

# Retirement Benefits

For TFFR purposes, a member is retired after terminating covered employment in North Dakota and accepting a monthly retirement benefit. If you pass away before accepting this benefit, retirement would not have occurred and retirement benefits would not be payable. Instead, your beneficiary would be eligible for survivor death benefits the first of the month following your death. A retiring member may not be under contract to perform teaching services in North Dakota nor on a leave of absence. Benefits payable from TFFR may not exceed the maximum benefits specified under Section 415 of the Internal Revenue Code.

## ELIGIBILITY FOR BENEFITS

### Normal Retirement

A vested member is eligible for unreduced retirement benefits if the member is:

- Age 65 or older; or
- Tier 1 grandfathered members - has the Rule of 85 (combined total of years of service credit and age equals or exceeds 85). For example, age 55 plus 30 years of service credit equals 85.
- Tier 1 non-grandfathered and Tier 2 members - minimum age 60 and the Rule of 90 (combined total of years of service credit and age equals or exceeds 90). For example, age 60 plus 30 years of service credit equals 90.

### Early Retirement

A vested Tier 1 grandfathered member is eligible for reduced retirement benefits if the member is age 55 or older. Early retirement benefits are reduced by 6% per year for every year the member's retirement age is less than age 65 or the Rule of 85, whichever is earlier.

A vested Tier 1 non-grandfathered or Tier 2 member is eligible for reduced retirement benefits if the member is age 55 or older. Early retirement benefits are reduced by 8% per year for every year from the earlier of age 65 or the later of age 60 or the Rule of 90.

## DEFERRED RETIREMENT

A vested member who leaves covered employment in North Dakota may defer receiving retirement benefits until reaching normal retirement, age 55, age 65, or any age in between rather than take a refund. The member retains the right to receive benefits retroactive to initial eligibility.

## RETIREMENT OPTIONS

When you retire, you may select one of the following options regarding payment of your monthly benefits. Each plan provides you with lifetime retirement payments that vary with the degree of survivor benefits available. Under all payment options, you are guaranteed to receive no less than your account value (member contributions plus six percent interest). However, it is likely that you will receive much more than your account value in monthly retirement benefits depending on your life span and the retirement option that you choose.

A married member's spouse, if designated as beneficiary, must consent in writing to the form of payment option elected by the member at retirement. If spousal consent is not obtained, the form of benefit payment option will be the 50 percent joint and survivor option.

Your decision regarding payment option of your annuity benefit is irrevocable; you may not change your selection after retirement.

### Single Life Annuity

The single life annuity amount is payable to you for life. There is no monthly provision for your beneficiary(ies) under this option. However, should you die before receiving your account value, your beneficiary(ies) will receive a lump-sum payment of the balance.

### 100 Percent Joint and Survivor

The single life annuity amount is actuarially reduced (based on your age and your designated beneficiary's age) and is payable to you for life. At your death, your designated beneficiary will receive 100 percent of your monthly benefit for the rest of the beneficiary's life.

### 50 Percent Joint and Survivor

The single life annuity amount is actuarially reduced (based on your age and your designated beneficiary's age) and is payable to you for life. At your death, your designated beneficiary will receive 50 percent of your monthly benefit for the rest of your beneficiary's life.

## Ten-Year Term Certain and Life

The single life annuity amount is actuarially reduced (based on your age) and is payable to you for life. If you die within ten years (120 months) of your retirement date, your designated beneficiary(ies) will continue to receive monthly benefits of the same amount until the end of the ten-year period.

## Twenty-Year Term Certain and Life

The single life annuity amount is actuarially reduced (based on your age) and is payable to you for life. If you die within twenty years (240 months) of your retirement date, your designated beneficiary(ies) will continue to receive monthly benefits of the same amount until the end of the twenty-year period.

## Level Income with Social Security

The annuity amount is actuarially supplemented with a percentage of your projected Social Security benefits. At the pre-selected age (62 or normal Social Security age), your monthly TFFR retirement benefit will be reduced for life by the full amount of the Social Security benefit you estimated at retirement regardless of the actual amount you receive from Social Security. This option allows a retiree to receive a higher retirement benefit from TFFR until the retiree is eligible for Social Security benefits.

To apply for the level income option, you must provide TFFR with a current written estimate of Social Security benefits (using your age when you retire from teaching and no estimated future earnings).

## Partial Lump Sum

Members eligible for normal retirement may receive a lump sum cash payment in exchange for an actuarially reduced benefit. The lump sum payment equals 12 times the amount of the single life annuity and is payable at the same time the monthly retirement annuity begins. If you select a joint and survivor or term certain option, your benefit will be reduced for the additional beneficiary coverage.

The taxable portion of the lump sum cash payment will be eligible to rollover to an IRA or another eligible retirement plan.

This option is not available to members who select the level income option, members receiving disability benefits, or beneficiaries of deceased members.

## DESIGNATING A BENEFICIARY

At retirement, you will be required to update your beneficiary designation. If you are married, you must name your spouse as beneficiary or provide written spousal approval to name an alternate beneficiary. If you are not married, or if you have written spousal consent, you can name any person(s), organization, church, charity, or your estate as beneficiary of your retirement account.

Members who retire under the single life, ten, or twenty year term certain and life annuity plans may change their beneficiary at any time. More than one beneficiary may be named.

