

# North Dakota Public Employees Retirement System

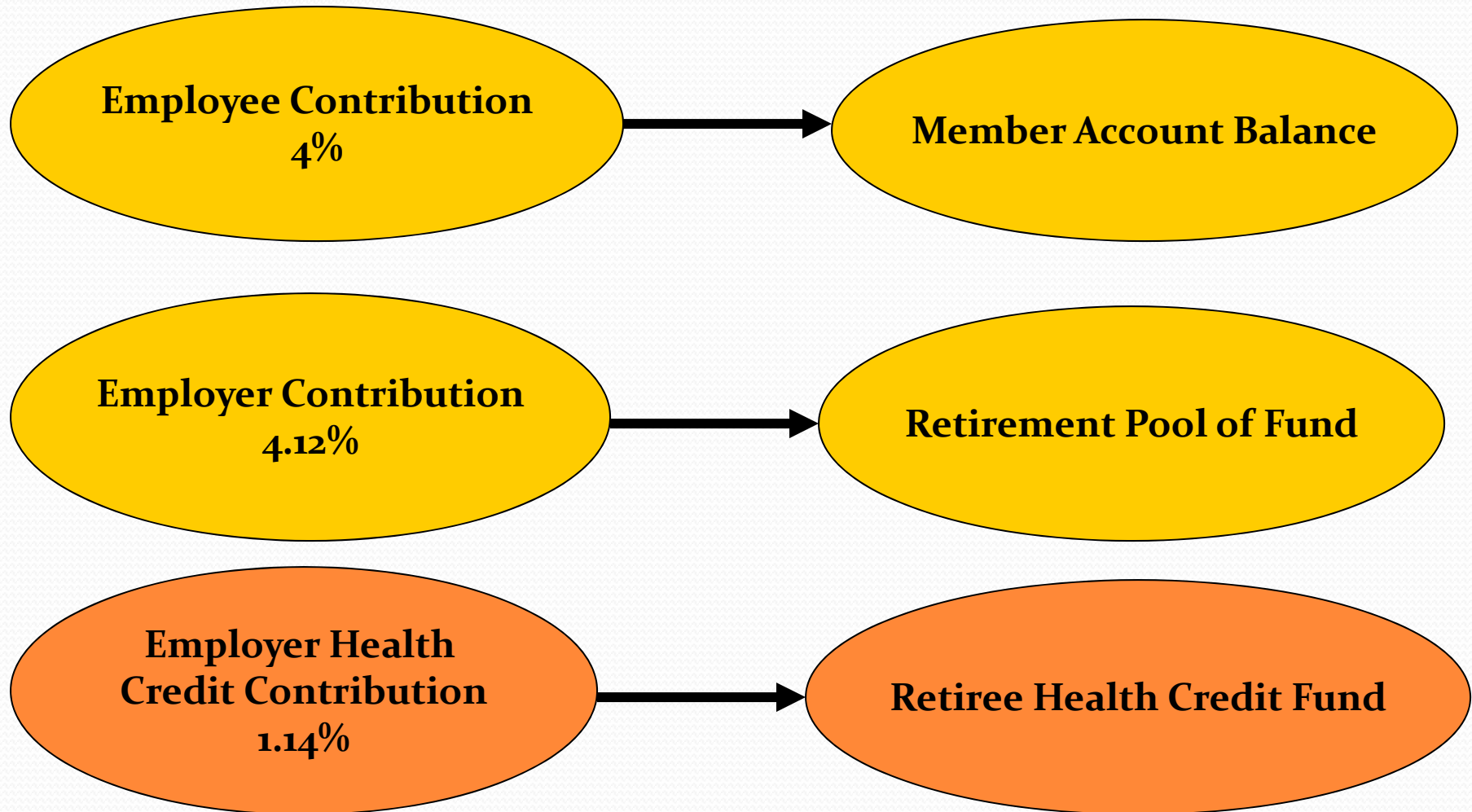




## NDPERS RETIEMENT PLANS

1. Defined Benefit Hybrid (Main) Retirement Plan
2. ND Judges Retirement System
3. ND Highway Patrol Retirement System
4. ND National Guard Security Police and Firefighters Retirement System
5. ND Law Enforcement Retirement System
6. Defined Contribution Retirement Plan
7. Job Service Retirement Plan

