DEFINED BENEFIT HYBRID RETIREMENT PLAN

NDPERS is a Defined Benefit Hybrid Retirement plan that pays vested members a retirement benefit, which is generally based on compensation, benefit multiplier, and years of retirement service credit. A vested member will receive the benefit determined under the plan regardless of the performance of the plan's investments.

Minimum Participation Requirements

To be eligible to participate, an employee must work a minimum of 20 hours per week for 20 or more weeks of the year, is at least eighteen years of age, and filling a permanent position that is regularly funded and not of limited duration.

- ► Eligible employees employed at the time the employer joins may waive participation
  - Must sign a waiver of participation
  - May not have their pay increased as a result of that waiver
  - May join at a later date
- ► All eligible employees hired after the employer joins must participate
  - Must be enrolled the first month of eligible employment, even when hired subject to a probationary period. There is no maximum age limit applicable for enrollment purposes.

Participation Requirements for Other [Non-State] Elected Officials

Elected officials of participating counties may at their individual option, enroll or waive participation in the defined benefit plan. If they do not enroll with the group, they may enroll or waive participation within the first six (6) months of their new term. All other elected officials must meet the above mandatory participation requirements to be eligible.

Participation Requirements for Other [Non-State] Appointed Officials

Appointed officials appointed on or after August 1, 1999, and must meet the above mandatory participation requirements, and must be enrolled in the defined benefit plan effective with the first month of taking office. Appointed officials employed at the time the employer joins may enroll or waive participation.

Optional Participation Requirements

If you have any employee who is at least eighteen years old, and does not meet the mandatory participation requirements, they may elect to participate in NDPERS within the first 180 days of employment, or within 180 days of changing from permanent to temporary/part-time employment. Retirement participation is at the employee's own expense. The employee may not participate as an optional participant in the NDPERS retirement plan if actively contributing to another employer-sponsored plan. This applies to both private and public pension funds.

Employees employed at the time the employer joins may enroll or waive participation.

The law expressly prohibits the employer from paying any portion of an optional participant's contribution.

Contributions

Employee Contribution: 7.00% of salary
Employer Contribution: 7.12% of covered payroll +1.14% Health Credit

Eligible Wages and Salaries

"Wages" and "salaries" means the member's earnings in eligible employment under the N.D.C.C. Chapter 54-52 reported as salary on the member's federal income tax withholding statements plus any salary reduction or salary deferral amounts under 26 U.S.C. 125, 401(k), 49 403(b), 414(h), or 457. "Salary" does not include fringe benefits such as payments for unused sick leave, personal leave, vacation leave paid in a lump sum, overtime, housing allowances, transportation expenses, early retirement incentive pay, severance pay, medical insurance, workforce safety and insurance benefits, disability insurance premiums or benefits, or salary received by a member in lieu of previously employer-provided fringe benefits under an agreement between the member and participating employer. Bonuses may be considered as salary under this section if reported and annualized pursuant to rules adopted by the board.

Vesting

To be vested in the Defined Benefit Hybrid Plan means that you have become legally entitled to a monthly benefit when you terminate employment and reach retirement age or qualify for long-term disability.

Vesting in Disability Benefit: 180 days

Vesting in Retirement Benefit: 36 months

Portability Enhancement Provision (PEP)

