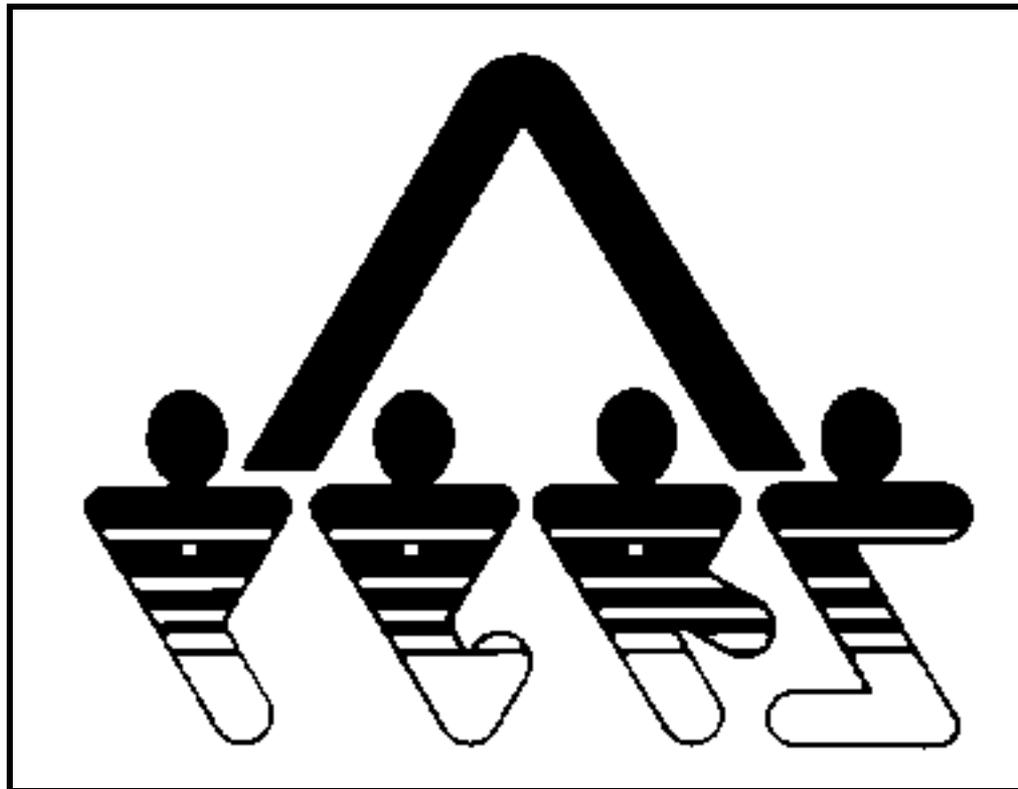


North Dakota Public Employees Retirement System





NDPERS
Law Enforcement
Retirement Plan

NDPERS DEFINED BENEFIT Law Enforcement Plan



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

Eligibility



- At least 18 years of age
- Work at least 32 hours a week 20 or more weeks a year in law enforcement
- Position is regularly funded & not of limited duration

Additional Eligibility Requirements

“Law Enforcement”



- **Peace Officers**

- A public servant authorized by law or government agency or branch to enforce the law and to conduct or engage in investigations of violations of the law.

- **Correctional Officers**

- A person who has completed a correctional officer course approved/certified by the North Dakota department of corrections and rehabilitation and is employed by a correctional facility as defined in the North Dakota Century Code section 12-44.1.

Enrollment



- Eligible employees employed at the time the employer joins may waive participation
 - Must sign an irrevocable waiver of participation
 - May not have their pay increased as a result of that waiver
- All eligible employees hired after the employer joins must participate

Contribution Rates

"Law Enforcement"



- Employee Contribution
 - 5.50%
- Current Employer Groups
 - 10.95% Employer Contribution
 - Based on Normal Cost to provide more favorable retirement provisions, plus past service credit liability
- New Employer Groups
 - 9.07%
 - Contribution based on Normal Cost to provide more favorable retirement provisions and no past service credit liability

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

Defined Benefit – Law Enforcement

How Your Retirement Contributions are Allocated

**NDPERS
distributes
into these
accounts**

Your employer sends to PERS
14.57% or 16.45%
of your gross earnings each pay period
(does not include overtime)

5.5%
Employee Account
(Your Member
Account Balance)

**7.93% or
9.81%**
Employer Account
(General Pool of Funds)

1.14%
Retiree Health Credit

Service Credit & Vesting

- A member will receive a month of service credit for each contribution
- Law Enforcement Retirement System
 - Achieving 36 **eligible** months of service credit
- A member has become legally entitled to a monthly benefit from NDPERS



