NORTH DAKOTA

PUBLIC EMPLOYEES

RETIREMENT SYSTEM

**DEFINED BENEFIT RETIREMENT PLAN**

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**RETIREMENT BENEFITS**

**MAIN & LAW ENFORCEMENT**

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This publication is intended to provide general information and may not be considered to be a legal interpretation of retirement law. Statements contained in this handbook do not supersede the North Dakota Century Code or Administrative Code or restrict the authority granted to the Retirement Board.

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**GETTING STARTED**

You should start the application process at least sixty (60) days prior to the effective date of your retirement. All information regarding your options and benefits is contained in the NDPERS ‘Retirement Kit’ which can be obtained from your employer, by calling the NDPERS office, or from our website at [www.nd.gov/ndpers](http://www.nd.gov/ndpers).

Your retirement effective date will be the first of the month following your last date of service or last date of pay, whichever is later or any other date selected by you. You can expect to receive your first benefit check the month following your effective date of retirement.

**ELIGIBILITY**

Main: You are eligible for retirement benefits after you have 36 months of service credit in NDPERS and are:

Early Retirement: Age 55

Age 60 if hired after 1/1/2016

Normal Retirement: Age 65 or the Rule of 85

Age 65 or the Rule of 90 if hired after 1/1/2016

Law Enforcement: You are eligible for retirement benefits after you have 36 months service credit in NDPERS and are:

Early Retirement: Age 50

Normal Retirement: Age 55 or the Rule of 85

You must terminate employment and be off of covered payroll a minimum of 31 days. A leave of absence, reduction in hours, or transfer to another participating employer is not considered a termination of employment.

**BENEFIT AMOUNT**

Your NDPERS retirement benefit amount is based upon the following calculation:

Final Average X Benefit X Years of

Salary Multiplier Service

Credit Credit

FINAL AVERAGE SALARY is the average of your highest salaries in 36 of the last 180 months worked.

BENEFIT MULTIPLIER is the rate established by the legislature at which you earn benefits and is currently 2.00%.

SERVICE CREDIT is the amount of eligible service you have accumulated with NDPERS for retirement purposes.

**COST OF LIVING ADJUSTMENTS**

The NDPERS defined benefit plan does not provide for an automatic annual cost of living adjustment (COLA). Therefore, as you plan for your retirement, you need to consider that your NDPERS benefit is fixed and, based upon the existing plan provisions, will not increase to offset the effects of inflation. Participating in a supplemental retirement savings plan is important as a proactive approach to augmenting your retirement income in order to ensure a secure financial future. However, a plan feature called a “graduated benefit” option provides you with a way to fund your own future benefit increases.

**RETIREMENT OPTIONS**

There are different retirement options available to choose from when you retire. Keep in mind that each payment option will pay YOU the member for as long as you live. You cannot change your retirement option once you have cashed your first retirement payment.

**SINGLE LIFE OPTION:** This option provides the greatest benefit amount. There is no monthly income provision for your beneficiary. If you should die while receiving retirement benefits, your beneficiary will get a lump sum payment of the balance of your member account, if any balance remains.

**50% JOINT & SURVIVOR OPTION:** This amount is payable to you for as long as you live, but is actuarially reduced based upon your age and the age of your spouse. In the event of your death, your spouse will receive 50 percent of your monthly retirement benefit amount for the rest of his/her life. In the event your spouse predeceases you, or in the event of a divorce, your benefit will be adjusted back to the Single life option amount upon receipt of your spouse’s Certificate of Death or a photocopy of the divorce decree.

**100% JOINT & SURVIVOR OPTION:** This amount is payable to you for as long as you live, but is actuarially reduced based upon your age and the age of your spouse. In the event of your death, your spouse will receive 100 percent (the same amount as you were receiving prior to death) of your monthly retirement benefit amount for the rest of his/her life. In the event your spouse predeceases you, or in the event of a divorce, your benefit will be adjusted back to the Single life option amount upon receipt of your spouse’s Certificate of Death or a photocopy of the divorce decree.

**TEN (10) YEAR TERM CERTAIN:** This amount is reduced based upon actuarial factors. If you should die within the first ten years of your retirement, your beneficiary will continue to receive monthly payments of the same amount until the end of the ten year term. If you die after receiving benefits for ten years, there will be no further benefit payments made to your beneficiary.

**TWENTY (20) YEAR TERM CERTAIN:** This amount is reduced upon actuarial factors. If you should die within the first twenty years of your retirement, your beneficiary will continue to receive monthly payments of the same amount until the end of the twenty year term. If you die after receiving the benefit for twenty years, there will be no further benefit payments made to your beneficiary. **(This option is not available to member age 79 and over.)**

You also may elect as to receive **one** of the following retirement benefit modifications:

Below are the limitations of who can elect the options and exclusion for benefit modifications:

1. Limits the option to members retiring on or after their Normal Retirement Date as set by statute,
2. Excludes disability and early retirees, beneficiaries of deceased members,
3. Requires that the option be a one-time, irrevocable election that is made at the time of the member’s retirement,
4. Excludes the benefit in combination with a PLSO, Graduated, or DNRO benefit option, and
5. It is a one-time, irrevocable election that is made at the time of the member’s retirement.

**GRADUATED BENEFIT OPTION:** The “graduated benefit” option allows you to select your benefit as either a one percent or two percent annual benefit increase.  If you elect this option, your monthly annuity is actuarially reduced.  The amount of the reduction will depend on your age at retirement. You will still be eligible to select a Joint and Survivor or Term Certain option as your ongoing retirement benefit.

