

# MEMBER ACCOUNT BALANCE OPTIONS



To be eligible for benefits listed on this sheet, you must terminate employment. The Administrative Code Chapter 71-02-01-01(24) states: "Termination of employment" means a severance of employment by not being on the payroll of a covered employer for a minimum of one month. Approved leave of absence does not constitute termination of employment.

## **DEFINED BENEFIT PLAN:**

### **MEMBER ACCOUNT BALANCE**

The member account balance consists of the monthly employee contributions, the vested portion of your employer contributions, purchase payments 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. If you take a refund or rollover, your retirement funds will not be available until you have been terminated for approximately 60-90 days, subject to tax notification requirements. See "Special Tax Notice Regarding Plan Payments".

## **MEMBER ACCOUNT OPTIONS:**

### **Option 1**

You can choose to have your member account balance paid directly to you. If you choose this option, only 80 percent of the taxable amount of your member account balance is payable to you because NDPERS is required to withhold 20% (percent) of the payment for federal income tax purposes. In addition, if you are under age 59 1/2, you may be subject to an additional 10 percent penalty for early withdrawal. If you choose this option, a "Refund/Rollover Kit" is required.

### **Option 2**

You can choose to have all or a portion of your member account balance directly rolled over into an IRA or another employer plan. If you have all or a portion of the amount rolled over, any taxable amount not rolled over will automatically be mailed to you and subject to the taxes indicated in "Option 1". The portion rolled over is not taxed until you take it out of the IRA or other employer plan. (NOTE: Be sure to check to see if the other employer plan will accept a rollover from a 401(a) plan and request a letter of acceptance be forwarded to NDPERS from the named financial institution). If any portion of your rollover includes non-taxable income, then the letter of acceptance is required before your request will be processed. If you choose this option, a "Refund/Rollover Kit" is required.

### **Option 3**

Whether vested or not, you can leave your member account balance intact with NDPERS and take a refund or rollover at a later date. If you elect to leave your member account balance intact with NDPERS, then you must complete the Deferred Retirement.

**Option 4** [This option is only available for vested members]

To be vested in a defined benefit program means that you have become legally entitled to a monthly benefit from NDPERS upon termination from employment and reaching retirement age. Under NDPERS you become vested at:

Retirement Plan	Months For Vesting
Main State Law Enforcement Public Safety	36
Judges	60
Highway Patrol	120

You can elect a Deferred Vested Benefit. Under this option, you leave your account with NDPERS and elect to receive a monthly benefit at a later date. The earliest age a member can begin to receive a monthly benefit is age 55 (Age 60 if hired on or after 01-01-2016) or by meeting the “Rule”, whichever happens first. Under the Deferred Vested Benefit Option, unreduced monthly benefits may begin at age 65 or by meeting the “Rule”, whichever happens first. Interest continues to compound on your member account balance until you begin receiving a monthly benefit. If you choose this option you will need to complete the Deferred Retirement.

**Option 5**

You are eligible to receive NDPERS retirement benefits upon termination of employment if:

Retirement Plan	Eligibility
Main Plan	<u>EARLY RETIREMENT</u> ✓ age 55 (age 60 if hired on or after 01-01-2016) or older and have 3 years of eligible service credit; or <u>NORMAL RETIREMENT</u> ✓ meets the Rule of 85; (Rule of 90 with minimum age 60 for members hired on or after 01-01-2016) ✓ attained age 65 while actively employed with a NDPERS participating agency.
Judges	<u>EARLY RETIREMENT</u> ✓ age 55 or older and have 5 years of eligible service; or <u>NORMAL RETIREMENT</u> ✓ meets the Rule of 85 ✓ attained age 65 while actively employed with a NDPERS participating agency.
Highway Patrol	<u>EARLY RETIREMENT</u> ✓ age 50 or older and have 10 years of eligible service; or <u>NORMAL RETIREMENT (Max. age 60)</u> ✓ meet the Rule of 80 ✓ attained age 55 and have 10 years of eligible service
Public Safety	<u>EARLY RETIREMENT</u> ✓ age 50 or older and have 3 years of eligible service; or <u>NORMAL RETIREMENT</u> ✓ meets the Rule of 85 ✓ attained age 55 and have 3 years of eligible service

Eligible service credit may include dual membership service.

See the NDPERS Group Retirement Plan handbook for specific information on early retirement reductions, meeting the “Rule”, eligible service credit, and dual membership service.

If you are not vested, your member account balance is less than \$1,000 and you do not indicate you wish to leave your account intact, you will be issued a refund automatically upon termination.

## **DEFINED CONTRIBUTION PLAN:**

### **Deferred Member Account Balance**

When you terminate employment, you can apply to defer your entire vested account balance. Under this option you leave your account balance with the Trustee Company until you either take it out as a lump sum or periodic distribution. If you choose this option you must complete the “Deferred Retirement”.

