



## NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

### Portability Enhancement Provision (PEP)

If you are an eligible member participating in the NDPERS Defined Benefit Hybrid Retirement Plan, you are eligible to increase your member account balance through PEP. Under the Defined Benefit retirement plan, the employee contribution of 7% (plus interest) is paid into your member account. The employer contribution of 8.26% (7.12% and 1.14%) is paid into the retirement and health credit pool of funds.

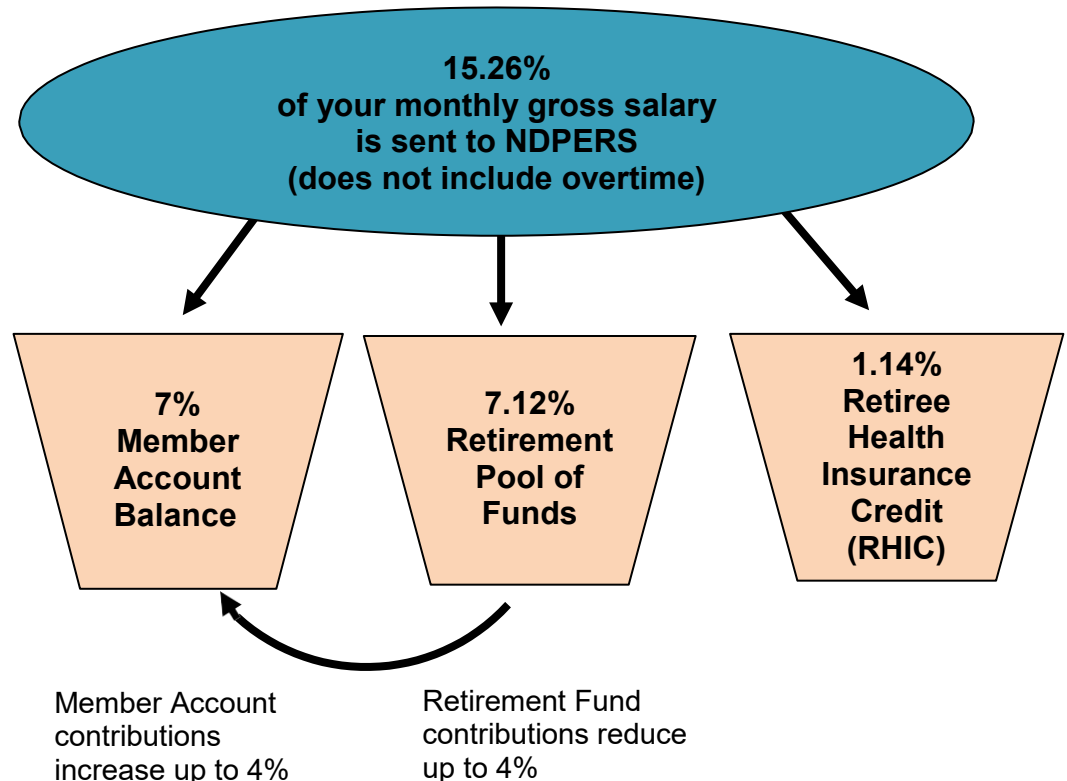
#### How does PEP work?

When you voluntarily participate in an employer-sponsored 457 Deferred Compensation plan, your Defined Benefit plan contributions are automatically reallocated and deposited into your Member Account. For every dollar you put into a Deferred Compensation plan, NDPERS will add one dollar to your member account balance, subject to the vesting schedule shown below. The maximum reallocation is 4%.

PEP vesting (reallocation of employer funds) requires that your employer offers both the **NDPERS Defined Benefit Retirement Plan** and an **eligible 457 Deferred Compensation Plan**.

The following illustrates your monthly NDPERS Defined Benefit Hybrid Plan retirement contributions and the Portability Enhancement Provision (PEP)

| 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.  |



A member has three options at termination of employment with the Defined Benefit plan:

1. Withdraw the member account balance (refund or rollover)
  - PEP funds increase your cash balance for refund or rollover
2. If vested, elect to draw a monthly retirement benefit for life (retire)
  - PEP funds increase your estate value should you become deceased
  - PEP funds do not increase your monthly retirement annuity unless you use your 457 Deferred Compensation plan to purchase eligible service credit
3. If vested, elect to draw a monthly benefit at a later date (defer benefit)
  - PEP funds increase your cash balance, if you choose to refund or rollover your account, or your estate value should you become deceased

### **What is a deferred compensation plan?**

Deferred compensation is a separate voluntary supplemental retirement plan under IRS code section 457. It allows eligible employees to defer a portion of your salary on a pre-tax basis and invest it to be paid at a later date, usually during retirement years.

The minimum annual contribution is \$25 a month (\$300 annually). The annual maximum contribution is the limit set by the IRS or 100% of includable compensation, whichever is less. If you are over 50 years of age or have not contributed up to the regular annual limit in previous years under your employer, you may be eligible to defer more than the standard IRS limit amount.

By enrolling in the deferred compensation plan at the minimum required monthly contribution of \$25, you begin to automatically **vest** in the employer contribution according to a schedule based on years of service in the defined benefit plan.

### **How will PEP benefit you?**

- Increases the cash value of your member account in the event you leave employment and choose to “cash-in” or rollover your account balance.
- Increases the estate value of your retirement account to your beneficiaries.
- Encourages you to start saving supplement retirement income through the deferred compensation plan. The funds accrued in this separate individual account are available to you upon termination from employment.
- Reduces your taxable income each pay period.

### **Enroll in the Deferred Compensation Plan**

You receive the greatest benefit by enrolling in deferred compensation at the time you begin employment, but you may enroll at any time. Regardless of when you elect to enroll, your **PEP** contributions will be reallocated into your member account monthly beginning with your first monthly contribution.

The NDPERS deferred compensation plan has 9 investment provider companies you can choose to set up your account. For information about the deferred compensation plan, please visit the NDPERS website. You will find a list of provider companies and associated agents, a summary of investment options and the 457 Deferred Compensation Plan Handbook, in addition to enrollment and/or change forms.

Other approved 457 or 403(b) deferred compensation programs offered by participating NDPERS employers may also be recognized by NDPERS for PEP vesting. Please check with your employer to find out if you are eligible to participate.

## Quick Enrollment Option

In order for you to supplement your retirement savings, we have designed our plan to make saving as convenient as possible through a quick enrollment option. This does not require for you to make a decision regarding the amount of your contribution, investment allocation, or selecting a provider company and agent. Just complete the [457 Deferred Compensation Plan Quick Enrollment/Waiver \(SFN 54362\)](#). All new hires should complete this form to either elect to participate in the deferred compensation plan or waive their rights to PEP. With the quick enrollment option, you will automatically be enrolled in the NDPERS Companion Plan for the minimum contribution of \$25 a month. These funds are invested into Lifecycle Mutual Funds based upon your estimated retirement age. You can elect to keep your funds in the Lifecycle Mutual Funds or make your own account allocations.

The Companion Plan is a NDPERS trust fund and the NDPERS Board selects and monitors the investments offered under this plan. More information on these funds may be found on the NDPERS website or you may contact a TIAA representative direct at 1-800-842-2252 to assist you and to explain other investments options. If you want to make future changes to your deduction amount or suspend participation, you must complete the [NDPERS 457 Deferred Compensation Plan Enrollment/Change SFN 3803](#) or online by logging into your [PERSLink Member Self Service \(MSS\)](#) account

**Get started today and start planning for your financial future!**