

Overview of HB 1040

For Political
Subdivisions

What is HB 1040?

01

Closes the Main Defined Benefit (DB) Retirement Plan to new hires, *first enrolled*, on or after January 1, 2025

02

Creates and establishes Tier 3 in the Defined Contribution (DC) Plan. The DC 2025 Tier 3 becomes the official Retirement Plan for State and *participating* Political Subdivisions starting in 2025.

03

Defines how the Main Defined Benefit (DB) Retirement Plan will continue to be funded.

Closes the Main Defined Benefit (DB) Retirement Plan to new hires, *first enrolled*, on or after January 1, 2025

Part 1

Main Defined Benefit (DB)	Defined Contribution (DC)
Monthly benefit (pension) is guaranteed for life	Benefit is determined by your investment strategy
Funds are invested on your behalf	You and your provider map your investment strategy
Monthly benefit based on the benefit formula – not how much is in your account	Stream of income is your choice and is subject to your account balance
Employee contributions (member account) 100% vested on day one!	Employee contributions (member account) 100% vested on day one!
Employer contributions: Cliff vesting - <i>all or nothing!</i>	Employer contributions: Gradual Vesting
must have 36 months of service OR turn age 65 while actively employed	2 years – 50% 3 years – 75% 4 years – 100%
Note: most NDPERS Defined Benefit Plans have a vesting period of 36 months – exceptions are BCI, Judges and Highway Patrol	Note: an employee is 100% vested in employer contributions if turns age 65 while actively employed

General Recap: Differences between Main DB & DC

Creates and establishes Tier 3 in the Defined Contribution (DC) Plan.

The DC 2025 Tier 3 becomes the official or primary Retirement Plan for State and *participating* Political Subdivisions starting in 2025.

Part 2

Employer's Role

Employers must be prepared to onboard new hires in the DC 2025 Tier 3

- New contribution rates apply
- Only DC tier with up to a 3% employer match
- [Join NDPERS on December 12](#) to view updates in Employer Self Service (ESS) and Member Self Service (MSS).

DC 2025 Tier 3 Eligibility

- At least 18 years of age
- Work at least 20 hours a week
- 20 or more weeks a year
- Position is regularly funded and not of limited duration
- **Does not have a previous active or suspended enrollment in the NDPERS Main DB or DC Plans**
 - New hires first enrolled: does not have an existing, intact NDPERS Main DB or DC Plans.
 - New hires that have left previous NDPERS Main DB plan intact will be grandfathered under the plan they left intact.
 - Excludes participation in other NDPERS Defined Benefit Plans (Public Safety, BCI Law Enforcement, National Guard, Judges and Highway Patrol).

Other DC 2025 Tier 3 Eligibility

Nonstate appointed and elected officials of participating employers within the first month of taking office, if meeting mandatory participation requirements.

Elected county officials specifically of participating counties, at their individual option, may enroll within the first six months of their term.

*if these employees would have been eligible under the current Main Defined Benefit Plan, they will be eligible under the DC2025, Tier 3

Other DC 2025 Tier 3 Eligibility

Temporary employees or regularly funded, permanent employees working fewer than 20 hours per week for less than 20 hours annually, can **voluntarily participate at their own expense** within first 180 days.

Minimum Contributions & Vesting

4.00% Employee Minimum Contribution

- 100% Vesting in **Employee** Contributions
- *State employers pay this 4.00% on behalf of the employee*

5.26% Employer Contribution

- Gradual Vesting in **Employer** Contributions
- 2 years – 50%
- 3 years – 75%
- 4 years – 100%

Note: an employee is 100% vested in employer contributions if turns age 65 while actively employed.