DB Retirement (LE)

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 6% for each year or 0.500% for each month if:
Attain Age 55 OR	NOT Age 50 OR
Achieve Rule of 85 Member's Age + Service Credit <u>Example:</u> 60 years + 25 years = 85	HAVE NOT met Rule of 85 **Must be at least age 50

Retirement Benefit Formula



- Final average salary (FAS)
 - The average of your highest 36 salaries during the last 180 months worked
- Benefit multiplier
 - 2.00%
- Years of Service
 - One month of service for each contribution

(FAS x 2.00% x YOS = Single Life Benefit)

Retirement & Disability Benefit Options

- Single Life
- Joint & Survivor Options
- Term Certain Options
- Partial Lump Sum Option*
- Graduated Benefit Option*

*Not an option for Disability Benefits or early retirees



Retirement Benefit Example

Assumptions: Member is Age 54 with a Spouse Age 50

Rule of 85 Applies

Basic Retirement Benefit Calculation:

\$ 3,351 (FAS) x 2.00% x 31 Years = \$2,077.62

Single Life Benefit = \$2,077.62

50% Joint & Survivor Benefit = \$1,986.68 Spouse Benefit = \$993.34

100% Joint & Survivor Benefit = \$1,904.62 Spouse Benefit = \$1,904.62

20 Yr Term Certain = \$1,992.75 Beneficiary Benefit (If any) = \$1,992.75

10 Yr Term Certain = \$2,008.64 Beneficiary Benefit (If any) = \$2,008.46

Early Retirement Benefit Example

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

Assumptions: Member is Age 54 with a Spouse Age 50

(Does not meet Normal Retirement Date: Age 65 or “Rule of 85”)

Basic Retirement Benefit Calculation:

\$3,351 (FAS) x 2.00% x 30 Years = **\$2,010.60**

(Early Retirement Reduction 6%) **- 120.64**

(Early Single Life Monthly Benefit) **\$1,889.96**

Single Life Benefit = **\$1,889.96**

50% Joint & Survivor Benefit = **\$1,798.86** Spouse Benefit = **\$899.43**

100% Joint & Survivor Benefit = **\$1,716.08** Spouse Benefit = **\$1,716.08**

20 Yr Term Certain = **\$1,804.72** Beneficiary Benefit (If any) = **\$1,804.72**

10 Yr Term Certain = **\$1,823.06** Beneficiary Benefit (If any) = **\$1,823.06**

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
 - 50% of Normal Single Life, or
 - 100% Joint & Survivor Payment
 - If deceased was age 55 or met Rule of 85

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 7.5% 	<p>Receive a lifetime annuity (retire as early as age 50 or attaining Rule of 85, or age 55, 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
- Leave of Absence
- If Vested- Up to 5 Years Generic
- 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


$$\begin{aligned} & \underline{\text{Final Average Salary (FAS)}} \\ & \quad \times \\ & \underline{14.57\% \text{ or } 16.45\% \text{ (Contribution Rate)}} \\ & \quad \times \\ & \quad \underline{\text{Number of Months}} \\ & \quad \text{(hours divided by 173.3)} \\ & \quad = \underline{\$Cost} \end{aligned}$$

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.



Retiree Health Insurance Credit (RHIC)

Retiree Health Insurance Credit (RHIC)



- \$5.00 For Every Year of Service Credit
- Reduced for Early Retirement
- Applies any eligible health or prescription drug plan
- Applies to NDPERS dental, vision, and long term care plans

Retiree Insurance Coverage



Members drawing a NDPERS monthly retirement benefit maybe eligible to join the following NDPERS sponsored insurance plans:

- Health
(COBRA and/or Medicare coverage)
- Dental
- Vision



**NDPERS Deferred
Compensation (457) Plan
&
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
- Result is accelerated accrual of member's account balance

