Agenda

ND Teachers' Fund for Retirement
Board Meeting

Thursday, July 25, 2013
1:00 pm
Peace Garden Room
State Capitol, Bismarck, ND

1. Call to Order and Approval of Agenda – Pres. Gessner
2. Introduction of New Board Members – Pres. Gessner
3. Approval of Minutes of May 16, 2013 Meeting – Pres. Gessner
4. Election of 2013-14 Officers – Pres. Gessner
5. Board Education: TFFR Plan Overview – Shelly Schumacher
6. Legislative Update – Fay Kopp
7. Annual TFFR Program Review – Fay Kopp, Board
8. Annual TFFR Customer Satisfaction Reports – Fay Kopp
9. SIB Update – Darren Schulz
10. SIB Search Committee Update – Treas. Schmidt
11. SIB Audit Committee Update – Pres. Gessner
12. Consent Agenda
    - Disability Applications:
      *Executive Session possible if Board discusses confidential information under NDCC 15-39.1-30.
13. Other Business
14. Adjournment

Next Board Meeting: September 26, 2013

Any person who requires an auxiliary aid or service should contact the Deputy Executive Director of the Retirement and Investment Office at 701-328-9885 at least three (3) days before the scheduled meeting.

MEMORANDUM

TO: **TFFR Board**

FROM: **Fay Kopp**

DATE: **July 18, 2013**

SUBJ: **Trustee Appointment**

Governor Dalrymple has appointed two trustees to serve on the TFFR Board effective 7/1/13.

- **Melvin Olson,** retired State Director of the Department of Career and Technical Education, will fill the retired member vacancy created by Lowell Latimer's departure from the Board (July 1, 2013 – June 30, 2018) . In 2000, Mel retired with 36 years of service. At the time of his retirement, Mel was State Director of the Department of Career and Technical Education. Prior to that, he was superintendent of Cavalier School. Mel's 1st board meeting will be on July 25.

- **Robert Lech,** Superintendent of Jamestown Public Schools, will complete the term of former trustee Bob Toso as active administrator representative on the Board (July 1, 2013 – June 30, 2015). Before his recent move to Jamestown, Rob was superintendent of Beulah Public Schools and Mt. Pleasant School (Rolla). Unfortunately, due to previous commitments, Rob will not be able to attend TFFR or SIB meetings on July 25-26.

I plan to schedule a new trustee orientation session later this summer to review TFFR and SIB program information with our new board members.

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
MINUTES OF THE
MAY 16, 2013, BOARD MEETING

BOARD MEMBERS PRESENT:	Mike Gessner, President Kirsten Baesler, State Superintendent Kim Franz, Trustee Lowell Latimer, Vice President Kelly Schmidt, State Treasurer Bob Toso, Trustee
STAFF PRESENT:	Fay Kopp, Interim Executive Director Darlene Roppel, Retirement Assistant Darren Schulz, Interim CIO Shelly Schumacher, Retirement Program Manager Gary Vetter, Information Technology Supervisor
OTHERS PRESENT:	Rolland Larson, NDRTA Janilyn Murtha, Attorney General's Office Ann Latimer Gloria Lokken, NDEA Ken Tupa, NDRTA

CALL TO ORDER:

Mr. Mike Gessner, President of the Teachers' Fund for Retirement (TFFR) Board of Trustees, called the board meeting to order at 1:00 p.m. on Thursday, May 16, 2013, at the State Capitol, Peace Garden Room, Bismarck, ND.

THE FOLLOWING MEMBERS WERE PRESENT REPRESENTING A QUORUM: PRESIDENT GESSNER, MRS. FRANZ, DR. LATIMER, TREASURER SCHMIDT, AND MR. TOSO.

Supt. Baesler and Mr. Corneil were absent.

APPROVAL OF AGENDA:

The Board considered the meeting agenda.

MR. TOSO MOVED AND MRS. FRANZ SECONDED TO APPROVE THE AGENDA.

AYES: TREASURER SCHMIDT, MR. TOSO, MRS. FRANZ, DR. LATIMER, AND PRESIDENT GESSNER.
NAYS: NONE
MOTION CARRIED.

MINUTES:

The Board considered the minutes of the regular board meeting held March 21, 2013.

DR. LATIMER MOVED AND MRS. FRANZ SECONDED TO APPROVE THE MINUTES OF THE REGULAR TFFR BOARD MEETING HELD MARCH 21, 2013, AS PRESENTED.

AYES: MR. TOSO, DR. LATIMER, TREASURER SCHMIDT, MRS. FRANZ, AND PRESIDENT GESSNER.
NAYS: NONE
MOTION CARRIED.

Supt. Baesler arrived at 1:05 p.m.

2013 LEGISLATIVE WRAP UP:

Mrs. Fay Kopp, Interim Executive Director and Chief Retirement Officer, gave a recap of some of the 2013 legislative proposals that affected TFFR. Bills that failed included: HB 1203 and SB 2331-retiree re-employment; HB 1304-Iran divestiture; SB 2150-board member compensation; HCR 3003-State Retirement Stabilization Fund; and SCR 4010-oil taxes-State Retirement Stabilization Fund.

Bills that passed included: HB 1022-RIO (Retirement and Investment Office) budget which includes one new FTE (full time equivalent) for an Investment Analyst for the State Investment Board (SIB) program; HB 1230-reduces TFFR contributions at 100% funded level; HB 1452-PERS (Public Employees Retirement System) DC (defined contribution) option for new employees, PERS funding improvement and state retirement plan study; and SB 2061-TFFR technical changes.

The Board discussed concerns expressed during the 2013 legislative session, and potential issues in the future relating to defined benefit plans.

2011 LEGISLATIVE IMPLEMENTATION UPDATE:

Mrs. Shelly Schumacher, Retirement Program Manager, gave an update on the implementation of the 2011 legislative changes. The 2013 annual statement will include the member's new tier (Tier 1 Grandfathered, Tier 1 Non-grandfathered, or Tier 2), but no benefit estimates. The 2014 annual statements will again show benefit projections based on the new tier. All members can contact the TFFR office with questions on their individual accounts. All employers will have to again submit a new Employer Payment Plan form for the 2014-15 school year. Pension administration system programming changes are in the final testing stage and should be ready prior to the effective date of the legislation.

Supt. Baesler requested that TFFR participate in the Department of Public Instruction (DPI) seminar for superintendents in August.

Mrs. Kopp commended Mrs. Schumacher and the RIO staff for their efforts in implementing the 2011 legislative changes.

BOARD EDUCATION: TFFR BOARD RESPONSIBILITIES:

Mrs. Kopp presented board education on TFFR Board responsibilities. RIO is the state agency that administers the TFFR pension program, as well as the SIB program. SIB is the governing body of RIO. The TFFR board has broad statutory authority to administer the TFFR pension program as stated in state law. The SIB has both investment program responsibilities and RIO agency administrative responsibilities. A copy of the presentation is on file at RIO.

The TFFR Board requested more frequent reports of Audit Committee activities. It is currently an annual report to the TFFR board. President Gessner will make the Audit Committee report to the TFFR Board on a quarterly basis. Mrs. Kopp reported 37 school audits have been completed fiscal year-to-date. Another five are expected to be completed by June 30, 2013, therefore the goal of 43 will likely be met this year.

DEPUTY EXECUTIVE DIRECTOR/CHIEF RETIREMENT OFFICER POSITION:

Ms. Jan Murtha, Attorney General's office, explained the unique structure and the laws that govern the relationship between the TFFR Board, SIB, the Executive Director/Chief Investment Officer and the Deputy Executive Director/Chief Retirement Officer. The TFFR board methods for communicating with the SIB are: by resolution (statutes), by formal request (updates to TFFR Program Manual and/or SIB Governance Manual), by informal request (rely on existing provisions of TFFR Program Manual and SIB Governance Manual), and no action (current level of communication is sufficient). There was discussion of ways the TFFR board could provide input on performance evaluations and employment decisions affecting the Deputy Executive Director/Chief Retirement Officer. At this time, no action was taken.

