457 Deferred Compensation Plan 2025-2026

Revised: 01-2025

NORTH DAKOTA
PUBLIC EMPLOYEES
RETIREMENT SYSTEM

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457 Deferred Compensation Plan Handbook
State of North Dakota

The State of North Dakota 457 Deferred Compensation Plan is a voluntary, supplemental retirement savings program designed to increase your personal savings for retirement and reduce your current taxable income. It is based on guidelines in Section 457(b) of the IRS Code. The plan is administered by the North Dakota Public Employees Retirement System and its Board.

This summary is intended to provide general information and may not be considered a legal interpretation of IRC Section 457 regulations. Statements contained in this publication do not supersede the North Dakota Century Code, Administrative Code, IRS code, Plan Document or restrict the authority granted to the Retirement Board.

Additional information about the State of North Dakota 457 Deferred Compensation Plan is available on the NDPERS website.

Eligibility

Employees of the State of North Dakota and employees of participating political subdivisions are eligible to participate in the plan. To be eligible, you must be a permanent employee working at least 20 or more hours a week for 20 or more weeks in a calendar year and filling a position that is regularly funded and is not of limited duration. Legislators are eligible to participate in the plan. Temporary employees and independent contractors are not eligible to participate in the plan.

Tax Deferred Contributions

The program permits you to defer a portion of your salary on a pretax basis through convenient payroll deductions. You can't miss what you don't see. The amount deferred to your investment account and the income or gains on those investments are not taxable until you begin to withdraw money from the account, generally at retirement, at which time the withdrawals are taxed as ordinary income.

Enrollment

You may enroll in the Plan at any time. To enroll you must first select and contact one of the eligible providers for the plan. The provider representative you select will assist you in completing the required forms to open an account. You must complete the NDPERS 457 Deferred Compensation Plan Enrollment/Change Form SFN 3803 or log on to Member Self Service (MSS) to authorize your automatic payroll deduction. Please note that IRS regulations require you to make your deferral election in the month prior to month you will earn the money.

Contributions

Minimum: $25.00 per month.
Maximum: IRS regular annual contribution limit is the lesser of:

- 100% of participant's includible compensation, or
- The annual limits that can be found on the IRS website. You may change your contribution amount at any time or suspend contributions and start again at a later date.

Selecting an Investment Provider

You may select from among the different provider companies by reviewing our Provider Representative List. You can obtain information about the eligible plan provider companies and investment choices by accessing the Investment Options Summary booklet available on the NDPERS website.

The Investment Options Summary book will provide you with details about the eligible provider companies, their investment options, annual expense fees, and the historical rates of returns. Also included is a list of agents authorized to assist you with enrollment and your investment allocations.

Portability Enhancement Provision (PEP) Participation – Defined Benefit Plans Only*