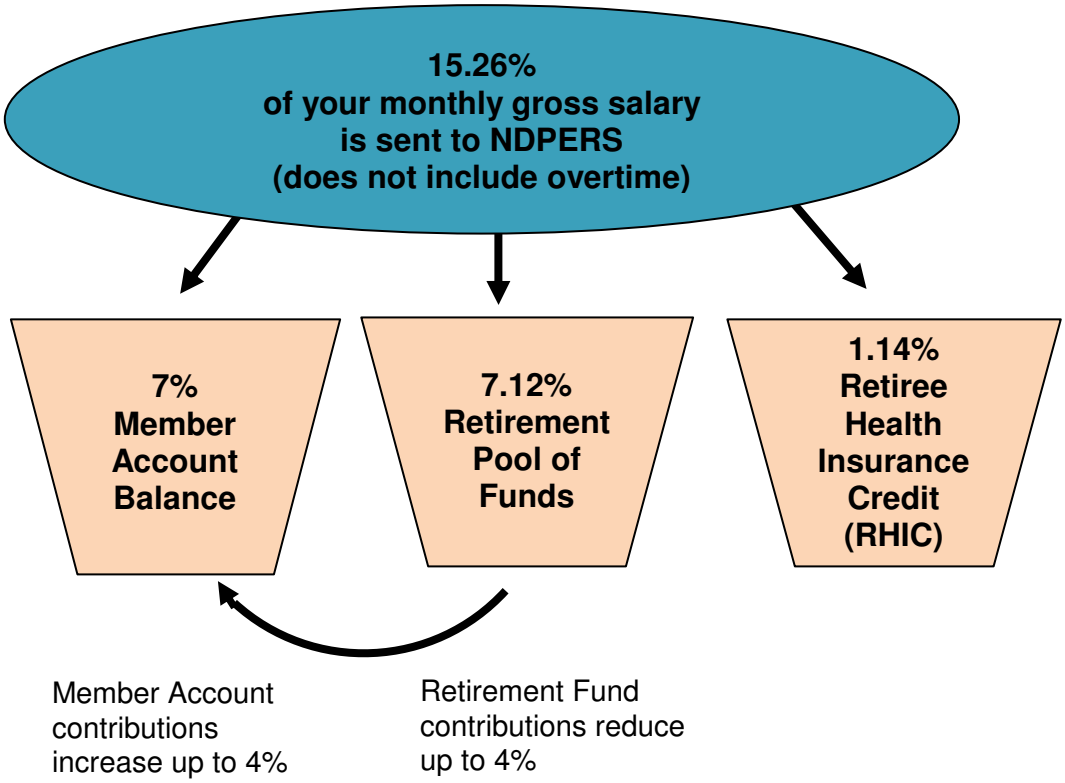
Vesting in the Employer Contribution:

Active members in the Defined Benefit Hybrid Plan, you are able to vest in the employer contribution for cash distribution purposes by participating in a deferred compensation (457) program, 403(b) or other qualified retirement savings program approved by the NDPERS Board. The vesting schedule for the PEP contributions is based upon your existing service credit in the retirement program and the amount you defer into a qualified deferred compensation plan.

PEP allows you the option to vest in 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 in the diagram on Page 3. As you can see, a maximum of 4.00% of the employer contribution is paid into the member account rather than the retirement pool of funds.

How PEP Works with your monthly Defined Benefit Hybrid Plan Retirement Contributions

Vesting Schedule for PEP	
Years of Service	**Your 457 Deferred Comp Plan Contribution**
0-12 months (1 Year)	**1% of gross monthly salary or $25 min.**
13-24 months (2 Years)	**2% of gross monthly salary or $25 min.**
25-36 months (3 Years)	**3% of gross monthly salary or $25 min.**
37 + months (4 Years)	**4% of gross monthly salary or $25 min.**



BENEFITS AT TERMINATION OF EMPLOYMENT

Member Account Balance: Refund/Rollover of your member account balance, which consists of the monthly employee contributions, the vested portion of the employer contributions through PEP, and interest. This interest is compounded monthly up to the time you receive a refund/rollover of your account or begin receiving a monthly benefit. The interest paid on your account is based on a rate established by the NDPERS Board and builds on a tax deferred basis. You may also leave your money at NDPERS to receive a distribution at a later date.

Disability Retirement Benefits: If you are deemed eligible for disability benefits, you will receive 25% of your final average salary each month for as long as you are disabled under the basic disability payment option. The minimum benefit is $100 per month.