BOARD RESOLUTIONS FOR BOB TOSO AND LOWELL LATIMER:

President Gessner recognized Dr. Latimer for his nine years of distinguished service on the TFFR board, and read the following resolution:

ND TFFR Board Resolution
in Appreciation of
Lowell F. Latimer

WHEREAS, Dr. Lowell Latimer served as trustee and vice president of the ND Teachers' Fund for Retirement Board representing retired members with distinction for 9 years, from 2004 to 2013; and

WHEREAS, Dr. Latimer has honorably served the education community in a career spanning more than four decades having worked as a teacher, principal, and administrator in Minot and Minot area schools until his retirement in 1993, and as director of the Minot Public School Foundation since his retirement; and

WHEREAS, Dr. Latimer has been actively involved in numerous professional, civic, community, church, and state activities and associations; and

WHEREAS, Dr. Latimer has been a passionate defender of defined benefit plans and their ability to provide retirement security, and has been dedicated to protecting the interests of the pension system and its active and retired members; and

WHEREAS, Dr. Latimer has provided thoughtful guidance and leadership on pension issues, supported efforts to strengthen TFFR's funding structure and safeguard the financial integrity of the fund, and was fully dedicated to the mission of the Fund; and

WHEREAS, Dr. Latimer has distinguished himself as a knowledgeable and experienced trustee whose commitment to integrity and excellence have earned him the respect of those who have worked with him; now therefore, be it

RESOLVED, that the TFFR Board express its heartfelt thanks to Dr. Latimer for his energetic and compassionate service to the Board, and for his legacy of trust, respect, and caring for others; and be it further

RESOLVED, that the Board wishes Dr. Latimer, and his wife, Ann, good health and happiness in their retirement; and be it further

RESOLVED, that a copy of this Resolution be presented to Dr. Latimer, printed in the official TFFR Board minutes, and submitted to the National Council on Teacher Retirement, on behalf of the many lives he has so positively touched.

Mrs. Kopp recognized Mr. Toso for his six years of distinguished service on the TFFR board, and read the following resolution:

ND TFFR Board Resolution
in Appreciation of
Robert B. Toso

WHEREAS, Mr. Robert (Bob) Toso served as trustee of the ND Teachers' Fund for Retirement Board representing school administrators with honor for 6 years, from 2007 until his retirement in 2013; and

WHEREAS, Mr. Toso also honorably served as trustee of the ND State Investment Board representing TFFR members during his tenure; and

WHEREAS, Mr. Toso dedicated his professional career to the ND education community for 37 years as teacher, coach, principal, assistant superintendent, and superintendent in the school districts of Pingree, Rolette, Glenburn, New Rockford, Valley City, and Jamestown; and

WHEREAS, Mr. Toso has been actively involved in many professional, civic, community, church, and state activities and associations; and

WHEREAS, Mr. Toso has been a zealous defender of pension security for ND educators and has earned a reputation as a strong advocate for defined benefit plans, cost efficient pension administration, and high-quality customer service; and

WHEREAS, Mr. Toso provided steadfast leadership on pension issues, and supported efforts to strengthen TFFR's funding structure, prudently invest trust fund assets, and safeguard the financial integrity of the fund; and

WHEREAS, Mr. Toso has distinguished himself as an outstanding trustee whose invaluable knowledge, experience, integrity, and compassion has served trust fund members with respect; now therefore, be it

RESOLVED, that the TFFR Board express its sincere appreciation to Mr. Toso for his dedicated service to the Board, and for his positive leadership and unwavering support of educators, students, and citizens of North Dakota; and be it further

RESOLVED, that the Board extends its best wishes to Mr. Toso, and his wife, Alaine, for a long and happy retirement; and be it further

RESOLVED, that a copy of this Resolution be presented to Mr. Toso, printed in the official TFFR Board minutes, and submitted to the National Council on Teacher Retirement, on behalf of the many lives he has so positively touched.

TREASURER SCHMIDT MOVED AND MRS. FRANZ SECONDED TO APPROVE THE RESOLUTIONS HONORING DR. LATIMER AND MR. TOSO.

AYES: TREASURER SCHMIDT, SUPT. BAESLER, MRS. FRANZ, DR. LATIMER, MR. TOSO, AND PRESIDENT GESSNER.
NAYS: NONE
MOTION CARRIED.

On behalf of the board and staff, President Gessner presented Dr. Latimer and Mr. Toso with retirement gifts. Dr. Latimer and Mr. Toso commented on their tenure with the board.

The board recessed at 2:55 p.m. for cake and coffee in their honor.

The board reconvened at 3:18 p.m.

ANNUAL TECHNOLOGY REVIEW:

Mr. Gary Vetter, Supervisor of Information Technology, updated the board on technology accomplishments, status of online services for TFFR members and employers, office software and hardware updates, agency disaster recovery plan, records retention and purging, and system security. He also gave the status of other IT updates and future directions of IT. A copy of the report is on file at RIO.

MR. TOSO MOVED AND DR. LATIMER SECONDED TO ACCEPT THE ANNUAL TECHNOLOGY REPORT.

AYES: MRS. FRANZ, MR. TOSO, DR. LATIMER, TREASURER SCHMIDT, SUPT. BAESLER, AND PRESIDENT GESSNER.
NAYS: NONE
MOTION CARRIED.

SIB UPDATE:

Mr. Darren Schulz, Interim CIO, reported the estimated total investment return for fiscal year to May 13, 2013, is 15.44%. There has been very strong performance across all the major markets. Mr. Schulz reviewed the agenda for the SIB meeting to be held May 17, 2013.

SIB SEARCH COMMITTEE UPDATE:

Treasurer Schmidt updated the board on the progress in hiring the SIB Executive Director/CIO. The search firm, KornFerry, has been hired by the SIB to conduct the search. They will begin the process next week. The proposed timeline for filling the position will be sent to TFFR board members.

TFFR CENTENNIAL CELEBRATION:

Mrs. Kopp reported she has been making contacts with the educational groups, DPI staff, and other interested individuals. The date for TFFR's centennial event has not yet been scheduled. If the event is not able to be coordinated with other education related functions this fall, it will likely be held at the October TFFR board meeting.

2013-14 BOARD CALENDAR AND EDUCATION PLAN:

Mrs. Kopp presented the board calendar and education plan for 2013-14. There will be several basic educational presentations since there will be three new board members.

TREASURER SCHMIDT MOVED AND MRS FRANZ SECONDED TO ACCEPT THE 2013-14 BOARD CALENDAR AND EDUCATION PLAN.

AYES: DR. LATIMER, MR. TOSO, MRS. FRANZ, SUPT. BAESLER, TREASURER SCHMIDT, AND PRESIDENT GESSNER.
NAYS: NONE
MOTION CARRIED.

CONSENT AGENDA:

TREASURER SCHMIDT MOVED AND MR. TOSO SECONDED TO APPROVE THE CONSENT AGENDA WHICH INCLUDES FOUR DISABILITY APPLICATIONS – 2013-6D, 2013-7D, 2013-8D AND 2013-9D.

AYES: SUPT. BAESLER, MRS. FRANZ, DR. LATIMER, TREASURER SCHMIDT, MR. TOSO, AND PRESIDENT GESSNER.
NAYS: NONE
MOTION CARRIED.

OTHER BUSINESS:

Mrs. Kopp suggested the board review the reading material included in their packets as it provides information on pension funds in other parts of the country. The next board meeting will be held July 25, 2013, which will include the annual board review.

ADJOURNMENT:

With no further business to come before the Board, President Gessner adjourned the meeting at 3:52 p.m.

Respectfully Submitted:

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Mr. Mike Gessner, President
Teachers' Fund for Retirement Board

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Darlene Roppel
Reporting Secretary

MEMORANDUM

TO: TFFR Board

FROM: Fay Kopp

DATE: July 18, 2013

SUBJ: Election of Officers

The TFFR Board is required by state law to elect officers at the first meeting of each fiscal year. For the 2013-14 year, the Board will need to elect the positions of President and Vice President. The Board will also select trustees to represent TFFR on the State Investment Board (one active administrator, one active teacher, one retired member), the SIB Audit Committee (one member), and the SIB alternate (one member). The State Treasurer is required by virtue of her position to serve on the State Investment Board, so that is not subject to Board assignment.

Enclosure

TFFR Board

2013 - 2014 Assignments

Officers of the board

- ❑ President
- ❑ Vice President

Board members serving on the SIB

- ❑ Active Teacher
- ❑ Active Administrator
- ❑ Retiree
- ❑ State Treasurer (ex-officio)

SIB Audit Committee

- ❑

SIB alternate

- ❑

MEMORANDUM

TO: TFFR Board

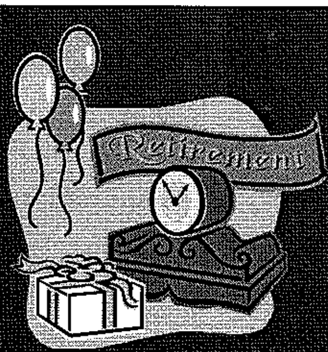
FROM: Fay Kopp

DATE: July 18, 2013

SUBJ: Board Education: TFFR Plan Overview

Because the TFFR plan has been going through significant legislative changes to both contribution rates and benefit provisions, we thought it would be helpful to provide a TFFR plan overview at the July meeting. We hope that new trustees, as well as current trustees, will find this board education to be beneficial. Shelly Schumacher, Retirement Program Manager, will make this presentation.

