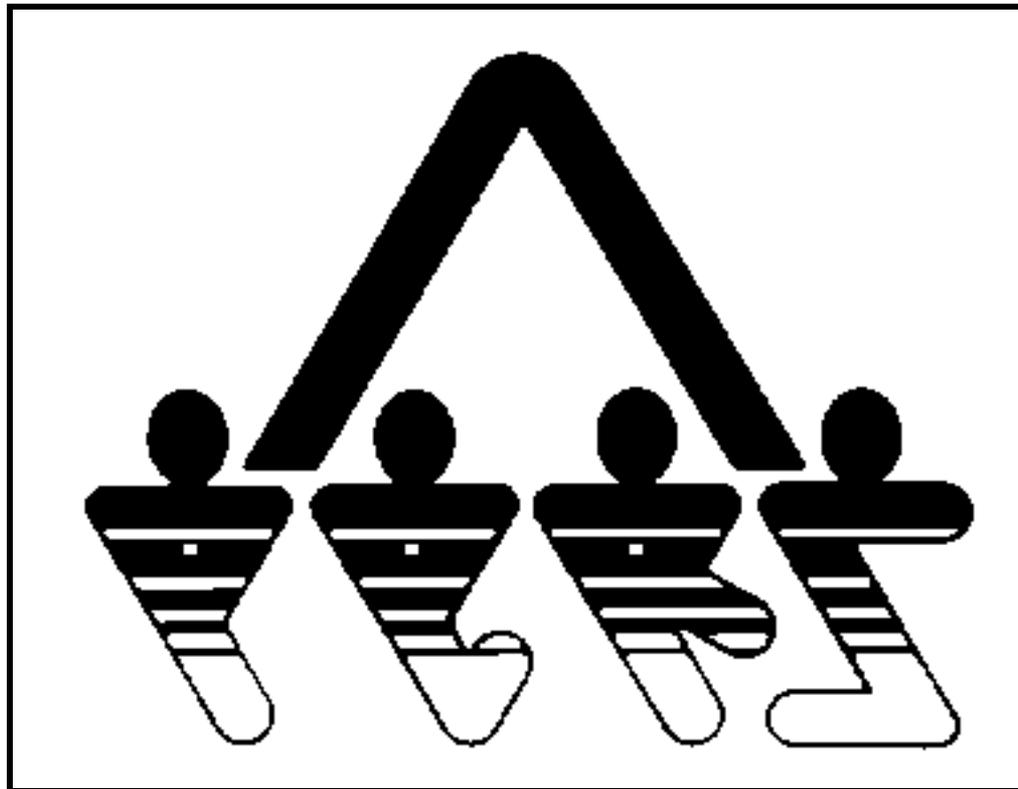


# North Dakota Public Employees Retirement System



# NDPERS DEFINED BENEFIT HYBRID RETIREMENT 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 20 hours a week
- 20 or more weeks a year
- Position is regularly funded & not of limited duration