# Contribution Allocation



# Service Credit & Vesting

- You will receive a month of service credit for each retirement contribution
- You become legally entitled to a monthly benefit from NDPERS
- You become vested the earlier of:
  - Achieving 36 months (3 years) of service credit, or
  - Attaining 65 years of age

# Purchase of Service Credit

- Previous Employment:
  - Non-Covered ND Governmental Service
  - Out-of-State Governmental Service
  - Refunded NDPERS Service
- Federal Service
- Legislative Service
- Military Service
- Leave of Absence
- Generic (must be vested & limited to 60 months)

# Purchase Provisions

- Cost of Purchase
  - Actuarial Calculation
  - NDPERS Request for Purchase Information  
SFN 53718
- Payment Methods
  - Direct Rollover or Transfer of Pre-Tax Dollars  
from other retirement plans
  - Payroll Deductions
  - Personal Payments

# Sick Leave Conversion

Final Average Salary (FAS)

X

9.26%

X

Number of Months  
(hours divided by 173.3)

=

\$Cost

# Benefits at Termination

## Member Account Balance Options:

- Lump Sum Refund
  - Federal tax withholding
  - ND state tax withholding
  - IRS Penalty for early withdrawal
  
- Direct Rollover
  - Taxable & non-taxable monies
  - Avoid tax & early withdrawal penalties
  
- Combination rollover/refund





# Member Account Balance Options (continued)

- Leave Money Intact /Deferred Benefit
  - Receive monthly retirement benefits as early as age 55 or attaining Rule of 85, whichever is earlier.
  - Member account balances continues to accrue interest.
  - Monies remain tax sheltered.
  - May take a refund/rollover later date.



# Disability Retirement Benefits

- Long Term Disability
  - Determined by Medical Consultant or
  - Social Security Award
- 25% of Final Average Salary (FAS)
- \$100 per month minimum
- Eligibility will be recertified



# Surviving Spouse Benefits Prior to Retirement

**Assumption: Member is Actively working prior to death**

- Lump Sum Payment
  - Also applies to single and non-vested members
- Lifetime Payments
  - 50% of Normal Single Life, or
  - 100% Joint & Survivor Payment
    - If deceased was age 65 or met Rule of 85

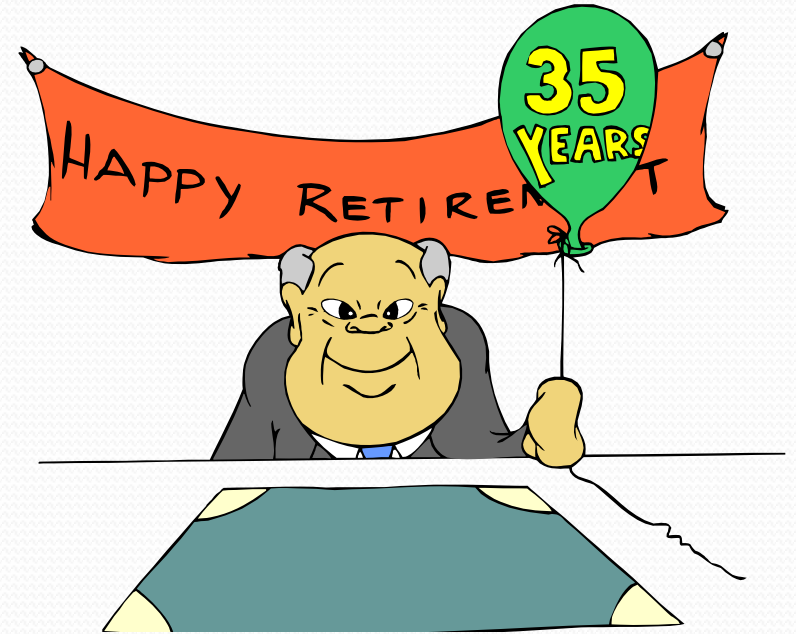
# “Early” Retirement

- Age 55
- Reduction of Benefits Under Age 65 or Attaining Rule of 85, whichever occurs first

