



FEW are on track, are you?

Part 3 of 4: 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)

Other NDPERS Benefits

- Flexible Compensation
- Other Wellness Benefits

Debunking Retirement Myths

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

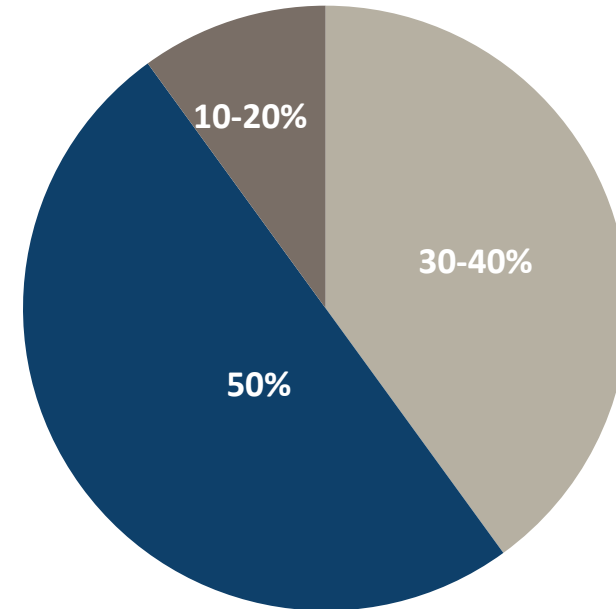
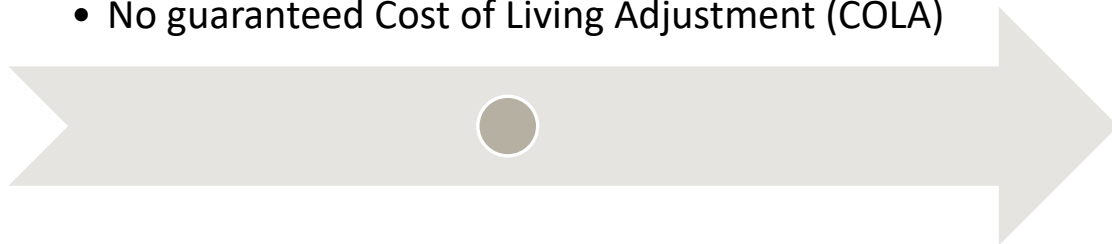
Social Security will replace my pre-retirement earnings and it won't be taxed.

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

Your NDPERS Retirement Income (Pension)

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?

MAIN – DEFINED BENEFIT RETIREMENT PLAN



NORTH DAKOTA
PUBLIC EMPLOYEES
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...

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)

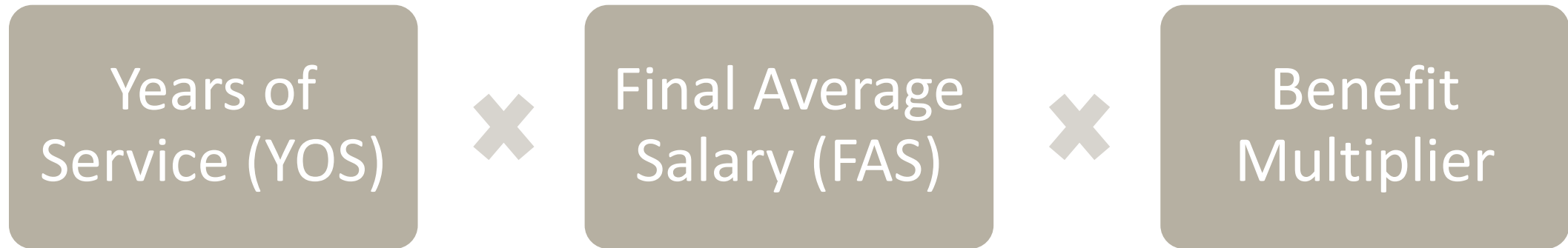
The reduction percentage in case of early retirement