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%

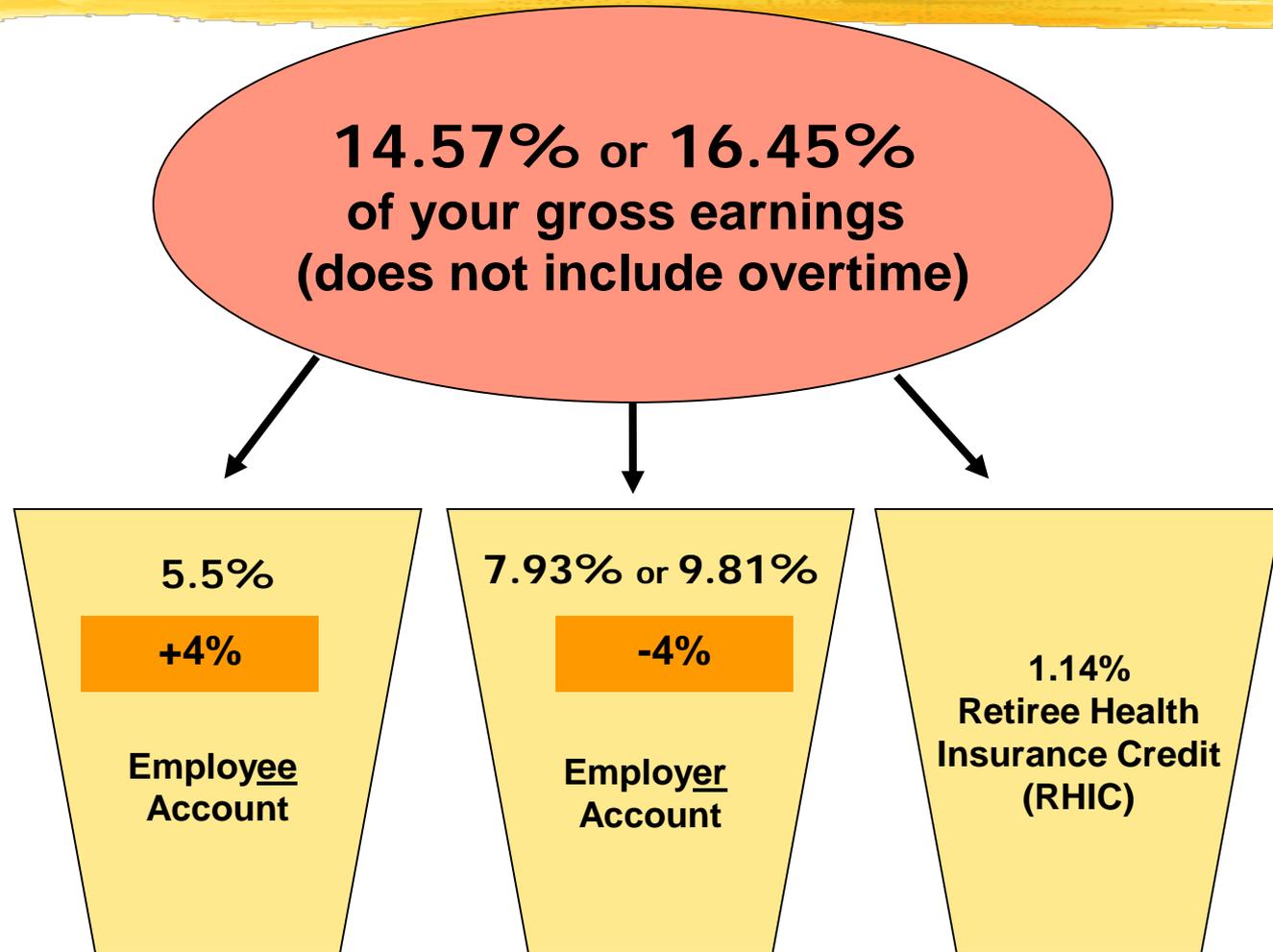


How PEP Works . . .

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	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



NDPERS distributes into these accounts

Let's See an Example



Member Account Balance with PEP	\$8,932
Member Account Balance without PEP	<u>\$5,221</u>
Difference =	\$3,711

- Assumes 5 year participation
- 5% salary increase after 1st year
- 3% salary increase each following year
- 7.5% annual interest, compounded monthly

PEP- DETAILED EXAMPLE

Service Credit	Annual Salary	Employee Contribution 4%	Vested Employer Contributions		Member Account Balance (Cash Value)	
			No PEP	With PEP	No PEP	With PEP
0 - 12	\$20,000	\$800	\$0.00	\$300 (1%)	\$ 833	\$1,146
12 - 24	\$21,000	\$840	\$0.00	\$420 (2%)	\$1,773	\$2,547
25 - 36	\$21,630	\$865	\$0.00	\$649 (3%)	\$2,812	\$4,322
37 - 48	\$22,279	\$891	\$0.00	\$894 (4%)	\$3,958	\$6,514
39 - 60	\$22,974	\$918	\$0.00	\$918 (4%)	\$5,221	\$8,932

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

Other Website Features



You have access to:

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