**PARTIAL Lump Sum Option (PLSO):** This option is only available to members who retire at or after full retirement age. This option allows you to take a partial lump sum distribution equal to 12 monthly payment of the Single Life option and is payable at the same time as your first monthly retirement benefit. You will still be eligible to select a Joint and Survivor or Term Certain option as your ongoing retirement benefit. The ongoing retirement benefit will be actuarially reduced in exchange for the partial lump sum payment.

The lump sum payment will be eligible to rollover to an IRA or another eligible retirement plan. If not rolled over, the lump sum is taxed as ordinary income and subject to automatic 20 percent federal withholding. If you are under age 59½, you may be subject to a 10% penalty tax for early withdrawal.

**Deferred Normal Retirement Option (DNRO):** This option will only be available to members who retire after reaching normal retirement date. This option is an irrevocable election and made at initial application for retirement. The payment is in lieu of a lump sum equal to the amount of missed payments, without interest, retroactive to the member’s normal retirement date. Members would still be permitted to choose one of the optional forms of payment for their annuity benefit (e.g. the reduced annuity would be paid as a joint and survivor or term certain option). The ongoing benefits will be actuarially increased to reflect the lump sum.

**CONVERTING SICK LEAVE**

At termination, you may purchase all or part of your sick leave for retirement service credit. One month of service credit may be converted for each 173.3 hours of unused sick leave. The payment amount is calculated by NDPERS, after your termination.

The cost is determined by taking the required contribution rate of your final average salary times the number of months being converted. Payment must be made by the 15th of the month following the month of your termination date. Payment can be made on an after-tax basis by personal check or a pre-tax basis if you do a direct rollover/transfer of eligible funds.

**RETIREE INSURANCE COVERAGE**

If at the time of retirement, based on eligibility, you may enroll in the NDPERS COBRA or Medicare health plan. You may also be eligible to enroll in the NDPERS dental and vision plan even if your employer did not participate while your where actively employed. You must enroll within 31 days of the effective date of your retirement date or an applicable qualifying event.

**RETIREE HEALTH INSURANCE CREDIT**

The Retiree Health Insurance Credit Program offers you a credit to receive reimbursement of premiums you pay for upon retirement. This credit can only be used if you are drawing a monthly NDPERS benefit payment. Your RHIC may be used for any health and/or prescription drug coverage, as well as for the NDPERS dental, vision, and long term care coverage.

You receive $5.00 for every year of retirement service credit. Your retiree health insurance credit will not be reduced if you retire at Normal Retirement or are receiving NDPERS Disability retirement benefits.

There are two options available to for this benefit:

Under the **Standard Option**, upon your death, your retiree health insurance credit will be transferred to your surviving spouse if your surviving spouse receives a monthly payment from NDPERS. He or she can use the retiree health insurance credit for as long as the benefit payments continue.

Under the **Alternate Health Credit Option**, if you are married and choose a Single Life, Ten or Twenty Year Term Certain retirement option, you have the opportunity to elect an alternate form of retiree health insurance credit. You may choose an actuarially reduced 50% or 100% Joint & Survivor retiree health credit option that applies only to the health credit portion of your retirement benefits.

The alternate option is actuarially reduced based upon your age and the age of your spouse. If you elect an alternate health credit option, upon your death, your surviving spouse will receive a retiree health insurance credit amount for the spouse’s lifetime.

Spouses who each have retiree health insurance credit may authorize NDPERS to combine their respective credits to be reimbursed for one monthly health insurance premium. You and your spouse will need to complete “Request to Combine Retiree Health Insurance Credit SFN 58591”.

**NDPERS LIFE INSURANCE**

You have the option to continue the $1300 basic and any employee, dependent or spouse supplemental coverage until age 65. At age 65, you can continue the $1,300 basic coverage, at your expense, for life. To continue any other levels of coverage, you will be given the opportunity to convert to an individual life policy.

**TAX WITHHOLDING**

You have the option of having federal and North Dakota State income taxes withheld from your monthly benefit payment.

Whether you should have taxes withheld depends upon your financial situation. Questions about the amount of taxes to withhold or the need for tax deduction should be directed to a professional tax consultant.

**DIRECT DEPOSIT**

After receiving your first check, it is NDPERS policy that you have your monthly payment sent directly to your checking or savings account through Direct Deposit. Deposits are electronically sent for deposit the first business day of each month.

**RETURN TO SERVICE AFTER RETIREMENT**

If you return to work in a permanent full-time position for an employer that participates in NDPERS, your monthly retirement benefit may be suspended. Before you accept employment with a participating employer, contact the NDPERS office so we may advise you of your options and to avoid any unintended consequences.

**MEMBER SELF SERVICE (MSS)**

Once you receive your first payment, you will have the ability to access your NDPERS payee account(s) through NDPERS Member Self Service. The instructions to log in to Member Self Service can be found on the NDPERS web site at www.nd.gov/ndpers. You will need a ND Login ID and password along with your NDPERS Member ID and date of birth.

We are offering through MSS the ability to view:

1. Your retirement payment(s) and related details,
2. Insurance coverage(s) and related details,
3. 1099R tax information, when available

We also offer you the capability to do direct on-line updates and requests for:

1. Address changes
2. Federal & ND State income withholding elections
3. Spouse or Designated contact information
4. Scheduling an Appointment
5. Submitting questions to NDPERS
6. Reporting a death of a spouse or a covered insurance dependent