| Date First Enrolled | Vesting | Contributions | Early Retirement | Normal Retirement | Multiplier |
|---|-----------|--|------------------------|--|------------|
| TIER 1 Prior to Jan 2016 | 36 months | 7.00% Employee 7.12% Employer 1.14% RHIC | Age 55 6% reduction | Rule 85 or age 65 | 2.00% |
| TIER 2 Jan 2016 through Dec 2019 | 36 months | 7.00% Employee 7.12% Employer 1.14% RHIC | Age 55 8% reduction | Rule 90 with <u>min</u> <u>age 60</u> or age 65 | 2.00% |
| TIER 3 Jan 2020 | 36 months | 7.00% Employee 8.26% Employer No RHIC | 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



- **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

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

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

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 20 Years of Service ----- = \$1,200 Monthly (Single Life) = \$14,400 Annually = \$288,000 over 20 years | \$3,000 FAS X 2.00% Multiplier X 25 Years of Service ----- = \$1,500 Monthly (Single Life) = \$18,000 Annually = \$360,000 over 20 years (\$72,000 additional income) | <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>\$300.00</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 | | \$300.00 | Purchase Cost | 60 months | \$46,441.59 | # of years for return on investment (ROI) | | 12.90 |
| | No Purchase | Purchase | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | |
| | \$1,200.00 | \$1,500.00 | | | | | | | | | | | | | | | | | | |
| Monthly increase | | \$300.00 | | | | | | | | | | | | | | | | | | |
| Purchase Cost | 60 months | \$46,441.59 | | | | | | | | | | | | | | | | | | |
| # of years for return on investment (ROI) | | 12.90 | | | | | | | | | | | | | | | | | | |

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:

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

$\text{FAS} \times 9 \times 15.26\% = \text{purchase cost } (\$4,120.20)$

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 15.26% = purchase cost (\$4,120.20)

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

Service Purchases

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

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

Annual 457 Deferral Limits

Minimum

\$25 per month

Maximum

The lesser of:

§ 2023 Annual IRS Limit **\$22,500/year**

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: **\$30,000** (SFN 3803)

Regular 3-year Catch-up: **45,000** (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 (TIAA)
- Automatic \$25/month



