A New Era at NDPERS

457 Deferred Compensation Plans, PERSLink and Beyond

Today's Presentation

- Update since last training
  - There is a new provider for Companion plan
  - NDPERS exit from mainframe system
  - Implementation of PERSLink business system
- Debut of PERSLink Member Self Service (MSS)
- Revision to procedure for 457 plans
- Review of key 457 provisions
- Explain optional Retirement Investment Advisor program

Second portion of the program :

- Legislative update to PEP program

TIAA-CREF New Provider of Companion Plan

- After going out to bid, NDPERS awarded the contract for recordkeeping and provider services for the NDPERS Companion Plan to TIAA CREF.
- The contract is for six years, renewable every two years.
- TIAA CREF will provide educational and support opportunities similar to what Fidelity provided, except they have offered many more educational sessions and one-on-one opportunities to NDPERS members.
- They also provide an opportunity for an Investment Advisor Representative (IAR) option which I will discuss later in the presentation.

NDPERS Exit From the Mainframe

- Several years ago, NDPERS realized that the existing Mainframe computer system was becoming difficult to maintain due to its age and the number of ad hoc additions to it over time. Also, the number of state agencies using it were diminishing, which would ultimately increase operating costs.
- NDPERS hired a consultant to assist us in determining what direction and what information platform would best fill NDPERS' needs.

New Business System Needed

- As a result of the research done, the NDPERS Board hired Sagitec Solutions to provide a new business system that would provide for the administration of all the NDPERS benefit programs.
- The PERSLink business system went live in the fall of 2010 which included a component for Employer Self Service (ESS).
- The Member Self Service (MSS) component of the system was introduced to members last summer on a limited basis, allowing them to view their annual statements online.
- Member Self Service has been available to retirees since January of 2012.

Member Self Service (MSS)

- Expanded MSS will be deployed to nine pilot agencies on a limited basis beginning at the end of August and continuing through November.
- Select employer groups will participate during this time frame that will include an employer group of each type. (i.e. state, city, county, etc.)
- All benefit enrollments for these employer groups will be done through MSS, eliminating the need for paper enrollment forms.
- Goal is to rollout MSS to all employer groups by year end.

PERSLink Continued…

- The use of MSS may change how you presently do business with NDPERS.
  - New employees will now be able to enroll in deferred compensation (and other benefit programs) online, eliminating the need for paperwork.
  - Employees will also be able to make changes to their current deferred compensation enrollment through MSS.
  - The participant will receive an immediate confirmation of enrollment in the MSS message center.
  - <u>This means no Enrollment/Change paperwork (sfn 3803) will be sent to you or your office.</u>

PERSLink Continued

- To be a little more specific, here is how the enrollment process will work:
  - Individuals will receive a “new hire” welcome piece containing a web address for them to use to enroll.
  - For each benefit program, participants will have three options, “enroll, update or waive”.
  - A wizard is provided to move participants through the enrollment process. In addition, there is a video link which they can click on to get a high level explanation of the plan and also a link that explains the benefit plan in text format.

PERSLink Communications

- Any of the actions that were currently implemented through the sfn 3803 Deferred Compensation Plan Enrollment/Change form from NDPERS will be available through MSS.
- Employers will be able to generate a report through the ESS module of PERSLink providing them with benefit information for payroll purposes. For employer groups on Peoplesoft, Perslink will feed updates to Peoplesoft for monthly payrolls.
- Provider companies will receive daily updates as necessary, containing any new 457 participant activity, including participant SSN and amount of deferral.

PERSLink Cont'd

- In addition to updating, enrolling or waiving participation in the deferred compensation program, and other benefit programs, individuals will also be able to
- Run benefit estimates
- View retirement account information
- Check enrollment status on benefit programs
- View beneficiary information for retirement and life programs
- Run Service Purchase Estimates scenarios or generate a request for "Official" Purchase Estimate.

