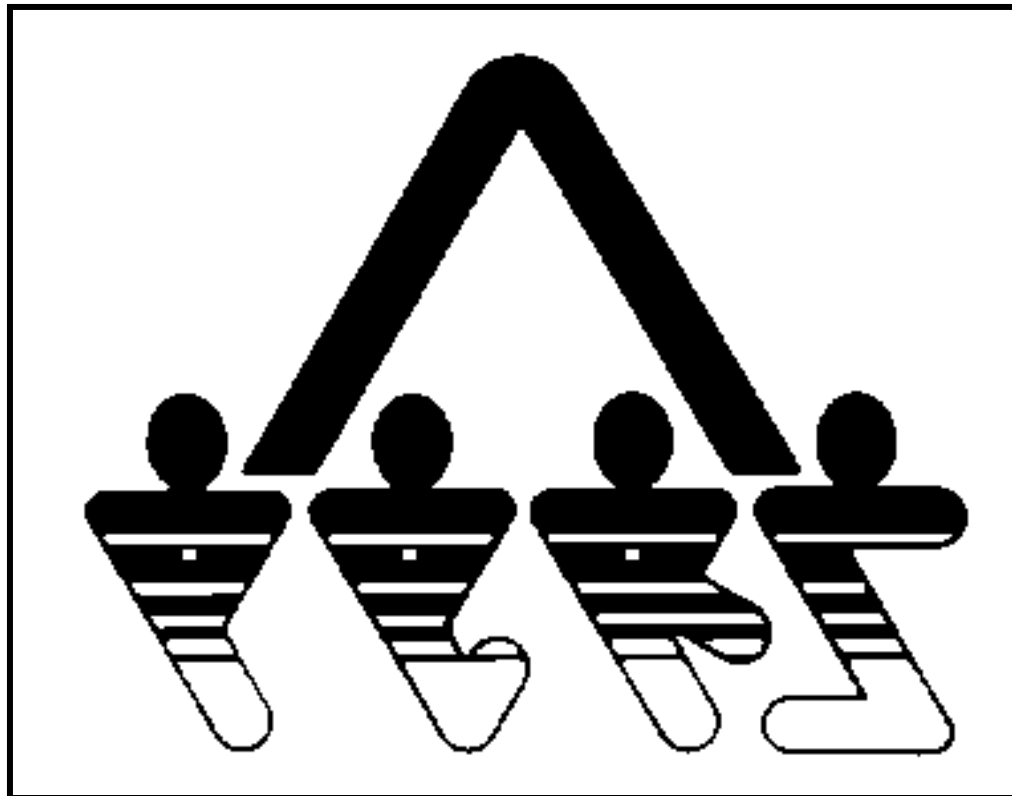


# North Dakota Public Employees Retirement System



# 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