EMPLOYER MATCH

UP TO 3% EMPLOYER MATCH FOR DC 2025 TIER 3 –

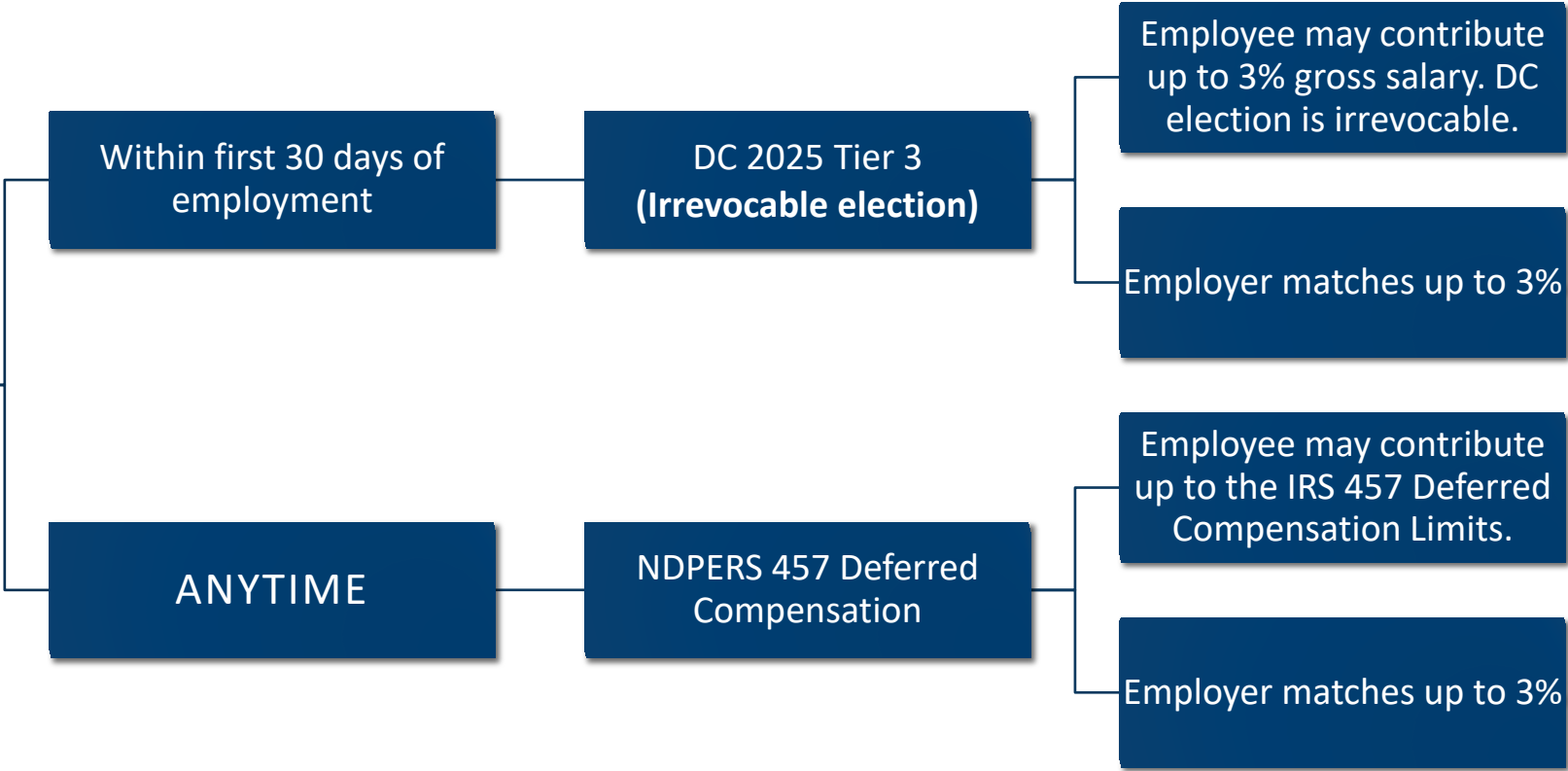
APPLICABLE TO EMPLOYERS PARTICIPATING IN THE NDPERS DC AND 457
DEFERRED COMPENSATION