# Enrollment



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

# Contribution Rates



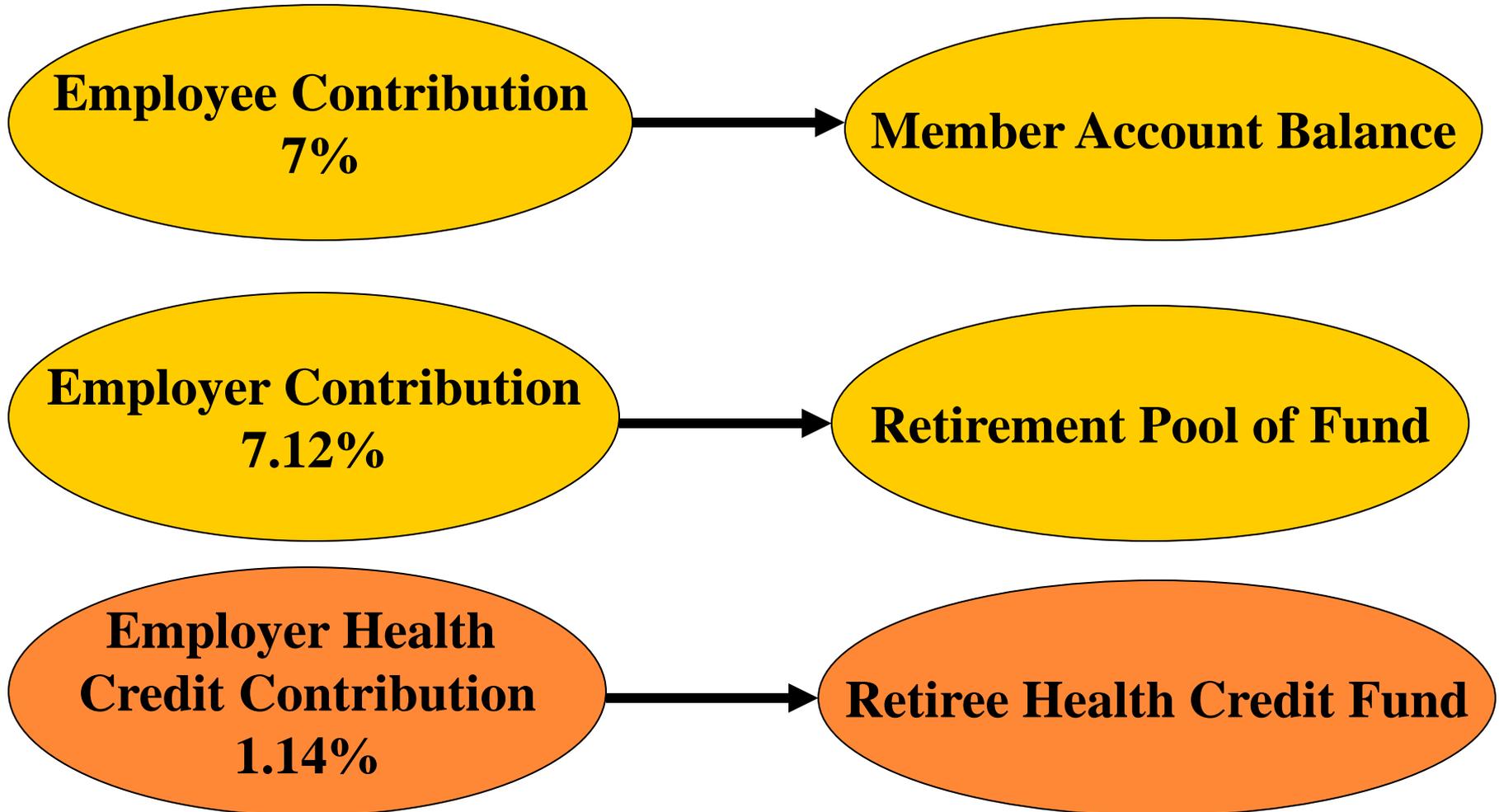
- Employee Contribution – 7.00%
- Employer Contribution – 8.26%
- Contributions are calculated as a percentage of gross pay excluding overtime

# Payment of Employee Contribution



- Employee Paid
  - after tax deduction
  - salary reduction
- Employer Paid
- Combination of salary reduction and salary increase offset

# Contribution Allocation



# Service Credit & Vesting

- A member will receive a month of service credit for each contribution
- A member is vested the earlier of:
  - Achieving 36 months (3 years) of service credit or
  - Attaining 65 years of age
- A member has become legally entitled to a monthly benefit from NDPERS



# 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 (limited to 48 months)
- Leave of Absence
- Generic (must be vested & limited to 60 months)
- At Termination of Employment – Unused Sick Leave

# Purchase Provisions



- Cost of Purchase
  - Actuarial Calculation
- Obtain Cost Estimate
  - Website (Member Self Service)
    - Benefit Estimate Calculator
  - NDPERS Request for Purchase Information SFN 53718

# Purchase Provisions Cont.



- Payment Methods
  - Direct Rollover or Transfer of Pre-Tax Dollars
    - 401(a)
    - 401(k)
    - 403(b)
    - 457
    - Traditional IRA
    - Federal Employee Retirement System Thrift Savings Plan
    - 401(c) Keogh Plan (deposits from 401(a) or (k))
  - Pre-Tax Payroll Deductions
  - After-Tax Payroll Deductions
  - Personal 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