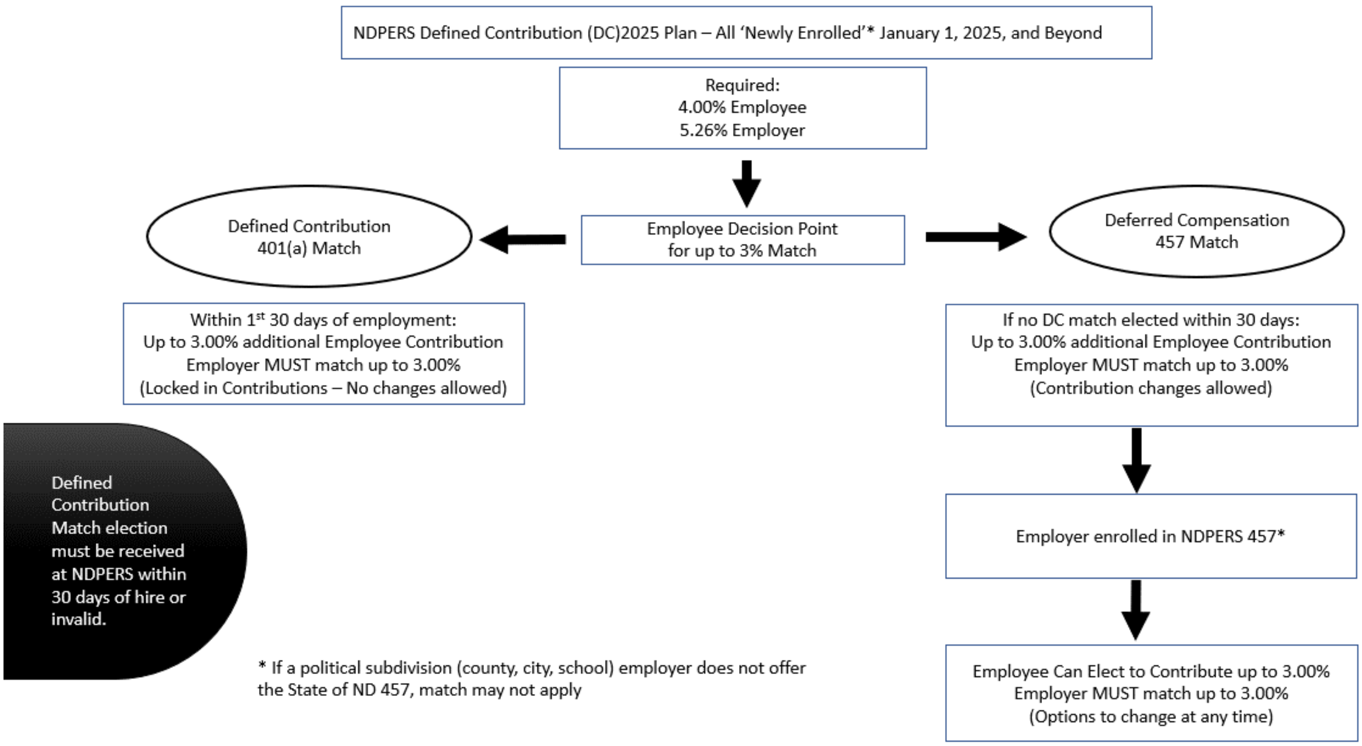
When you enroll in the deferred comp plan you are automatically enrolled in PEP. PEP allows you to vest in up to 4.00% of the employer contribution paid into an eligible **defined benefit retirement plan** pool of funds and have this vesting percentage credited to your individual member account in the defined benefit plan. For every dollar you put in the deferred compensation plan, NDPERS will add one dollar to your member account balance up to the vesting maximum of 4%. This can significantly increase the amount of money available in your member account if you choose to "cash out" your retirement account, roll it over into another pension plan when your North Dakota Public service ends, or provide a larger cash balance for your beneficiary(s) should you pass away before drawing your retirement .

*This does not apply to the Judges or Highway Patrol Defined Benefit Plans.

Employer Matching Program - Defined Contribution Plan 2025 Tier 3 Only

If you are first enrolled January 1, 2025 or after in the Defined Contribution 2025 Tier 3 Plan, as a permanent employee you may voluntarily contribute to a State of North Dakota 457 plan. Your employer is required to match up to 3% of your contribution into the NDPERS 457 plans if you are not already receiving this up to 3% match in the Defined Contribution Plan. The cumulative employer contribution between the State of North Dakota 457 Plans and the State of North Dakota Defined Contribution Plan – Tier 3 DC 2025 match cannot exceed 3%.

You may enroll and update your election at any time. If you are contributing to more than one State of ND 457 plan, you must specify which 457 plan your employer will match. If you do not specify which 457 plan you would like to have your employer match contributed to, it will go to the following:



Saver's Credit

A Saver's Credit is a tax credit that you may be eligible for if you make contributions to a voluntary 457 deferred compensation account. A tax credit gives you the entire dollar value back or subtracts the value from the taxes you owe – making it far more valuable monetarily than a tax deduction. The amount of the credit is 50%, 20% or 10% of your eligible contributions. The maximum contribution amount depends on your adjusted gross income (reported on your Form 1040 or 1040A).

Use the chart on the IRS website regarding Retirement Savings Contributions Credit (Saver's Credit) to calculate your credit.

The Saver's Credit can be used in addition to other tax benefits that may result from retirement contributions.

Catch-Up Contributions

If you are close to retirement or over age 50, you may be able to contribute more than the regular contribution limit.

There are two catch-up options available. See the IRS Retirement topics - 457(b) contribution limits website for annual limits and additional catch up contribution details.

- **50+ Catch-Up**—Participants age 50 or older at the end of the calendar year may contribute the maximum annual limit referenced above plus an additional amount (adjusted for cost-of-living in subsequent years). This election may be made using the NDPERS 457 Deferred Compensation Plan Enrollment/Change Form SFN 3803 or log on to Member Self Service (MSS) .
- **3-Year Catch-Up**—Participants within 3 years of normal retirement date may contribute the regular maximum annual limit plus missed contributions from previous years up to a maximum amount (adjusted for cost-of-living in subsequent years). You may apply for this option by completing the 457 Deferred Compensation Catch-Up Worksheet/Certification SFN 51501.