Employer Match & Optional Employees Contributions

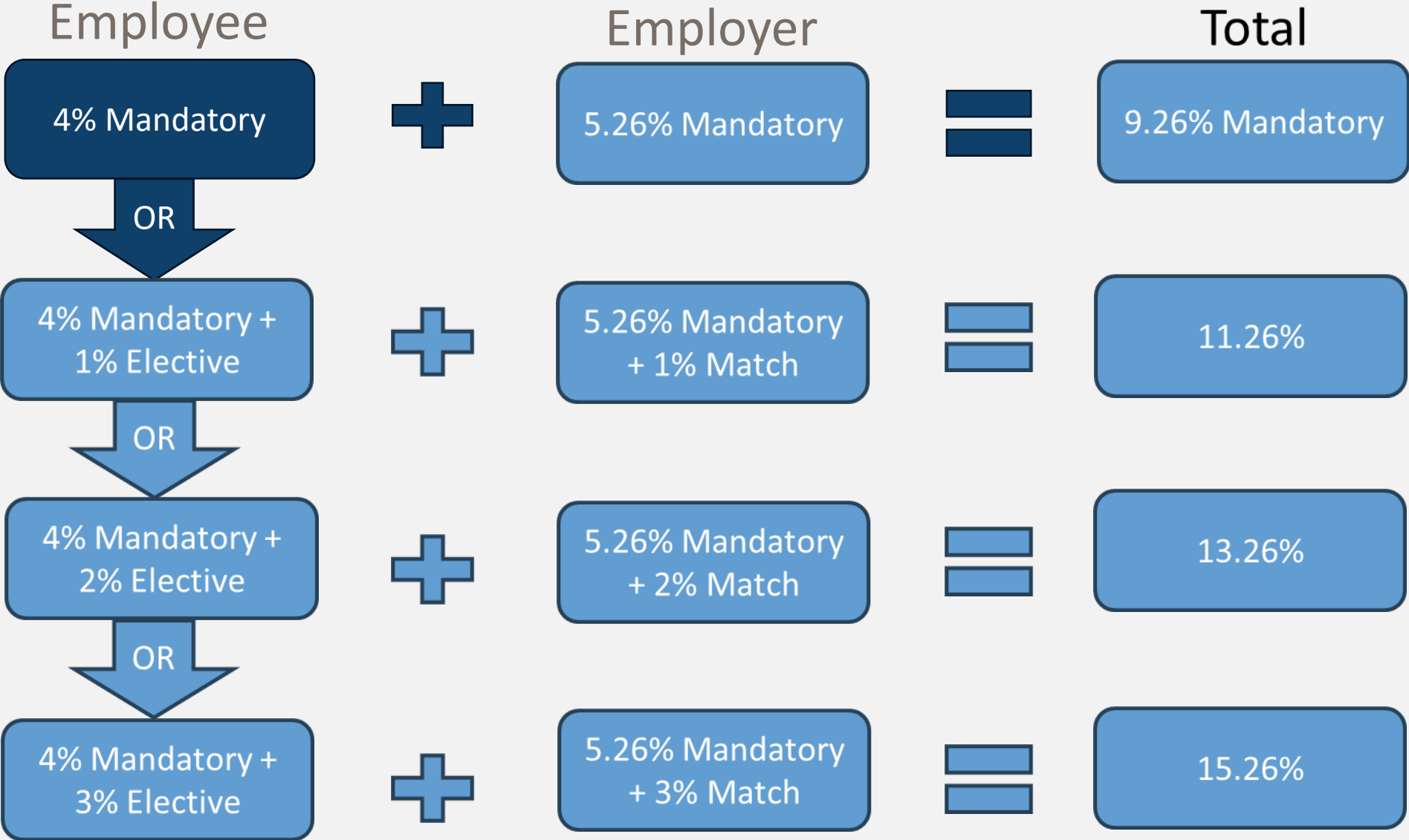
Minimum Contributions into DC 2025 Tier 3

- 4.00% Employee
- 5.26% Employer

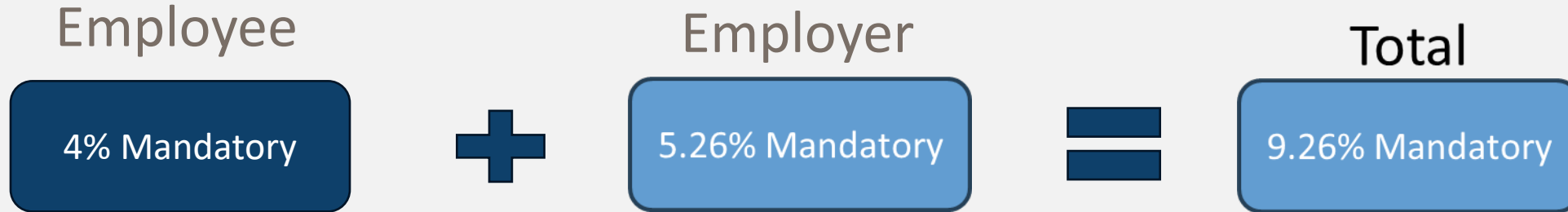
Employee Options for additional contributions & Employer Match



