

PLAN SUMMARY

STATE OF NORTH DAKOTA 457 DEFERRED COMPENSATION PLAN

The State of North Dakota 457 Deferred Compensation Plan is a voluntary, supplemental retirement savings program designed to increase your personal savings for retirement and reduce your current taxable income. It is based on guidelines in Section 457(b) of the IRS Code. The plan is administered by the North Dakota Public Employees Retirement System and its Board.

This summary is intended to provide general information and may not be considered a legal interpretation of IRC Section 457 regulations. Statements contained in this publication do not supersede the North Dakota Century Code, Administrative Code, IRS code, Plan Document or restrict the authority granted to the Retirement Board.

Eligibility

Employees of the State of North Dakota and employees of participating political subdivisions are eligible to participate in the plan. To be eligible, you must be a permanent employee working a minimum of 20 hours per week for 20 or more weeks of the year, are at least eighteen years of age, filling a permanent position that is regularly funded and not of limited duration. Legislators are eligible to participate in the plan. Temporary or part-time employees and independent contractors are not eligible to participate in the plan.

Tax Deferred Contributions

The program permits you to defer a portion of your salary on a pretax basis through convenient payroll deductions. You can't miss what you don't see. The amount deferred to your investment account and the income or gains on those investments are not taxable until you begin to withdraw money from the account, generally at retirement, at which time the withdrawals are taxed as ordinary income.

Enrollment

You may enroll in the Plan at any time. To enroll you must first select and contact one of the eligible providers for the plan. The provider representative you select will assist you in completing the required forms to open an account. You must complete a [Participant Agreement, SFN 3803](#), to authorize your automatic payroll deduction. Please note that IRS regulations require you to make your deferral election in the month prior to month you will earn the money.

Contributions

The minimum contribution is \$25.00 per month. The maximum regular annual contribution limit is the lesser of 100% of compensation or \$15,500 in 2007 (adjusted for cost-of-living in subsequent years). You may change your contribution amount at any time or suspend contributions and start again at a later date.

Selecting an Investment Provider

You may select from among 11 different provider companies comprising more than 250 investment fund options. You can obtain information about the eligible plan provider companies and investment choices by accessing the [Investment Options Summary](#) booklet available on the PERS web site. The [Investment Options Summary](#) book will provide you with details about the eligible provider companies, their investment options, annual expense fees, and the historical

rates of returns. Also included is a list of agents authorized to assist you with enrollment and your investment allocations.

Expedited Enrollment Option

The expedited enrollment does not require you to make a decision regarding the amount of contribution, investment allocation, or selecting a provider company and agent. Just complete the [Expedited 457 Deferred Compensation Plan and PEP Enrollment Form, SFN 54362](#) and you will automatically be enrolled for the minimum contribution of \$25 a month which will be invested with the NDPERS [Companion Plan](#) in the [Fidelity Freedom Funds](#). The Companion Plan is a PERS trust fund and the PERS Board selects and monitors the investments offered under this plan. You may also contact a Fidelity representative direct at 1-800-343-0860 to assist you and to explain other investments options.

PEP Participation

When you enroll in the deferred comp plan you are automatically enrolled in [PEP](#). [PEP](#) allows you to vest in up to 4.00% of the employer contribution paid into the defined benefit retirement plan pool of funds and have this vesting percentage credited to your individual member account in the defined benefit plan. For every dollar you put in the deferred compensation plan, NDPERS will add one dollar to your member account balance up to the vesting maximum of 4%. This can significantly increase the amount of money available in your member account if you choose to “cash in” your retirement account, or roll it over into another pension plan when your North Dakota Public service ends.

