

REPORT Card

ND TEACHERS' FUND FOR RETIREMENT

JULY 2013

100 Years of Service to ND Educators

NDTFFR
CELEBRATES
100
YEARS
1913-2013

2013 marks the 100th anniversary of the ND Teachers' Fund for Retirement (TFFR). With nearly 20,000 active and retired members, TFFR has a long tradition of dedicated service to North Dakota's education community.

Our roots

Over a century ago, North Dakota recognized the need to establish a state pension plan for public school teachers. Senator Harrison Bronson from Grand Forks was asked by the state's professional teachers' organization (NDEA) to introduce Senate Bill 85 into the 1913 state legislature. Assisting him in garnering legislative support for the teacher pension bill was State Superintendent Edwin Taylor. Six weeks later, with only minimal changes and a combined vote of 144 to 10 in its favor, the bill had cleared both houses and on March 11, 1913 was signed into law by Governor Louis B. Hanna. The Teachers' Insurance and Reserve Fund (or TIRF as it was known at that time) was officially established on July 1, 1913.

TFFR was established before there were televisions, computers, or cell phones. Richard "Red" Skelton was born the same year TFFR started receiving contributions from the first 112 members and their employers. By 1917, there were 156 elective members and over 3,600 compulsory members. Today

there are more than 10,000 active contributing members.

In December 1915, the first four retirees began drawing annual payments of \$350, \$380, \$405, and \$693. By mid 1917, the pension list had grown to 17 retirees with an annual liability of \$7,716. Last year, TFFR paid out \$146 million in benefits to nearly 7,500 retired members and beneficiaries.

Over the years, assets have grown, too. One year after beginning, TFFR assets were \$10,970. Today, assets total \$1.8 billion.

During its 100-year history, the Fund has seen many changes and weathered many storms. From the Great Depression to the Great Recession, TFFR has survived considerable financial turbulence and has continued to change with the times. Major legislative changes took place in 1941, 1947, and 1959, and finally, in 1971, it emerged as the present ND Teachers' Fund for Retirement (TFFR). While benefit and contribution levels have changed over the years, the basic defined benefit plan has remained intact.

From the beginning, TFFR has been dedicated to ensuring ND educators have a reliable source of income

TFFR Board of Trustees

Mike Gessner, President, Active Trustee
Kim Franz, Active Trustee
Rob Lech, Active Trustee
Clarence Corneil, Retired Trustee
Mel Olson, Retired Trustee
Kirsten Baesler, State Superintendent
Kelly Schmidt, State Treasurer

RIO Administrative Office

Fay Kopp,
Interim Executive Director/
Chief Retirement Officer
Darren Schulz,
Interim Chief Investment Officer
Shelly Schumacher, Editor

ND Retirement and Investment Office

1930 Burnt Boat Drive, P.O. Box 7100
Bismarck, ND 58507-7100
701-328-9885
Toll free: 1-800-952-2970
www.nd.gov/rio

Articles are for general information only and are not intended to provide specific advice or recommendation. Other forms of this newsletter are available on request.

Continued on page 2

Memo to Members

TFFR: 100 Years Strong

100 years is a long time. At least that's what I was thinking when I was with my mother and her good friend a few months ago attending mom's 1st grade teacher's 100+ birthday party. As I listened to conversations among the many guests (most of whom were age 75+), I thought about how much has changed in our schools, towns, state, and world over the past century. But I was also reminded of three things that have not changed: (1) the importance of family and friends in celebrating milestone events; (2) the importance of caring and qualified teachers on our children's education; and (3) the importance of retirement security.

Today there are nearly 7,500 retired members and beneficiaries receiving pension benefits from the TFFR trust fund. Of that number, there are 15 who are over age 100 – 15 individuals who can look back on TFFR's past, yet can only imagine what the future might hold. I am sure each one of our retirees has a story to tell, and I hope to get the opportunity to hear them one day.

Just think – 100 years ago, a small group of teachers got together in Grand Forks, discussed the need for a pension plan for teachers, and developed plans and model legislation to create a statewide pension fund. They were common people with a common purpose, who sought to build a retirement plan for educators step by step.



Fay Kopp
Interim Executive Director –
Chief Retirement Officer

I think R.L. Sharpe got it right in his poem, "A Bag of Tools" (circa 1809), when he wrote:

*Isn't it strange that princes and kings,
And clowns that caper in sawdust rings,
And common people like you and me,
Are builders for eternity?
To each is given a bag of tools,
A shapeless mass, a book of rules;
And each must build - ere life has flown -
A stumbling block, or a stepping stone.*

I am proud of the retirement plan built by "common people like you and me." What started as "a shapeless mass," became the law, and has served as "a stepping stone" to financial independence for thousands of ND teachers. TFFR active and retired members, school boards, trustees, and legislators have all been instrumental in supporting the goal of retirement security. While the challenges have been great, so have the rewards.