Save early

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

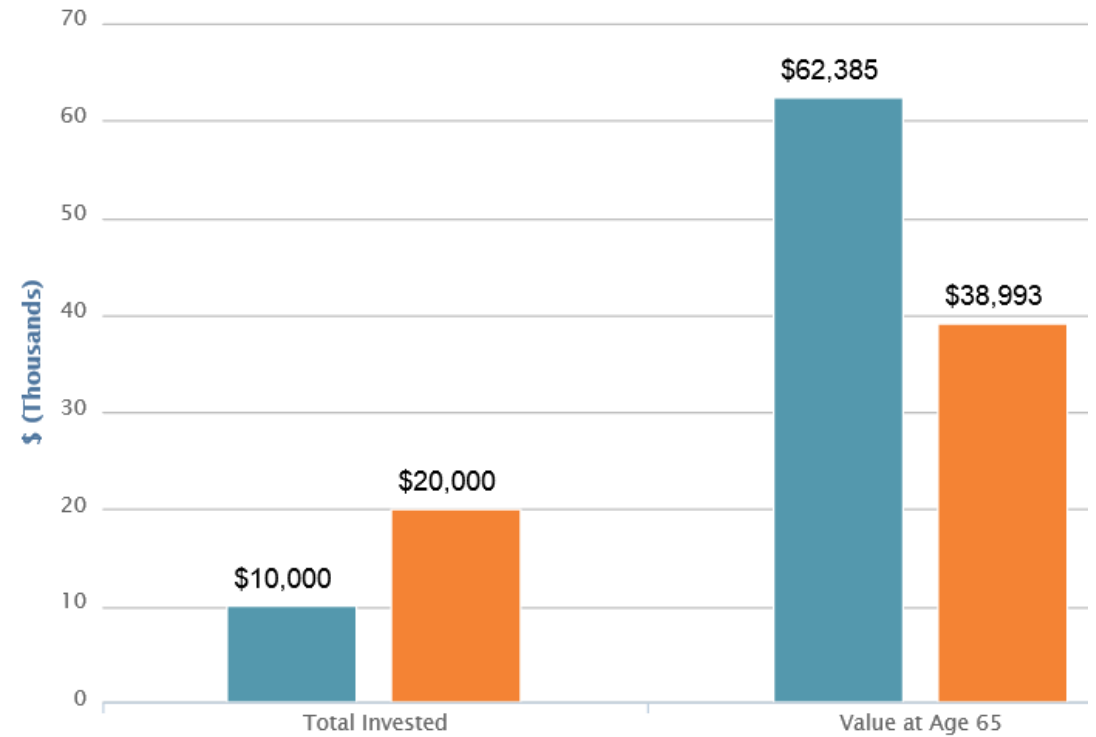
Begin Saving
at **Age 45**

\$1,000 per year

For **20 years**

Value at Age 65

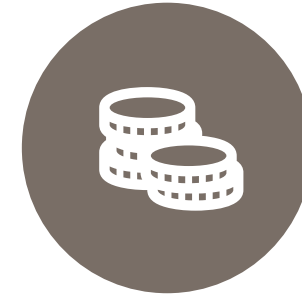
\$38,993



Defined Benefit Portability Enhancement Provision (PEP)



