NDPERS Implementation of HB 1452 Defined Contribution Retirement Plan Option

A Presentation for Authorized Agents, Human Resource and Payroll Personnel

House Bill 1462

- Who is eligible/affected?
- Defined contribution retirement bill provisions.
- What is the difference between the two plans?
- What does this mean to you?

State Employees

- Employees who will be eligible for the Defined Contribution Retirement plan election are those who are a permanent state employee, hired after October 1, 2013. Provision expires July 1, 2017.
- Includes:
  - Judges
  - Air National Guard
  - Law Enforcement
  - Main System Employees
  - Higher Education

State Employees

- Does not Include:
  - Highway Patrol
  - Political subdivisions, schools, cities or counties
  - Existing state employees

State Employees

- Eligible employees will be given a six month window to make an election.
  - If no election is received within the six month window, the employee will remain in the Defined Benefit Retirement Plan.
  - If the Defined Contribution plan is elected, a lump sum amount will be transferred from the DB plan to the DC plan.

State Employees

- Election into the Defined Contribution Retirement Plan is IRREVOCABLE!
- However, if an individual elects to transfer to the DC Plan, but terminates before the transfer occurs, the election is considered invalid and the transfer will be voided, with the member's account staying in the DB Plan.

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

Contribution Rates Adjustment

Defined Benefit Hybrid Plan

- The required contribution will continue at the increased levels until July first of the year following the first valuation showing a ratio of the actuarial value of assets to the actuarial accrued liability that is equal to or greater than 100%
- This also includes the Highway Patrol Plan, political subdivisions, schools, cities and counties.

Defined Contribution Plan

- The required contribution increases will continue until July first of the year following the first valuation showing a ratio of the actuarial value of assets to the actuarial accrued liability that is equal to or greater than 100%

Differences Between the DBH & DC Plans

Defined Benefit Hybrid:

- Rule of 85
- Fixed monthly benefit amount
- Fixed Disability benefit
- PEP applies
- Possible to vest in majority of employer contribution

Defined Contribution:

- No Rule of 85
- Variable benefit amount and payment schedule
- Variable disability benefit.
- No PEP applies
- Possible to vest in 100% of employer contribution

Differences Between the DBH & DC Plans

Defined Benefit Hybrid:

- No control over investment of funds
- Cliff vesting after 3 years
- Benefits are based on FAS.
- Benefit duration is based on the lifetime of the member.

Defined Contribution:

- Investment of funds is determined by employee
- Gradual vesting over 3 years
- Benefits are not based on pre-retirement income
- Benefit duration is based on account balance.

What does this mean to you?

- All new hires of the state who work at least 20 hours a week for 20 weeks per year who are at least 18 years of age will have the option to choose between the Defined Benefit Hybrid Plan and the Defined Contribution Plan.
  - All eligible new hires must be enrolled in the Defined Benefit Hybrid Plan upon being hired.

What does this mean to you?

- NDPERS will provide employees with information regarding the details of their election and various critical pieces of information.
  - The enrollment packet will contain several pieces of vital information. They are
    - A pre-filled enrollment form
    - A Plan Highlights piece
    - A Personalized Benefits Comparison
    - A Choosing Your Investments piece
    - A Plan Performance Report Card

What does this mean to you?

- You may be contacted by NDPERS to confirm a monthly salary for new hires. Please respond quickly so materials can be provided in a timely manner.
- The employee will be required to complete the election process within 6 months, if they want to move to the Defined Contribution Plan.
- If no action is taken on their part, they remain in the Defined Benefit Hybrid Plan.

What does this mean to you?

- Do not recommend a retirement plan!
- Remember, the election to move to the Defined Contribution Plan is irrevocable!
- Refer any questions to NDPERS

Contact Information

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