TFFR has a long tradition of dedicated service and helping educators prepare for the future. The TFFR Board and staff are committed to preserving this legacy of trust and retirement security for current and future generations of ND educators.

Oh, and in case I didn't mention it, the cake at Henrietta's 100+ birthday party was delicious.

100 Years of Service

From page 1

during retirement. Still today our mission is "to advocate for, develop, and administer a comprehensive retirement program for all trust fund members within the resources available."

Our future

As we look to the future, TFFR remains committed to achieving the highest standards in public pension administration and ensuring retirement security for ND educators.

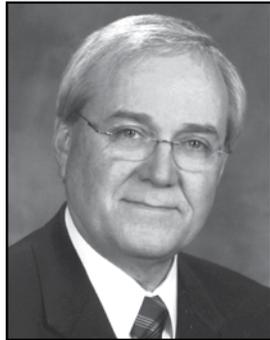
TFFR will continue to deliver benefits efficiently while prudently managing the assets held in trust for the people we serve. 100 years of service to our state's teachers and administrators is an accomplishment we are proud of, and we look forward to serving our members for many years to come.

Latimer and Toso Leaving Board

After nine years of distinguished service on the TFFR Board, Dr. Lowell Latimer did not seek re-appointment when his term ended on June 30, 2013. Mr. Bob Toso retired from Jamestown Public Schools on June 30, 2013. Mr. Toso diligently served on the TFFR Board and the State Investment Board for six years representing active school administrators. The Board and staff wish Dr. Latimer and Mr. Toso many happy years of retirement.



Lowell Latimer



Bob Toso

Olson and Lech Appointed to Board

Governor Dalrymple has appointed Mel Olson and Rob Lech to the TFFR Board effective July 1, 2013. Mr. Olson retired in 2000 with 36 years of service. He represents retired teachers on the Board and his five year term began July 1, 2013. Mr. Lech is the Superintendent of Jamestown Public Schools. He was appointed to the Board to represent school administrators and will complete the term of Mr. Toso which ends June 30, 2015. Mr. Lech will also serve on the State Investment Board. Welcome aboard!



Mel Olson



Rob Lech

Take Responsibility for Your Retirement

The following are a few tips to help you take responsibility for your retirement:

- Learn about your pension plan. Read the TFFR Member Handbook.
- Learn about your spouse's pension plan.
- Review your annual TFFR Benefit Statement sent each August.
- Set a goal and start saving. Pay yourself now and thank yourself later.
- Reduce your debt.
- Discuss financial needs with a financial planner.
- Seek legal advice regarding your estate and make a will.
- Attend a TFFR Pre-retirement Seminar.
- Schedule an individual TFFR Benefits Counseling Session.
- Calculate your Social Security benefit estimate on the SSA website.
- Get a hobby or plan for a new career.



ND Teachers' Fund for Retirement:

The year was 1913

- Woodrow Wilson became 28th U.S. President.
- 16th amendment authorizing federal income tax ratified.
- 1st crossword puzzle appeared in the New York World newspaper.
- Henry Ford developed the first moving assembly line.
- 1st prize inserted into a Cracker Jack box.
- Pension plan for ND teachers was formed.

Then and Now

	<u>1913</u>	<u>2013</u>
Fund Name	Teachers' Insurance & Retirement Fund (TIRF)	Teachers' Fund for Retirement (TFFR)
Assets	\$10,970 ⁽¹⁾	\$1.8 Billion
Fund investments	Commercial bank CDs ⁽²⁾	Domestic/international stocks, bonds, real estate
Number Actives	112 ⁽³⁾	10,030
Average Annual salary	\$339	\$52,000
Member Contribution rate	1% - 1st 10 years (max \$20) 2% - Next 15 years (max \$40)	9.75%
Employer Contribution rate	10 cents per pupil/year	10.75%
Number Retirees	4 ⁽⁴⁾	7,455
Average Annual Payment	\$457 ⁽⁴⁾	\$20,630
Total Annual Payments	\$1,828 ⁽⁴⁾	\$146 million
Board of Trustees	3 appointed by Governor State Superintendent State Treasurer	5 appointed by Governor State Superintendent State Treasurer

Notes: (1) Assets as of 8/1914. (2) Fund investments as of 1915. (3) Active membership as of 1/1914. (4) Retired members and payments as of 12/1915.

Looking Back at TFFR's History

World Events

TFFR Milestones

1910s

World War I
The Titanic sinks
First Oreo cookie produced

1913 TIRF was created.
1913 First trustee, Peter Berg, was appointed.
1915 Initial funds invested in government bonds and bank CDs.

1910s

1920s

Prohibition
Babe Ruth hit home run record
First Mickey Mouse cartoon

1920 6,750 active members and 32 retirees.
1920 Began investing in school construction bonds.
1925 Actuary hired to study financial solvency.