6% for each year or .005 for each month

# “Normal” Retirement

- Attain Age 65
- Achieve the Rule of 85  
Member's Age + Service Credit  
55 years, 6 months + 29 years, 6 months = 85



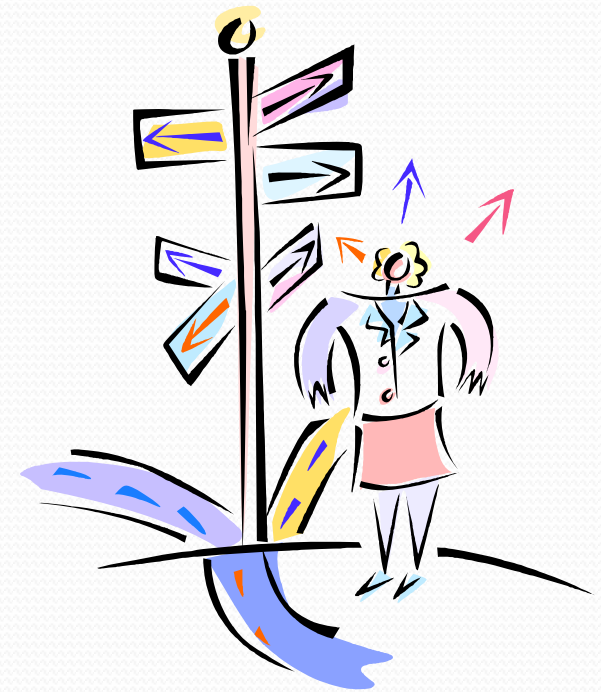
# Retirement Benefit Formula

- Final average salary (FAS)
  - The average of your highest 36 salaries during the last 180 months worked
- Benefit multiplier
  - 2.00%
- Credited service
  - One month of service for each contribution

$$\text{(FAS x 2.00\% x Service Credit = \$Single Life)}$$

# Retirement & Disability Benefit Options

- Single Life
- Joint & Survivor Options
- Term Certain Options
- Partial Lump Sum Option (PLSO)
- Graduated Benefit Option
- Level Social Security Option



# Retirement Benefit Example

**Disclaimer:** This example may not be interpreted as a personal calculation

**Assumptions:** Member is Age 60 with a Spouse Age 56

## Retirement Benefit Formula:

\$2,351 (FAS) x 2.00% x 24 Years = **\$1,128.48**

*(Early Retirement Reduction 6.0%)* **- 67.71**

*(Early Single Life Monthly Benefit)* **\$1,060.77**

Single Life Benefit = **\$1,060.77**

50% Joint & Survivor Benefit = **\$995.81** Spouse Benefit = **\$497.91**

100% Joint & Survivor Benefit = **\$934.07** Spouse Benefit = **\$934.07**

10 Yr Term Certain = **\$1,039.32** Beneficiary Benefit (If any) = **\$1,039.32**

20 Yr Term Certain = **\$976.83** Beneficiary Benefit (If any) = **\$976.83**



# Retirement Benefit Example

**Disclaimer:** This example may not be interpreted as a personal calculation

**Assumptions:** Member is Age 60 with a Spouse Age 56

## Rule of 85 Applies

### Retirement Benefit Formula:

$\$2,351 \text{ (FAS)} \times 2.00\% \times 25 \text{ Years} = \$1,175.50$

Single Life Benefit = **\$1,175.50**

50% Joint & Survivor Benefit = **\$1,097.68** Spouse Benefit = **\$548.84**

100% Joint & Survivor Benefit = **\$1,029.62** Spouse Benefit = **\$1,029.62**

10 Yr Term Certain = **\$1,145.64** Beneficiary Benefit (If any) = **\$1,145.46**

20 Yr Term Certain = **\$1,076.76** Beneficiary Benefit (If any) = **\$1,076.76**

# Partial Lump Sum Option (PLSO)

- Only for retiring members at or past Normal Retirement
  - Rule of 85/Age 65 (MainSystem/Judges)
  - Rule of 85/Age 55 (Law Enforcement)
  - Age 55 (National Guard)
  - Rule of 80/Age 55 (Highway Patrol)
- Once in a life time election
  - Made at initial application for retirement benefits