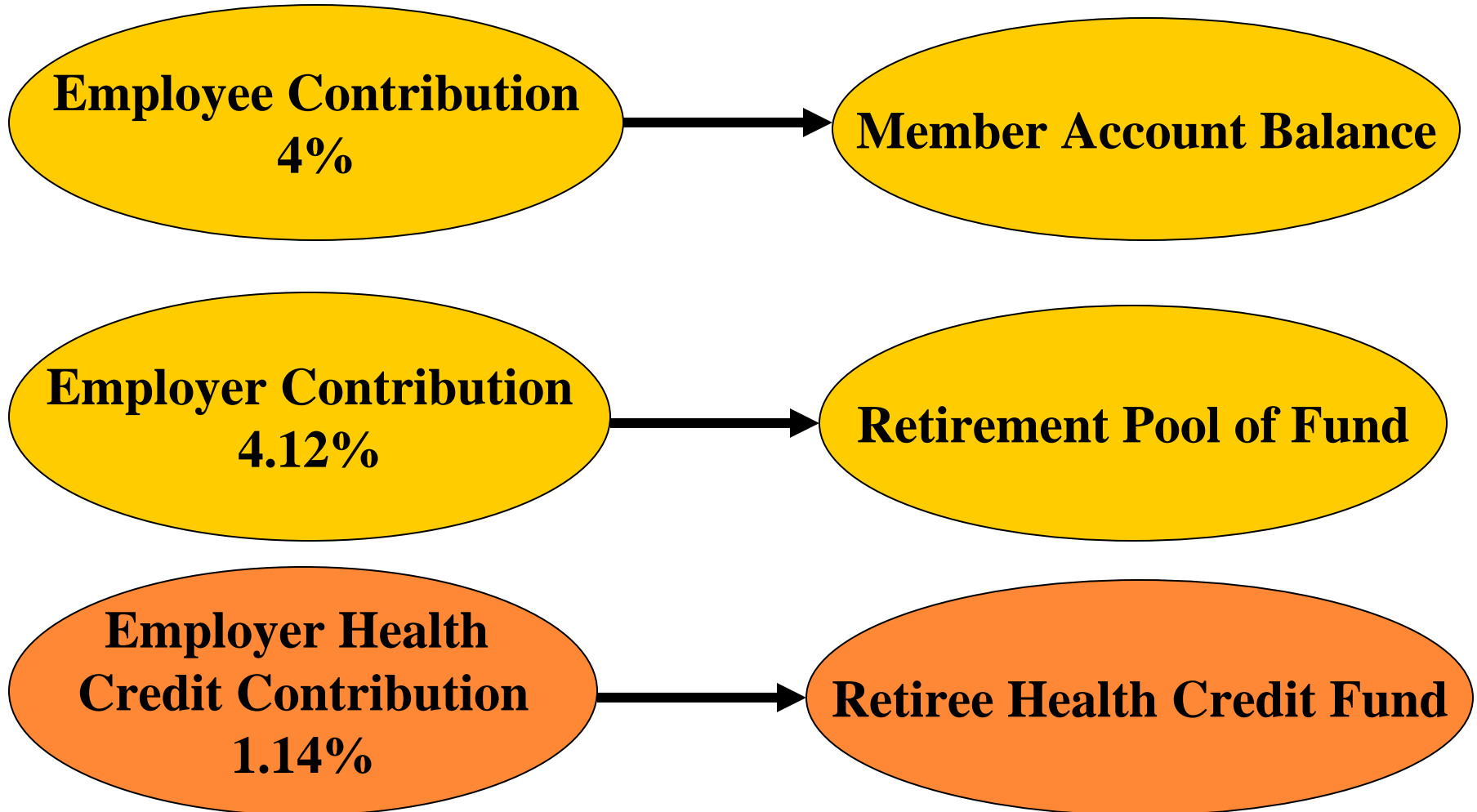
- Employee Contribution – 4.00%
- Employer Contribution – 5.26%
- Contributions are calculated as a percentage of gross pay excluding overtime

