



ND Teachers' Fund for Retirement Summary of 2011 Legislative Proposals



To address declining TFFR funding levels resulting from the 2008-09 financial market downturn, the TFFR Board, with input from member and employer interest group representatives, has developed legislative proposals to improve TFFR's funded status. These proposals have been submitted to the interim Legislative Employee Benefits Programs Committee (LEBPC) for study. Committee recommendations are shown below. The proposals are based on the following core principles:

- Restore the financial health of the TFFR plan for past, present, and future ND educators.
- Maintain adequate retirement security.
- Share responsibility for funding improvement with employees, employers, and the State.
- Phase changes over time.
- Protect benefits of those employees closest to retirement.

Bill No. 54 - Base Funding Improvement (TFFR Board) LEBPC rec: Favorable

- **Increase employee (teacher) contributions 4% over 2 bienniums**
Current 7.75% Proposed 9.75% on 7/1/12 and 11.75% on 7/1/14
(Return to 7.75% when TFFR reaches 90% funded level)
- **Increase employer (school district) contributions 4% over 2 bienniums**
Current 8.75% Proposed 10.75% on 7/1/12 and 12.75% on 7/1/14
(Return to 7.75% when TFFR reaches 90% funded level)
- **Require re-employed retirees to pay employee contribution rates beginning 7/1/12**
- **Modify disability benefits** for all employees by changing eligibility from 1 year to 5 years of service credit and replacing 20 year minimum with actual service in benefit calculation.
- **Modify eligibility for unreduced retirement benefits and reduction factor for reduced retirement benefits for certain employees described below:**
Grandfathered Tier 1 Employees who are within 10 years of retirement eligibility would not be affected by unreduced and reduced retirement changes.
 - Tier 1 employees who are vested (3 years of service credit) and at least age 55 OR have the Rule of 65 or greater (age + service) on 6/30/13 would be grandfathered under current retirement eligibility provisions (i.e. Rule of 85).**Non-grandfathered Tier 1 Employees and all Tier 2 Employees** would be affected and would have the following benefit changes as of 7/1/13:
 - Unreduced retirement: Eligibility age would increase from Rule of 85 (Tier 1) or Rule of 90 (Tier 2) to Minimum Age 60 and the Rule of 90+, OR Minimum Age 65 for those employees who do not reach the Rule of 90.
 - Reduced retirement: Reduction factor would increase from 6% to 8% per year from the earlier of Age 60/Rule of 90 or Age 65.
- **Estimated Impact - TFFR funded level projected to reach 80% over 30 years.**

Bill No. 55 - Base Plus+ Funding Improvements (TFFR Board) LEBPC rec: Unfavorable

- Includes same benefit & contribution changes from base funding Bill No. 54 (see page 1).
- Plus request \$75 million from the State General Fund to further reduce TFFR's unfunded liability.
- Estimated Impact – TFFR funded level projected to reach nearly 90% over 30 years.

Bill No. 56 - Administrative Changes (TFFR Board) LEBPC rec: Favorable

- Clarify the definition of beneficiary.
- Clarify the definition of eligible retirement salary.
 - Remove bonuses from being automatically included as eligible retirement salary.
 - Clarify the TFFR Board can determine ineligible retirement salary.
- Modify outdated death benefit provisions to clearly describe to whom, under what conditions, and what amount should be paid to a beneficiary, spouse, or estate.
- Incorporate federal tax law changes as they relate to qualified governmental plans.

Other Study Bills Affecting TFFR Program

Bill No. 2 – Defined Contribution Plan (Rep. Wald) LEBPC: No recommendation

- Closes existing TFFR defined benefit pension plan to new hires after 7-31-11.
- Creates a TFFR defined contribution plan for new employees hired 8-1-11 or after.
- Employee contribution rate: 7.75% of salary
- Employer contribution rate: 8.75% of salary

Bill No. 39 – Retirement Eligibility Change (Rep. Drovdal) LEBPC: No recommendation

- Creates a third membership tier for new employees effective 7-1-2011.
- Eligibility for unreduced retirement at age 65 only (no Rule of 85 or 90).
- Eligibility for reduced retirement at age 62 (reduction factors range 16% - 30%).
- Benefit would be calculated based on 2.0% multiplier and high 5 final average salary.

Bill No. 40 – Retirement Formula Change (Rep. Drovdal) Bill withdrawn

- Creates a third membership tier for new employees 7-1-2011.
- Benefit would be calculated based on 1.88% multiplier and high 5 final average salary.
- Eligibility for unreduced retirement at Rule of 90 or age 65.
- Eligibility for reduced retirement at age 55

Bill No. 217 – Final Average Salary Change (Rep. Wald) LEBPC: No recommendation

- Requires an administrator who was previously employed as a teacher to complete eight years of service as an administrator before the salaries can be used to calculate retirement benefits.