SPECIAL NOTICE

2009 INCOME TAX WITHHOLDING FOR PENSION PAYMENTS

Due to the American Recovery and Reinvestment Act (ARRA) signed into law on February 17, 2009, the Internal Revenue Service (IRS) issued new tax withholding tables effective April 1, 2009 that are to be used to calculate the federal income tax withholding for pension payments. In summary, the automatic withholding threshold was increased from $1,600 to $2,240 effective April 1, 2009. Under the revised wage withholding tables, no tax is to be withheld from monthly payments that are less than $2,240, unless you request otherwise, because this is the monthly withholding threshold for a "married-and three" taxpayer.

NDPERS was required to adjust its system to incorporate the new tax withholding tables effective with your April 1 payment. Therefore, the change in withholding occurred automatically and if you have a Form W-4P on file, the tax was applied in accordance with that form. The result of this may be that you will receive a larger pension check for the remainder of the year. Therefore, at the end of the year not enough tax will be withheld to cover your 2009 tax bill, thereby requiring you to repay these taxes when you file your 2009 tax return (either as a smaller refund or a higher tax bill).

If you wish to adjust your withholding you must file a new W-4P with the PERS office. You may obtain the form from our web site at www.nd.gov/ndpers under Forms and Publications for the Defined Benefit Hybrid Retirement Plan or you may call the NDPERS office at 701-328-3900 or 1-800-803-7377. For additional assistance, get IRS Publication 919, "How Do I Adjust My Tax Withholding?" or visit the IRS website at www.irs.gov and use the "Withholding Calculator." As will all tax matters, we also recommend that you discuss this issue with your personal tax advisor.