

# Plan Highlights

## North Dakota Public Employees Retirement System Pension Plan Comparison

### 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-CREF at **1-800-842-2252**. For more information on the Defined Benefit Plan, contact PERS at **1-800-803-7377**.

#### Defined Benefit (current plan)

#### Defined Contribution (current plan)

#### Plan Definitions:

- ▶ In the NDPERS defined benefit plan, an account is established on your behalf and contributions are made to the account by you and your employer. If vested, you are guaranteed a benefit for life at retirement. 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?

- ▶ The amount of your benefit is dependent on your years of service, the benefit multiplier age at which you retire, and your final average salary (FAS), which is the average of your highest salaries for 36 non-consecutive months of the last 180 worked.
- ▶ Your retirement benefit is subject to the value of your account at retirement.
- ▶ For both the Main and the National Guard plans, the normal retirement benefit is calculated based on a formula that includes your FAS x years of service x the benefits multiplier of 2%.
- ▶ The amount and duration of your retirement benefit depends on the contributions and investment earnings you experience based on the performance of your chosen investment options.

#### How much do I contribute to my pension?

- ▶ There is a mandatory pretax contribution of 4.0% of your salary. This is picked up by your employer under article 414(h) of the Internal Revenue Code. Effective January 1, 2012, the mandatory employee contribution will increase by 1% to 5% of your salary. Effective January 1, 2013 there will be another 1% employee contribution increase to 6% of your salary. In both years, the additional 1% will be deducted from your paycheck on a pre-tax basis.
- ▶ There is a mandatory pretax contribution of 4.0% of your salary. This is picked up by your employer under article 414(h) of the Internal Revenue Code. Effective January 1, 2012, the mandatory employee contribution will increase by 1% to 5% of your salary. Effective January 1, 2013 there will be another 1% employee contribution increase to 6% of your salary. In both years, the additional 1% will be deducted from your paycheck on a pre-tax basis.

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

- ▶ The employer contribution for the Main plan is set by state statute and is currently 4.12% of your salary. Effective January 1, 2012, the mandatory employer contribution will increase by 1% to 5.12% of your salary. Effective January 1, 2013 there will be another 1% employer contribution increase to 6.12% of your salary.
- ▶ The employer contribution is set by state statute and is currently 4.12% of your salary. Effective January 1, 2012, the mandatory employer contribution will increase by 1% to 5.12% of your salary. Effective January 1, 2013 there will be another 1% employer contribution increase to 6.12% of your salary.

**Defined Benefit (current plan)****Defined Contribution (current plan)****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-CREF 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 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.

**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 PEP and interest, as established by the NDPERS Board (currently 7.5%). An early withdrawal penalty may apply if you take your money out before age 59½ and do not roll over your account to another employer's eligible plan or an IRA.
- ▶ You can also take an early retirement benefit with a reduced pension at age 55 with three years of service. National Guard employees can take early retirement at age 50 with three years of service.
- ▶ Normal retirement age is 65, or the Rule of 85, whichever is earlier. You meet the Rule of 85 requirements if the combination of your age and years of service equals or exceeds 85. For National Guard employees, the normal retirement age is 55 with three consecutive years of service.
- ▶ Upon being deemed disabled under the plan rules, you are eligible for a monthly disability retirement benefit. Provided you have obtained at least six months of service prior to your disability

- ▶ You may take your money at any time upon separation from the State. An early withdrawal penalty may apply if you take your money before age 59½ without directly rolling it into another employer's eligible plan or an IRA.
- ▶ Your eligible assets are portable whether you retire or change jobs.
- ▶ If you leave employment due to disability, you are eligible for a distribution of your defined contributions 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.

**Defined Benefit (current plan)****Defined Contribution (current plan)****What are my distribution options at retirement?**

- ▶ Guaranteed, fixed, monthly income for your life.
- ▶ Survivorship options are available to provide continued payments to your beneficiary after your death.
- ▶ Lump sum refund of your contributions and vested employer contributions (PEP) and interest.
- ▶ Roll your balance into another employer's eligible plan or IRA.

- ▶ Periodic payments.
- ▶ Purchase a private lifetime annuity.
- ▶ Lump sum retirement benefits.
- ▶ Roll your balance into another employer's eligible plan or IRA.
- ▶ Similar distribution options previously outlined above for your beneficiary(ies).

**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 or your member account value, including all employee contributions and vested employer contributions (PEP) 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) 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.

- ▶ **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).

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

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

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

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

- ▶ Contact NDPERS at **1-800-803-7377**.

- ▶ Call NDPERS at **1-800-803-7377** or TIAA-CREF at **1-800-842-2252** to speak to a TIAA-CREF Retirement Representative, Monday to Friday from 7 a.m. to 9 p.m. and Saturday, from 8:00 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 will receive a lump sum payment of your vested account value, including all employee contributions (PEP) 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.

# Compare: Defined Benefit vs. Defined Contribution

The following comparison summarizes the advantages and disadvantages of the North Dakota Public Employees Retirement System’s defined benefit 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.

	Defined Benefit (current plan)	Defined Contribution (current plan)
--	--------------------------------	-------------------------------------

**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. | ▶ An employee who leaves employment due to disability is eligible to draw from the account until the funds are gone. Benefits are subject to income taxes upon distribution. |
|---|--|

	Advantages	Disadvantages
--	------------	---------------

**Defined Benefit**

- |   |   |
|---|---|
| ▶ Monthly disability payments are available and will continue throughout your period of disability. | ▶ Individuals cannot self-direct investments.   |
| ▶ Investment risk is assumed by the State of North Dakota.  | ▶ Benefits are reduced if employee retires early (prior to age 65 or the Rule of 85). |
| ▶ Benefits are predictable.   | ▶ Post-retirement adjustments are not automatic.                                      |
| ▶ Benefits provided are based on your calculated pre-retirement final average salary.               | ▶ Benefit enhancements are not automatic.   |
| ▶ Rewards years of service.   |   |
| ▶ Guaranteed lifetime monthly benefit.  |   |
| ▶ Member account balance is portable.   |   |
| ▶ Benefits increase with each year worked.  |   |
| ▶ Post-retirement adjustments may be provided periodically by legislation.                          |   |

**Advantages**

- |   |   |
|---|---|
| ▶ Employee assumes all investment risk — positive performance may result in additional gains. | ▶ Employee assumes all investment risk — poor investment performance may result in loss of principal. |
| ▶ Vested account balances are portable.   | ▶ Benefits are not related to pre-retirement income (to maintain comparable standard of living).      |
| ▶ Employee has option to manage retirement income.  | ▶ Employee assumes responsibility for managing retirement cash flow and inflation protection.         |
| ▶ Employee has flexibility to adjust allocation.  | ▶ No guarantee of a lifetime monthly retirement income.   |
| ▶ Provides the potential for capital accumulation.  |   |
| ▶ Employee controls investment option decisions.  |   |

*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 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.*