1920s

1930s

Great Depression
Social Security Act passed
First Monopoly game sold

1930 Investments total nearly \$1 million.
1938 First Executive Secretary, Minnie Nielson, hired.
1938 TIRF office established in Valley City.

1930s

1940s

World War II
Cold War began
Slinky goes on sale

1941 Major legislative changes made.
1944 First member handbook created.
1947 Legislative overhaul of benefits and contributions.

1940s

1950s

Korean War
Color TV invented
Disneyland opens

1950 TIRF office moved to Mandan.
1951 9,000 active members and 382 retirees.
1951 Investment portfolio totaled nearly \$5 million.

1950s

1960s

Vietnam War
Civil Rights Movement
Woodstock Music Festival

1963 \$800,000 paid out annually to retired teachers.
1963 State Investment Board (SIB) begins investing TIRF funds.
1969 State law allowed investment in common stocks.

1960s

1970s

Watergate Scandal
Pocket calculators introduced
Star Wars movie hits theaters

1970 Office converted member records to computers.
1971 TIRF laws rewritten; name changed to TFFR.
1977 TFFR office moved to Bismarck.

1970s

1980s

Cold War ends
Mount St. Helens erupts
Personal computers introduced

1983 First member newsletter distributed.
1984 Formal investment policy adopted.
1989 Retirement and Investment Office (RIO) created to administer TFFR and SIB programs.

1980s

1990s

Gulf War
Columbine High School massacre
Internet opens worldwide communications

1990 Member preretirement seminars offered.
1997 Over 10,000 active members and 4,585 retirees.
1998 Fund assets reached \$1 billion.

1990s

2000s

9/11 terrorist attack
Hurricane Katrina
Financial Crisis - Great Recession

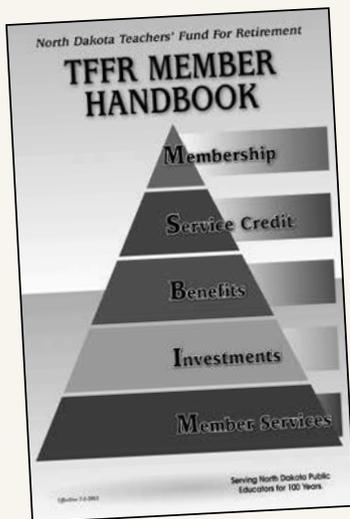
2001 TFFR reached 100% funded status.
2007 Fund assets exceeded \$2 billion.
2011 Legislation enacted to return TFFR to fully funded status over long term.

2000s

TFFR Plan Changes

TFFR provides a reliable defined pension benefit to the state's public school teachers and administrators. However, due to a funding shortfall created by the huge downturn in the financial markets in 2008-09, legislation was approved in 2011 to set in motion a long term solution to the funding shortfall. The solution impacts nearly all TFFR members to some degree, and provides a grandfathering provision relating to the benefit changes for members who are close to retirement.

In August, all members will receive an annual statement. This statement contains valuable information about your retirement account including contributions paid, service credit and salary reported by your employer, and beneficiary(ies) you have designated. This statement will also include your TFFR Grandfathered Membership Status effective June 30, 2013. Please review this statement closely.



The TFFR Member Handbook was recently updated to incorporate legislative changes. The handbook can be found on the TFFR website at www.nd.gov/rio/tffr/publications. You might also find helpful the TFFR Plan Summary on page 7 of this newsletter.

North Dakota Retirement and Investment Office
Teachers' Fund For Retirement
 Retirement Benefit Statement
 As of June 30, 2013

1930 Burnt Boat Drive
 P.O. Box 7100
 Bismarck, ND 58507-7100
 Telephone: 701-328-9885
 Toll Free: 1-800-852-2976
 Web Site: www.nd.gov/rio

Prepared For:

JANE TEACHER
 101 ANY STREET
 ANY TOWN, ND XXXXX

Person ID: 999999
 Birth Date: 07/01/1962
 Membership: Tier 1 Grandfathered

Account Value:

Account Value is the amount refundable to you if you terminate employment.

Taxed Member Contributions	+	Tax Deferred Member Contributions	+	Interest	=	Account Value
\$1,000.00		\$10,000.00		\$1,500.00		\$12,500.00

Credited Service:

Earned Service Credit As of 06/30/2012	+	2012-2013 Service Credit	+	Purchased Service Credit (paid in full)	=	Total Service Credit As of 06/30/2013
15.00		1.000		3.000		19.000

Retirement Salary:

Your reported TFFR salary for 2012-2013: \$40,000.00

Beneficiaries:

Your primary beneficiary(ies) is/are listed below. Contingent beneficiaries, if named, are on file at the administrative office.

JOHN TEACHER

Pending implementation of 2011 legislative changes your annual retirement statement does not include benefit estimates. See enclosed letter for additional information.