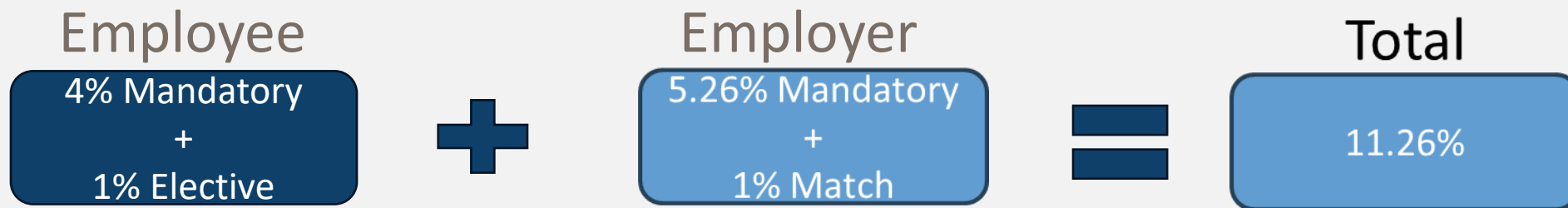
DC 2025 Elections



John Doe – Initial Reporting Month



John Doe – Prospective Reporting Months



Note: The first employment month will not receive a match, even if elected the first 30 days. The match begins with the next pay period after election.

Contributions can be split between DC and 457 Deferred Compensation

Example of splitting contributions

- Elect 1% in first 30 days for Defined Contribution
- Elect 2% in NDPERS 457 Deferred Compensation *anytime*

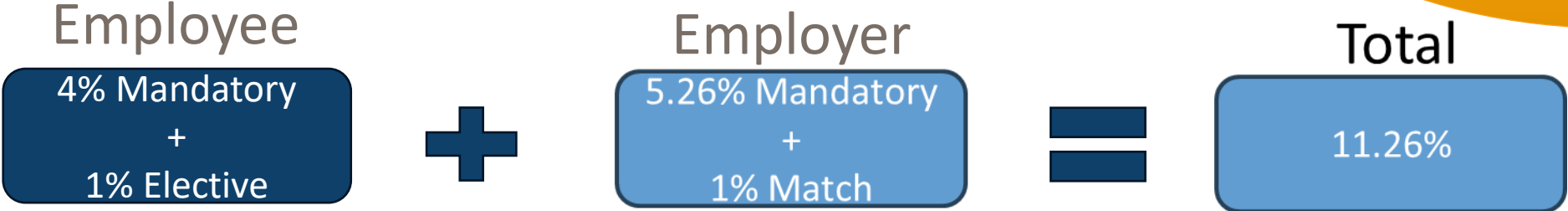
Where does the match go?

- 1% - Defined Contribution Match with Empower
 - Match in the Employer Bucket.
 - Then, moves to Employee Bucket based on vesting schedule.
- 2% - NDPERS 457 Deferred Compensation Match
 - Match in the Employee Deferred Compensation Plan

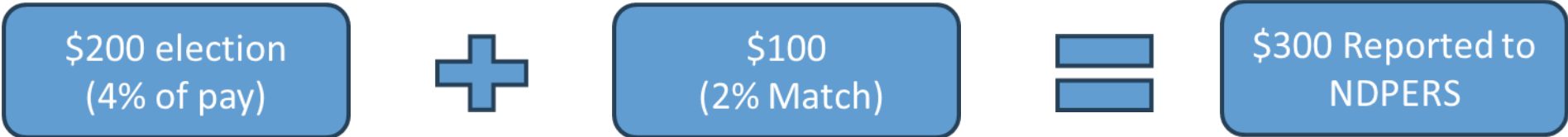
Example of a split - \$5,000 Wage

Employee can only elect up to 3% in Defined Contribution. Can elect as much as IRS allows in Deferred Compensation. The TOTAL Employer Match will only be up to 3% between the two plans.

Defined Contribution 2025 Plan



NDPERS 457 Deferred Compensation Plan



Employee receives 1% match in Defined Contribution. Employee elects another 4% in Deferred Compensation but is only eligible for a 2% match in Deferred Compensation.