### **Lump Sum Distributions**

If you elect this option, your entire vested account balance will be paid to you as a lump-sum distribution. You may elect to roll this lump-sum distribution into an IRA or another eligible employer plan. If you choose this option you will need to complete a “Trustee Company Distribution Form”, which you must obtain from NDPERS.

### **Periodic Distributions**

If you elect this option, your vested account balance will be paid to you in monthly, quarterly, semiannual, or annual periodic payments until your account is exhausted. You must take a distribution at least annually. If you choose this option you will need to complete a “Trustee Company Distribution Form”, which you must obtain from NDPERS.

## **Distributions will be subject to the following rules:**

### **1.) Refund Distribution**

Any taxable distribution paid by the Trustee Company directly to you will be subject to mandatory Federal income tax withholding of 20% of the requested distribution. You cannot elect out of this tax withholding but you can avoid it by electing a direct rollover distribution. This withholding is not a penalty but rather a prepayment of your Federal income taxes, although there may also be an IRS penalty assessed in certain circumstances. If you are under age 59 1/2 at the time the distribution occurs, you may be subject to a 10% penalty at the time you file your income tax return for the year you took the distribution.

### **2.) Direct Rollover Distribution**

As an alternative to a cash distribution, you may request that your entire distribution be rolled directly into an IRA or another eligible employer’s plan (if it accepts rollover

contributions). Federal income taxes will not be withheld on any direct rollover distribution.

**a.) Rollover to an IRA** – You must complete a Qualified Plan Distribution Form and indicate the name and address of the custodian or trustee, and account number for your traditional IRA. After authorizing your distribution, NDPERS will forward the form to the Trustee Company. A check will be issued by the Trustee Company payable to the IRA custodian or trustee for your benefit. The check will contain the notation ‘Direct Rollover’ and it will be mailed directly to you. You will be responsible for forwarding it on to the custodian or trustee. You must provide NDPERS with complete information to facilitate your direct rollover distribution.

**b.) Rollover to another Eligible Employer Plan** – You should check with your employer to determine if its plan will accept rollover contributions. If allowed, then you must complete a Qualified Plan Distribution Form and indicate the name, address and plan number of your employer’s qualified plan. After authorizing your distribution, NDPERS will forward the form to the Trustee. A check will be issued by the Trustee Company payable to the trustee of your eligible employer plan. The check will contain the notation ‘Direct Rollover’ and it will be mailed directly to you. You will be responsible for forwarding it on to the new trustee. You must provide NDPERS with complete information to facilitate your direct rollover distribution.

### **3.) Combination Refund Distribution and Direct Rollover Distribution**

You may request that part of your distribution be paid directly to you and the balance to be directly rolled into an IRA or another eligible employer Plan. Any cash distribution you receive will be subject to the Federal income tax withholding rules referred to in the “Special Tax Notice Regarding Plan Payments”.

You will pay income tax on the amount of any taxable distribution you receive from the Plan unless it is rolled into an IRA or another eligible employer Plan. A 10% IRS premature distribution penalty tax may also apply to your taxable distribution unless it is rolled into an IRA or another eligible plan. The 20% Federal income tax withheld under this section may not cover your entire income tax liability.

If your vested account balance is less than \$1,000, the entire amount will be automatically distributed to you unless you request in writing that the vested account balance remain in the Plan within 120 days after termination.

### **DEFINED BENEFIT & DEFINED CONTRIBUTION:**

#### **ADMINISTRATIVE REQUIREMENTS FOR REFUNDS/ROLLOVERS**

Upon termination of employment, you and your employer must complete a “NDPERS Refund/Rollover Kit”. Defined Contribution Plan members must also complete a “TIAA Distribution Form”. You may obtain the TIAA Distribution Form from NDPERS.

**DEFINED BENEFIT PLAN:** Refunds and direct rollovers will not be issued until you have been off your employer's payroll system for approximately 60 to 90 days, subject to Federal and North Dakota State laws.

**DEFINED CONTRIBUTION PLAN:** Refunds and direct rollovers will not be issued until you have been off your employer's payroll system for approximately 45 to 60 days, subject to Federal and North Dakota State laws.

By receiving a refund/rollover distribution of your member account balance you forfeit all service credit to the date of the distribution, as well as:

- Retirement Benefits
- Disability Benefits
- Non-Vested Employer Contributions
- Retiree Health Credit
- Dakota Plan Health Insurance Coverage\*
- Dental Insurance Coverage\*
- Vision Insurance Coverage\*

Should you become re-employed with a participating employer before 31 days have expired, no refund or direct rollover will be issued and your retirement account will pick up where it left off with your previous employer, any NDPERS benefits available through your new employer will be reinstated at the same coverage levels as you had with your previous employer.

\* If you are participating in any of these benefits at termination, COBRA continuation is available for 18 months following loss of coverage as an active employee.

**Consult with your tax advisor for further details.**