Handout



RETIREMENT PLAN OVERVIEW

Teachers' Fund for Retirement
BOARD EDUCATION

July 2013

Type of Plan

TFFR is a qualified defined benefit public pension plan covered under Section 401(a) of the Internal Revenue Code (IRC). TFFR must be administered in compliance with IRC regulations, in particular with Section 415 maximum benefit limitations; Section 401(a)(9) minimum distribution requirements; Section 401(a)(17) maximum compensation limit; and Section 401(a)(31) rollovers and transfers.

The TFFR plan is funded on an actuarial reserve basis. That is, money is invested to pay future retirement benefits. Benefit funding comes from three sources:

- Employee contributions
- Employer contributions
- Investment earnings

TFFR serves about 10,000 teachers from 219 employer groups and pays benefits to over 7,000 retirees and beneficiaries.

Confidentiality of Records

To protect a member's privacy, all member records relating to TFFR are confidential and not a public record. The information and records may only be disclosed in writing to the member, or to:

- A person the member has given written consent.
- A person legally representing the member.
- A person authorized by a court order.
- A participating employer, limited to information concerning service credit, age, contributions, and salary.
- Administrative staff of the Public Employees Retirement System for membership and benefits determination.
- State and federal agencies to validate member eligibility or employer compliance with existing state or federal laws.

Confidentiality of Records (continued)

- Government child support enforcement agencies to establish, modify, or enhance a child support obligation.
- Member interest groups approved by the Board, limited to information concerning a member's death.
- Member's spouse or former spouse, legal representative, or judge, to aide in the drafting of a qualified domestic relations order.
- Beneficiaries, only after the member's death.
- The general public, only after TFFR is unable to locate the member after two years and is limited to the member's name.
- Any person if the board determines disclosure is necessary for operational purposes.
- A person if the information relates to an employer service purchase. The limited purchase information may only be obtained from the member's employer.

Membership

Mandatory Membership

- Licensed by Education Standards & Practices Board (ESPB)
- Contractually employed in teaching, supervisory, administrative, or extra-curricular duties

  Teachers, Superintendents, County Superintendents, Principals, Business Managers, Special Teachers, Professional Staff of Center for Distance Education, Youth Correctional Center, School for the Deaf, and School for the Blind

Membership Tiers

- Tier 1 Grandfathered
  (within 10 years of retirement on 6/30/13)
- Tier 1 Non-grandfathered
  (more than 10 years away from retirement on 6/30/13)
- Tier 2 Non-grandfathered
  (new members after 6/30/08)

Dual Membership

- Coordinated benefits between TFFR and NDPERS

Teachers and public employees use all years in public employment for vesting and retirement eligibility – excluding any overlap. Benefits based on combined salaries of both systems.

Service Credit

- 700 compensated hours = 1 year
- If compensated for less than 700 hours, service credit is granted in proportion
  Example: 650 hours/700 = .929 year

Vesting

- Three years of service – Tier 1 members
- Five years of service – Tier 2 members
- Entitled to lifetime benefit when eligible

Eligible Retirement Salary (Reportable)

A member's earnings in eligible employment for teaching, supervisory, administrative, and extracurricular services during a school year reported as salary on the member's federal income tax withholding statements plus any salary reduction or salary deferral amounts under 26 USC 125, 132(f), 401(k), 403(b), 414(h), or 457. Eligible salary may not exceed the annual IRS compensation limit under 26 USC 401(a)(17)(b).

Once a member is contracted to perform teaching, supervisory, administrative, or extracurricular services, additional payments for performance of duties of a teacher are considered eligible retirement salary unless conditioned on or made in anticipation of retirement or termination.

Eligible Salary (Continued)

Examples:

- Advisor/Supervisor/Director/Monitor of activities
- Adult education program
- Coaching duties
- Curriculum writing
- Driver's Education
- Grant writing (certain conditions only)
- Information Technology coordination and services
- Professional development
- In-staff subbing
- Mentoring
- REA, joint powers agreement, consortium type work
- Summer school/summer programs

Ineligible Retirement Salary(non-reportable)

Eligible salary does **not** include:

- Fringe benefits or side, non-wage benefits which accompany or are in addition to a member's employment including insurance programs, annuities, transportation allowances, housing allowances, meals, lodging, and expense allowances, or other benefits provided by a member's employer.
- Insurance programs including medical, dental, vision, disability, life, long-term care, workers compensation, or other insurance premiums or benefits.
- Payments for unused sick leave, personal leave, vacation leave, or other unused leave.
- Early retirement incentive pay, severance pay, or other payments conditioned on or made in anticipation of retirement or termination.

Ineligible Salary (continued)

- Teacher's aide pay, ticket taking pay, referee pay, bus driver pay (route or extracurricular), janitorial pay.
- Amounts received by a member in lieu of previously employer-provided benefits or payments that are made on an individual selection basis.
- Signing bonuses as defined under Section 15.1-09-33.1.
- Bonuses as defined in NDAC Section 82-02-01-01.
- Other benefits or payments not defined above that the Board determines to be ineligible TFFR salary.

Employer Contributions

- 10.75% of salary – increasing to 12.75% 7-1-14
- Not part of account value

Member Contributions

- 9.75% of salary – increasing to 11.75% 7-1-14
- Earns 6% interest

Taxation of Employee Contributions

Employee contributions may be tax-deferred through a salary reduction or paid by employer as a salary supplement.

Model 0 = Paid by employee and taxed
Model 1 = Paid by employee as a salary reduction
Model 2 = Paid by employer as a salary supplement

Purchase of Service Credit

- Refunds previously taken from TFFR
- Air time
- Government agency teaching
- Leave of absence
- Legislative service
- Military service
- Out-of-state teaching
- Private/parochial school teaching

Divorce and your TFFR benefits

- Marital asset
- Court order
- QDRO model

Refund of Account Value

- Employee contributions plus 6% interest
- Cease covered employment
- 120 day waiting period
- Taxable portion is eligible for direct rollover

Service Retirement Benefits

Retirement Classifications

- Normal unreduced retirement
  - -- Age 65
  - -- Rule of 85 (Tier 1 Grandfathered)
  - -- Min Age 60 with Rule of 90 (Tier 1 Non-Grandfathered and Tier 2)
- Early reduced retirement
  - -- Age 55
  - -- Reduction factor
    - 6% -- Tier 1 Grandfathered
    - 8% -- Tier 1 NGF & Tier 2
- Deferred retirement

Summary of TFFR Pension Benefits for Membership Tiers

	Tier 1 Grandfathered	Tier 1 Non-Grandfathered	Tier 2 All
Vesting Period	3 years	3 years	5 years
Unreduced Retirement Eligibility			
Minimum Age	No	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 Formula Multiplier	2%	2%	2%
x FAS	3 year FAS	3 year FAS	5 year FAS
x Service Credit	Total Years	Total Years	Total Years

Benefit Formula

Final average salary x 2.0% x service = monthly Single Life Annuity.

Tier 1 Members FAS – three high fiscal year salaries ÷ 36.

Tier 2 Members FAS – five high fiscal year salaries ÷ 60.

MONTHLY RETIREMENT INCOME							
YEARS OF SERVICE	FAS $20,000	FAS $25,000	FAS $30,000	FAS $35,000	FAS $40,000	FAS $45,000	FAS $50,000
5	$167	$208	$250	$292	$333	$375	$417
10	333	417	500	583	667	750	833
15	500	625	750	875	1,000	1,125	1,250
20	667	833	1,000	1,167	1,333	1,500	1,667
25	833	1,042	1,250	1,458	1,667	1,875	2,083
30	1,000	1,250	1,500	1,750	2,000	2,250	2,500
35	1,167	1,458	1,750	2,042	2,333	2,625	2,917
40	1,333	1,667	2,000	2,333	2,667	3,000	3,333

Estimated benefits based on normal retirement age under the Single Life Annuity option.

