

Plan Highlights



**GENERAL COMPARISON OF THE DEFINED
BENEFIT HYBRID RETIREMENT PLAN TO
THE DEFINED CONTRIBUTION RETIREMENT
PLAN**

Retirement Plan Definitions



Defined Benefit Hybrid

- In the NDPERS Defined Benefit Hybrid 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 monthly benefit for life at retirement. You will receive the benefit determined under the plan regardless of the performance of the plan's investments.

Defined Contribution

- 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. The duration of benefits is dependent on your account balance.

How are my retirement benefits determined?



Defined Benefit Hybrid

- 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.
- For the Main, Law Enforcement 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%.
- For the Judges Retirement Plan, the normal retirement benefit is calculated based on a formula that includes your FAS x years of Service x the benefit multipliers of 3.5% for the first 10 years, 2.8% for the second 10 years and 1.25% for each year after 20 years.

Defined Contribution

- Your retirement benefit is subject to the value of your account at retirement and may be limited in duration.
- 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?



- Mandatory contribution rates for all plans except the National Guard and Law Enforcement Retirement Plans are set in statute.
- Mandatory contribution rates for the National Guard and Law Enforcement Plans are set by the NDPERS Board
- 4% of all employee contributions are picked up by your employer under 414(h) of the Internal Revenue Code.
- Employee contributions that are higher than 4% are deducted from your paycheck on a pre-tax basis.
- Increased contributions will revert back to contribution levels of 2013 when the Defined Benefit Hybrid Plan reaches 100% funding status.

How Much Does the State of North Dakota Contribute to My Pension Plan?



- The amount of the employer contribution is dependent upon which retirement plan you are eligible for and which one you ultimately select.
- Increased contributions will revert back to contribution levels of 2013 when the Defined Benefit Hybrid Plan reaches 100% funding status.

Contribution Rates for Both Plans



Currently:

- Main system
 - Employer – 6.12%
 - Employee – 6.00%
- Judges
 - Employer: 16.52
 - Employee: 7.00
- Law Enforcement
 - Employer: 10.31
 - Employee: 6.00
- Air National Guard
 - Employer: 6.50
 - Employee: 4.00

Effective January 1, 2014:

- Main system
 - Employer – 7.12%
 - Employee – 7.00%
- Judges
 - Employer: 17.52
 - Employee: 8.00
- Law Enforcement
 - Employer: 11.31
 - Employee: 6.0
- Air National Guard
 - Employer: 7.00
 - Employee: 4.50

How are my contributions invested?



Defined Benefit Hybrid

- 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.

Defined Contribution

- 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?



Defined Benefit Hybrid

- 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.

Defined Contribution

- The vesting schedule is 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?



Defined Benefit Hybrid

Loans are not available.

Defined Contribution

Loans are not available.

When can I take a distribution?



Defined Benefit Hybrid

- 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 in the main system or the judges. National Guard and Law Enforcement 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 and Law Enforcement employees, the normal retirement age is 55 with three consecutive years of service.

Defined Contribution

- At termination you may take distribution of your account, which consists of the employee contribution, any employer contribution that you are vested in and any investment earnings. 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.

What is the plan fee?



Defined Benefit Hybrid

- The plan administrative fee is paid from the trust fund and is not assessed from employee accounts

Defined Contribution

- 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.

What are my distribution options at retirement?



Defined Benefit Hybrid

- 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.

Defined Contribution

- Non-fixed periodic payments.
- Purchase a private lifetime annuity.
- Lump sum retirement benefits.
- Roll your balance into another employer's eligible plan or IRA.
- Distribution options are outlined for your beneficiary(ies) in following slides.

What distribution options are available to my spouse if I die before retirement?

Defined Benefit Hybrid

- 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 or lump sum of your account including all employee contributions and vested employer contributions (PEP plus interest minus federal income tax withholding).

Defined Contribution

- 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) of the Internal Revenue Code.

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

Defined Benefit Hybrid

- Retiree health credit, health, dental, vision, 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.

Defined Contribution

- Benefits are the same as the Defined Benefit Hybrid Retirement Plan if conditions associated with each type of coverage are met.

What distribution options are available to a non-spouse beneficiary?

Defined Benefit Hybrid

- 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.

Defined Contribution

- 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.

What disability retirement benefits are available?



Defined Benefit Hybrid

- 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.

Defined Contribution

- There is no specific provision for a disability benefit. However, a member 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.

Comparison: Defined Benefit Hybrid



Advantages

- Monthly disability payments are available and will continue throughout your period of disability.
- Investment risk is assumed by the State of North Dakota.
- Benefits provided are based on your calculated pre-retirement final average salary.
- Rewards years of service.
- A predictable guaranteed lifetime monthly benefit.
- Member account balance is portable.
- Benefits increase with each year worked.
- Post-retirement adjustments may be provided periodically by legislation.

Disadvantages

- Individuals cannot self-direct investments.
- Benefits are reduced if employee retires early (prior to age 65 or the Rule of 85).
- Post-retirement adjustments are not automatic.
- Benefit enhancements are not automatic.
- Individuals will not vest in the employer contribution unless individual participates in PEP.

Comparison: Defined Contribution



Advantages

- Employee assumes all investment risk — positive performance may result in additional gains.
- Vested account balances are portable.
- Employee manages retirement income.
- Employee has flexibility to adjust allocation.
- Provides the potential for capital accumulation.
- Employee controls investment option decisions.
- Additional contributions are made to the Plan for each month worked.

Disadvantages

- Employee assumes all investment risk — poor investment performance may result in loss of principal.
- Benefits are not related to pre-retirement income (to maintain comparable standard of living).
- Employee assumes responsibility for managing retirement cash flow and inflation protection.
- No guarantee of a lifetime monthly retirement income.
- There is no specific provision for a disability benefit. A member who leaves employment due to disability is eligible to draw from the account until the funds are gone.

Where can I go for more information on these plan features



Defined Benefit Hybrid

- Contact NDPERS at **1-800-803-7377** or **(701) 328-3900**.
ndpers-info@nd.us (email)
www.nd.gov/ndpers (web address)

Defined Contribution

- 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 a.m. to 5 p.m. (CT).
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