# Payment of Employee Contribution



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

# Contribution Allocation

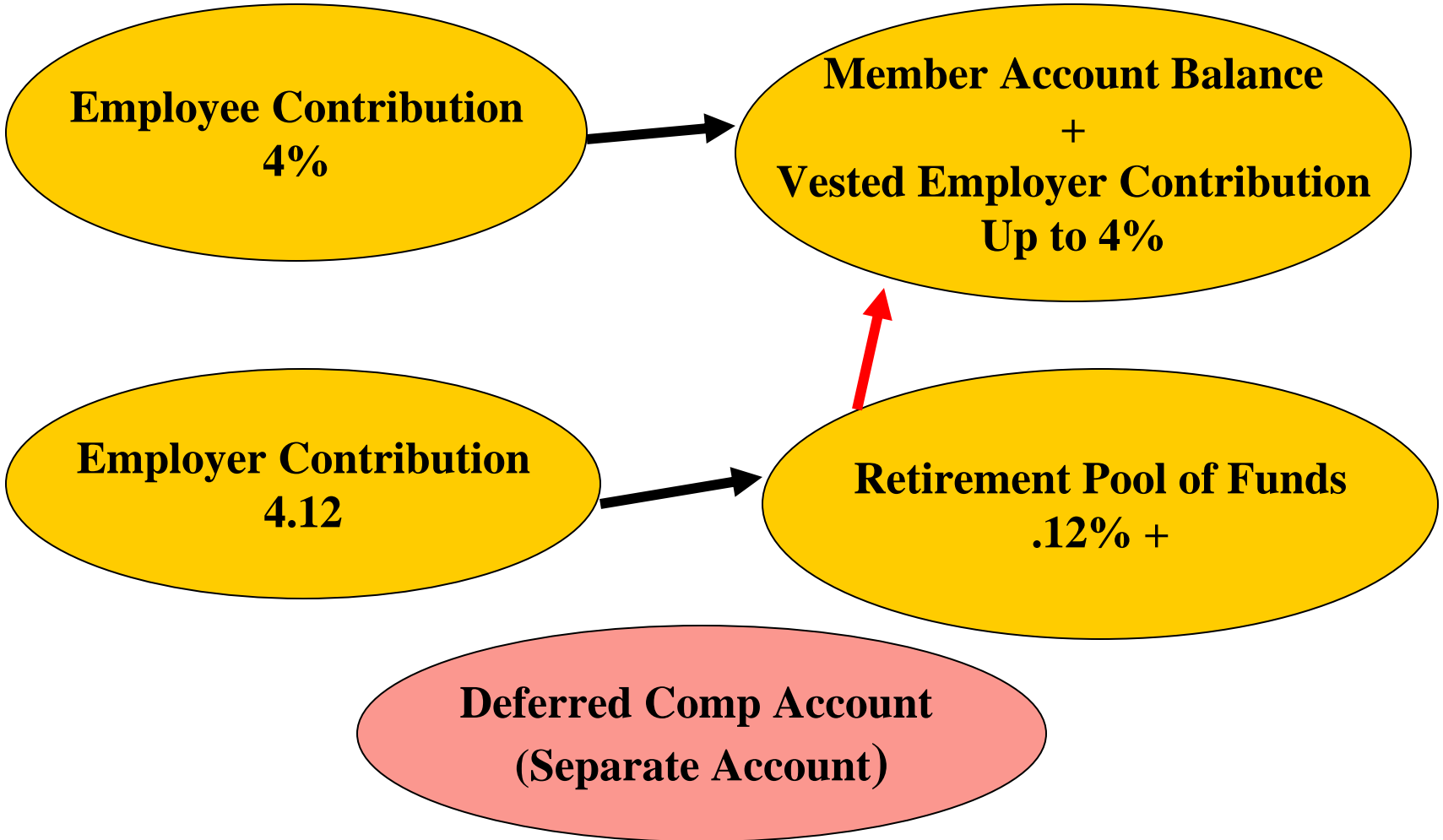


# Portability Enhancement Provision (PEP)



- 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 put in a Deferred Comp Plan, NDPERS will add one dollar 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 without PEP	<u>\$5,221</u>
Member Account Balance with PEP	<u>\$8,932</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%)	<b>\$5,221</b>	<b>\$8,932</b>

# How To Activate PEP



If you are already enrolled in a deferred compensation plan continue participation.

- If you're not at the maximum consider increasing your contribution.

If you are not enrolled & your employer offers a deferred compensation plan:

- Contact a Deferred Comp provider representative to enroll.

If your employer does not offer a deferred compensation:

- Discuss the option with your employer. Plan is available to all eligible employees.

# 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
- Leave of Absence
- If Vested - Up to 5 Years Generic
- At Termination of Employment - Unused Sick Leave

# 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



## Cost of Purchase

- Actuarial Calculation

## Download from Website ([nd.gov/ndpers](http://nd.gov/ndpers))

- Benefit Estimate Calculator
- Purchase of Service Calculator

# Purchase Provisions Cont.



## **Payment Methods (may be a combination of):**

- Direct Rollover or Transfer of Pre-Tax Dollars from:
  - 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 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 contributions only

# Sick Leave Conversion

Final Average Salary (FAS)

X

9.26%

X

Number of Months  
(hours divided by 173.3)

=

\$Cost

# Benefits at Termination

## Member Account Balance Options:

- Lump Sum Refund
- Direct Rollover
- Combination rollover/refund
- Leave Money Intact /Deferred Benefit