Benefit Options

- Single Life Annuity
- 100% Joint and Survivor
- 50% Joint and Survivor
- 10 Year Certain and Life
- 20 Year Certain and Life
- Level Income
- Partial Lump Sum

Retiree Re-employment

➢General Rule – TFFR benefits continue
- Waiting period (30 days)
- Hour limit based on length of employment
- Member and employer contributions paid – no benefit change

➢Critical Shortage Area – TFFR benefits continue
- Waiting period (1 year)
- Full time employment
- Member and employer contributions paid – no benefit change

➢Benefit Suspension and Recalculation – benefits cease
- Waiting period (30 days)
- Full time employment
- Member and employer contributions paid – benefit recalculated

Disability Benefits

❑ Eligibility
- 5 years of service credit
- Total disability – permanent or temporary

❑ Disability Formula
- Final average salary x service x 2%
- No benefit reduction for age

Survivor Benefits

Death prior to retirement

- Non-vested member
  - Refund

- Vested member
  - Refund
  - Monthly benefit for life to one beneficiary

Death after retirement

- Plan selected at retirement

Member & Employer Services

- Web site
  www.nd.gov/rio

- Member outreach programs
  One-on-one benefits counseling
  Pre-retirement seminars
  Financial planning programs
  In-service group presentations
  Retirement 101
  Teachers in Transition program

- Employer outreach programs
  Spring business manager workshops
  New business manager workshops

- Publications
  Member newsletter
  Member handbook
  Member annual statement
  Employer newsletter
  Employer guide
  Employer annual report summary

TFFR Information

TFFR website: www.nd.gov/rio

- Legislation
  - Links to ND Legislative website, bill drafts, actuarial analysis
- Presentations
  - Webcast presentations on funding and legislative proposals
  - Presentations made to member and employer groups
- Publications and Reports
  - Newsletters, handbook, brochures
  - Actuarial and audit reports

MEMORANDUM

TO: TFFR Board

FROM: Fay Kopp

DATE: July 18, 2013

SUBJ: Legislative Update

Please see the attached list of interim Legislative Committee members, studies, and agendas for upcoming meetings.

Legislative Government Finance Committee

Meeting on Tuesday, July 30. Agenda includes study of state employee compensation and benefit issues including a presentation by Legislative Council regarding the committee's assigned study of state employee retirement plans, including considerations and possible consequences for transitioning to a state defined contribution plan.

Legislative Employee Benefits Programs Committee

Meeting not yet scheduled.

Enclosures

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Tentative Agenda

GOVERNMENT FINANCE COMMITTEE

Tuesday, July 30, 2013
Roughrider Room, State Capitol
Bismarck, North Dakota

9:00 a.m.	Call to order Roll call Review of the *Supplementary Rules of Operation and Procedure of the North Dakota Legislative Management*
9:05 a.m.	Comments by the Chairman

STATE BUDGET INFORMATION

9:10 a.m.	Presentation by the Legislative Council staff of a memorandum regarding other duties of the Government Finance Committee and an overview of the *State Budget Actions for the 2013-15 Biennium* report
9:20 a.m.	Presentation by a representative of the Office of Management and Budget regarding: • Status of the general fund, including major revenue estimate variances • Estimated turnback from unexpended 2011-13 biennium general fund appropriations • An overview of general fund revenues for the 2013-15 biennium, including monthly revenue estimates by revenue type
9:40 a.m.	Presentation by Mr. Lynn Helms, Director, Department of Mineral Resources, regarding the status of oil and gas development in the state and projected state drilling activities and the effect on state and local infrastructure
10:45 a.m.	Presentation by a representative of the Department of Transportation regarding road projects planned for the 2013 construction season and the status of road construction projects, including projects that received funding as a result of 2013 Senate Bill No. 2176
11:05 a.m.	Presentation by a representative of the Department of Trust Lands regarding the energy impact grant program, including information on recently awarded grants and the timeline for additional grant awards during the 2013-15 biennium

STUDY OF STATE EMPLOYEE COMPENSATION AND BENEFIT ISSUES

11:30 a.m.	Presentation by the Legislative Council staff of a background memorandum regarding the committee's assigned study of the process of appropriating funds for salaries and wages and the state's classification system for employees
11:45 a.m.	Committee discussion and comments by interested persons regarding the committee's assigned study of appropriating funds for salaries and wages
12:00 noon	Luncheon recess
1:00 p.m.	Presentation by the Legislative Council staff of a background memorandum regarding the committee's assigned study of the feasibility and desirability of establishing a maximum state contribution to the cost of state employee health insurance premiums
1:15 p.m.	Committee discussion and comments by interested persons regarding the committee's assigned study of state contributions for state employee health insurance premiums

1:30 p.m.	Presentation by the Legislative Council staff of a background memorandum regarding the committee's assigned study of state employee retirement plans, including considerations and possible consequences for transitioning to a state defined contribution plan
1:45 p.m.	Committee discussion and comments by interested persons regarding the committee's assigned study of state employee retirement plans

STUDY OF THE FOUNDATION AID STABILIZATION FUND

2:00 p.m.	Presentation by the Legislative Council staff of a background memorandum regarding the committee's assigned study of the foundation aid stabilization fund
2:10 p.m.	Committee discussion and comments by interested persons regarding the committee's assigned study of the foundation aid stabilization fund

STUDY OF THE LASTING BENEFITS OF THE LEGACY FUND

2:25 p.m.	Presentation by the Legislative Council staff of a background memorandum regarding the committee's assigned study of the lasting benefits of the legacy fund
2:35 p.m.	Committee discussion and comments by interested persons regarding the committee's assigned study of the lasting benefits of the legacy fund
2:50 p.m.	Committee discussion and staff directives
3:30 p.m.	Adjourn

Committee Members

Representatives Jeff Delzer (Chairman), Larry Bellew, Joshua A. Boschee, Bette Grande, Craig Headland, Rick Holman, Lisa Meier, Kylie Oversen, Don Vigesaa, Clark Williams

Senators Dwight Cook, Gary A. Lee, Donald Schaible, Ronald Sorvaag, Terry M. Wanzek, Rich Wardner

Staff Contact: Brady A. Larson, Assistant Legislative Budget Analyst and Auditor

North Dakota Legislative Branch

Government Finance Committee

Interim Committee Studies and Assignments

(16 members)

1015 § 38 Study the process of appropriating funds for salaries and wages and the state's classification system, including the feasibility and desirability of appropriating a lump sum amount to each agency for salaries and wages, without identifying specific purposes for the funding and allowing the agency head the flexibility to use the funding as necessary to accomplish the duties and responsibilities of the agency, and the effect of this change on the state's classification and benefits system and on the process of reporting by the agency on its use of the funds to the Legislative Assembly

1015 § 39 Study the feasibility and desirability of establishing a maximum state contribution to the cost of state employee health insurance premiums

1015 § 40 Study the foundation aid stabilization fund, including anticipated growth in the fund, appropriate funding levels, options for the disposition of excess funding if appropriate funding levels are exceeded, the reallocation of oil extraction taxes currently being deposited in the fund, and the feasibility and desirability of proposing changes to the constitution relating to the foundation aid stabilization fund

1452 § 16 Study the feasibility and desirability of existing and possible state retirement plans, including an analysis of both a defined benefit plan and a defined contribution plan with considerations and possible consequences for transitioning to a state defined contribution plan. If conducted, the study may not be conducted by the Employee Benefits Programs Committee.

2124 § 1 Study methods to assure that the legacy fund provides the lasting benefits intended by the voters in enacting the constitutional measure

Review state budget information, including monitoring the status of revenues and appropriations

Chairman

- Representative Jeff Delzer *(R)*

Vice Chairman

- Senator Terry M. Wanzek *(R)*

Legislative Council Staff

- Brady A. Larson

Legislative Members

- Representative Larry Bellew *(R)*
- Representative Joshua A. Boschee *(D)*
- Representative Bette Grande *(R)*
- Representative Craig Headland *(R)*
- Representative Rick Holman *(D)*
- Representative Lisa Meier *(R)*
- Representative Kylie Oversen *(D)*
- Representative Don Vigesaa *(R)*
- Representative Clark Williams *(D)*
- Senator Dwight Cook *(R)*
- Senator Gary A. Lee *(R)*
- Senator Donald Schaible *(R)*
- Senator Ronald Sorvaag *(R)*
- Senator Rich Wardner *(R)*

Committee Meetings

July 30, 2013 - 9:00am

Committee Documents

- Notice (7kb)
- Agenda (25kb)
- Minutes (kb)

Committee Memorandums

- Other Responsibilities of the Government Finance Committee (12.0 KB pdf)

North Dakota Legislative Branch
E ployee Benefits Programs Committee

Interim Committee Studies and Assignments
(13 members)

