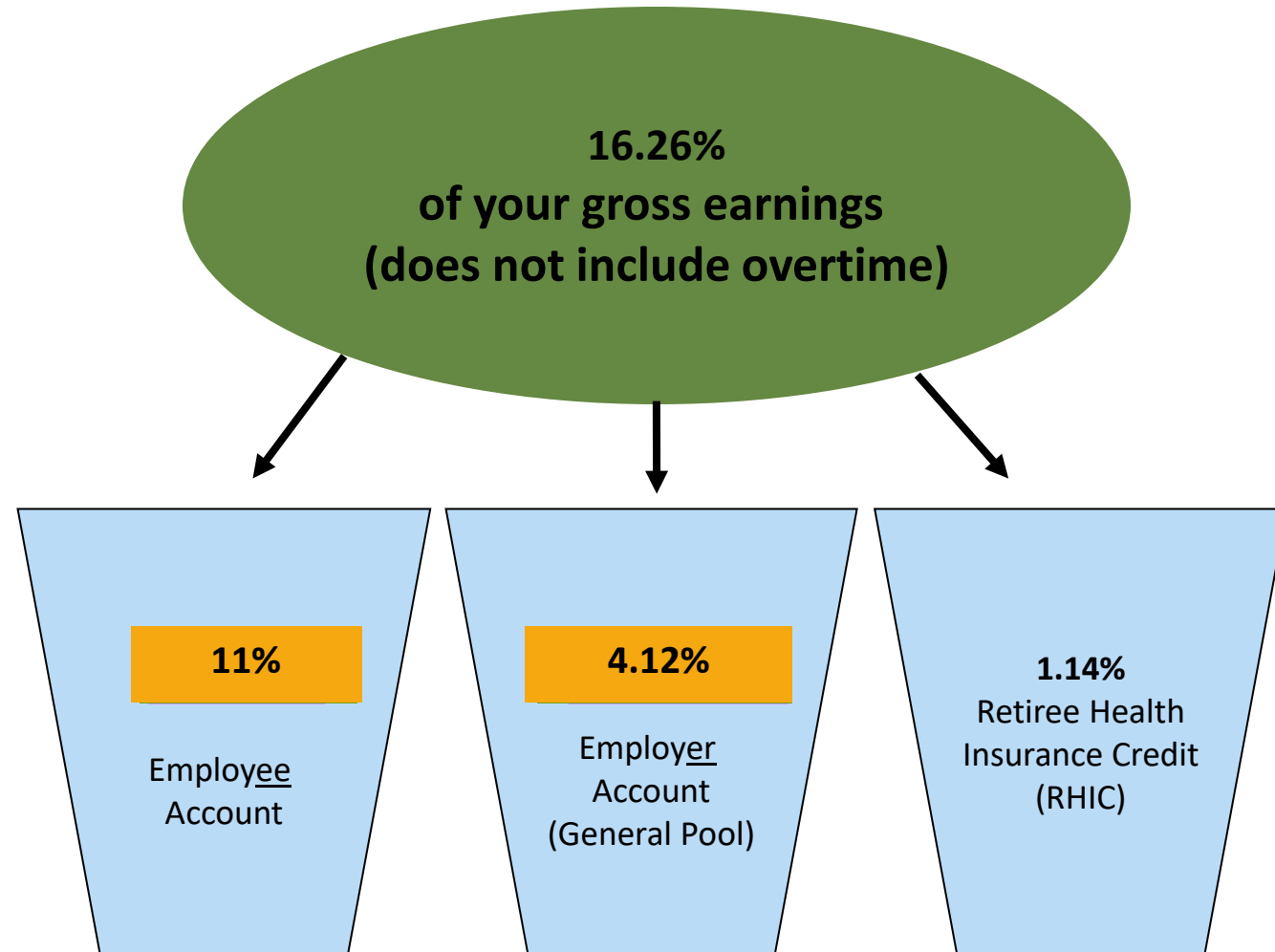
FASTER GROWTH OF  
MEMBER ACCOUNT  
BALANCE



MORE “PORTABILITY”