Saver’s Credit

A Saver’s Credit is a tax credit that can help offset the cost of the first \$2,000 you voluntarily contribute to a 457 deferred compensation account. It applies to incomes up to \$25,000 (\$37,500 for head of household) and married couples with incomes up to \$50,000. The credit is the percentage of the qualifying contribution amount, providing the highest rate for taxpayers with the least income, as shown below:

Credit Rate	Income: Married, joint	Income: head of Household	Income: Others
50%	up to \$30,000	up to \$22,500	up to \$15,000
20%	\$30,001 – 32,500	\$22,501 – 24,375	\$15,001 – 16,250
10%	\$32,501 – 50,000	\$24,376 – 37,500	\$16,251 – 25,000

The Saver’s Credit can be used in addition to other tax benefits that may result from retirement contributions.

Catch-Up Contributions

If you are close to retirement or over age 50, you may be able to contribute more than the regular contribution limit. There are two catch-up options available:

- **50+ Catch-Up**—Participants age 50 or older may contribute the maximum annual limit referenced above plus an additional \$5,000 in 2007 (for a total of \$20,500, adjusted for cost-of-living in subsequent years). This election may be made using the [Participant Agreement, SFN 3803](#).
- **3-Year Catch-Up**—Participants within 3 years of normal retirement date may contribute the regular maximum annual limit plus missed contributions from previous years up to \$31,000 for 2007 (adjusted for cost-of-living in subsequent years). You may apply for this option by completing the [Catch-Up Worksheet/Certification, SFN 51501](#).

Distribution or Payout Options at Separation of Employment

This includes retirement, disability, resignation, death or discharge. You must be off covered employment for thirty (30) days before a distribution will be processed. PERS will send you a notice acknowledging termination and send a copy to your agent/provider company. You must contact your provider representative to initiate distribution of your account. Distributions must begin no later than April of the calendar year after you attain age 70½ or are no longer employed, whichever is latest.

Distribution or Payout Options (while employed)

There are three circumstances under which you may obtain an in-service distribution:

- **Financial Hardship** — You must provide proof of financial hardship based on an unforeseen emergency. Strict federal guidelines determine approval. For an application you must contact the NDPERS office. Financial hardship requests are referred to the PERS Board for review and approval.
- **Deminimus Distribution** — Only available to participants with less than \$5,000 in their account, who have not contributed to the plan in the previous 24 months, and have not previously received a deminimus distribution from the plan. To initiate this payout you must complete a [Request for Deminimus Distribution, SFN 52051](#).
- **Qualified Domestic Relations Orders (QDRO)** — A [QDRO](#) is any judgment, decree or order issued by the court made pursuant to a North Dakota domestic relations law, and which creates or recognizes the existence of an alternate payee's right to, or assigns to an alternate payee the right to receive all or a part of the benefits payable to the participating member. Prior to beginning or constructing a domestic relations order, your attorney should contact the NDPERS office to obtain a copy of the [QDRO](#) requirements or use the [QDRO Model](#) available on our web site.

Rollover/Transfer of Funds

The rollover/transfer options allow you to consolidate retirement funds from other sources. The NDPERS deferred compensation plan accepts a rollover of pretax funds from other eligible retirement plans including the 401(a), 401(k), 401(c) Keogh, 403(b), 457(b), FERS and IRAs. Plan to plan transfers are also allowed between eligible providers participating in the NDPERS deferred compensation plan. A rollover/transfer is a trustee to trustee transaction and is not a taxable event.

To initiate a rollover or plan to plan transfer of funds, just complete the [NDPERS Rollover/Transfer form, SFN 50177](#).

Purchase of Service Credit

Purchase of service allows you to use eligible pretax monies from qualified plans to buy service in the 401(a) defined benefit retirement plan. Because the State's deferred compensation is a qualified plan, you may rollover/transfer these funds to [purchase service credit](#). The transfer of funds from the 457(b) deferred comp plan to the defined benefit retirement plan is not a taxable event. Plan to plan transfers for the purchase of service credit is also accepted from 401(a), 401(k), 401(c) Keogh, 403(b), 457(b), FERS and IRAs.

To initiate a purchase of service using a rollover/transfer of funds, you must complete [SFN 53718 NDPERS Request for Purchase Information](#) form.

Additional information about the State of North Dakota 457 Deferred Compensation Plan is available from the NDPERS web site at www.nd.gov/ndpers/deferred-comp