Receive annual report from the Board of Trustees of the Teachers' Fund for Retirement regarding annual test of actuarial adequacy of statutory contribution rate (NDCC § 15-39.1-10.11)

Approve terminology adopted by the Public Employees Retirement System Board for Teachers' Fund for Retirement provisions to comply with applicable federal statutes or rules (NDCC § 15-39.1-35)

Receive periodic reports from Human Resource Management Services on the implementation, progress, and bonuses provided by state agency programs to provide bonuses to recruit or retain employees in hard-to-fill positions (NDCC § 54-06-31)

Receive biennial report from the Office of Management and Budget summarizing reports of state agencies providing service awards to employees in the classified service (NDCC § 54-06-32)

Receive biennial report from the Office of Management and Budget summarizing reports of state agencies providing employer-paid costs of training or educational courses to employees in the classified service (NDCC § 54-06-33)

Receive biennial report from the Office of Management and Budget summarizing reports of executive branch state agencies paying employee membership dues for professional organizations and membership dues for service clubs when required to do business or if the membership is primarily for the benefit of the state (NDCC § 54-06-34)

Review legislative measures and proposals affecting public employees retirement programs and health and retiree health plans (NDCC § 54-35-02.4)

Approve terminology adopted by the Public Employees Retirement System Board to comply with federal requirements (NDCC § 54-52.1-08.2)

Chairman
- Senator Dick Dever *(R)*

V Chairman
- Representative Don Vigesaa *(R)*

Legislative Council Staff
- Jeffrey N. Nelson

Legislative Members
- Representative Randy Boehning *(R)*
- Representative Roger Brabandt *(R)*
- Representative Jason Dockter *(R)*
- Representative Jessica Haak *(D)*
- Representative Scott Louser *(R)*
- Representative Kenton Onstad *(D)*
- Senator Spencer Berry *(R)*
- Senator Ralph Kilzer *(R)*
- Senator Karen K. Krebsbach *(R)*
- Senator David O'Connell *(D)*
- Senator Connie Triplett *(D)*

Committee Meetings
January 30, 2013 - 4:00pm

Committee Documents
- Notice (12kb)
- Agenda (kb)
- Minutes (30kb)

MEMORANDUM

TO: **TFFR Board**

FROM: **Fay Kopp**

DATE: **July 18, 2013**

SUBJ: **Annual TFFR Program Review**

Because the TFFR Board is responsible for administering the retirement program, periodic review of the Board's mission, goals, policies, and by-laws is important in order to fulfill your fiduciary responsibilities.

Board responsibilities include:

1. Establish and monitor policies for the administration of the TFFR program.
2. Establish and monitor investment policy, goals, objectives, and asset allocation.
3. Hire and monitor actuarial and medical consultants; establish and monitor actuarial assumptions and methods; and ensure periodic actuarial valuations, experience studies, asset liability modeling studies, and actuarial audits are conducted.
4. Pay benefits and consultant fees.
5. Submit legislation and monitor the statutory responsibilities of the TFFR program.
6. Determine appropriate levels of service to members and employers.
7. Communicate and monitor TFFR program expectations to the SIB which are to be provided through RIO.
8. Promulgate administrative rules as needed.

Note: Because many Board members are no longer receiving the TFFR Program Manual in hard copy and have chosen instead to access it via the RIO Reference Library link (**www.nd.gov/rio/rio_ref/** *), you may not have a written copy on hand. Therefore, we have included hard copies in Tab 7 for you to use at the meeting. Please update your TFFR Program Manual using these copies, or bring your manual and we will return an updated version to you at the next meeting.*

Enclosures

TFFR BOARD ACCOMPLISHMENTS 2012-13

- ✓ Established and managed annual board calendar and education plan.
- ✓ Conducted annual election of officers and TFFR program review including mission, goals, policies, and by-laws.
- ✓ Approved annual TFFR member and employer customer satisfaction reports, TFFR ends and statistics report, TFFR audit activities report, RIO budget and expense report, RIO technology review, and other program and statistical reports.
- ✓ Analyzed TFFR Retirement Trends and Statistics.
- ✓ Reviewed 2011 Public Fund Survey comparing NDTFFR to other statewide public pension plans.
- ✓ Received annual investment review of asset allocation, fund performance, investment expenses, investment guidelines, and goals and objectives.
- ✓ Received board education from Segal Company on elements of funding policy; analyzed how various actuarial cost methods, asset smoothing methods, and amortization methods would impact TFFR. Board approved comprehensive actuarial funding policy.
- ✓ Monitored 2011 legislative implementation activities (HB1134).
- ✓ Monitored, testified, and provided information on all TFFR related bills during 2013 legislative session.
- ✓ Received results of 2012 actuarial valuation from Segal Company.
- ✓ Reviewed actuarial consulting fees and services provided. Extended actuarial contract with Segal for two years.

- ✓ Received periodic updates on national pension issues and federal legislation relating to public pension plans.

- ✓ Received board education on proposed changes to GASB accounting and financial reporting standards for sponsors of state and local defined benefit pension plans. Also received education on Moody's proposed adjustments to pension liabilities and costs.

- ✓ Received board education on impact of oil industry on ND schools, social investing, retiree re-employment, and TFFR Board responsibilities.

- ✓ Received 2012 Public Pension Standards Award for Funding and Administration from PPCC.

- ✓ Received 2012 Certificate of Achievement for Excellence in Financial Reporting from GFOA.

- ✓ Approved 11 disability applications, and one QDRO application.

- ✓ Considered two member appeals relating to benefit eligibility date and service purchase cost calculation.

- ✓ Monitored and provided TFFR board input on RIO operations and organizational structure, Executive Director/CIO replacement, and other agency transition and organizational issues.

- ✓ Welcomed State Supt. Baesler to TFFR Board.

- ✓ Approved 3 board resolutions in honor of former trustees Sanstead, Toso, and Latimer.

- ✓ 2012-13 TFFR board and administrator education/conference/manager due diligence trips.

Mike Gessner	--		
Kim Franz	--		
Bob Toso	--		
Clarence Corneil	--		
Lowell Latimer	--		
Kelly Schmidt	Manager Due Diligence	06/13	Boston, MA
Wayne Sanstead	NCTR Annual Conf	10/12	Tucson, AZ
Kirsten Baesler	--		
Fay Kopp	NCTR Director's Mtg	06/13	Albany, NY

TFFR Program Monitoring Summary

2012-13

Ends Policy	Responsibility	Action	Scheduled	Completed
Mission	TFFR Board	Annual Review	July	7-18-12
Goals	TFFR Board	Annual Review	July	7-18-12
Plan Beneficiaries	TFFR Board	Annual Review	July	7-18-12
Membership Data	TFFR Board	Annual Review	July	7-18-12
	Internal Audit	Annual Report	October	10-25-12
	External Audit	CliftonLarsonAllen/Audit Comm.	October	10-25-12
	Retirement Officer	* Staff Presentations	Ongoing	
Investments	TFFR Board/SIB	Monthly Report	Ongoing	
	Investment Director	Annual Report	September	9-27-12
Retirement Services	TFFR Board	Annual Review	July	7-18-12
	Internal Audit	Annual Report	October	10-25-12
	External Audit	CliftonLarsonAllen/Audit Comm.	October	10-25-12
	Interest Groups	Annual Report	July	7-18-12
	Retirement Officer	*Staff Presentations	Ongoing	
Account Claims	TFFR Board	Annual Review	July	7-18-12
	Internal Audit	Annual Report	October	10-25-12
	External Audit	CliftonLarsonAllen/Audit Comm.	October	10-25-12
	Retirement Officer	*Staff Presentations	Ongoing	
Trust Fund Valuation	TFFR Board	Annual Review	July	7-18-12
	Segal	Annual Valuation	October	10-25-12
	Internal Audit	Annual Report	October	10-25-12
	External Audit	CliftonLarsonAllen/Audit Comm.	October	10-25-12
	Retirement Officer	*Staff Presentations	Ongoing	
Program Policies	TFFR Board	Annual Review	July	7-18-12
* Ongoing RIO Staff Presentations include:				
	TFFR Accomplishments	Retirement Officer	July	7-18-12
	Customer Satisfaction	Retirement Officer	July	7-18-12
	RIO Budget Summary	Fiscal Management	September	9-27-12
	TFFR Ends & Statistics	Retirement Services	October	10-25-12
	Retirement Trends	Retirement Services	January	1-24-13
	Pension Plan Comparisons	Retirement Officer	January	1-24-13
	Technology Review	Information Tech	March	5-16-13

Teachers' Fund for Retirement Board

Program Manual

North Dakota
Retirement and Investment Office

1930 Burnt Boat Drive
P.O. Box 7100
Bismarck ND 58507-7100

Telephone: 701-328-9885
Toll free: 1-800-952-2970
Fax: 701-328-9897
www.nd.gov/rio
rio@nd.gov

Table of Contents

A. Introduction

The Retirement and Investment Office (RIO) has been established under the laws of the state of North Dakota. The governing body of the office is the State Investment Board (SIB) which has the authority to establish an office and retain appropriate staff to administer the retirement and investment programs.