# Contribution Allocation with PEP

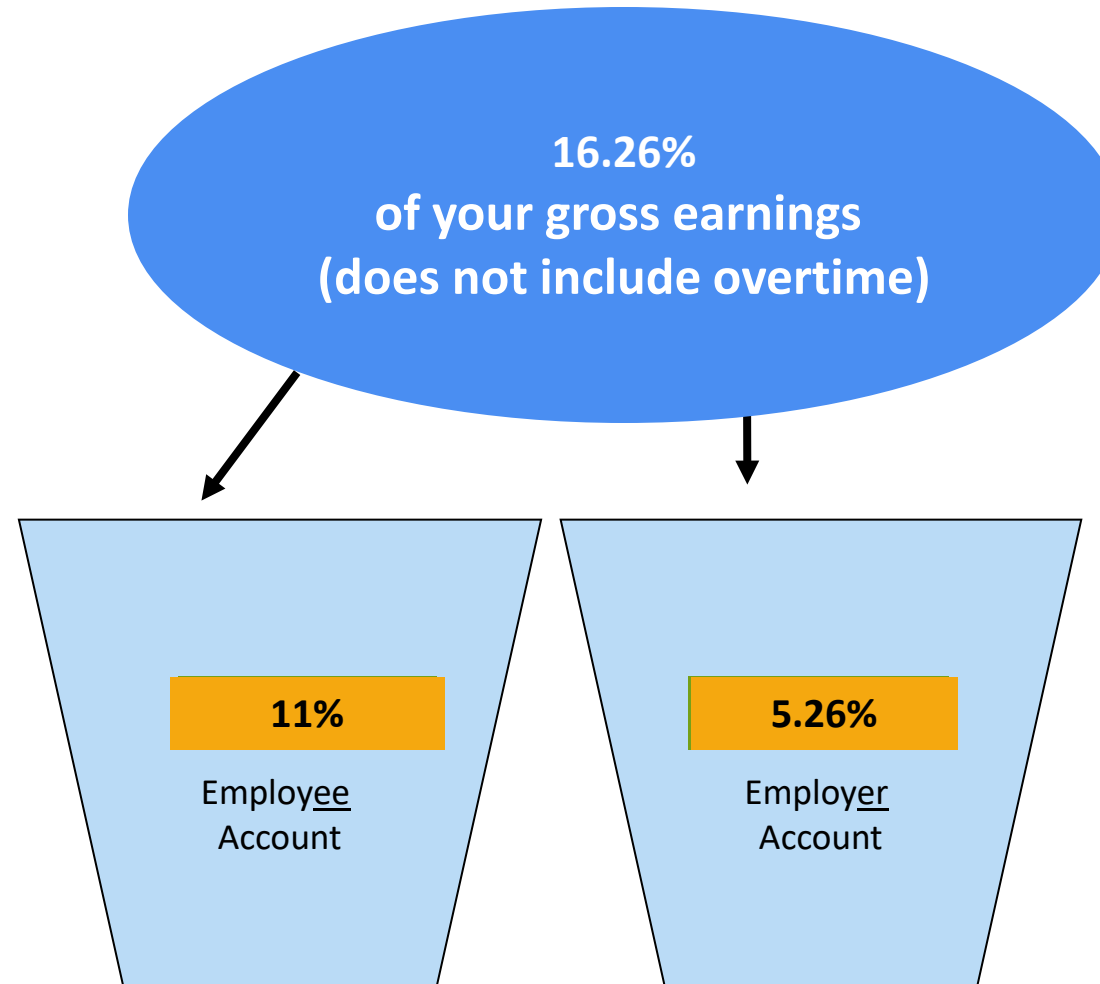
Years of Service	Your Investment in Deferred Comp
0-12 months	1% of gross pay or minimum of \$25
13-24 months	2% or minimum of \$25
25-36 months	3% or minimum of \$25
37 + months	4% or minimum of \$25





# 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



# Use Member Self Service (MSS)

Member Login



An official website of the State of North Dakota



**NORTH DAKOTA**  
PUBLIC EMPLOYEES  
RETIREMENT SYSTEM



Se

**Member Login**

Employer Login



Language: English

# On the NDPERS website banner

- Click on Member Login at <https://www.ndpers.nd.gov/member-self-service-mss>
- Select *Log in to Member Self Service (MSS)* on the next screen

North Dakota  
*login*

## Sign in

Don't have a North Dakota Login?

[Create an account.](#)

User ID

[Forgot user ID?](#)

Password

[Forgot password?](#)

Sign In

[Update your account.](#)

# Log in to your MSS Account

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- Change your address
- Enroll, update, or view benefits plans
- View your retirement account balance
- Schedule an appointment
- Report a death
- Perform retirement benefit estimates
- Perform Service Purchases



A photograph of a modern, multi-story building with a large glass facade and a stone base. The building is set against a clear blue sky with a few wispy clouds. In the foreground, there is a green lawn and a row of blue bollards. To the right, a stone wall features the text 'CENTURY CENT' and '1600 E CENTURY AVENUE'. Three flags are flying on poles in front of the building: the American flag, a blue flag with a white cross, and a blue flag with a white emblem.

Help is  
available

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[CONTACT US](#)





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 \(MSS\)](#)

