

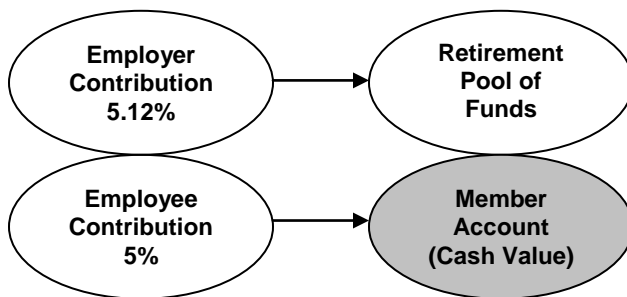


If you are eligible to participate in, or are already a member of the NDPERS Defined Benefit Hybrid Retirement Plan you are eligible to increase your member account balance. Under the defined benefit retirement plan, the 5.12% employer contribution is paid into the retirement pool of funds. The employee contribution of 5% (plus interest) is paid into the member account. A member has three options at termination of employment:

- Withdraw the member account balance
- If vested, elect to draw a monthly retirement benefit for life
- If vested, defer drawing a monthly benefit to a later date

The following model illustrates the PERS retirement contribution allocation:

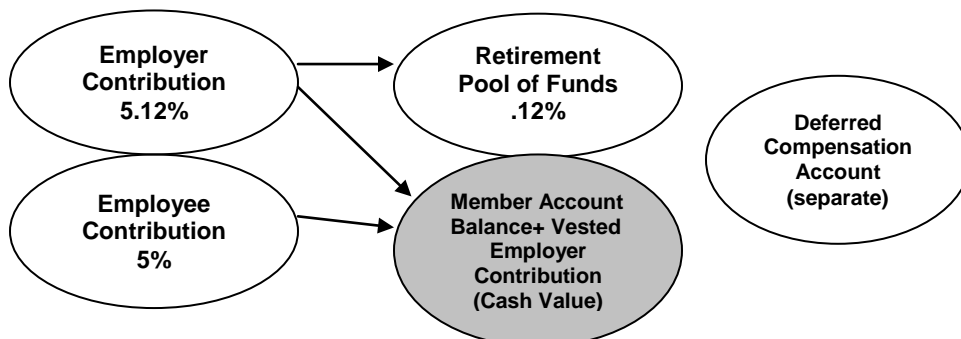
How PERS Works – Contribution Allocation



At the North Dakota Public Employees Retirement System (NDPERS) we are very concerned about the ability of our members to plan adequately for their retirement. To assist you, our plan has been designed to make this planning as convenient as possible by allowing you the opportunity to participate in the Portability Enhancement Provision or **PEP**.

How does PEP work?

PEP allows you the option to vest in up to 4.00% of the employer contribution paid into the retirement pool of funds and have this vesting percentage credited to your member account. For every dollar you put in a Deferred Compensation plan, NDPERS will add one dollar to your member account balance, subject to a vesting schedule. This can significantly increase the amount of money available if you choose to “cash in” your retirement account, or roll it over into another pension plan, if your North Dakota Public service ends. PEP reallocates the employer contributions into your member account balance as shown below. As you can see, up to 4% of the employer contribution may be paid into the member account rather than the retirement pool of funds as shown in the previous model.



However, this reallocation or **vesting** is not automatic. For purposes of PEP crediting, your employer must participate in the state's **Defined Benefit Retirement Plan and a 457 Deferred Compensation Program**. The NDPERS deferred compensation program also recognizes IRC 457 or 403(b) approved programs offered by participating employers. Please check with your employer to find out if you are eligible to participate in PEP.

What is a deferred compensation plan?

Deferred compensation is a voluntary supplemental retirement plan under IRS code section 457. It allows eligible employees to defer a portion of their salary, on a pre-tax basis and have it invested for payment to them at a later date, usually at retirement.

The minimum annual contribution is \$25 a month (\$300 annually) and is set by the PERS Board. The annual maximum contribution is the limit set by the IRS or 100% of includable compensation, whichever is less. Older employees may be eligible to defer more than the maximum subject to IRS guidelines.

By enrolling to participate in the deferred compensation plan at the minimum required monthly contribution of \$25, you begin to automatically **vest** in the employer contribution according to a schedule based on years of service in the defined benefit plan.

How does the vesting schedule work?