# PLSO Continued

- Payment equal to 12 months of Single Life/Normal benefit
- Permanently reduces ongoing benefit
  - Approximately 10%
- May still chose an alternate benefit option
  - Joint & Survivor
  - Term Certain

# PLSO Continued

- Eligible to rollover to an IRA or other qualified plan
- If not rolled over:
  - Taxed as ordinary income
  - Subject to automatic 20% withholding
  - Subject to an additional 10% penalty for early withdrawal, if under age 59½

# Retirement Benefit Example

**Disclaimer:** This example may not be interpreted as a personal calculation

## PLSO OPTION

**Single Life Benefit :**  $\$4,185.89$  (FAS)  $\times$   $2.00\%$   $\times$   $28.4167$  (Yrs) =  $\$2,378.98$

Retirement Benefit Option	Without PLSO	With PLSO
Single Life Benefit	\$2,378.98	\$2,153.45
50% Joint & Survivor Benefit	\$2,269.55	\$2,054.39
100% Joint & Survivor Benefit	\$2,169.87	\$1,954.16
Ten (10) Year Term Certain	\$2,335.92	\$2,114.47
Twenty (20) Year Term Certain	\$2,233.15	\$2,021.44

# Retirement Benefit Example

**Disclaimer: This example may not be interpreted as a personal calculation**

## PLSO OPTION

<b>Partial Lump Sum Option (PLSO)</b>	<b>\$28,547.76</b>
Taxable Portion:	\$16,505.12
Non-Taxable Portion:	\$12,042.64
Federal Income Tax:	\$3,301.02
ND State Income Tax:	\$0.00
Net PLSO:	\$25,246.74



# Graduated Benefit Option

- Select either a 1% or 2% annual increase
  
- Monthly benefit is actuarially reduced
  
- May still choose an alternate benefit option
  - Joint & Survivor
  - Term Certain
  
- Normal or past normal retirement
  
- Once in a life time election
  - Made at initial application for retirement benefits
  - Will be applied to any subsequent retirement

# Retirement Benefit Example

**Disclaimer:** This example may not be interpreted as a personal calculation

## GRADUATED BENEFIT OPTION

**Single Life Benefit :**  $\$4,185.89$  (FAS)  $\times$   $2.00\%$   $\times$   $28.4167$  (Yrs) =  $\$2,378.98$

Retirement Benefit Option	Without Graduated 2% Increase	With Graduated 2% Increase
Single Life Benefit	\$2,378.98	\$1,957.27
50% Joint & Survivor Benefit	\$2,269.55	\$1,864.44
100% Joint & Survivor Benefit	\$2,169.87	\$1,765.62
Ten (10) Year Term Certain	\$2,335.92	\$1,941.15
Twenty (20) Year Term Certain	\$2,233.15	\$1,845.25



# Retirement Benefit Example

**Disclaimer:** This example may not be interpreted as a personal calculation

## **LEVEL SOCIAL SECURITY INCOME OPTION**

Single Life Benefit :  $\$4,185.89$  (FAS)  $\times$  2.00%  $\times$  28.4167 (Yrs) =  $\$2,378.98$

Social Security Income =  $\$833$

Social Security Level Income Option Benefit:

At age 57.8533 =  $\$2,917.18$

At age 62.00 =  $\$2,084.18$

Single life only, no surviving spouse benefit option

# Application for Benefits

File at least 30 days prior to leaving employment

Retirement Benefit Effective Date=1<sup>st</sup> of the month following termination of employment