Temporary Employees



- Can voluntarily elect to contribute the entire mandatory 9.26% into the Defined Contribution Plan [post-tax].
- Can contribute up to an additional 6% in the Defined Contribution plan because temporary employees do not receive an employer match.
- Are not eligible to participate in the NDPERS 457 Deferred Compensation Plan.
- If the temporary employment becomes permanent
 - Mandatory 4% employee and 5.26% employer.
 - Will have the 30-day window for any new Defined Contribution election like a new hire.



Electing Additional Contributions

- Permanent employees will be able to complete their DC 2025 Tier 3 elections through Member Self Service (MSS) or by completing a paper form (SFN 62522)
- Permanent employees will be able to complete their 457 Deferred Compensation elections through Member Self Service (MSS) or by completing a paper form (SFN 3803)
- Employees that can voluntarily participate in the NDPERS DC 2025 Tier 3 at their own expense can complete their enrollment through Member Self Service (MSS) or by submitting the applicable paper form (SFN 54366) within first 180 days

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FOR NEWLY ENROLLED MEMBERS EFFECTIVE JANUARY 1, 2025 --
{stdMbrPERSLinkID}
DEFINED CONTRIBUTION RETIREMENT PLAN ENROLLMENT
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
SFN 62522 (1-2025)
{SFNAddress}

PART A: MEMBER INFORMATION

Name (Last, First, Middle) {stdMbrFullName.FM}	NDPERS Member ID {stdMbrPERSLinkID}
Last Four Digits of Social Security Number {stdMbrLastFourDigitsOfSSN}	Date of Birth (mm/dd/yyyy) {stdMbrDateOfBirth}
Member Email	Member Phone Number
Employer	Employer Organization Code

PART B: ELIGIBILITY

NDCC 54-52.6-01 defines an eligible employee who is first enrolled effective January 1, 2025 in the Defined Contribution Plan as having the same meaning as provided under section 54-52-02.15. According to 54-52.6-09, all eligible employees of a participating employer must be immediately enrolled in the NDPERS Defined Contribution Plan within the first month of employment.

Per NDCC 54-52-02.15, "eligible employee" means a permanent employee who meets the following:

- 1) is at least eighteen years of age;
- 2) becomes a participating member after December 31, 2024 and
- 3) is not eligible to participate in the law enforcement plan, judges' plan, highway patrol plan, teachers' fund for retirement plan, or alternative retirement plan established under section 15-10-17 for university system employees.

After December 31, 2024, under 54-52.6-02.1, eligible employees includes the following:

- 1) Temporary or Part-time employees within 180 days of beginning employment must complete the Agreement/Waiver of Participation for Optional Defined Contribution Retirement Plan SFN 54366.
- 2) Elected or appointed state officials enrolled for the first time, from and after the date that individual qualifies and takes office.
- 3) Nonstate appointed officials of participating employers within the first month of taking office.
- 4) Elected officials specifically of participating counties, at their individual option, may enroll within the first six months of their term.

PART C: ADDITIONAL CONTRIBUTION ELECTION AND ACKNOWLEDGEMENT

I understand I have the option to contribute up to 3% of my gross wages to the Defined Contribution Plan, and my employer will match my contribution. I understand that if I do not elect an additional contribution within my first 30 days of employment, I will not have a future option to contribute up to an additional 3% in the Defined Contribution Plan later. I acknowledge that this one-time 30-day election is an irrevocable, lifetime election for as long as I participate in this plan, and the amount cannot be changed, unless I become a temporary or part-time employee in the future.

I elect to contribute the following additional percentage into the Defined Contribution Plan:

0% 1% 2% 3%

I acknowledge that under the NDCC 54-52.6 I am responsible for directing the investments in the Defined Contribution Retirement Plan. I will be solely responsible for the investment results of my account. NDPERS and its governing board will not be liable for any election or investment decision I make or any default investment made as a result of my failure to timely make an investment election.

Coming soon! Enrollment forms

For Newly Enrolled Members Effective January 1, 2025 – Defined Contribution Retirement Plan Enrollment SFN 62522

NDPERS encourages the use of Member Self Service (MSS) to enroll. Forms can also be downloaded and printed.