As the administrative agency, RIO is charged with providing and coordinating the administrative activities of the SIB and Teachers' Fund for Retirement (TFFR) Board. The Executive Director - Chief Investment Officer, employed by the SIB, is responsible for RIO operations and administering the investment program. The Deputy Executive Director - Retirement Officer is responsible for assisting the Executive Director and administering the retirement program of the TFFR Board.

The policy administration of the retirement program is the responsibility of the TFFR Board. Authority for that responsibility is contained in state law. Members of the TFFR Board serve on the SIB on behalf of the TFFR membership.

This manual contains state statutes, administrative code, and other materials that will be a resource to the TFFR board members in policy administration of the retirement program.

TFFR Board Members
2013-14

Active Members

Rob Lech
Superintendent
Jamestown Public School
207 2nd Ave SE
Jamestown ND 58401-4272
(w) 701-252-1950
Fax: 701-251-2011
Rob.lech@sendit.nodak.edu
Term expires: 06/30/2015

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Mandan ND 58554-1375
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(c) 701-527-1200
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Minot ND 58703-4912
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Janilyn Murtha
Attorney General's Office
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Bismarck ND 58505-0602
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jmurtha@nd.gov

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Dickinson ND 58601-2455
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(c) 701-290-4588 or 701-590-1419
(winter)
3710 S Goldfield Rd Lot 776
Apache Junction AZ 85119-6632
Phone: 480-671-2776
Term expires: 06/30/2017

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Fargo ND 58104-7016
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(h) 701-280-6963
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State Superintendent
(Lynette 328-4572 scheduling)
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State Treasurer
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President
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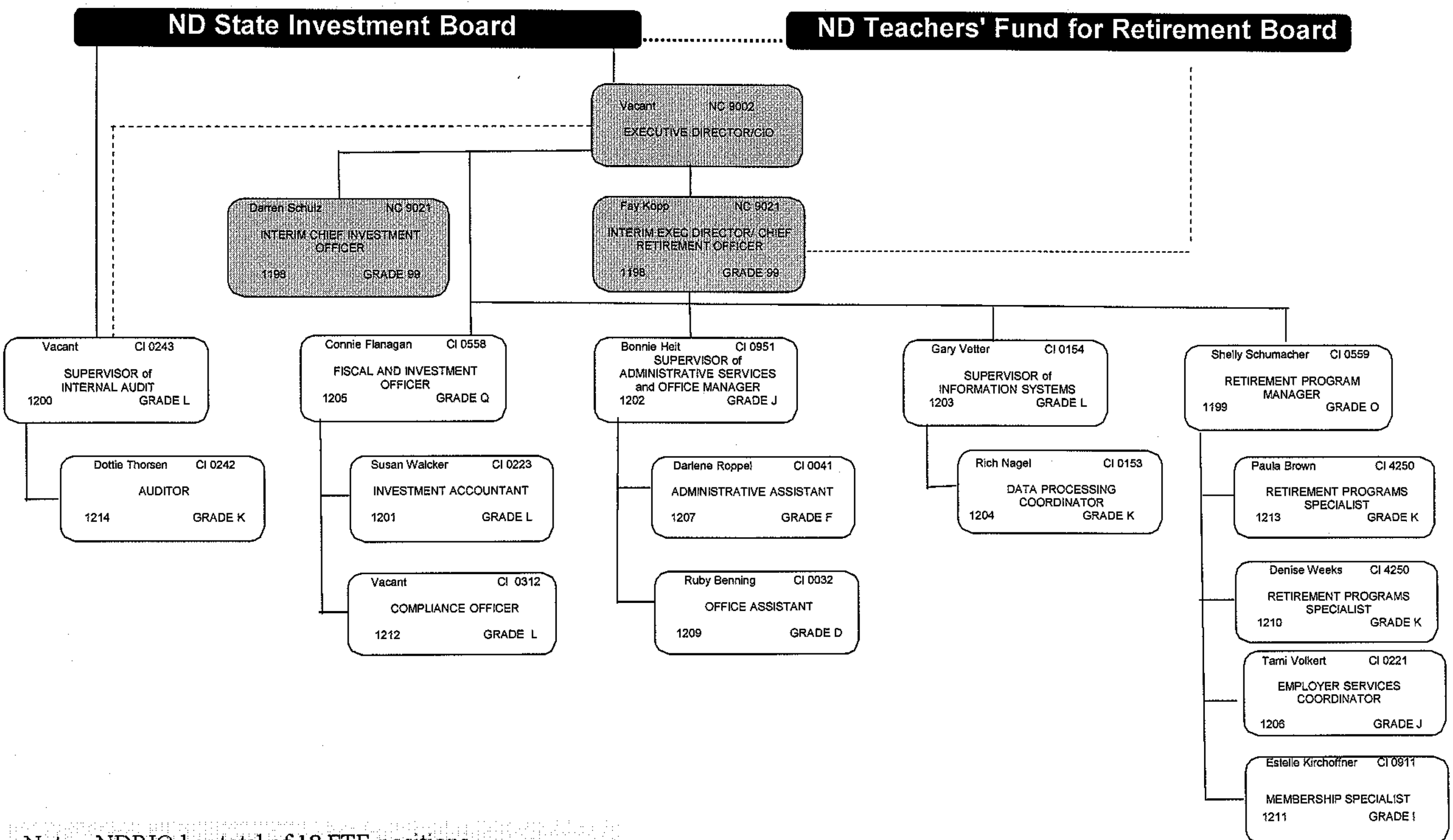
ND Retirement and Investment Office (RIO)
Agency Organizational Chart

7/2013



Note: NDRIO has total of 18 FTE positions.
Staff is allocated between SIB & TFFR programs based on approximate time spent on each program.

TFFR Board Calendar and Education Plan 2013-14

<u>JULY 25, 2013 – 1 pm</u>
Election of officers
TFFR Board Accomplishments
Annual TFFR Program Review
Annual Customer Satisfaction Reports
Legislative update
Education: Retirement plan overview

<u>SEPTEMBER 26, 2013 – 1 pm</u>
Annual TFFR investment review
Annual RIO budget and expense report
Legislative update
Education: Fiduciary duties/ethics

<u>OCTOBER 24, 2013 – 1 pm</u>
2013 actuarial valuation report – Segal
GASB - Segal
Annual TFFR program audit report
Annual TFFR Ends and Statistics
Legislative update

<u>JANUARY 23, 2014 – 1 pm</u>
2015 Legislative planning
Annual pension plan comparisons
– 2013 Public Pension Survey
Annual Retirement Trends Report
Education: Open records/meetings

<u>MARCH 27, 2014 – 1 pm</u>
2015 legislative planning
Approve bills for interim LEBPC study
Education: Employer reporting overview

<u>APRIL 24, 2014 – 1 pm</u>
Legislative update
Annual Technology Review
2014-15 board calendar and work plan
Education:

05/09/13

ND Retirement and Investment Office

Teachers' Fund for Retirement
State Investment Board

1930 Burnt Boat Drive
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Telephone 701-328-9885
Toll Free 800-952-2970
Fax 701-328-9897
www.nd.gov/rio

2013-14 Board Meetings for the Teachers' Fund for Retirement Board State Investment Board & State Investment Board Audit Committee

July – 2013
25th Teachers' Fund for Retirement Board, State Capitol Peace Garden Room, 1:00 p.m.
26th State Investment Board, State Capitol, Peace Garden Room, 8:30 a.m.

August – 2013
23rd State Investment Board, State Capitol, Peace Garden Room, 8:30 a.m.

September – 2013
26th Teachers' Fund for Retirement Board, State Capitol, Ft. Totten Room, 1:00 p.m.
27th State Investment Board, State Capitol, Peace Garden Room, 8:30 a.m.
State Investment Board Audit Committee, State Capitol, Peace Garden Room, 1:00 p.m.