First Payment Date= 1<sup>st</sup> of the month following Retirement Effective Date

Generally contains two payments

Example:	Termination of Employment =	April 15
	Retirement Effective Date =	May 1
	First Payment Date =	June 1

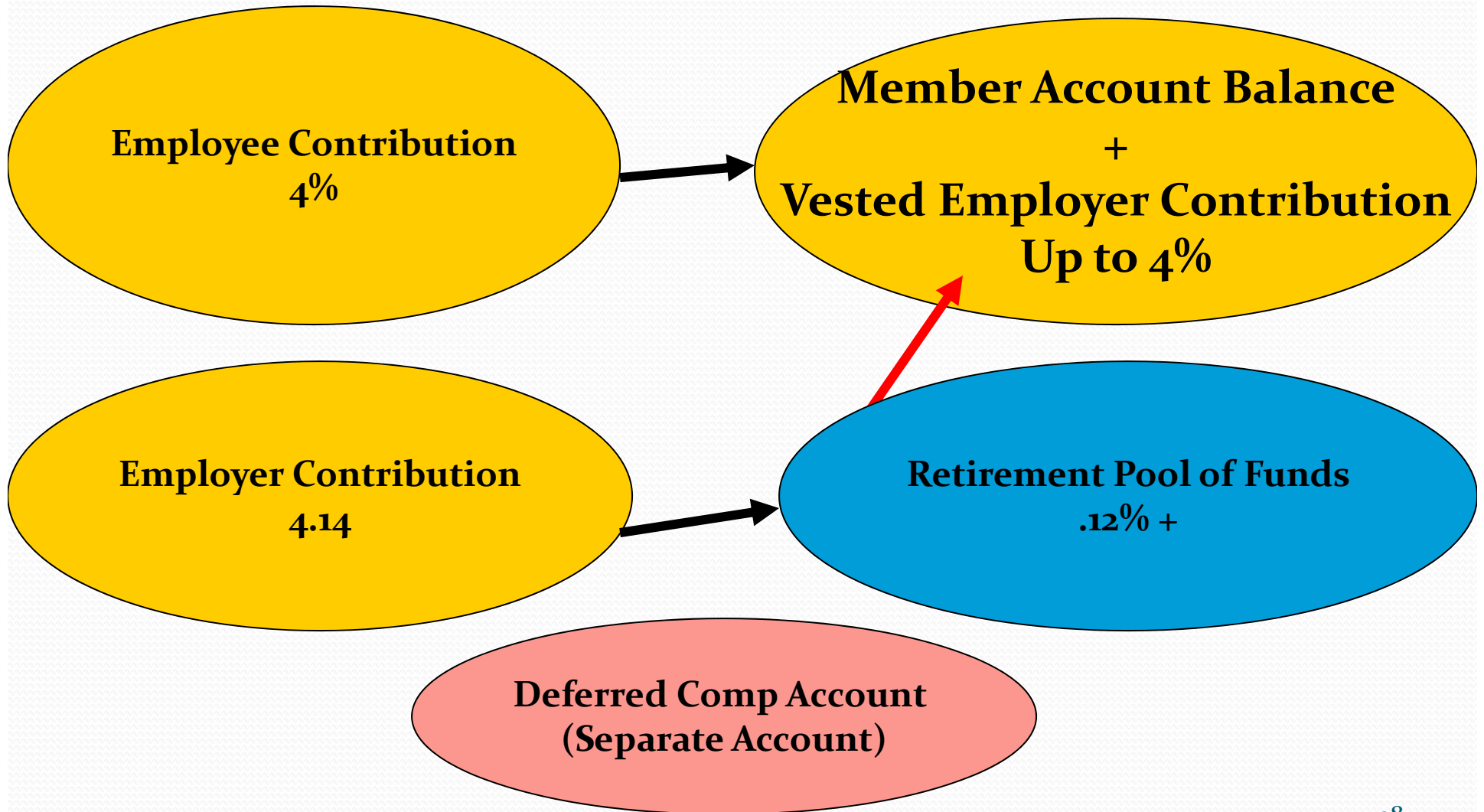
Post Retirement Benefit Increases

Benefit increases are not automatic, but can be granted by the legislature on an ad hoc basis

# Portability Enhancement Provision (PEP)

- PEP allows you to vest in the employer contribution
  - *Requires participation in an eligible Deferred Compensation Plan*
    - 457
    - 403(b)
- Vested employer contributions are added to your member account balance
- Results in accelerated accrual of member's account balance

# Contribution Allocation With PEP



# How PEP Works

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.