For the first three years of participation, the vesting percentage of the employer contribution available to be credited to your member account increases by one percent each year as shown below:

Service Credit	Minimum Contribution	Maximum Vesting %
0-12 Months	\$25	1%
13-24 Months	\$25	2%
25-36 Months	\$25	3%
37+ Months	\$25	4%

Following is a schedule comparing the annual cumulative effects to the NDPERS member account without and with PEP participation:

Service Credit	Annual Salary*	Employee Contribution X	Vested Employer Contributions		Member Account Balance*** (cash value)	
			No PEP	With PEP**	No PEP	With PEP
0-12 Months	\$20,000	\$1,000	\$0.00	\$300 (1%)	\$1,042	\$1,330
13-24 Months	\$21,000	\$1,050	\$0.00	\$420 (2%)	\$2,226	\$2,976
25-36 Months	\$21,630	\$1,081	\$0.00	\$649 (3%)	\$3,543	\$5,033
37- 48 Months	\$22,279	\$1,114	\$0.00	\$891 (4%)	\$4,981	\$7,554
39-60 Months	\$22,947	\$1,147	\$0.00	\$918 (4%)	\$6,604	\$10,353

Assumptions:

* 5% salary increase after the first year; 3% salary increase each following year.

** Minimum contribution of \$25/month in 1st year increased to maximum vesting percent per vesting schedule for each 12-month period thereafter.

*** 7.5% annual interest, compounded monthly.

How will PEP benefit you?

As indicated in the above model and associated schedule:

- It **adds cash value** to your member account in the event you leave employment and elect to “cash-in” or rollover your account balance.
- It **increases the estate value** of your retirement account to your beneficiaries.
- The program encourages you to start a deferred compensation plan to **supplement retirement income**. The funds accrued in this separate account are available to you upon termination from employment.

It all adds up!

Each year in August NDPERS members receive an annual statement. If you participate in an approved deferred compensation plan your statement will reflect the PEP contributions added to your PERS' member account. The **PEP** contributions are listed as the "Vested Employer Contributions" on your statement.

Enroll in the Deferred Compensation Plan Now!

You receive the greatest benefit by enrolling in deferred compensation at the time you begin employment. Please be advised that you may enroll in the deferred compensation plan at anytime. Regardless of when you elect to enroll, your **PEP** contribution will be credited to your member account beginning with your first month in the program.

The NDPERS deferred compensation plan has 13 investment providers from which you can choose to set up your account. For information about the deferred compensation plan, please visit the NDPERS web site at www.nd.gov/ndpers and select Active Members the Deferred Compensation Plan on the menu. Here you will find a list of provider companies and associated agents, a summary description of the deferred comp plan, forms, information about PEP, and a summary of investment options, as well as links to some of the provider web sites.

Expedited Enrollment Option

In order to promote the ability for you to supplement your retirement savings, we have designed our plan to make saving as convenient as possible by providing an **EXPEDITED** enrollment option. The expedited enrollment does not require you to make a decision regarding amount of contribution, investment allocation, or selecting a provider company and agent. Just complete a "**457 Deferred Compensation Plan Expedited Enrollment/Waiver SFN 54362**".

All new hires must complete this form either electing to participate in the deferred compensation plan or waive their rights to PEP in Section D. By completing Parts A, B and C, you will automatically be enrolled for the minimum contribution of \$25 a month which will be invested with the NDPERS Companion Plan in an age-appropriate TIAA-CREF Lifecycle Mutual Fund. If you do not elect to enroll in the deferred compensation plan at the time you are hired, you must sign the Waiver of Participation in **Section D** on the form and submit it to your payroll office within 30 days.

The Companion Plan is a NDPERS trust fund and the NDPERS Board selects and monitors the investments offered under this plan. Information on these funds may be found on the NDPERS web site at www.nd.gov/ndpers under Active Members, Deferred Compensation Plan, NDPERS Companion Plan. You may also contact a TIAA-CREF representative direct at 1-800-842-2252 to assist you and to explain other investments options. If you want to make future changes to your deduction amount or suspend participation, you must complete the "**NDPERS 457 Deferred Compensation Plan Enrollment/Change SFN 3803**".

Current employees may also use this form if they prefer to take advantage of the expedited option and invest in the NDPERS Companion Plan at the minimum \$25 monthly contribution amount.

Feel good knowing you are planning for your financial future

To find out more about how deferred compensation can supplement your retirement savings, lower your taxable income, and provide access to more of your public employee retirement dollars, please contact:

NDPERS
400 E. Broadway, Suite 505
PO Box 1657
Bismarck, ND 58502-1657
Phone: 701-328-3900
Toll Free: 1-800-803-7377
www.nd.gov/ndpers