

Retirement TODAY

ND Teachers' Fund for Retirement

AUGUST 2015

Board Approves Updated Assumptions

The TFFR Board of Trustees recently received the results of an Actuarial Experience Study conducted by the plan's actuary, Segal Company, for the July 1, 2009 – June 30, 2014 time period. The complete 2015 Experience Study is available on the TFFR website.

Experience Studies are important because actuaries need to make long-term assumptions as to when and why a member will leave active service and estimate the amount and duration of the pension benefits

paid. Economic assumptions include inflation, salary increase, payroll growth, and investment return. Demographic assumptions include termination, disability, retirement, and mortality. During an Experience Study, the actuary compares actual plan experience to assumed plan experience, determines trends, and makes judgments about the future. The actuary then recommends revised assumptions based on their professional judgment.

As a result of the Experience Review, the TFFR Board approved revised assumptions. The Board adopted new mortality tables recently released by the Society of Actuaries which includes the new generational mortality improvement scale (MP-2014). The Board also reduced the plan's inflation assumption from 3.0% to 2.75%, and reduced the investment return assumption from 8.0% to 7.75%. Most other actuarial assumptions remained valid, or needed only minor adjustments (i.e. salary increase, turnover, and

retirement rates). The Board believes the revised assumptions will better reflect future plan experience.

In total, the assumption changes will increase TFFR plan costs by nearly \$156 million. About half of the increased costs are due to new mortality tables, and about half reflects the reduction of the investment return assumption. The assumption changes will have the effect of reducing TFFR's funding level and increasing the effective amortization period. Utilizing new assumptions, TFFR is projected to be 100% funded in approximately 30 years.

The updated assumptions will be used in the July 1, 2015 valuation report, and incorporated into certain member and employer payment calculations during 2015-16. These include optional forms of member benefit payment at retirement, member and employer service credit purchases and payment schedules, employer late reporting payments, and other plan operations as needed.

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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

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Memo to Members



Fay Kopp
NDTFFR Chief Retirement Officer
NDRIO Deputy Executive Director

Living Longer and Actuarial Studies



“Live Long and Prosper.”

Mr. Spock, *Star Trek*

I think most of us are interested in living long and happy lives. To do so, we must take good care of ourselves.

But how does TFFR take care of itself so that it can continue to make monthly payments to retirees for lifetimes that continue to get longer? In order to monitor and maintain TFFR’s financial health, the TFFR Board periodically conducts various actuarial and investment related studies. These studies help ensure plan liabilities and funding requirements are calculated correctly, actuarial assumptions are up to date, asset allocation and investment goals are appropriate, and best practices in plan administration are maintained.

- An **Actuarial Valuation** is conducted each year to provide an annual snapshot of the funding status of the Fund, determine the adequacy of the current contribution rates, and trace changes in funding period and cost, based on assumptions and methods adopted by the Board. The 2014 Annual Valuation is on the TFFR website. The 2015 report will be available in late October 2015.
- An **Actuarial Experience Study** is performed every five years. The goal is to improve the appropriateness and reliability of actuarial valuations by reviewing actual plan experience to see how closely it compares to assumed plan experience, and make judgments about the future. Assumptions include both economic and demographic assumptions. One clear example of this is how mortality rates continue to improve and people continue to live longer. Mortality assumptions should be updated to take this into account. The 2015 Experience Study is available on the TFFR website. Results are also shown on page one of this newsletter.
- The next study the Board will be conducting is an **Asset Liability Study**. The purpose of this study is to evaluate the effectiveness of the current asset allocation on funding levels, contribution levels, and investment risk and return; and investigate the impact of alternative asset allocations. This study is done every five years, and will be performed later this year.
- An **Actuarial Audit** will also be performed in the next year. An actuarial audit is an evaluation by an independent actuary, other than the one who performs the plan’s actuarial valuation, for the purpose of expressing an opinion on the reasonableness or accuracy of the actuarial valuation results, assumptions, cost methods, contribution rates, and related calculations. An actuarial audit is done every 5 years.

To provide easy access to this information for members, employers, and the public, TFFR plan studies are posted on the TFFR website and reported in member newsletters. As always, I welcome your calls, emails, and letters to discuss TFFR’s financial health and other plan issues.

Your ND TFFR plan serves as your financial foundation in retirement so that you can “*Live Long and Prosper.*” (Remember the Vulcan hand signal used by Mr. Spock in the TV series *Star Trek*?) But the rest is up to you. As for me, I think tonight I will go for a brisk walk, take my vitamins, eat some extra vegetables, spend quality time with family and friends, and try to stay both physically and mentally healthy. I really want to test out the new actuarial tables adopted by the TFFR Board and see if I can live longer than age 91. I think Mr. Spock would be surprised.