Final Average Salary (FAS)

X

15.26%

X

Number of Months  
(hours divided by 173.3)

=

\$Cost

# Member Account Balance Options

## Benefits at Termination:

- Lump Sum Refund
  - 20% Federal tax withholding
  - ND state tax may be withheld
  - 10% IRS Penalty for early withdrawal
- Direct Rollover
  - Taxable & non-taxable monies
  - Avoid tax & early withdrawal penalties
- Combination rollover/refund



# Member Account Balance Options (continued)

- Leave Money Intact /Deferred Benefit
  - Receive monthly retirement benefits as early as age 55 or attaining Rule of 85, whichever is earlier.
  - Member account balances continues to accrue interest.
  - Monies remain tax sheltered.
  - May take a refund/rollover at a later date.



# 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 65 or met Rule of 85

# 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



# "Early" Retirement



- Age 55
- Reduction of Benefits Under Age 65 or Attaining Rule of 85, whichever occurs first
  - 6% for each year
    - .005 for each month

# "Normal" Retirement

- Attain Age 65

- Achieve the Rule of 85

Member's Age + Service Credit

55 years, 6 months + 29 years, 6 months = 85



# Retirement Benefit Formula



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

$$\text{(FAS x 2.00\% x Service Credit = \$Single Life)}$$

# Retirement & Disability Benefit Options

- Single Life
- Joint & Survivor Options
- Term Certain Options
- Partial Lump Sum Option (PLSO)
- Graduated Benefit Option



# Early Retirement Benefit Example

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

**Assumptions:** Member is Age 60 with a Spouse Age 56

## Retirement Benefit Formula:

\$2,351 (FAS) x 2.00% x 24 Years = **\$1,128.48**

*(Early Retirement Reduction 6.0%)* **- 67.71**

*(Early Single Life Monthly Benefit)* **\$1,060.77**

Single Life Benefit = **\$1,060.77**

50% Joint & Survivor Benefit = **\$995.81** Spouse Benefit = **\$497.91**

100% Joint & Survivor Benefit = **\$934.07** Spouse Benefit = **\$934.07**

10 Yr Term Certain = **\$1,039.32** Beneficiary Benefit (If any) = **\$1,039.32**

20 Yr Term Certain = **\$976.83** Beneficiary Benefit (If any) = **\$976.83**

# Retirement Benefit Example

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

**Assumptions:** Member is Age 60 with a Spouse Age 56

**\*\*Rule of 85 Applies\*\***

**Retirement Benefit Formula:**

$\$2,351 \text{ (FAS)} \times 2.00\% \times 25 \text{ Years} = \$1,175.50$

Single Life Benefit = **\$1,175.50**

50% Joint & Survivor Benefit = **\$1,097.68** Spouse Benefit = **\$548.84**

100% Joint & Survivor Benefit = **\$1,029.62** Spouse Benefit = **\$1,029.62**

10 Yr Term Certain = **\$1,145.64** Beneficiary Benefit (If any) = **\$1,145.46**

20 Yr Term Certain = **\$1,076.76** Beneficiary Benefit (If any) = **\$1,076.76**

# 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

# Retiree Health Credit



- \$5.00 For Every Year of Service Credit
- Reduced for Early Retirement
- Applies only to the NDPERS Group Health Insurance Plan