Members who retire under the 100 percent or 50 percent joint and survivor annuity plans can only name one beneficiary. If the 100 percent joint and survivor plan is selected and the beneficiary is not the spouse, the beneficiary must be no more than ten years younger than the member. Under the joint and survivor options, a pop-up provision is available if your beneficiary precedes you in death or a divorce grants you sole ownership of your retirement benefits. Your annuity will convert to the higher single life annuity plan. Upon remarriage, you can re-elect a joint and survivor option. Under the single life annuity, ten and twenty year term certain and life options, if a retiree marries, the retiree may also elect to change to a joint and survivor option. The retiree must provide proof of the retiree's good health and proof of the new beneficiary's age. The monthly benefit will also be actuarially adjusted based on the new beneficiary's age.

## HOW TO APPLY FOR RETIREMENT BENEFITS

**Step 1:** Contact a TFFR Benefits Counselor to calculate your benefit amount, review retirement process, and request a Notice of Termination Form.

**Step 2:** Submit the Notice of Termination form to the TFFR office at least 120 days prior to retirement. TFFR will make every effort to process your claim in a timely fashion. However, if delays occur, retirement benefits will be paid retroactive to your retirement date. Also furnish a copy of the following documents:

- a. Proof of age – birth or baptismal certificate, military discharge, or passport.
- b. Proof of beneficiary's age – if interested in joint and survivor options.

- c. Teaching contract for current school year – include any extra-curricular pay or additional salary.
- d. Salary Verification Pending Retiree form completed by employer.
- e. Early retirement incentive agreement OR letter of resignation and acceptance by employer.
- f. Social Security benefit estimate – if interested in level income option.

**Step 3:** TFFR will review your account including salaries and service credit. We may contact your employer for salary verification. TFFR will use the salary information you submit to estimate your final salary and service credit.

**Step 4:** Retirement forms will be sent to you using 90% of the estimated salary. You will receive an Enrollment for Retirement Benefits, Designation of Beneficiary, Authorization for Direct Deposit, and W-4P Tax Withholding Form. Complete and sign the forms and return them to the administrative office. Once the final salary, service credit, and last date of employment is reported by your employer, your monthly benefit may be adjusted.

If you want your enrollment forms to use 100% of your final salary, you must notify the retirement office. Your enrollment forms will not be sent until your employer reports the final salary information. Your retirement benefit payments will be delayed but paid retroactive.

*NOTE: Members must complete purchase of service credit agreements before retirement. If a member retires prior to full payment, service credit will be granted in proportion to the actual principal payments made.*

#### **PAYMENT OF RETIREMENT BENEFITS**

Your retirement date will be the first or fifteenth day of the month following your last date of covered employment or eligibility for benefits. Actual payment of benefits will be on the first day of each month and may be retroactive to your retirement date.

If any change or error in the records of TFFR or any participating employer or error in any calculation results in a member receiving more or less in benefits than the member is entitled to receive, the Fund will correct the error and adjust the benefit.

#### **DIRECT DEPOSIT**

Direct deposit (electronic fund transfer) is the required method of payment for new retirees. It is a safe, fast, and cost effective method of receiving your monthly benefit. Direct deposit guarantees that your annuity check is deposited to your checking or savings account on the first working day of every month. It also eliminates problems with lost checks.

#### **TAXES**

Retirement benefits are taxable as ordinary income under both federal and state law. Taxable and nontaxable portions of the annuity are calculated according to a formula provided by the Internal Revenue Service. Under the IRS Simplified General Rule, only a small fraction of each monthly benefit payment may be nontaxable. The balance of the benefit is immediately taxable. When you have recovered the previously taxed contributions by way of monthly exclusion, 100% of your benefit becomes taxable. You may choose to have federal and North Dakota state income tax withheld from your monthly benefit by filing a W-4P tax form.

The administrative office will determine your taxable income and transmit the information to you and the IRS annually on a 1099-R tax form.

Personal income tax questions should be directed to your accountant, tax advisor, or Internal Revenue Service Center.

#### **NDPERS GROUP INSURANCE**

Individuals who are receiving a monthly retirement benefit from TFFR may be eligible to participate in the group insurance programs administered by the North Dakota Public Employees Retirement System (PERS). These programs include health (Medicare eligible only), dental, vision, and long-term care insurance.

Monthly premiums can be deducted from your TFFR pension check or bank account. For additional information visit [www.nd.gov/NDPERS](http://www.nd.gov/NDPERS) or contact the NDPERS office at 701-328-3900 or toll free, 1-800-803-7377.

#### **POST RETIREMENT BENEFIT INCREASES**

The TFFR plan does not contain provisions for automatic cost of living benefit adjustments.

#### **WORKING AFTER RETIREMENT**

After you retire, you may return to TFFR covered employment under certain employment limitations.

The limits apply to TFFR covered employment except for extra-curricular duties and professional development, and 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.

In all cases, the employer and the retiree must notify TFFR by completing a “TFFR Retired Member Employment Notification” form within 30 days of your employment. This form, along with a copy of the retiree’s contract or employment agreement, must be submitted each year the retiree is employed. Failure to do so could result in the retiree losing retirement benefits.

See the “Working After Retirement” brochure for a description of all the retiree re-employment alternatives.

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*This brochure is a summary of NDCC 15-39.1 and is not intended to provide total information concerning retirement benefits. More detailed information may be obtained by contacting:*

#### **ND RETIREMENT & INVESTMENT OFFICE**

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

*In compliance with the Americans with Disabilities Act, this document can be provided in alternate formats. Contact the administrative office to request an alternate format.*

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## *North Dakota Teachers’ Fund For Retirement*

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