FOR NEWLY ENROLLED MEMBERS EFFECTIVE JANUARY 1, 2025 54366-

{stdMbrPERSLinkID}

AGREEMENT/WAIVER OF PARTICIPATION FOR OPTIONAL DEFINED CONTRIBUTION RETIREMENT PLAN

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
SFN 54366 (Rev. 01-2025)

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{SFNAddress}

PART A EMPLOYEE INFORMATION

Name (Last, First, Middle) {stdMbrFullNameLFM}	NDPERS Member ID {stdMbrPERSLinkID}
Last 4 Digits of Social Security Number {stdMbrLastFourDigitsOfSSN}	Date of Birth (mm/dd/yyyy) {stdMbrDateOfBirth}
Organization Name {stdCurrentEmployerOrgName}	NDPERS Organization ID {stdCurrentEmployerOrgCodeID}

PART B EMPLOYEE ACKNOWLEDGEMENT - INITIAL ALL BOXES. REQUIRED.

I am electing to participate in the NDPERS Defined Contribution Plan.	
Temporary – I am filling a position limited in duration which is not regularly funded, with a participating governmental unit. Part-Time – I am a regularly funded, permanent employee and do not meet mandatory participation, which includes working 20 or more hours per week for 20 or more weeks per year, and my employment.	
I understand that I can only elect to participate in the NDPERS Defined Contribution Plan as a temporary/part-time employee within the first six months of employment or within six months of a change in status from permanent/full time to temporary/part-time.	
I understand that upon electing to participate in the NDPERS Defined Contribution Plan as a temporary/part-time employee, I will be obligated to contribute monthly contributions to the plan and do not have access to these funds for any reason while I am employed with the state of North Dakota or a political subdivision.	
I acknowledge that I am not permitted to make pre-tax contributions. Instead, my contributions will be made on an after-tax basis and that the monthly after-tax contribution I am obligated to pay is {DCTempContribution}% of my gross monthly salary. I am allowed to make a one-time irrevocable, lifetime additional contribution election in the plan within 180 days of hire. This will remain in effect for as long as I participate in this plan, even if I move into a permanent/full time position. This irrevocable contribution must be submitted to my payroll office no later than the 6th working day of the month for the previous month's salary. I elect to make an irrevocable contribution of the following additional percentage in the Defined Contribution Plan (select one): REQUIRED: <input type="checkbox"/> 0% <input type="checkbox"/> 1% <input type="checkbox"/> 2% <input type="checkbox"/> 3% <input type="checkbox"/> 4% <input type="checkbox"/> 5% <input type="checkbox"/> 6%	
I understand that as a temporary/part time employee my election above must remain in effect for the duration of my temporary/part time employment and cannot be changed in the event I become a regularly funded, permanent employee meeting mandatory participation. If I have elected less than a 3% contribution while a temporary/part time employee, I will not receive the maximum employer match in the Defined Contribution plan if I later become a permanent/full time employee eligible for the Defined Contribution plan.	
I understand that NDPERS will forward my retirement contributions to the Defined Contribution Plan vendor where they will be invested according to the asset allocation that I have selected.	
I understand that if I miss a payment of my retirement contribution to NDPERS for any reason other than an approved Leave of Absence, I will have thirty (30) days to bring my account up to date. Failure to do so will result in termination of my eligibility to participate in the Defined Contribution Plan as a temporary/ parttime employee.	
I understand that if I terminate my employment and take a refund of my retirement account, I will not be allowed to participate in NDPERS through future employment as a temporary/parttime employee.	
I acknowledge that I cannot participate as both a temporary/part time employee and a permanent employee. In the event that my employment qualifies me for participation as a permanent/fulltime, employee, I must participate as such. Any additional temporary/ parttime contributions outside of my permanent/full time employment must be excluded.	
I understand that by electing to participate in the Defined Contribution Plan, my enrollment is effective as of the date of my employee signature and my participation as a temporary/part-time employee is only prospective from this date.	

SIGNATURE AND DATE REQUIRED - PAGE TWO

Coming soon! Enrollment forms

For Temporary Employees

For Newly Enrolled Members Effective January 1, 2025 – Agreement/Waiver of Participation for Optional Defined Contribution Retirement Plan (SFN 54366)

NDPERS encourages the use of Member Self Service (MSS) to enroll. Forms can also be downloaded and printed.