## Employer Contribution Vesting Schedule (PEP)

<b>Service Credit</b>	<b>Minimum</b>	<b>Maximum</b>
<b>0-12 Months</b>	<b>\$25</b>	<b>1%</b>
<b>13-24 Months</b>	<b>\$25</b>	<b>2%</b>
<b>25-36 Months</b>	<b>\$25</b>	<b>3%</b>
<b>37+ Months</b>	<b>\$25</b>	<b>4%</b>

# PEP- DETAILED EXAMPLE

Service Credit			Vested Employer Contributions		Member Account Balance (Cash Value)	
			No PEP	With PEP	No PEP	With PEP
Months	Annual Salary	Employee Contribution 4%				
0 - 12	\$20,000	\$800	\$0.00	\$300 (1%)	\$ 833	\$1,146
12 - 24	\$21,000	\$840	\$0.00	\$420 (2%)	\$1,773	\$2,547
25 - 36	\$21,630	\$865	\$0.00	\$649 (3%)	\$2,812	\$4,322
37 - 48	\$22,279	\$891	\$0.00	\$894 (4%)	\$3,958	\$6,514
39 - 60	\$22,974	\$918	\$0.00	\$918 (4%)	<b>\$5,221</b>	<b>\$8,932</b>

# PEP & Your Annual Statement

## Member's Account:

Previous Balance, June 30, XXXX	\$10,000.00
Member Contributions	\$ 1000.00
<b>Vested Employer Contributions (PEP)</b>	<b>\$ 1000.00</b>
Interest (through July, XXXX)	<u>\$ 900.00</u>
Balance as of June 30, XXXX	\$12,900.00



# How To Activate PEP

If enrolled in an eligible deferred compensation plan, PEP is automatic.

If not enrolled in an eligible deferred compensation, contact a Deferred Comp provider representative to enroll.



# Only 22,630 Days Until Retirement

You can  
never start  
too early...





Pre-retirement  
Planning

# HOW TO APPLY FOR RETIREMENT BENEFITS

**Step 1:** Contact your NDPERS if you need a benefit projection sent to you. You can go to NDPERS website and print the retirement forms or contact your payroll to get the retirement forms.

**Step 2:** Submit the appropriate retirement forms to the NDPERS at least 30 days prior to the last day of employment. Furnish a **copy** of the following documents:


- 
- Copies of birth Certificates of member and spouse or copies of drivers license for member and spouse.
  - Copy of your marriage license(if applicable).
  - Copy of Medicare Cards(if applicable).
  - Copy of social security statement(if choosing the level social security option).




NDPERS will review your application, including salaries and service credit. We may contact the employer for salary verification if incorrect salary is posted.

**Step 3:** Once the verification of the forms is complete, the member will receive a letter from NDPERS stating your file is complete and when you can expect the first check. Actual payment of benefits will be on the first **working** day of each month.

**Note:** Members must complete purchase of service credit agreements before the 15<sup>th</sup> of the month following last day of employment.

- 
- When you have the retirement forms if you are not sure what forms you need to fill out, contact your payroll or NDPERS.
  - Please note that even if you are declining coverage's for insurances (health, dental and vision), you will need to complete the forms and waive coverage. This only means that you don't want coverage at this time. Future qualifying events may allow you to enroll in the insurance at a later date.



**“RETIREMENT may be an ending,  
a closing, but it is also a  
NEW BEGINNING.”**

Catherine Pulsifer