October – 2013
24th Teachers' Fund for Retirement Board, State Capitol, Peace Garden Room, 1:00 p.m.
25th State Investment Board, State Capitol, Peace Garden Room, 8:30 a.m.

November – 2013
22nd State Investment Board, State Capitol, Peace Garden Room, 8:30 a.m.
22nd State Investment Board Audit Committee, State Capitol, Peace Garden Room, 1:00 p.m.

January – 2014
23rd Teachers' Fund for Retirement Board, State Capitol, Peace Garden Room, 1:00 p.m.
24th State Investment Board, State Capitol, Peace Garden Room, 8:30 a.m.

February – 2014
28th State Investment Board, State Capitol, Peace Garden Room, 8:30 a.m.
28th State Investment Board Audit Committee, State Capitol, Peace Garden Room, 1:00 p.m.

March – 2014
27th Teachers' Fund for Retirement Board, State Capitol, Peace Garden Room, 1:00 p.m.
28th State Investment Board, State Capitol, Peace Garden Room, 8:30 a.m.

April – 2014
24th Teachers' Fund for Retirement Board, State Capitol, Peace Garden Room, 1:00 p.m.
25th State Investment Board, State Capitol, Peace Garden Room, 8:30 a.m.

May – 2014
23rd State Investment Board, State Capitol, Peace Garden Room, 8:30 a.m.
23rd State Investment Board Audit Committee, State Capitol, Peace Garden Room, 1:00 p.m.

June – 2014
27th State Investment Board, State Capitol, Peace Garden Room, 8:30 a.m.

Fiduciary Standards

for Pension Plan Trustees

1. Trustees must perform in the interest of plan participants and beneficiaries.
2. Trustees must provide benefits to plan participants and beneficiaries and maintain reasonable administrative expenses.
3. Trustees must act in a prudent manner.
4. Trustees must diversify investments to minimize risk.

If not met, could result in suit and/or loss of tax privilege.

B. Program Ends

Exhibits

Policy Type: TFFR Ends

Policy Title: Mission

The mission of TFFR, a trust fund, is to advocate for, develop, and administer a comprehensive retirement program for all trust fund members within the resources available.

TFFR Board Adopted: May 25, 1995.

Policy Type: TFFR Ends

Policy Title: Goals

Investment and Funding Goals:

1. Improve the Plan's funding status to protect and sustain current and future benefits.
2. Minimize the employee and employer contributions needed to fund the Plan over the long term.
3. Avoid substantial volatility in required contribution rates and fluctuations in the Plan's funding status.
4. Accumulate a funding surplus to provide increases in retiree annuity payments to preserve the purchasing power of their retirement benefits.

Service Goals:

1. Administer accurate, prompt, and efficient pension benefits program.
2. Deliver high quality, friendly service to members and employers.
3. Provide educational outreach programs including pre-retirement seminars and individual benefits counseling sessions.

TFFR Board Adopted: May 25, 1995.
Amended: August 29, 1996; March 6, 1998; September 23, 1999; January 25, 2001, September 21, 2006, March 15, 2012.

Policy Type: TFFR Ends

Policy Title: Plan Beneficiaries

TFFR beneficiaries are:

1. **Plan Members:**

   a. Active – all persons who are licensed to teach in North Dakota and who are contractually employed in teaching, supervisory, administrative, or extracurricular services:

      - Classroom teachers
      - Superintendents, assistant superintendents, county superintendents
      - Business managers
      - Principals and assistant principals
      - Special teachers
      - Superintendent of Public Instruction, professional employees of Dept. of Public Instruction and Dept. of Career and Technical Education, unless transferred to North Dakota Public Employees Retirement System (NDPERS)
      - Professional or teaching staff of Center for Distance Education, Youth Correctional Center, School for the Blind and School for the Deaf.
      - Other persons or positions authorized in state statutes

   b. Annuitants – All persons who are collecting a monthly benefit:

      - Retirees
      - Disabilitants
      - Survivors/Beneficiaries

   c. Inactive members:

      - Vested
      - Nonvested

2. **Employers:**

   a. School districts, special education units, vocational centers, County superintendents, Regional Education Associations (REA)

   b. State institutions and agencies defined in state statutes

   c. Other TFFR participating employers

TFFR Board Adopted: May 25, 1995.
Amended: July 27, 2000; July 24, 2003, September 20, 2007.

Policy Type: TFFR Ends

Policy Title: Actuarial Funding Policy Statement

Introduction

The purpose of this Actuarial Funding Policy is to record the funding objectives and policy set by the Board of Trustees (Board) for the North Dakota Teachers' Fund for Retirement (TFFR). Effective with the July 1, 2013 actuarial valuation, the Board establishes this Actuarial Funding Policy to help ensure the systematic funding of future benefit payments for members of TFFR. The contributions made to TFFR are set by statute. These statutory contributions will be compared to the contributions determined under the funding policy in order to assess the appropriateness of the statutory contributions. Based upon this comparison, the Board will decide what action to take, if any. The employer contribution determined under the funding policy is called the actuarially determined employer contribution (ADEC). In addition, this document records certain guidelines established by the Board to assist in administering TFFR in a consistent and efficient manner.

This Actuarial Funding Policy supersedes any previous Actuarial Funding Policies and may be modified as the Board deems necessary.

Goals of Actuarial Funding Policy

1. To achieve long-term full funding of the cost of benefits provided by TFFR;
2. To seek reasonable and equitable allocation of the cost of benefits over time;
3. To maintain a policy that is both transparent and accountable to the stakeholders of TFFR, including plan participants, employers, and residents of the State of North Dakota.

Actuarially Determined Employer Contribution and Funding Policy Components

TFFR's actuarially determined employer contribution is comprised of the Normal Cost and an amortization of the Unfunded Actuarial Accrued Liability (UAAL). The Normal Cost and the amortization of the UAAL are determined by the following three components of this funding policy:

I. Actuarial Cost Method: the techniques to allocate the cost/liability of retirement benefits to a given period;

II. Asset Smoothing Method: the techniques that spread the recognition of investment gains or losses over a period of time for the purposes of determining the Actuarial Value of Assets used in the actuarial valuation process; and

III. Amortization Policy: the decisions on how, in terms of duration and pattern, to reduce the difference between the Actuarial Accrued Liability and the Actuarial Value of Assets in a systematic manner.

Policy Type: Policy Ends

Policy Title: Actuarial Funding Policy Statement

I. Actuarial Cost Method:

The Entry Age Normal method shall be applied to the projected benefits in determining the Normal Cost and the Actuarial Accrued Liability. The Normal Cost shall be determined as a level percentage of pay on an individual basis for each active member.

II. Asset Smoothing Method:

The investment gains or losses of each valuation period, as a result of comparing the actual market return to the expected market return, shall be recognized in level amounts over 5 years in calculating the Actuarial Value of Assets. Deferred investment gains or losses cannot exceed 20% of the Market Value of Assets (i.e., the Actuarial Value of Assets cannot be more than 120%, nor less than 80%, of the Market Value of Assets as of any valuation date).

III. Amortization Policy:

- The UAAL, (i.e., the difference between the Actuarial Accrued Liability and the Actuarial Value of Assets), as of July 1, 2013, shall be amortized over a "closed" 30-year period. In other words, the UAAL as of July 1, 2014 shall be amortized over 29 years, the UAAL as of July 1, 2015 shall be amortized over 28 years, etc.
- Beginning with the July 1, 2024 valuation, the Board shall have the discretion to continue the "closed" amortization period, or instead to amortize the UAAL over another period, not to exceed 20 years.
- Any new UAAL as a result of change in actuarial assumptions or methods will be amortized over a period equal to the amortization period of the UAAL. The Board shall have the discretion to amortize the new UAAL as a result of change in actuarial assumptions or methods over a period of 20 years.
- Unless an alternative amortization period is recommended by the Actuary and accepted by the Board based on the results of an actuarial analysis, the increase in UAAL as a result of any plan amendments will be amortized over a period not to exceed 20 years.
- In a situation where the amortization of the UAAL has more than one component, a single equivalent amortization period will be determined by the Actuary.
- UAAL shall be amortized as a level percentage of payroll so that the amortization amount in each year during the amortization period shall be expected to be a level percentage of covered payroll, taking into consideration the current assumption for general payroll increase.
- If an overfunding exists (i.e., the UAAL becomes negative so that there is a surplus), such surplus and any subsequent surpluses will be amortized over an "open" amortization period of 30 years. Any subsequent UAAL will be amortized over 20 years as the first of a new series of closed period UAAL amortization.