Employer FAQ

Q: If an employee enrolled in the DC 2025 Tier 3 leaves employment and comes back to a state agency that has the NDPERS DC plan, does the employee get to change their additional contribution into the DC Plan?

A: No. The employee's election, during their first 30 days of employment, is irrevocable.

Q: What happens when a new hire has service in another NDPERS plan (Public Safety, BCI, National Guard, Judges) and accepts a position that offers the DC 2025 Tier 3 only?

A: The new hire will be enrolled in the new DC 2025 Tier 3.

Their service in other defined benefit plans remains intact. DC 2025 Tier 3 service does not count as dual vesting.



A woman in profile is looking at a wooden table. On the table is an hourglass with sand falling from the top bulb to the bottom bulb. The scene is dimly lit, with a warm glow from the hourglass.

What happens after enrollment

Employee will receive a welcome letter from NDPERS.

- Within the first 30 days of employment, employee must choose whether they will irrevocably elect to contribute into the DC plan – up to a 3% employer match available.
- Employee can also choose to parti

Employee will receive additional communication from Empower after enrollment into the DC 2025 Tier 3. Virtual event opportunities and a recording will be made available.

Organizations that do not participate in NDPERS 457 Deferred Compensation

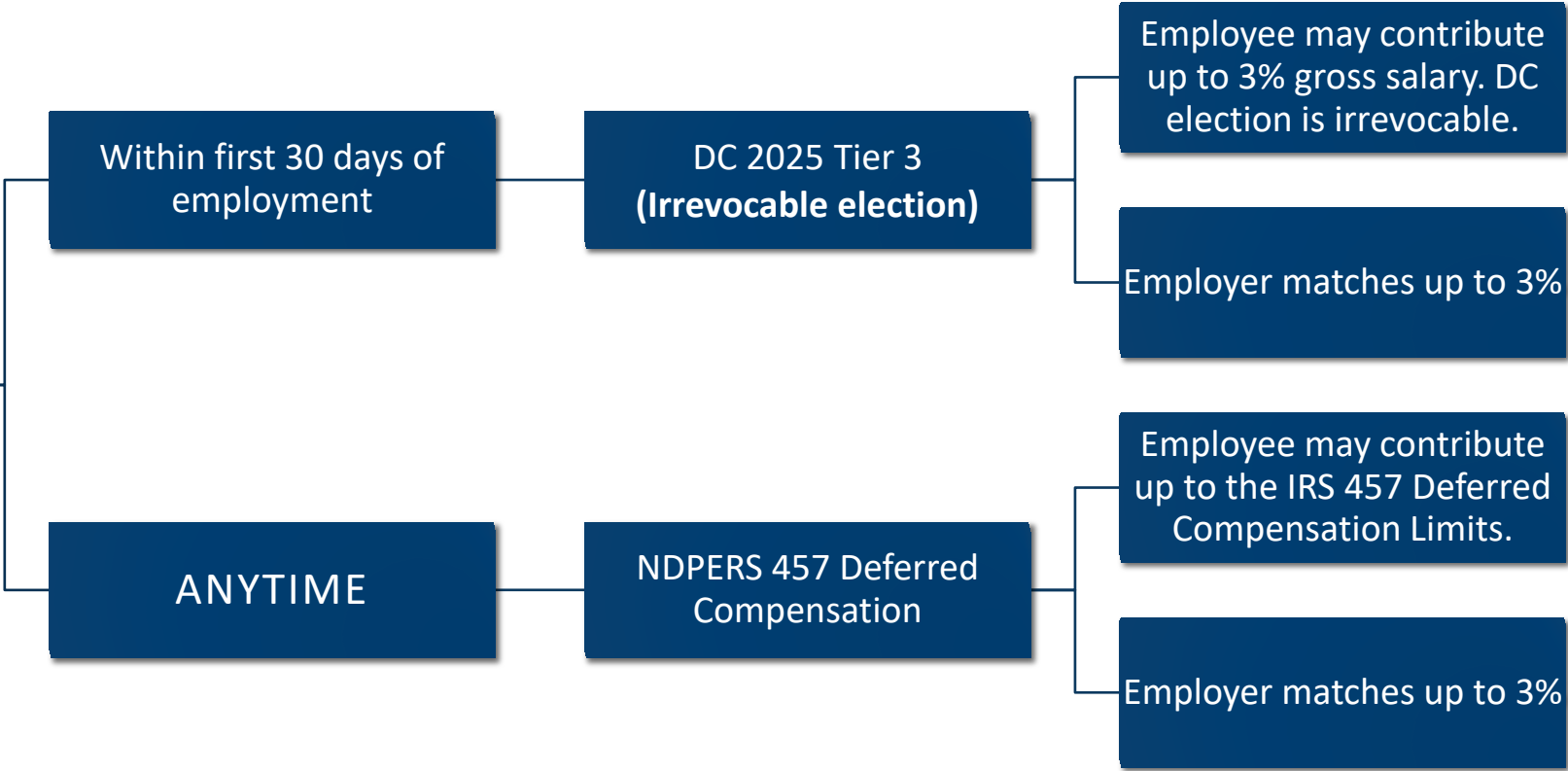
WHAT HAPPENS NEXT?