DB PLAN AND 457 PLAN
WORK TOGETHER



REDISTRIBUTION OF
FUNDS



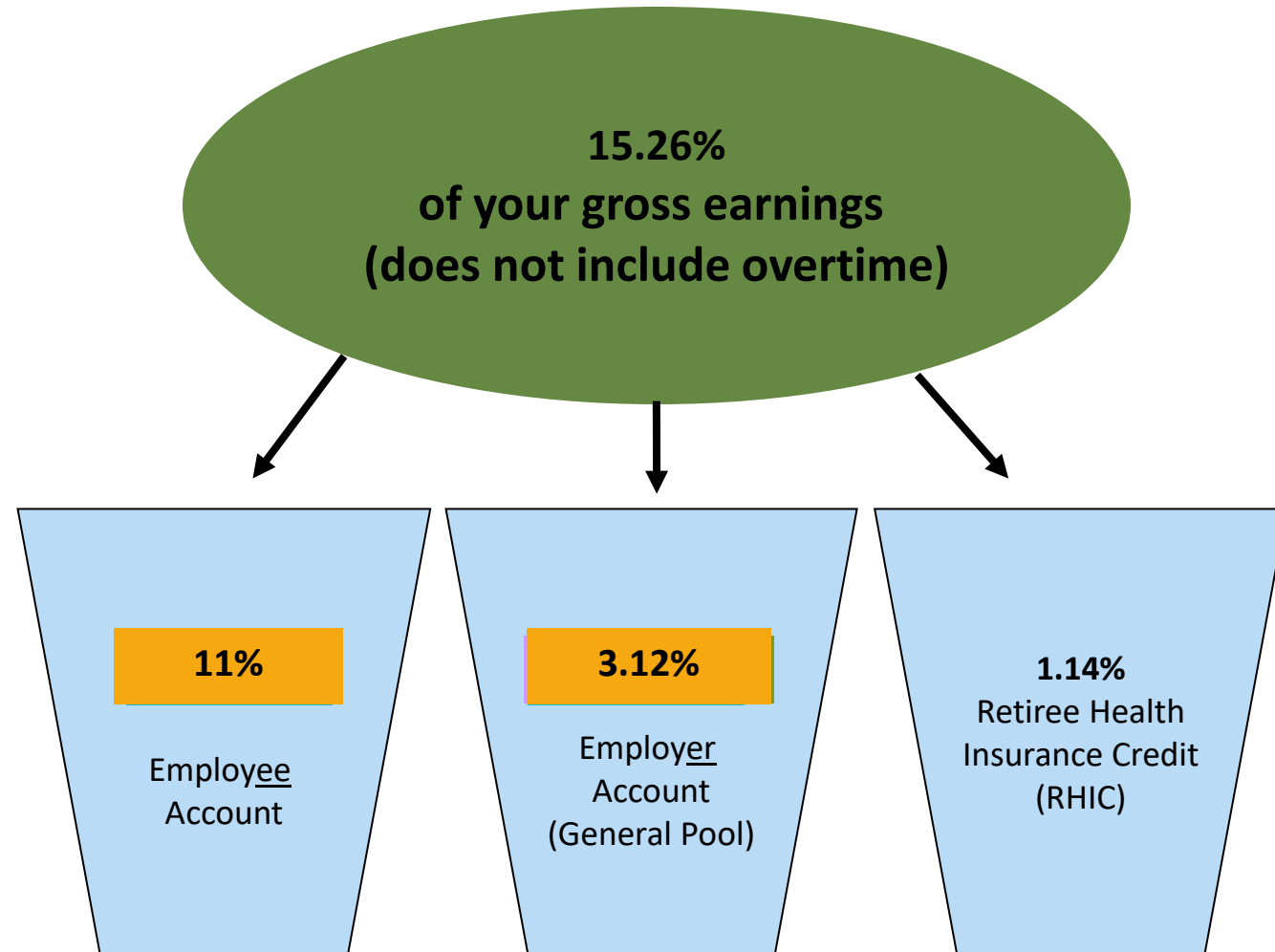
FASTER GROWTH OF
MEMBER ACCOUNT
BALANCE



MORE “PORTABILITY”