# Retiree Insurance Coverage



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

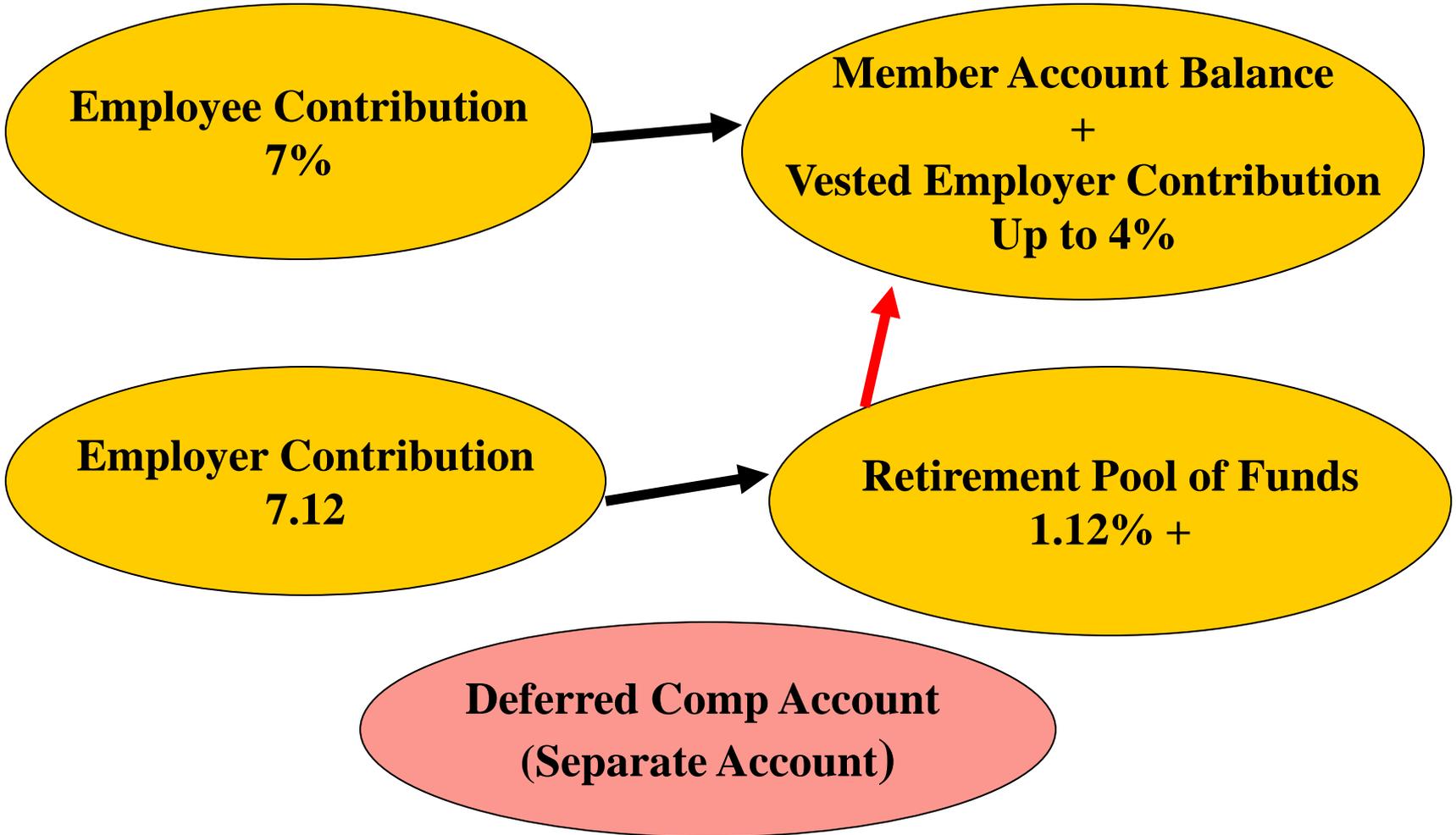
- Health
- Dental
- Vision

# 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

# Contribution Allocation With PEP



# 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)

| <b>Service Credit</b> | <b>Minimum</b> | <b>Maximum</b> |
|-----------------------|----------------|----------------|
| <b>0-12 Months</b>    | <b>\$25</b>    | <b>1%</b>      |
| <b>13-24 Months</b>   | <b>\$25</b>    | <b>2%</b>      |
| <b>25-36 Months</b>   | <b>\$25</b>    | <b>3%</b>      |
| <b>37+ Months</b>     | <b>\$25</b>    | <b>4%</b>      |



# 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<br>4% | Vested Employer Contributions |            | Member Account Balance<br>(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%) | <b>\$5,221</b>                         | <b>\$8,932</b> |

# PEP & Your Annual Statement



## Member's Account:

|  |                  |
|--|------------------|
| Previous Balance, June 30, XXXX            | \$9,999.00       |
| Member Contributions                       | \$ 999.00        |
| <b>Vested Employer Contributions (PEP)</b> | <b>\$ 999.00</b> |
| 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 employees



# 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](http://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