Employer Match & Optional Employees Contributions

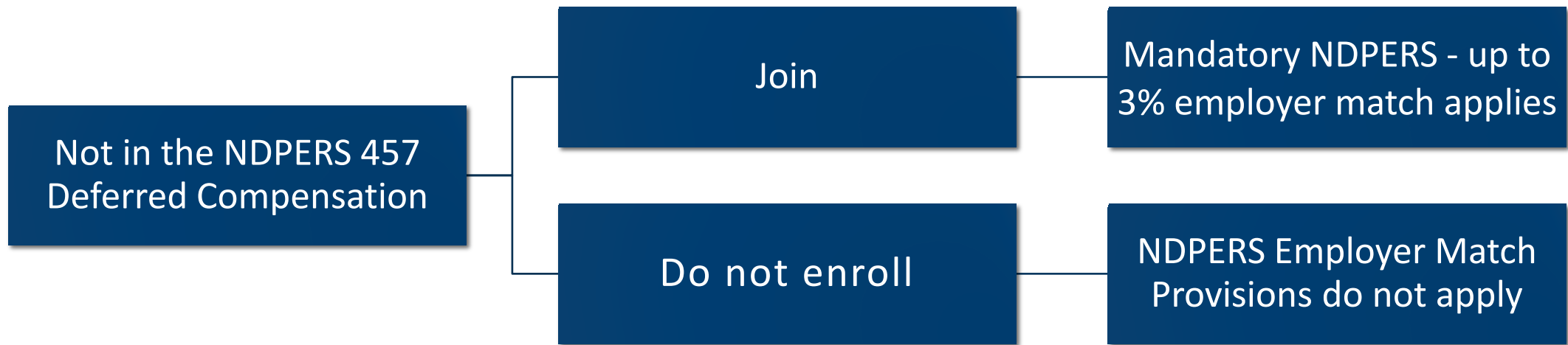
Minimum Contributions into DC 2025 Tier 3

- 4.00% Employee
- 5.26% Employer

Employee Options for additional contributions & Employer Match



Options for Organizations not participating in the NDPERS 457 Deferred Compensation



Join the NDPERS 457 Deferred Compensation Plan

1

Read the [Enrollment Information](#) to learn about eligibility and other participation requirements.

2

Submit a signed [board resolution](#) with the required NDPERS language.

3

Complete and submit the NDPERS 457 Deferred Compensation Plan agreement.

4

Return both items directly to Marcy Aldinger at mdaldinger@nd.gov.

Defines how the Main Defined Benefit (DB) Retirement Plan will continue to be funded.

Part 3

Main Funding

- One-time transfer of \$135 million from The Strategic Investment & Improvements Fund.
- Each biennium, if revenues warrant, there will be a transfer of \$65 million from the state general fund oil and gas taxes revenue.
- The State and participating political subdivisions were charged an additional 1% employer contribution on January 1, 2024.
- State governmental units will pay the Actuarially Determined Employer Contribution (ADEC) effective January 1, 2026, and will continue through December 31, 2056.
- Any cash injection(s) received will help fund both state and participating political subdivisions unfunded liabilities.
- Savings that would otherwise be realized from DC participants helps pay off the unfunded liability (spillover).

Source: [HB 1040 Overview](#) | [ND Legislative Branch](#)

Questions?