

Plan Highlights

North Dakota Public Employees Retirement System Pension Plan Comparison as part of a special offering for state employees hired on 10-1-13 through 7-31-17

IMPORTANT TO NOTE:

Selecting a retirement plan is a one-time irrevocable election made during the first six months of eligible employment.

Compare some of the key features of the plans using the convenient question and answer format.

For more information on the NDPERS Defined Contribution Plan, call TIAA at **800 842-2252**.

For more information on the Defined Benefit Hybrid Plan, contact PERS at **800 803-7377**.

Defined Benefit Hybrid Plan (current plan)

Defined Contribution (current plan)

Plan definitions:

- ▶ In the NDPERS Defined Benefit Hybrid Plan, an account is established on your behalf and contributions are made to the account by you and your employer. If vested, at retirement you are guaranteed a monthly benefit for life. You will receive the benefit determined under the plan regardless of the performance of the plan's investments.
- ▶ In the NDPERS Defined Contribution Plan, an account is established on your behalf and contributions are made to the account by you and your employer. The amount of your benefit will be determined by your investment allocation, the length of time you are invested, your vesting status, and the performance of your investments.

How is my retirement benefit determined?

- ▶ For the Main and Law Enforcement plans, the normal retirement benefit is calculated based on a formula that includes your Final Average Salary (FAS) x years of service x the benefit multiplier of 2%. FAS is the average of your highest salaries for the 36 non-consecutive months of the last 180 worked.
- ▶ For the Judges Retirement Plan, the normal retirement benefit is calculated based on a formula that includes your FAS x years of service x the benefit multipliers of 3.5% for the first 10 years, 2.8% for the second 10 years and 1.25% for each year after 20 years.
- ▶ Your retirement benefit is subject to the value of your account at retirement and may be limited in duration.
- ▶ The duration of your retirement benefit depends on the contributions and investment earnings you experience based on the performance of your selected investment options and the amount and rate at which you take distributions from your account.

How much do I contribute to my pension?¹

- ▶ There is a mandatory pre-tax contribution of 7% of your salary; 4% is picked up by your employer under article 414(h) of the Internal Revenue Code. Of the 7%, 3% will be deducted from your paycheck on a pre-tax basis.¹
- ▶ For the Judges Retirement System, there is a mandatory contribution of 8% of your salary; 4% is picked up by your employer under 414(h) of the Internal Revenue Code. Of the 8%, 4% will be deducted from your paycheck on a pre-tax basis.¹
- ▶ There is a mandatory pre-tax contribution of 7% of your salary; 4% is picked up by your employer under article 414(h) of the Internal Revenue Code. Of the 7%, 3% will be deducted from your paycheck on a pre-tax basis.¹

Defined Benefit Hybrid Plan (current plan)**Defined Contribution (current plan)***(continued)***How much do I contribute to my pension?¹**

- ▶ For the Bureau of Criminal Investigation (BCI) Law Enforcement Retirement System, there is a mandatory pre-tax contribution of 6% of your salary; 4% is picked up by your employer under 414(h) of the Internal Revenue Code. Of the 6%, 2% will be deducted from your paycheck on a pre-tax basis.¹
- ▶ For the National Guard Law Enforcement Retirement System, there is a mandatory pre-tax contribution of 5.5% of your salary; 4% is picked up by your employer under article 414(h) of the Internal Revenue Code. Of the 5.5%, 1.5% will be deducted from your paycheck on a pre-tax basis.¹

How much does the State of North Dakota contribute to my Pension Plan?¹

- ▶ The employer contribution for the Main Plan is set by the state statute and is currently 7.12% of your salary.¹
- ▶ The employer contribution for the Judges Plan is set by the state statute and is currently 17.52% of your salary.¹
- ▶ The employer contribution for the Bureau of Criminal Investigation (BCI) Law Enforcement Retirement Plan is set by the NDPERS Board and is currently 9.81% of your salary.¹
- ▶ The employer contribution for the National Guard Law Enforcement Retirement Plan is set by the NDPERS Board and is currently 9.81% of your salary.¹

- ▶ The employer contribution is set by state statute and is currently 7.12% of your salary.¹

How are my contributions invested?

- ▶ All contributions are held in a trust and invested pursuant to an asset allocation strategy set by the NDPERS Board.
- ▶ The PERS Board determines investment policies. The PERS Board also develops an asset allocation for the retirement funds that the State Investment Board must approve. The State Investment Board retains and monitors investment managers to implement investment policies and asset allocation.

- ▶ Contributions are allocated to individual accounts and invested pursuant to the employee's chosen asset allocation mix.
- ▶ TIAA will provide you with the tools you may need to help you make your investment selections.
- ▶ You can change your investment selections at any time, even if you terminate or retire.