Distribution or Payout Options at Separation of Employment

This includes retirement, disability, resignation, death or discharge. You must be off covered payroll of a NDPERS covered employer for a minimum of one month (31 days) before a distribution will be processed. This includes leaving employment as a permanent, regularly funded employee and returning to work as a temporary employee or a part-time, regularly funded employee working less than 20 hours a week for less than 20 weeks a year with an employer who has a NDPERS 457 Deferred Compensation plan. NDPERS will send you a notice acknowledging termination and send a copy to your agent/provider company. You must contact your provider representative to initiate distribution of your account.

Required Minimum Distributions (RMD) (after employment ends)

Required Minimum Distributions (RMDs) are minimum amounts that you generally must withdraw annually. If you are terminated, you are required by law to receive a minimum required distribution from the Plan no later than April 1 of the calendar year following the calendar year in which you turn age 70½ if you were born before July 1, 1949, age 72 if you were born on or after July 1, 1949, or age 73 if you were born on or after January 1, 1951.

If you are an eligible active employee, working beyond age 70½ if you were born before July 1, 1949, age 72 if you were born on or after July 1, 1949, or age 73 if you were born on or after January 1, 1951, you may continue to participate in the Plan. Upon termination of employment, your minimum distribution becomes payable and taxable to you. See the IRS Website for details.

Distribution or Payout Options (while employed)

There are three circumstances under which you may obtain an in-service distribution:

- **Unforeseeable Financial Hardship** — You must provide proof of financial hardship based on an unforeseen emergency. Strict federal guidelines determine approval. For an application you must contact the NDPERS office. Financial hardship requests are referred to the NDPERS Board for review and approval.

- **De minimis Distribution** — Only available to participants with less than $5,000 in their account, who have not contributed to the plan in the previous 24 months and have not previously received a De minimis distribution from the plan. To initiate this payout you must complete a Request for De minimis Distribution SFN 52051.
- **Qualified Domestic Relations Orders (QDRO)** — A QDRO is any judgment, decree or order issued by the court made pursuant to a North Dakota domestic relations law, and which creates or recognizes the existence of an alternate payee's right to or assigns to an alternate payee the right to receive all or a part of the benefits payable to the participating member. Prior to beginning or constructing a domestic relations order, your attorney should contact the NDPERS office to obtain a copy of the QDRO requirements or use the QDRO Model available on our website.

Rollover/Transfer of Funds

The rollover/transfer options allow you to consolidate retirement funds from other sources. The NDPERS deferred compensation plan accepts a rollover of pretax funds from other eligible retirement plans including the 401(a), 401(k), 401(c) Keogh, 403(b), 457(b), FERS and IRAs.

Plan to plan transfers are also allowed between eligible providers participating in the NDPERS deferred compensation plan. A rollover/transfer is a trustee-to-trustee transaction and is not a taxable event.

To initiate a rollover or plan to plan transfer of funds, first, enroll in a State of ND 457 plan, then complete the NDPERS Rollover/Transfer to 457 Deferred Compensation Plan SFN 50177.

Purchase of Service Credit

Purchase of service allows you to use eligible pretax monies from qualified plans to buy service in the 401(a) defined benefit retirement plan, if eligible. Because the State's deferred compensation is a qualified plan, you may rollover/transfer these funds to purchase service credit. The transfer of funds from the 457(b) deferred comp plan to the defined benefit retirement plan is not a taxable event. Plan to plan transfers for the purchase of service credit is also accepted from 401(a), 401(k), 401(c) Keogh, 403(b), 457(b), FERS and IRAs.

To initiate a purchase of service using a rollover/transfer of funds, you must contact NDPERS directly by completing the Request for Purchase Information SFN 53718 or request the purchase via Member Self Service (MSS).

If you are eligible to purchase service in the 401(a) defined benefit retirement plan, you will have up to 90 days to complete your purchase, along with the Rollover/Transfer Request for Service Credit Purchases SFN 52059 and a Purchase Payment Election Form SFN 53757. If you leave service prior to the 90 days and you wish to complete your purchase, the purchase must be paid in full by the 15th of the month following the month of termination of employment.