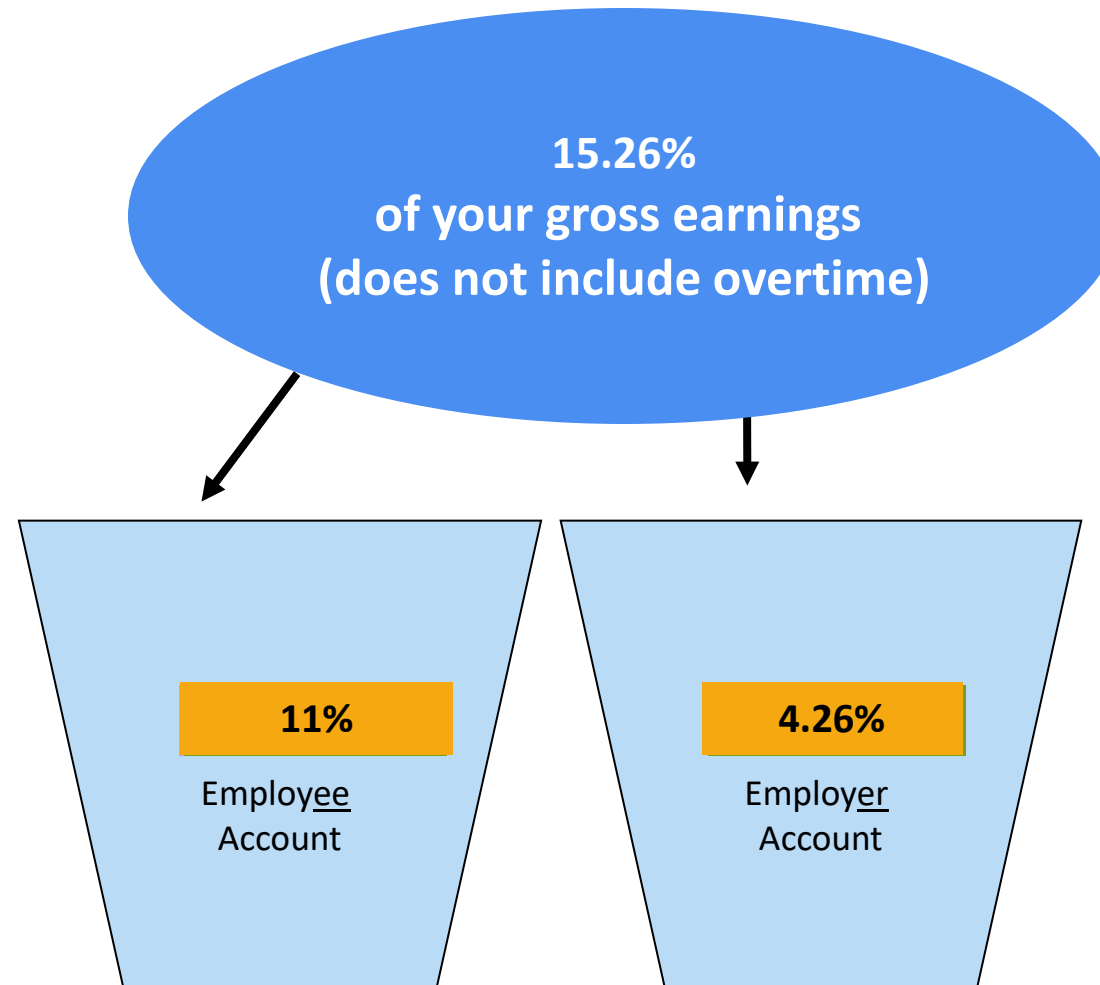
Contribution Allocation with PEP

| 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



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

- 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



Other NDPERS Benefits

NDPERS

Other NDPERS Benefits

FlexComp and Flexible Spending Account (FSA)

Employee Assistance Program (EAP)

Dakota Wellness

Livongo for Diabetes

Healthy Pregnancy

NDQuits Tobacco Cessation

About the Patient Diabetes Management



Save with Flexible Spending Accounts

FlexComp - Flexible Spending Accounts (FSA)

Medical FSA

- \$2,850 limit per year
- Spouse can do separate medical FSA through his/her employer (if offered)

Dependent Care FSA

- \$5,000 maximum
(for a married couple filing a joint tax return or a single parent)
- \$2,500 maximum
(for a married couple filing separate tax returns)

Pre-tax Eligible Insurance Premiums

FSA Savings Example

Member: Married with 2 Dependents
 \$2,000 Medical Expenses
 \$5,000 Dependent Care Expenses

Annual take home savings are higher!

| With FSA | |
|-------------------|----------------------------|
| \$ 35,000 | Annual Income |
| <u>\$ - 7,000</u> | FlexComp |
| \$ 28,000 | Taxable Income |
| | |
| \$ - 3,355 | Federal Tax |
| \$ - 840 | State Tax |
| \$ - 2,142 | Social Security / Medicare |
| <u>\$ - 0</u> | After Tax Expenses |
| \$ 21,663 | Net Income |







| Without FSA | |
|-------------------|----------------------------|
| \$ 35,000 | Annual Income |
| <u>\$ - 0</u> | FlexComp |
| \$ 35,000 | Taxable Income |
| | |
| \$ - 4,425 | Federal Tax |
| \$ - 1,050 | State Tax |
| \$ - 2,677 | Social Security / Medicare |
| <u>\$ - 7,000</u> | After Tax Expenses |
| \$ 19,848 | Net Income |

Get more info

Ask your employer if you are eligible for these wellness benefits or visit the NDPERS YouTube channel to watch the wellness benefit options.



Understand your NDPERS Insurance Benefits ▶ Play all

| | | | | | |
|---|---|---|---|---|---|
|  <p>6:34</p> |  <p>9:01</p> |  <p>4:21</p> |  <p>3:54</p> |  <p>3:54</p> |  <p>5:00</p> |
| Health Insurance - Grandfathered PPO/Basic... | Health Insurance - High Deductible Health Plan with... | Other Health & Wellness Benefits | Dental Insurance NDPERS | Vision Insurance NDPERS | Flexible Compensation NDPERS |

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 well-maintained green lawn. To the right of the building, a stone sign reads "CENTURY CENT" and "1600 E CENTURY AVENUE". Several flags are flying on poles in front of the building, including the American flag and a blue flag with a white cross. The overall scene is bright and professional.

Help is
available

[CONTACT US](#)



NORTH DAKOTA
PUBLIC EMPLOYEES
RETIREMENT SYSTEM

Contact NDPERS

Customer Service

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

Online Resources

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

