DISABILITY RETIREMENT BENEFITS

Effective July 1, 2009- June 30, 2011

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.

NDPERS ON-LINE BENEFIT SERVICES

You have the ability to access your individual retirement account balance, annual statements, and the tools needed to compute retirement and disability benefits. You also have access to plan information on all NDPERS benefits, Perspectives Newsletters, News Flashes, Forms and Publications, and Contact Information. NDPERS website address is www.nd.gov/ndpers.

DISABILITY RETIREMENT BENEFIT – WHAT IS IT?

For the Defined Benefit plan members, the disability retirement benefit is funded by your employer’s contributions. The Plan provides a monthly benefit payment to eligible participants who are unable to engage in substantial gainful employment for an extended period of time. For Defined Contribution plan members, the disability benefit is funded by your member account balance.

WHO IS COVERED UNDER THE DISABILITY BENEFIT PLAN?

All participating members of the NDPERS Defined Benefit Plan or Defined Contribution Plan who have accumulated six (6) months of eligible service are covered under the disability retirement plan.

ELIGIBILITY REQUIREMENTS

- To be eligible for NDPERS disability retirement benefits the following must apply:
- Your disability must have occurred during a period of eligible employment.
- You must be unable to engage in any substantial gainful activity due to a medically determinable physical or mental impairment expected to result in death or which will or has lasted for a continuous period of not less than twelve months.
- You must submit a “Disability Retirement Kit” to the NDPERS office within 12 (twelve) months of termination of employment.
- You must be determined to be disabled by the NDPERS’ medical advisor, who is responsible for making disability eligibility determinations for the Board. In lieu of a review by the NDPERS’ medical advisor, a member who qualifies for Social Security
Disability benefits and submits a “Disability Retirement Kit” with a copy of the Social Security Notice of Award, may be deemed eligible for NDPERS disability benefits without requiring a determination from the medical advisor. The Social Security Notice of Award must provide proof that the member’s disability was determined during his/her period of eligible employment.

HOW TO APPLY FOR DISABILITY BENEFITS

You may submit a “NDPERS Disability Retirement Kit” up to four (4) months prior to your date of termination. However, **you must submit an application to NDPERS within 12 months of your termination date.** You may obtain a “NDPERS Disability Retirement Kit SFN 53726” from your payroll office, the NDPERS office, or the NDPERS Website.

Defined contribution members must contact the Defined Contribution plan program administrator to receive an application. Defined Benefit plan members, who are at least 55 years of age and have a minimum of thirty-six (36) months of service credit, may also apply for early retirement benefits. This will allow NDPERS to pay you under Early Retirement provisions while your disability application is being processed. To apply for early retirement benefits, you must complete a “Retirement Kit”.

NDPERS must receive an application for disability retirement benefits and appropriate legal documentation at least 31 days before the distribution of the first disability retirement check. If documents are filed to late the payment may be DELAYED.

COORDINATION WITH OTHER DISABILITY PLANS

Your NDPERS disability retirement benefit payment will not be reduced by any other benefits you may be receiving as a result of your disability.

DISABILITY BENEFIT PAYMENTS

If the medical advisor determines that you are totally and permanently disabled according to the Plan, your benefit is payable retroactive to the first of the month following your date of termination. The benefit is payable as long as you are disabled.

DEFINED BENEFIT PLAN:

Your disability retirement benefit is computed as 25% of your final average salary. The minimum basic disability retirement benefit is $100.00 per month. Final average salary is the average of your highest 36 of the last 180 months you worked. You may obtain an estimate of your disability retirement benefit by completing a “Request for Benefit Information SFN 53603” or Estimate Benefit Payment Request SFN 59058. You can also obtain it through NDPERS Online Services at www.nd.gov/ndpers.

BENEFIT PAYMENT OPTIONS

There are several different benefit payment options available to choose from. These payment options differ in how they pay your beneficiary in the event of your death, and in the actuarial reduction necessary to provide these benefits to you and your beneficiary. Keep in mind that each payment option will pay YOU the member for as long as you meet the eligibility requirements to receive benefits. You cannot change your benefit option once you have cashed your first benefit payment.
SINGLE LIFE OPTION: Under this option there is no monthly income provision for your beneficiary. If you should die while receiving 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 actuarially reduced based upon your age and the age of your spouse. Upon your death, your spouse will receive 50% of your monthly benefit payment for his/her lifetime. If your spouse dies first, your benefit will be adjusted back to the single life benefit amount once a photocopy of your spouse's "Certificate of Death" has been received. If this benefit option is selected, it will be necessary for you to submit a copy of your spouse's birth certificate and your marriage certificate with your benefit application.