Surviving Spouse Benefits: If you die after completing 36 months of credited service, your spouse may elect to receive:

(a) Refund/Rollover of your account; or
(b) 50% of your unreduced retirement benefit for life; or
(c) Equivalent of 100% joint & survivor option if you had reached your normal retirement date.

BENEFITS AT RETIREMENT:

Early Retirement Age: 60

Normal Retirement Age: 65

Rule of 90: Age + Years of Service = 90 or more
No reduction in benefits for early retirement; minimum age of 60 requirement.

Retirement Formula: Final Average Salary X 2.00% X Years of Credited Service

Final Average Salary = Average of Highest 36 salaries of the last 180 months you worked.

Benefit Multiplier = The rate established by the legislature at which you earn benefits.

Retirement Options:
Single Life
Joint & Survivor 50% & 100%
Term Certain 20 & 10 Year
Partial Lump Sum Option
Graduated Benefit Option

Individuals who are eligible for a monthly pension benefit also have the right to participate in the NDPERS group health, dental, vision, and long-term care insurance after retirement. If he/she elects to participate the NDPERS group health insurance, he/she will receive the additional benefit of a tax-free retiree health insurance credit towards his/her health insurance.

RETIREE HEALTH INSURANCE CREDIT

Eligibility:

If you elect and receive a retirement allowance from the Defined Benefit Hybrid Plan or the Defined Contribution Plan, you are eligible to receive a credit towards your monthly health insurance premium for the state health plan equal to $5.00 for each of your years of credited service, subject to early retirement reductions. For example, a member with 20 years of service at normal retirement age would receive a monthly credit of $100, which is a tax-free benefit. A receiving member is eligible for coverage under the state health plan [Dakota Retiree Plan] even if the employer is not participating in the state health plan prior to the member's retirement if the member is enrolled during eligible "qualifying events".

Contributions:

Employer Contribution: 1.14% of covered payroll

Benefit Formula: $5.00 x Years of Credited Service

BENEFITS AT RETIREMENT:

Retiree Health Credit Options: Single Life
Joint & Survivor 50% & 100%

EMPLOYER ENROLLMENT

In the event you wish to enroll in the retirement program, an Eligibility Assessment Questionnaire SFN 58781 must be completed and submitted to NDPERS to determine if your agency is an eligible political subdivision.

Upon receipt of the requested questionnaire, NDPERS and its legal council will review and determine if your agency is an eligible political subdivision. You will be contacted regarding your agency's qualification status.

In the event your agency qualifies, a signed board resolution is required prior to NDPERS sending your agency an "Employer Participation Agreement" and enrollment materials.

The board resolution must be stated as follows:

> **A motion was made by {Insert Board Member Name} for «Agency» to affirm to North Dakota Public Employees Retirement System that «Agency» is formed pursuant to N.D.C.C. § (Insert citation) and is neither a non—profit corporation nor a for-profit corporation, to join the NDPERS Defined Benefit Retirement Plan and offer the plan to all eligible employees of the «Agency». The motion was seconded by {Insert Board Member Name}. The Board approved joining the NDPERS Defined Benefit Retirement Plan effective {Month 1, Year}.**

Timetable for Enrollment

Contracts Received by NDPERS*	All Documents Must be Completed and Returned to NDPERS*	Earliest Enrollment Effective Date **
January 13	February 15	April 1
February 13	March 15	May 1
March 13	April 15	June 1
April 13	May 15	July 1
May 13	June 15	August 1
June 13	July 15	September 1
July 13	August 15	October 1
August 13	September 15	November 1
September 13	October 15	December 1
October 13	November 15	January 1
November 13	December 15	February 1
December 13	January 15	March 1

* If **the date listed falls on a Saturday, Sunday, or a holiday, the date listed is changed to the following business day.**

**** The enrollment effective date of an agency is dependent on if all criteria and guidelines are met in a timely manner. NDPERS has the right to change the effective employer participation date.**