PERSLink continued

Forms/actions that are NOT currently available through MSS are:

- Regular Catch-up applications for 457 program
- Beneficiary forms
- Qualified Domestic Relations Orders
- Deaths
- Hardship Withdrawal forms
- Deminimus Distribution forms
- NDPERS Rollover/Transfer form

Service Credit Purchase in PERSLink

- On the MSS component of PERSLink, it will be possible for a NDPERS member to perform 3 new functions related to service purchases.
  - Prepare a hypothetical estimate and calculation as well as a benefit estimate showing the scenario with and without the purchase of service credit. This allows users to estimate expense before requesting an "official" calculation.
  - Request an "official" calculation from the NDPERS office. Once NDPERS prepares the official calculation, the calculation will expire within 90 days and follows the same process as current procedures (letter, estimates and required forms sent to member's home address).
  - View an existing purchase contract that is either in payment status or completed.

Review of NDPERS 457 Plan Highlights

General Provisions of the North Dakota Public Employees Retirement System

Review of the Basics

- Participation requirements provide that any individual who is at least 18 years of age, works a minimum of 20 hours a week for 20 weeks per year for a participating employer is eligible to participate.
- Only employee deferrals are allowed, no employer money can be contributed to this program.
- Participants can transfer all or a portion of their deferred compensation assets to another eligible provider under this plan. Please be clear about any surrender charges or exit fees when you are working on these type of transactions.

Deferrals

- Timing is everything! Participants may begin participation, suspend, increase or decrease monthly deferrals at any time. However, the timing of the implementation of the election will depend on when the election is made.

- Annual deferral limits for 2012* are as follows:
  - Maximum: $17,000 or 100% of Includable Compensation, whichever is less.
  - Age 50+ Limit $22,500
  - Regular 3 yr Catchup $34,000

Deferral's Cont'd

- Includable compensation is the participant's taxable gross income from the employer.
  - Includable compensation is reduced by amounts deferred under any other salary reduction agreements including:
    - Section 125 cafeteria plans (Flexcomp)
    - Employee contributions under an IRC 414(h) arrangement. (retirement plan)
    - Deferrals from other retirement plans (403(b))

    - Severance pay or buyout distributions are not eligible to be deferred.

Beneficiary Designations

- Just a reminder, that NDPERS does not keep beneficiary data for 457 plan participants. That is the responsibility of the provider company

Distributions

- Funds become available for distribution at specific times:
  - Termination of employment (including retirement, disability, separation from employment, death)
  - An approved "Unforeseeable Financial Hardship"
  - Eligible Deminimus Distributions
  - Qualified Domestic Relations Orders

  - NDPERS will notify your company of a termination of employment. You may then process distributions directly with the terminated participant.
  - Any other types of distributions must be applied for through the NDPERS office.

Distributions Cont'd

- Participants must begin distribution no later than
  - April 1st of the calendar year following the year in which the employee attains age 70 ½ unless still employed, or
  - the calendar year in which the participant retires.

Service Purchase

- 457 funds may be used to purchase service in the 401(a) Defined Benefit Hybrid Plan.
  - Rollover/Transfer Request for Service Credit Purchases (sfn 52059)
  - You will receive a copy of completed approved form
  - You must execute the form for participant with your company.
  - 90 day time period or process must be redone.

Rollovers into NDPERS

- The NDPERS 457 plans accept rollover of pre-tax funds from other qualified plans which include 401(a), 401(c) Keogh, 401(k), 403(b), 457(b), FERS and traditional IRAs.
- Can be initiated any time during employment by using NDPERS Rollover/Transfer (sfn 50177)
- After the form is approved by NDPERS, the request must be effected within 30 days.

Rollovers, Transfers out of NDPERS

- Participants may also transfer or roll their funds out of the 457 plans. However, this can only be done after the participant has terminated employment and been off the payroll for 30 days.
- Purchase service.

