

Disclaimer: The GASB 68 Employer Template Note Disclosures provided by the North Dakota Teachers' Fund for Retirement (TFFR) is intended to provide participating employers with general guidance in accounting and financial reporting matters. The materials do not constitute, and should not be treated as, professional advice regarding the use of any particular or financial reporting technique. Every effort has been made to assure the accuracy of these materials. However, TFFR participating employers and auditors should independently verify all statements made before applying them to a particular fact situation, and should independently determine the consequences of any particular technique before implementing.

NOTE: Items in yellow will be input by employer or employer auditor each year. The text in red gives direction to where the information can be found.

Employer Name
Notes to the Financial Statements
for the Year Ended June 30, 2015

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Fund for Retirement (TFFR) and additions to/deductions from TFFR's fiduciary net position have been determined on the same basis as they are reported by TFFR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

North Dakota Teachers' Fund for Retirement

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information.

TFFR is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

Responsibility for administration of the TFFR benefits program is assigned to a seven-member Board of Trustees (Board). The Board consists of the State Treasurer, the Superintendent of Public Instruction, and five members appointed by the Governor. The appointed members serve five-year terms which end on June 30 of alternate years. The appointed Board members must include two active teachers, one active school administrator, and two retired members. The TFFR Board submits any necessary or desirable changes in statutes relating to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contribution rates.

Pension Benefits

For purposes of determining pension benefits, members are classified within one of three categories. Tier 1 grandfathered and Tier 1 non-grandfathered members are those with service credit on file as of July 1, 2008. Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008.

Tier 1 Grandfathered

A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 1 Non-grandfathered

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 2

A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In

either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Death and Disability Benefits

Death benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At mm/dd/yyyy (employer’s fiscal year-end), the Employer reported a liability of \$\$\$ (from Exhibit E, Column 2 in TFFR GASB Report) for its proportionate share of the net pension liability. The net pension liability was measured as of mm/dd/yyyy, (date of TFFR GASB Report) and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer’s proportion of the net pension liability was based on the Employer’s share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At mm/dd/yyyy, (date of TFFR GASB Report) the Employer’s proportion was X.XXXXXX percent, (from Exhibit E, Column 1 in TFFR GASB Report) which was an increase or decrease of X.XXXXXX (employer will select increase or decrease and calculate change – not applicable for first year of implementation) from its proportion measured as of mm/dd/yyyy (one year prior to date above).

[If there had been a change of benefit terms that affected the measurement of the total pension liability since the prior measurement date, the Employer should disclose information required by paragraph 80e of Statement 68.] (TFFR will provide if applicable.)

[If changes expected to have a significant effect on the measurement of the Employer’s proportionate share of the net pension liability had occurred between the measurement date and the reporting date, the Employer should disclose information required by paragraph 80f of Statement 68.]

For the year ended mm/dd/yyyy, (employer’s fiscal year-end) the Employer recognized pension expense of \$\$\$ (from Exhibit E, Column 13 of TFFR GASB Report). At mm/dd/yyyy, (employer’s fiscal year-end) the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (from Exhibit E, Columns 14 - 22 of TFFR GASB Report with the exception of employer contributions subsequent to the measurement date):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ X,XXX	\$ X,XXX
Changes of assumptions	X,XXX	X,XXX
Net difference between projected and actual earnings on pension plan investments	X,XXX	X,XXX
Changes in proportion and differences between employer contributions and proportionate share of contributions	X,XXX	X,XXX
Employer contributions subsequent to the measurement date (see below)	* ***	-
Total	*\$ X,XXX	\$X,XXX

\$*,*** reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended mm/dd/yyyy (employer's subsequent fiscal year-end). (Because valuation/measurement date will generally be one year prior to employers' fiscal year end, this amount will be the actual employer contributions (do not include employer paid member contributions) paid during the fiscal year for which this disclosure applies - employers' responsibility to calculate).

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (from Exhibit E, Columns 23 - 28 of TFFR GASB Report – years will need to be rolled forward one year from dates in report):

Year ended June 30:

2016	\$ X,XXX
2017	X,XXX
2018	X,XXX
2019	X,XXX
2020	X,XXX
Thereafter	X,XXX

Actuarial assumptions. The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	4.50% to 14.75%, varying by service, including inflation and productivity
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For inactive members and healthy retirees, mortality rates are based on 80% of GRS Table 378 and 75% of GRS Table 379. For active members, mortality rates are based on the post-retirement mortality rates multiplied by 60% for males and 40% for females. For disabled retirees, mortality rates are based on the RP-2000 Disabled-Life tables for Males and Females multiplied by 80% and 95%, respectively.

The actuarial assumptions used were based on the results of an actuarial experience study dated January 21, 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for TFFR. *[If assumption changes result from a future experience study, the employer should summarize the changes.] (TFFR will provide if applicable.)*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	57%	7.53%
Global Fixed Income	22%	1.40%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014. [If there had been a change in the discount rate since the prior measurement date, the Employer should disclose information about that change, as required by paragraph 78a of Statement 68.] *(TFFR will provide if applicable.)*

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate: *(from Exhibit E, Columns 4-6 TFFR GASB Report)*

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	\$X,XXX	\$X,XXX	\$X,XXX

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. [If significant changes had occurred that indicate that the disclosures included in the pension plan's financial report generally did not reflect the facts and circumstances at the measurement date, the Employer should disclose additional information, as required by paragraph 79 of Statement 68.] *(TFFR will provide if applicable.)*

Payables to the pension plan

[If the Employer reported payables to the defined benefit pension plan, it should disclose information required by paragraph 122 of Statement 68 – employers' responsibility to calculate.]

Schedules of Required Supplementary Information

Schedule of Employer's Share of Net Pension Liability ND Teachers' Fund for Retirement Last 10 Fiscal Years* (from Exhibit E and Exhibit 2 of TFFR GASB Report)

	2015	
1. Employer's proportion of the net pension liability (asset)	XX.XXXXXX%	Exhibit E, Column 1
2. Employer's proportionate share of the net pension liability (asset)	\$X,XXX	Exhibit E, Column 2
3. Employer's covered-employee payroll	\$X,XXX	Exhibit E, Column 3
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	XXX.XX%	Calculate, 2 divided by 3
5. Plan fiduciary net position as a percentage of the total pension liability	XXX.XX%	Exhibit 2

*Complete data for this schedule is not available prior to 2015.

If employer is using prior year measurement date may want to note that the amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

Schedule of Employer Contributions ND Teachers' Fund for Retirement Last 10 Fiscal Years* (from Exhibit E of TFFR GASB Report)

	2015	
Statutorily required contribution	\$X,XXX	Exhibit E, Column 7
Contributions in relation to the statutorily required contribution	(\$X,XXX)	Exhibit E, Column 8
Contribution deficiency (excess)	\$X.XXX	Exhibit E, Column 9
Employer's covered-employee payroll	\$X,XXX	Exhibit E, Column 3
Contributions as a percentage of covered-employee payroll	XX.XX%	Exhibit E, Column 10

*Complete data for this schedule is not available prior to 2015.

**Notes to Required Supplementary Information
for the Year Ended June 30, 2015**

Changes of benefit terms.
(TFFR will provide if applicable.)

Changes of assumptions.
(TFFR will provide if applicable.)

SAMPLE