Retiree Reemployment

The teacher shortage issue in ND continues to drive many school districts to explore avenues to fill vacant positions. TFFR frequently receives calls from retirees questioning the impact of returning to TFFR covered employment.

Retired TFFR members may return to TFFR covered employment under certain employment limitations. The limits apply to TFFR covered employment which includes teaching, supervisory, and administrative duties in a ND public school or state institution covered by TFFR. The limits **do not** apply to:

- Teaching in public colleges and universities
- Teaching in private schools
- Employment outside of education
- Employment outside of ND

Non-contracted substitute teaching does not apply to the annual hour limit. However, in-staff substitute teaching performed during an existing contracted period will apply to the annual hour limit.

A retiree must only “return to covered employment” to be subject to the return to work limitations. The reporting requirement of being licensed by ESPB and contractually employed that applies to non-retired active members does not apply to re-employed retirees.

After the applicable waiting period (if any), should a TFFR school district employ a retiree, both the retiree and the employer must notify TFFR by completing a TFFR Retired Member Employment Notification form within 30 days of employment. This form must be submitted to the administrative office **each year** the retiree is employed. Employer and member contributions must be paid on all retirement salary paid to the retiree. Failure to notify TFFR or pay the correct contributions will result in a \$250 penalty for the employer and loss of one month of retirement benefits for the retired member.

Because of the impact returning to work could have on a retiree’s retirement benefit, we strongly encourage the retiree to contact TFFR to discuss all options. The following is a description of the retiree employment options:

General Rule – Annual Hour Limit

After 30 days elapse from the TFFR retirement date, a retiree may return to TFFR covered employment for a

maximum annual hour limit in a fiscal year (July 1 – June 30). Monthly retirement benefits will continue; employer and member contributions will be paid to TFFR on all retirement salary; the member contributions will be added to the retiree’s TFFR account value and the retiree’s monthly TFFR benefit amount will not be affected. The annual hour limit is based on length of employment.

- 9 month contract = 700 hours
- 10 month contract = 800 hours
- 11 month contract = 900 hours
- 12 month contract = 1000 hours

Exception A – Critical Shortage Area

A retiree may return to TFFR covered employment in an approved critical shortage area (CSA) and exceed the annual hour limitation without losing retirement benefits. If retired on or prior to January 1, 2001, no waiting period is required. However, if the TFFR retirement date is after January 1, 2001, a one year waiting period is required before the retiree can consider this option. A retiree may perform non-contracted substitute teaching during the one year waiting period. Critical shortage areas will be determined each year by the Education Standards and Practices Board (ESPB) by rule.

Each year, the retiree must re-apply for this exception and receive verification that it remains a critical shortage area. Like the General Rule, monthly retirement benefits will continue; employer and member contributions will be paid to TFFR on all retirement salary; and the retiree’s monthly TFFR benefit amount will not be affected.

Exception B – Benefit Suspension and Recalculation

After 30 days elapse from the TFFR retirement date, a retiree may return to TFFR covered employment and exceed the annual hour limitation. Once the annual hour limit is reached, the TFFR benefits will be suspended the first of the following month. Employer and member contributions will be paid before and after the suspension on all salary paid to the retiree based on the employer payment model.

Upon re-retirement, the retiree’s benefits may be recalculated based on the amount of additional service that was earned after the benefit suspension.

Court Decides Same Gender Marriage Issue

A recent US Supreme Court decision requires that same gender marriages be recognized in all states and that married same gender couples receive all the legal rights and benefits afforded married opposite gender couples. Members impacted by this decision should contact the administrative office to discuss updating your marital status, retirement option, and beneficiary designation on your TFFR account.



**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

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2015 Legislation

While there was much discussion relating to the funding and investments of the state pension plans, the 2015 session was a quiet one for TFFR. The TFFR Board submitted one bill for consideration which was approved. HB 1064 updated language to maintain compliance with federal Internal Revenue Code tax law changes related to qualified governmental pension plans. No new legislation was approved that impacted TFFR pension plan benefits or contribution rates.

Lech Re-Appointed to Board

Governor Dalrymple has re-appointed Rob Lech to a five-year term on the TFFR Board. Lech, the Superintendent of Jamestown Public Schools, has been a trustee since 2013 and represents school administrators on the Board.



Mr. Lech also represents TFFR on the State Investment Board. We appreciate his contributions to the Board and his commitment to serve North Dakota educators as a TFFR Board Trustee.