Tools

- NDPERS website with information for Deferred Compensation for Provider Representatives (www.nd.gov/ndpers)
  - Provider Handbook
  - NDPERS 457 Product Summary
  - Plan documents
  - Plan summary for 457 program and retirement program

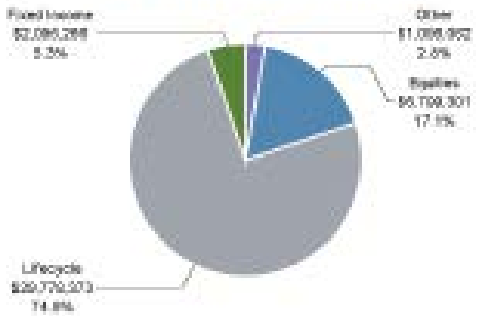
Investment Advisor Representative (IAR) Option In The NDPERS Companion Plan

NDPERS Companion Plan

SUMMARY OF PLAN

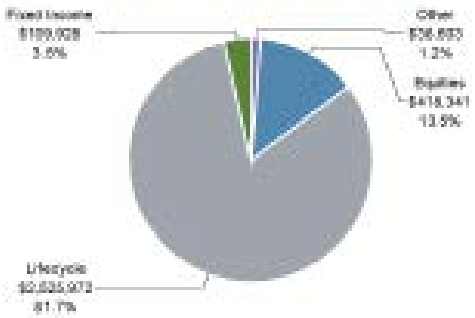
DATA AS OF: 6/30/2012

Plan Assets - By Category Class



Total Plan Assets: $39,770,001

Contributions - By Category Class



Total Contributions: $3,002,844

NDPERS Companion Plan Summary of Investment Options

A Comprehensive Core Menu of Mutual Funds

Fund Name	Ticker	Fund Name	Ticker
Allianz NFJ Small Cap Value Admin	PVADX	T. Rowe Price Equity Income	PRFDX
ASTON/Fairpointe Mid Cap I	ABMIX	Templeton Global Bond Adv	TGBAX
Brown Capital Mgmt Small Co Inv	BCSIX	TIAA-CREF Lifecycle 2010	TCTPX
Cohen & Steers Realty Shares	CSRSX	TIAA-CREF Lifecycle 2015	TCFPX
Columbia Mid Cap Index A	NTIAX	TIAA-CREF Lifecycle 2025	TCQPX
Franklin Growth Adv	FCGAX	TIAA-CREF Lifecycle 2030	TCHPX
Hartford Dividend & Growth R5	HDGTX	TIAA-CREF Lifecycle 2035	TCYPX
Mutual Global Discovery	MDISX	TIAA-CREF Lifecycle 2040	TCZPX
Nuveen Tradewinds Value Oppt I	NVORX	TIAA-CREF Lifecycle 2045	TTFPX
Oppenhiemer Developing Markets Y	ODVYX	TIAA-CREF Lifecycle 2050	TCLPX
Parnassus Small Cap	PARSX	TIAA-CREF Lifecycle 2055	TTRPX
PIMCO Real Return Admin	PARRX	TIAA-CREF Lifecycle Ret Income	TPILX
PIMCO Total Return Admin	PTRAX	Vanguard 500 Index Signal	VIFSX
Prudential High Yield Z	PHYZX	Vanguard Total Intl Stock Index Inv	VGTSX
Prudential Jennison Mid Cap Growth Z	PEGZX	Wells Fargo Adv Growth Adm	SGRKX
RidgeWorth Mid Cap Value Equity I	SMVTX	Wells Fargo Stable Return Fund	WFSJ#
T. Rowe Price Capital Appreciation Adv	PACLX	Self-Directed Brokerage Window	

Access to a self-directed brokerage option for additional Mutual Fund options.

NDPERS Companion Plan Expanding Access to Local Advisors

- Participants can work with any local advisor that meets the following requirements:
  - Advisor must be affiliated with an SEC or State Registered Investment Advisor
  - Advisor must be in good standing with Federal and State regulatory agencies
  - RIA and Advisor must be operational on the TIAA-CREF platform
- Advisor and Participant must have appropriate agreements in place with TIAA-CREF.
  - Authorization to Access Accounts
  - Fee-billing Authorization Form
- NDPERS will allow Advisors to deduct their investment advisory fee directly from participant retirement accumulations
- NDPERS sets maximum annual fee paid to Advisors from participant accumulations
- Advisor fees are paid with pre-taxed dollars and do not generate tax reporting

NDPERS Companion Plan – What are the Benefits of Offering an Optional IAR Program?