100% JOINT & SURVIVOR OPTION: This amount is actuarially reduced based upon your age and the age of your spouse. Upon your death, your spouse will receive 100% of your monthly benefit payment for his/her lifetime. If your spouse dies first, your benefit will be adjusted back to the single life benefit amount once a photocopy of your spouse's "Certificate of Death" has been received. If this benefit option is selected, it will be necessary for you to submit a copy of your spouse's birth certificate and your marriage certificate with your benefit.

TWENTY (20) YEAR TERM CERTAIN: This amount is reduced based upon actuarial factors. If you should die within the first twenty years of receiving your benefit, 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 if you are age 79 or over.

If you are receiving a disability retirement benefit a lump sum payment of the balance, if any, will also be paid to your beneficiary. If the payment to you has been longer than the term, you beneficiary will only receive the remaining account balance.

TEN (10) YEAR TERM CERTAIN: This amount is reduced based upon actuarial factors. If you should die within the first ten years of receiving your benefit, 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 the benefit for ten years, there will be no further benefit payments made to your beneficiary.

If you are receiving a disability retirement benefit a lump sum payment of the balance, if any, will also be paid to your beneficiary. If the payment to you has been longer than the term, you beneficiary will only receive the remaining account balance.

DEFINED CONTRIBUTION PLAN:

APPLICATION
To request an application for disability benefits for the Defined Contribution Plan, please contact the Defined Contribution Plan Program Administrator at the PERS office by calling (800) 803-7377. In addition, your agency’s payroll office MUST complete the NOTICE OF STATUS OR EMPLOYMENT CHANGE SFN 53611. This form MUST be submitted with your completed Disability Application and “Fidelity Investments Distribution Kit” and MUST be filed with NDPERS up to four (4) months prior to your date of termination. However, you must submit an application to NDPERS within 12 months of your termination date.

BENEFIT PAYMENT OPTIONS

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 and your employer must complete a NDPERS Deferred Retirement Kit to elect this option.

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 another eligible employer plan or a traditional IRA. If you choose this option you will need to complete a NDPERS Refund/Rollover Kit and a “Fidelity Investments Distribution Kit”.

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. If you choose this option you will need to contact the Defined Contribution Program Benefits Administrator at the NDPERS office to receive a Disability Application. A “Fidelity Investments Distribution Kit” also must be submitted to 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 will be subject to a 10% penalty at the time you file your income tax return for the year in which 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 into another employer’s eligible 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 IRA. After authorizing your distribution, the Plan Administrator 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 new 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 new employer’s qualified plan. After authorizing your distribution, the Plan Administrator will forward the form to the Trustee. A check will be issued by the Trustee Company payable to the trustee of your new 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 your eligible employer Plan. Any cash distribution you receive will be subject to the Federal income tax withholding rules referred to in (1). Any direct rollover distribution will be made in accordance with (2).

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 your 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 within 120 days after termination, that the vested account balance remain in the Plan.

**DEFINED BENEFIT AND DEFINED CONTRIBUTION PLANS:**

**DENIAL OF BENEFITS – REVIEW PROCEDURE**
If you receive written notice that your application for disability retirement has been denied, you may request a review of the decision. A written request for review must be received in the NDPERS office within 60 days of receiving a denial notice. You will be notified of the time and date of the appeal hearing and may attend and/or be represented by legal counsel. The appeal discussion is confidential and closed to the general public.

If the Board’s decision is to uphold the recommendation of the medical advisor, the applicant may file a request for a formal hearing to be conducted before an administrative law judge.

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RECERTIFICATION OF DISABILITY STATUS

Your eligibility to continue to receive disability benefits must be recertified 18 months after the date your first check is issued and thereafter as specified by the NDPERS medical consultant.

Prior to the 18 month payment anniversary date, you will receive an “Application for Recertification of Disability Benefits” and a “Recertification of Disability- Attending Physician’s Statement”. These two forms are to be completed and returned to NDPERS.

Also, as a part of the recertification process, you will be required to complete a “Statement of Annual Earnings for Disability Annuitants SFN 53157” to document all employment. (See Return to Work Provisions).

If it is determined that you were not eligible for benefits during any time period when benefits were provided, the executive director may do all things necessary to recover the erroneously paid benefits.

RETURN TO WORK PROVISIONS

To be eligible for benefits, you must terminate employment or terminate membership. “Termination of employment” means a severance of employment by not being on the payroll of a covered employer for a minimum of one month (31 days). This period is determined by counting 31 days from your final regular payroll payment to the date you begin actual employment (first day of work) with a new NDPERS participating employer.

Approved leave of absence does not constitute termination of employment.

“Termination of participation” means termination of eligibility to participate in the retirement plan.

Disability

If you return to work in a permanent full-time position and are eligible to participate in NDPERS, your disability benefits must be suspended. You are not eligible to receive a disability retirement benefit while permanently employed with a NDPERS participating employer. (See “Overpayment of Benefits” section). If you are not able to continue employment for a consecutive period of time resulting in nine (9) months of service credit as a result of the disability and continue to meet the eligibility requirements under the plan, you may resume disability.