When do I become vested?

- ▶ After three years of service, you are vested and eligible to receive a lifetime monthly benefit at retirement.
- ▶ You are immediately 100% vested in the employee contributions.

- ▶ The Defined Contribution Plan has a vesting schedule as follows: 50% after two years of service, 75% after three years of service, and 100% after four years of service.
- ▶ You are immediately 100% vested in the employee contributions.

Are there any loan or withdrawal privileges?

- ▶ Loans are not available.

- ▶ Loans are not available.

Defined Benefit Hybrid Plan (current plan)**Defined Contribution (current plan)****When can I take a distribution?**

- ▶ At termination and in lieu of drawing a monthly pension, you may take a lump-sum refund or roll over the member account balance, which consists of the employee contribution and any employer contribution that you are vested in as a result of PEP², and interest (currently 7.5%), as established by the NDPERS Board. An early withdrawal penalty may apply if you take your money out before age 59½ and do not roll over your account to another eligible plan or an IRA.
- ▶ Your employee account balance is portable whether you retire or change jobs.
- ▶ You can also take an early retirement benefit with a reduced pension at age 55 (Age 60, if hired on or after January 1, 2016) with three years of service. Law Enforcement employees can take early retirement at age 50 with three years of eligible service.
- ▶ Normal retirement age is 65, or meeting the “Rule”, whichever is earlier. You meet the “Rule” if the combination of your age and years of service equals or exceeds 85 (90, if hired on or after January 1, 2016). For Law Enforcement employees, the normal retirement age is 55 or meeting the Rule of 85 with three years of eligible service.
- ▶ If you have at least 6 months of service credit and are deemed disabled under the plan rules, you are eligible for a monthly disability retirement benefit.

- ▶ At termination you may take a lump-sum refund or rollover of your account, which consists of the employee contribution, any vested employer contribution and any investment earnings. An early withdrawal penalty may apply if you take your money before age 59½ without directly rolling it into another eligible plan or an IRA.
- ▶ Your employee account balance and any vested employer contributions are portable whether you retire or change jobs.
- ▶ When periodic distributions are made upon retirement, your vested account balance will be paid to you in monthly, quarterly, semiannually or no less than annual period payments until your account balance is exhausted. The amount of this distribution can be changed at any time.
- ▶ If you leave employment due to disability, you are eligible for a distribution from your account.

What is the plan fee?

- ▶ The plan administrative fee is paid from the trust fund and is not assessed from employee accounts.

- ▶ Employee accounts will be assessed an annual administrative fee of 0.06% of the value of the account. This fee may be changed from year to year.

What are my distribution options at retirement?

- ▶ Guaranteed, fixed, monthly income for your life.
- ▶ Lump-sum refund of your contributions and vested employer contributions (PEP)² and interest.
- ▶ Roll your balance into another eligible plan or IRA.

- ▶ Non-fixed periodic payments.
- ▶ Purchase a private lifetime annuity.
- ▶ Lump-sum refund of all or a portion of your account balance.
- ▶ Roll your balance into another employer’s eligible plan or IRA.

Defined Benefit Hybrid Plan (current plan)**Defined Contribution (current plan)****What distribution options are available to my spouse if I die before retirement?**

- ▶ If you are not vested, your spouse will receive a lump-sum refund of your member account value, including all employee contributions and vested employer contributions (PEP)² plus interest minus federal income tax withholding.
- ▶ If you are vested, your spouse may select: 50% of your accrued monthly benefit payable for life or lump sum of your account including all employee contributions and vested employer contributions (PEP)² plus interest minus federal income tax withholding.
- ▶ If you are at or past normal retirement age, your spouse may elect monthly payments equal to the 100% Joint and Survivor Benefit or lump sum of your account including all employee contributions and vested employer contributions (PEP)² plus interest minus federal income tax withholding.

▶ Your spouse may elect:

- A lump-sum distribution of the full market value of the vested portion of your account, minus federal income tax withholding. This distribution can be paid in the form of a refund or a direct rollover to an eligible retirement plan or IRA.
- ▶ A periodic payment schedule in compliance with 401(a)(9)(G) of the Internal Revenue Code.

If at retirement I maintain my account with NDPERS, what additional benefits do I receive as a retiree?

- ▶ Retiree health credit, health, dental, vision, and life insurance are available to retirees if they meet conditions associated with each type of coverage. Individuals who receive a lump-sum distribution are not eligible for these benefits.

- ▶ Benefits are the same as the Defined Benefit Hybrid Retirement Plan if conditions associated with each type of coverage are met. Retiree health credit eligibility is maintained as long as you are receiving a periodic distribution at least annually.

Where can I go for more information on these plan features?