Institutional Benefits

- Expands access to advice services to all employees.
- Ensures participants are working with fiduciaries who are providing advice.
- Does not require ongoing administrative role for plan sponsor.
- No additional cost incurred by plan by adding access to local advisors.
- Supports existing relationships participants already have with local advisors.
- Only those participants that work with an advisor pay for the service.

Participant Benefits

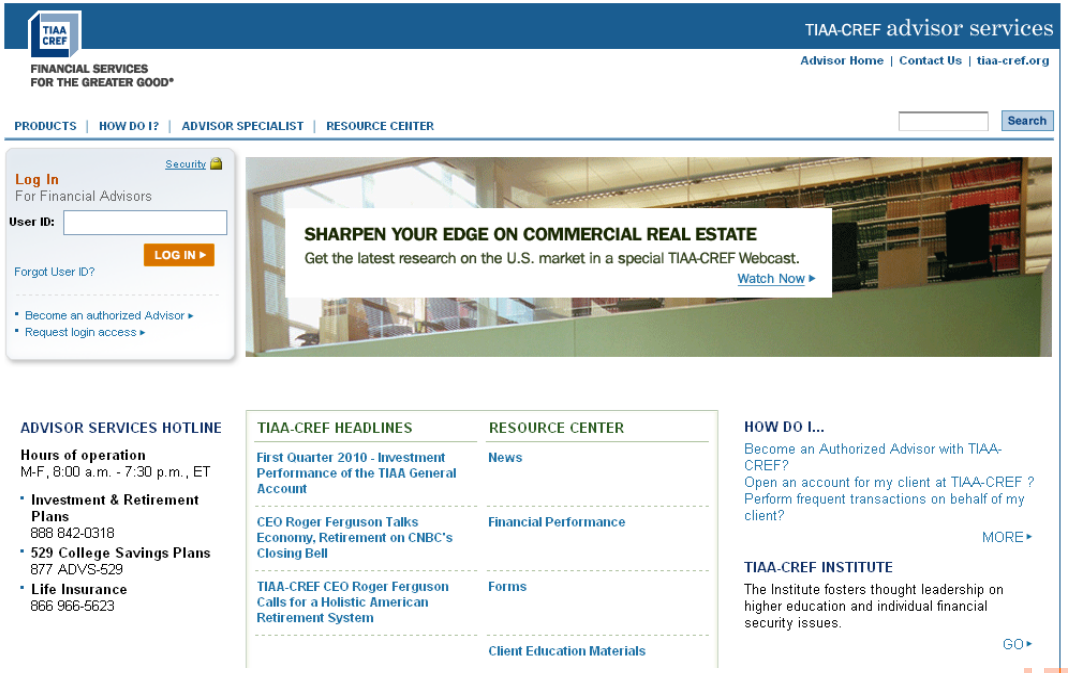
- Provides access to local community based independent advice providers.
- Greater control and flexibility in choosing an advisor.
- One advisor to manager all your financial assets.
- Advisors are required to be acting as fiduciaries working in the best interest of the participant.
- Fees are paid with pre-taxed dollars reducing overall costs of advice.
- Only those participants that work with an advisor pay for the services.

Advisor Benefits

- Access to a retirement plan platform focused on fee-based fiduciary advice model.
- Choice and flexibility on how advisors conduct business with plan participants.
- Supports advisors who may want to transition to a fee-based model.
- Ability to integrate participant retirement accumulations with other financial assets.
- Compensation paid directly out of participant retirement accumulations.
- Dedicated team with a leading retirement plan provider to support your business.
- No cost to advisors to work on the TIAA-CREF platform.

NDPERS COMPANION PLAN AND TIAA-CREF
SECURE ADVISOR SITE FOR MANAGING CLIENT ACCOUNTS

- When Authorized Advisors Can
  - Select clients from a searchable client list
  - Trade/Manage client portfolios
  - See quarterly transaction history
  - View beneficiary information
  - Monitor Fund performance
  - Process daily downloads
  - Upload fees for processing
  - Access commonly used advisor for
  - Access e-document facility to view quarterly statements, confirms and tax documents
  - Run income illustrations, and use other tools and calculators
  - Access industry research, publications, and news.
  - Review critical message from Advisor Services in the Advisor Message Center.



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