If you return to employment not covered under NDPERS, your disability benefit may continue for up to nine (9) consecutive months. If you are not able to continue employment for at least nine (9) months as a result of the disability and continue to meet the eligibility requirements under the plan, you may continue disability status. You must notify the NDPERS office in writing of your intent to return to work.

OVERPAYMENT OF BENEFITS

The laws governing NDPERS state that a person who receives an overpayment is liable to refund those payments upon receiving an explanation and a written request for the amount to be returned. Pursuant to that section, a member may be charged six (6) percent interest on the unpaid balance until the balance is paid in full. NDPERS executive director must approve any repayment proposal made.
TAXES AND YOUR BENEFIT PAYMENT

The NDPERS disability benefit is provided by your employer's contributions to the retirement system and is therefore 100% taxable before age 65. At age 65, your benefit is considered a retirement benefit for income tax purposes. A portion of your monthly benefit may be non-taxable, based upon your contributions to your member account balance. An exclusion ratio will be computed to determine your non-taxable portion, if any.

According to IRS Regulation Section 1.72-15(c)(2), your member account balance will not be reduced before age 65. At age 65, your member account balance is reduced by the monthly benefit payments you receive.

You have the option of having federal and North Dakota state income taxes withheld from your monthly benefit payment. At the time of your retirement, NDPERS will have you complete a federal W-4P withholding form. You may elect not to have income tax withheld from your pension payment by using the same form. You may change your tax withholding election at any time, and as often as you wish.

If you do not have federal income tax withheld from your benefit payment, you cannot have ND state income tax withheld.

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, you may have your monthly payment sent directly to your checking or savings account through Direct Deposit. You and your bank must complete a "Authorization for Direct Deposit for Annuity Payment SFN 18379" 30 days before the date of deposit. To change banks, simply complete a new direct deposit form with the new financial institution. NDPERS will not accept alternate Direct Deposit forms. Deposits are electronically sent for deposit the first working day of each month. You will receive a QUARTERLY statement of the deposits made.

RETIREE INSURANCE COVERAGE

The NDPERS Health, Dental, Vision, and Long-Term Care insurance plans are available to you even if your employer did not participate in these NDPERS Plans prior to your retirement or disability retirement.

You may enroll in the above insurance if you do so within 31 days of retirement or disability retirement or during the eligible qualifying events. Please refer to the NDPERS website for each plan's qualifying events, premium information, and plan design. Anyone age 65 or older MUST have both Part A and B of Medicare to be eligible to enroll in the Dakota Retiree Plan.

RETIREE HEALTH CREDIT

The Retiree Health Insurance Credit Program offers you a credit which reduces your health insurance premiums upon retirement. This credit can only be used if you choose to participate in the NDPERS Dakota Plan or Dakota Retiree Plan and are drawing a monthly NDPERS or NDHPRS benefit payment.

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Defined Contribution Plan members must be at least 55 years old or meet the Rule of 85 and receiving a periodic distribution from the trustee company. The retiree health credit is only applied toward health insurance premiums as long as you are receiving a periodic distribution.

You receive $5.00 for every year of retirement service credit, subject to REDUCTION FOR EARLY RETIREMENT. Your retiree health insurance credit will not be reduced if you are age 65, meet the Rule of 85 or are receiving NDPERS Disability retirement benefits. Your credit will be applied automatically when you retire and participate in the Dakota Plan or Dakota Retiree Plan.

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 and participates in the Dakota Plan. He or she can use the 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, or Level Social Security retirement option, you now have the opportunity to elect an alternate form of retiree health insurance credit. You may now 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.

DEFINITIONS (Reference – N.D.A.C. Chapter 71-02-01-01)

Leave of absence means the period of time up to one year for which an individual may be absent from covered employment without being terminated. At the executive director's discretion, the leave of absence may be extended not to exceed two years, or indefinitely if the leave of absence is due to interruption of employment.

Medical consultant means a person or committee appointed by the board of the North Dakota Public Employees Retirement System to evaluate medical information submitted in relation to disability applications, recertification, and rehabilitation programs or other such duties as assigned by the board.

Permanent and total disability for members of the main retirement system and the national guard/law enforcement retirement plan means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months. For members of the judge's retirement plan, "permanent and total disability" is determined pursuant to subdivision e of subsection 3 of section 54-52-17 of the North Dakota Century Code.

Substantial gainful activity is to be based upon the totality of the circumstances including consideration of an individual's training, education, and experience; an individual's potential for earning at least seventy percent of the individual's predisability earnings; and other items deemed significant on a case-by-case basis. Eligibility is based on an individual's employability and not actual employment status.

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.

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