- ▶ Contact NDPERS at **800 803-7377**.

- ▶ Call NDPERS at **800 803-7377** or TIAA at **800 842-2252** to speak to a TIAA Retirement Representative, Monday to Friday, 7 a.m. to 9 p.m. (CT), and Saturday, 8 a.m. to 5 p.m. (CT).

What distribution options are available to a non-spouse beneficiary?

- ▶ If benefits have not commenced, whether or not you are vested, your beneficiary may either receive a lump-sum payment or a direct rollover of your vested account value, including all employee contributions (PEP)² plus interest minus federal income tax withholding (i.e., 20% federal, etc.).
- ▶ If benefits have commenced, any payment your beneficiary will receive is subject to the option you select at retirement and whether your account balance has been exhausted through the monthly benefits you received prior to your death.

▶ Your beneficiary may select:

- A lump-sum distribution of the full market value of the vested portion of your account, minus federal income tax withholding (i.e., 20% federal, etc.). This distribution can be paid in the form of a refund or a direct rollover to an eligible retirement plan or IRA.

What disability retirement benefits are available?

- ▶ After six months of service, a member is eligible for a monthly disability retirement benefit, which is 25% of the member's final average salary for as long as the disability lasts. Benefits are subject to income tax upon distribution.

- ▶ There is no specific provision for a disability benefit. A member who leaves employment due to disability is eligible to begin distributions from the account. The duration of benefits depends on contributions and investment earnings you experience based upon performance of your selected investments. Benefits are subject to income taxes upon distribution.

Compare: Defined Benefit Hybrid Plan vs. Defined Contribution

The following comparison summarizes the advantages and disadvantages of the North Dakota Public Employees Retirement System's Defined Benefit Hybrid Plan Pension Plan and the North Dakota Public Employee's Retirement System's Defined Contribution Pension Plan. The general summary is provided as a tool to assist you in determining which plan may be most appropriate for you.

Advantages

Disadvantages

Defined Benefit Hybrid Plan

- ▶ Monthly disability payments are available and will continue throughout your period of disability.
- ▶ Investment risk is assumed by the State of North Dakota.
- ▶ Benefits provided are based on your calculated pre-retirement final average salary.
- ▶ Rewards years of service.
- ▶ Service credit may be purchased, if member meets eligibility requirements.
- ▶ A predictable guaranteed lifetime monthly benefit.
- ▶ Member account balance is portable.
- ▶ Benefits increase with each year worked.
- ▶ Post-retirement adjustments may be provided periodically by legislation.

- ▶ Individuals cannot self-direct investments.
- ▶ Benefits are reduced if employee retires early (prior to age 65 or meeting "Rule").
- ▶ Post-retirement adjustments are not automatic.
- ▶ Benefit enhancements are not automatic.
- ▶ Individuals will not vest in the employer contribution unless individual participates in PEP.²
- ▶ Rollovers from other qualified plans may be accepted, only if member is eligible to buy additional years of service credit.

Defined Contribution

- ▶ Employee assumes all investment risk—positive performance may result in additional gains.
- ▶ Vested account balance is portable.
- ▶ Employee manages retirement income.
- ▶ Employee has flexibility to adjust allocation.
- ▶ Provides the potential for capital accumulation.
- ▶ Employee controls investment option decisions.
- ▶ Based upon the vesting schedule and employee's years of service, employee has the option to fully vest in the employer contributions.
- ▶ Rollovers from other qualified plans may be accepted.

- ▶ Employee assumes all investment risk—poor investment performance may result in loss of principal.
- ▶ Benefits are not related to pre-retirement income (to maintain comparable standard of living).
- ▶ Employee assumes responsibility for managing retirement cash flow and inflation protection.
- ▶ No guaranteed lifetime monthly retirement income.
- ▶ There is no specific provision for a disability benefit. A member who leaves employment due to disability is eligible to draw from the account. The duration of benefit depends on the amount and rate at which you take distributions.

¹ Contributions for all plans are set in statute or by the NDPERS Board. Pursuant to current legislation, when the Defined Benefit Hybrid Plan becomes 100% funded, all contribution rates will return to the rates that were in effect on 7/31/2013.

² The Portability Enhancement Provision (PEP) is not available in the Judges Retirement Plan or the Defined Contribution Plan.

Unless otherwise noted, transaction requests confirmed after the close of the market (normally 3 p.m. (CT)) or on weekends or holidays, will receive the next available closing prices.

This document provides only a summary of the main features of the PERS Pension Plans. The plan documents will govern in the event of any discrepancies.

The Defined Benefit Hybrid Plan information contained herein has been provided by North Dakota Public Employees Retirement System and is solely the responsibility of North Dakota Public Employees Retirement System.