# Disability Retirement Benefits

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## Disability Retirement

- Vested after 6 Months

## 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
- Lifetime Payments

# "Early" Retirement



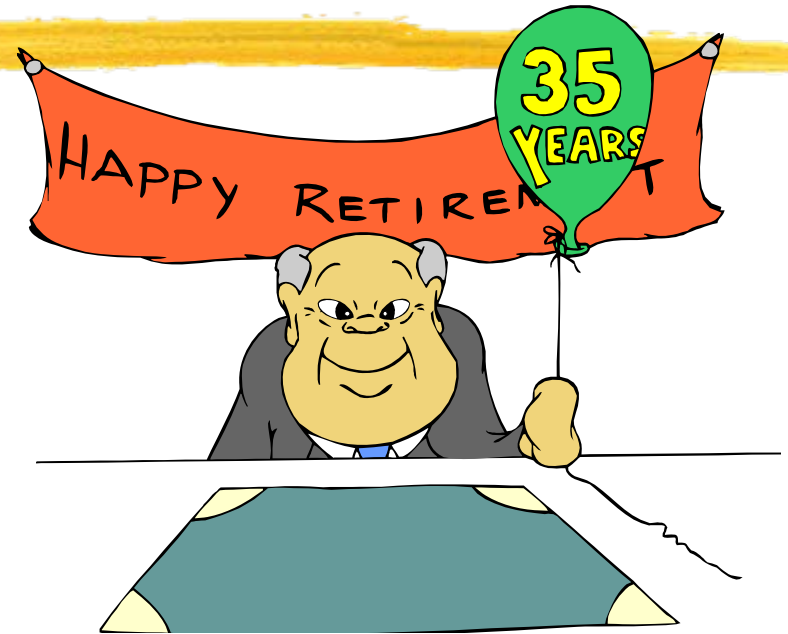
Age 55

Reduction in Benefits from Age 65 or  
attaining Rule of 85, whichever occurs first

- .005 for each month = 6% for each year

# "Normal" Retirement

Attain Age 65



Achieve the Rule of 85

- Member's Age + Service Credit

# Retirement Benefit Formula



## Final average salary (FAS)

- The average of your highest 36 salaries during the last 120 months worked

## Benefit multiplier

- 2.00%

## Credited service

- One month of service for each contribution

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

# Retirement & Disability Benefit Options

- Single Life
- 50% Joint & Survivor
- 100% Joint & Survivor
- 20 Year Term Certain
- 10 Year Term Certain
- Level Social Security Option\*



\*Not an option for Disability Benefits & PLSO

# Partial Lump Sum Option (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%

# 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:**

$\$2,351 \text{ (FAS)} \times 2.00\% \times 24 \text{ Years} =$   **$\$1,128.48$**

*(Early Retirement Reduction 6%)*  **$- \underline{\quad 67.71}$**

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

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

**50% Joint & Survivor Benefit = \$990.55 Spouse Benefit = \$495.28**

**100% Joint & Survivor Benefit = \$929.13 Spouse Benefit = \$929.13**

**20 Yr Term Certain = \$971.67 Beneficiary Benefit (If any) = \$971.67**

**10 Yr Term Certain = \$1,033.83 Beneficiary Benefit (If any) = \$1,033.83**

# 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 (FAS) x 2.00% x 25 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**

**20 Yr Term Certain = \$1,076.75 Beneficiary Benefit (If any) = \$1,076.75**

**10 Yr Term Certain = \$1,146.64 Beneficiary Benefit (If any) = \$1,146.46**

# 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 (FAS) x 2.00% x 25 Years = \$1,175.50**

**PLSO = \$14,106.00**

**Single Life Benefit = \$942.75**

**50% Joint & Survivor Benefit = \$880.34 Spouse Benefit = \$440.17**

**100% Joint & Survivor Benefit = \$825.75 Spouse Benefit = \$825.75**

**20 Yr Term Certain = \$863.56 Beneficiary Benefit (If any) = \$863.56**

**10 Yr Term Certain = \$918.40 Beneficiary Benefit (If any) = \$918.40**

# 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
- Long-Term Care

# On-Line Services



One-time Registration at [nd.gov/ndpers](https://nd.gov/ndpers)

## Compute

- Retirement Benefit Estimates
- Disability Benefit Estimates

## View

- Member Account Balance
- Current Annual Statement

# Other Website Features



You have access to:

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