2013 Approved Legislation

SB 2061 – TFFR Administrative Changes (sponsor TFFR Board)

- Updated the definition of actuarial equivalent to more clearly describe its use in pension calculations.
- Defined normal retirement age as the age a member becomes eligible for monthly lifetime unreduced retirement benefits as currently described in state statutes.
- Clarified vesting provisions for compliance with federal statutes or rules.
- Incorporated other federal tax law changes to maintain compliance with federal statutes or rules.
- Added savings clause which allows TFFR Board to adopt terminology to comply with federal statutes or rules subject to approval of the legislative employee benefits programs committee.

HB 1230 (sponsor Rep. Louser)

- Maintains the TFFR member and employer contribution rates approved by the 2011 Legislature until the Fund reaches 100% funded ratio at which time contribution rates will reduce to 7.75% for members and 7.75% for employers.

SUMMARY OF TFFR PENSION BENEFITS FOR MEMBERSHIP TIERS (As of 7-1-13)

	<u>Tier 1 Grandfathered</u>	<u>Tier 1 Non-grandfathered</u>	<u>Tier 2 Non-grandfathered</u>
Employee Contribution Rates (including re-employed retirees)			
7/1/10 – 6/30/12	7.75%	7.75%	7.75%
7/1/12 – 6/30/14	9.75%	9.75%	9.75%
7/1/14 – until 100% funded*	11.75%	11.75%	11.75%
Employer Contribution Rates			
7/1/10 – 6/30/12	8.75%	8.75%	8.75%
7/1/12 – 6/30/14	10.75%	10.75%	10.75%
7/1/14 – until 100% funded*	12.75%	12.75%	12.75%
Vesting Period	3 years	3 years	5 years
Unreduced Retirement Eligibility			
Minimum Age	None	60	60
AND Rule	Rule of 85	Rule of 90	Rule of 90
Or Normal Retirement Age	65	65	65
Reduced Retirement Eligibility			
Minimum Age	55	55	55
Reduction Factor	6%	8%	8%
Retirement Multiplier	2%	2%	2%
X Final Average Salary	3 year FAS	3 year FAS	5 year FAS
X Service Credit	Total years	Total years	Total years
Disability Retirement	Yes	Yes	Yes
Disability Vesting Service	5 years	5 years	5 years
FAS x service credit x 2% multiplier			
Death/Survivor Benefits	Yes	Yes	Yes
Refund of account value or life annuity to beneficiary based on member's vesting status and number of beneficiaries.			

Tier 1 is a member who had service credit in the TFFR plan prior to 7/1/08.

- **Tier 1 Grandfathered** is a member, who as of 6/30/13, was less than 10 years away from retirement eligibility. Grandfathered members must be vested, and either age 55 or had a combined total of service credit and age which equals or exceeds 65 on 6/30/13.
- **Tier 1 Non Grandfathered** is a member, who as of 6/30/13, was more than 10 years away from retirement eligibility. Non-grandfathered members were younger than age 55 and had a combined total of service credit and age which was less than 65 on 6/30/13.

Tier 2 Non Grandfathered is a member who began participation in the TFFR plan on 7/1/08 or after.

*Contribution rates are in effect until TFFR reaches 100% funded level, then rates reduce to 7.75% each.



**NORTH DAKOTA
RETIREMENT AND
INVESTMENT OFFICE**
*Teachers' Fund for Retirement
State Investment Board*

1930 BURNT BOAT DRIVE
P.O. BOX 7100
BISMARCK, ND 58507-7100

PRESORTED
STANDARD
U.S. POSTAGE
PAID
PERMIT NO. 325
BISMARCK, ND
58501

Benefits Counseling Schedule Announced

Attending a TFFR benefits counseling session is your opportunity to visit with a TFFR retirement professional. During your counseling session, TFFR retirement benefit estimates are created using a variety of projection scenarios and the retirement process is reviewed.

TFFR Benefits Counseling appointments fill up fast, so if you would like to attend an individual session, contact us immediately. Due to very high demand, preference will be given to those who have not recently attended a counseling session. The following sites have been selected for the individual 30-minute benefits counseling appointments to discuss TFFR benefits and other retirement concerns. Call 701-328-9886 or 800-952-2970 to schedule an appointment today.

Rugby	August 19, 2013
Wahpeton	August 27, 2013
Jamestown	August 28, 2013
Garrison	August 29, 2013
Grand Forks	September 18-19, 2013
Williston	September 24, 2013
Minot	September 25, 2013
Devils Lake	October 1, 2013
Turtle Lake	October 8, 2013
Valley City	October 9, 2013
West Fargo	October 22, 2013
Minot	November 19, 2013
Dickinson	November 21, 2013
Fargo	December 4-5, 2013
Bismarck	January 6, 2014