Actuarial Assumptions Guidelines

The actuarial assumptions directly affect only the timing of contributions; the ultimate contribution level is determined by the benefits and the expenses actually paid offset by actual investment returns. To the extent that actual experience deviates from the assumptions, experience gains and losses will occur. These gains (or losses) then serve to reduce (or increase) the future contribution requirements.

Actuarial assumptions are generally grouped into two major categories:

- Demographic assumptions – including rates of termination, retirement, disability, mortality, etc.

- Economic assumptions – including investment return, salary increase, payroll growth, inflation, etc.

The actuarial assumptions are described in detail in the actuarial valuation report. They represent the Board's best estimate of anticipated experience under TFFR and are intended to be long term in nature. Therefore, in developing the actuarial assumptions, the Board considers not only past experience but also trends, external forces and future expectations.

Actuarial experience studies are completed every five years or at the Board's direction.

Glossary of Funding Policy Terms

- **Present Value of Benefits (PVB) or total cost**: the "value" at a particular point in time of all projected future benefit payments for current plan members. The "future benefit payments" and the "value" of those payments are determined using actuarial assumptions as to future events. Examples of these assumptions are estimates of retirement patterns, salary increases, investment returns, etc. Another way to think of the PVB is that if the plan has assets equal to the PVB and all actuarial assumptions are met, then no future contributions would be needed to provide all future service benefits for all current members, including future service and salary increases for current active members.

- **Actuarial Cost Method:** allocates a portion of the total cost (PVB) to each year of service, both past service and future service.

- **Normal Cost:** the cost allocated under the Actuarial Cost Method to each year of active member service.

- **Entry Age Normal Actuarial Cost Method:** A funding method that calculates the Normal Cost as a level percentage of pay or level dollar amount over the working lifetime of the plan's members.

- **Actuarial Accrued Liability (AAL)**: the value at a particular point in time of all past Normal Costs. This is the amount of assets the plan would have today if the current plan provisions, actuarial assumptions and participant data had always been in effect, contributions equal to the Normal Cost had been made and all actuarial assumptions came true.

- **Market Value of Assets (MVA):** the fair value of assets of the plan as reported in the plan's audited financial statements.

- **Actuarial Value of Assets (AVA):** the market value of assets less the deferred investment gains or losses not yet recognized by the asset smoothing method.

- **Unfunded Actuarial Accrued Liability (UAAL):** the portion of the AAL that is not currently covered by the AVA. It is the positive difference between the AAL and the AVA.

- **Surplus:** the positive difference, if any, between the AVA and the AAL.

- **Actuarial Value Funded Ratio:** the ratio of the AVA to the AAL.

- **Market Value Funded Ratio:** the ratio of the MVA to the AAL.

- **Actuarial Gains and Losses:** changes in UAAL or surplus due to actual experience different from what is assumed in the actuarial valuation. For example, if during a given year the assets earn more than the investment return assumption, the amount of earnings above the assumption will cause an unexpected reduction in UAAL, or "actuarial gain" as of the next valuation. These include contribution gains and losses that result from actual contributions made being greater or less than the level determined under the policy.

- **Valuation Date:** July 1 of every year.

TFFR Board Adopted: March 21, 2013

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS.

The North Dakota Teachers' Fund for Retirement (TFFR) is a pension benefit plan that was established in 1913 to provide retirement income to all public school and certain state teachers and administrators in the state of North Dakota. The plan is administered by a seven member Board of Trustees comprised of five active and retired members of the fund appointed by the Governor of North Dakota and two elected officials - the State Treasurer and the State Superintendent of Public Instruction.

The plan is a multi-employer defined benefit public pension plan that provides retirement, disability, and death benefits in accordance with Chapter 15-39.1 of the North Dakota Century Code (NDCC). Monthly retirement benefits are based on the formula: Number of Years of service X 2.0% X Final Average Salary. Adjustments to the basic formula are made depending on the retirement option selected.

Funding is provided by monthly employee and employer contributions scheduled to increase as follows:

	7/1/11	7/1/12	7/1/14
Employee	7.75%	9.75%	11.75%
Employer	8.75%	10.75%	12.75%

Employee and employer contributions will be reduced to 7.75% each when TFFR reaches 90% funded level on an actuarial value basis.

The TFFR Board has an actuarial valuation performed annually and an Experience Study and Asset Liability Study performed every five years. The current actuarial assumed rate of return on assets is 8.0%. Key plan and financial statistics are recorded in the most recent valuation report on file at the North Dakota Retirement and Investment office (RIO).

2. FUND GOALS

The Plan benefits are financed through both statutory employer and employee contributions and the investment earnings on assets held in the Fund. The TFFR Board recognizes that a sound investment program is essential to meet the pension obligations.

As a result, the Fund goals are to:

- Improve the Plan's funding status to protect and sustain current and future benefits.
- Minimize the employee and employer contributions needed to fund the Plan over the long term.

- Avoid substantial volatility in required contribution rates and fluctuations in the Plan's funding status.
- Accumulate a funding surplus to provide increases in retiree annuity payments to preserve the purchasing power of their retirement benefit.

The Board acknowledges the material impact that funding the pension plan has on the State/School District's financial performance. These goals affect the Fund's investment strategies and often represent conflicting goals. For example, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The Board places a greater emphasis on the strategy of improving the funding status and reducing the contributions that must be made to the Fund, as it is most consistent with the long-term goal of conserving money to apply to other important state/local projects.

3. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB).

The TFFR Board is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent investor rule. Under this rule, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, who must establish written policies for the operation of the investment program, consistent with this investment policy.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing criteria, procedures, and making decisions with respect to hiring, keeping, and terminating money managers. SIB investment responsibility also includes selecting performance measurement services, consultants, report formats, and frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

4. RISK TOLERANCE

The Board is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to finance the pension benefits promised to plan participants.

However, funding the pension promise in an economical manner is critical to the State/School Districts ability to continue to provide pension benefits to plan participants. Thus, the Board actively seeks to lower the cost of funding the Plan's pension obligations by taking on risk for which it expects to be compensated over the long term. The Board understands that a prudent investment approach to risk taking can result in periods of under-performance for the Fund in which the funding status may decline. These periods, in turn, can lead to higher required contribution rates. Nevertheless, the Board believes that such an approach, prudently implemented, best serves the long-run interests of the State/School District and, therefore, of plan participants.

5. INVESTMENT OBJECTIVES

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB

1) The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2) The fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.

3) The risk adjusted performance of the fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

6. POLICY ASSET MIX

Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates. After consideration of all the inputs and a discussion of its own collective risk tolerance, the Board approves the appropriate policy asset mix for the Fund.

Asset Class	Policy Target (%)	Rebalancing Range (%)
Global Equity	57	46-65
Domestic Equity	31	26-36
Large	24	20-28
Small	7	4-10
International Equity	21	16-26
Developed	17	12-22
Emerging	4	2-6
Private Equity	5	4-8
Global Fixed Income	22	16-28
Domestic Fixed	17	13-21
Investment Grade	12	10-18
Non-Investment Grade	5	3-7
International Fixed	5	3-7
Developed	5	3-7
Emerging		0-3
Global Real Assets	20	12-28
Global Real Estate	10	5-15
Other	10	0-15
Infrastructure		0-10
Timber		0-7
Commodities		0-5
Inflation Linked-Bonds		0-10
Other Inflation Sensitive Strategies		0-5
Global Alternatives		0-10
Cash	1	0-2

While the Board recognizes fluctuations in market values will lead to short-term deviations from policy targets, the Board does not intend to engage in tactical asset allocation. Allocations to Global Alternatives will result in pro-rata reduction in the policy targets.

7. RESTRICTIONS

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers
c. No transaction shall be made which threatens the tax exempt status of the Fund.
d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
e. No unhedged short sales or speculative margin purchases shall be made.

f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

1) The cost does not exceed the fair market value at the time of investment.

2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar task.

3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.

4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

8. INTERNAL CONTROLS

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

9. EVALUATION AND REVIEW

Investment management of the Fund will be evaluated against the Fund's investment objectives. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the TFFR Board periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including but not limited to:

1) A list of the advisory services managing investments for the board.
2) A list of investments at market value, compared to previous reporting period, of each fund managed by each advisory service.

3) Earnings, percentage earned, and change in market value of each fund's investments.
4) Comparison of the performance of each fund managed by each advisory service to other funds under the board's control and to generally accepted market indicators.
5) All material legal or legislative proceedings affecting the SIB.
6) Compliance with this investment policy statement.

TFFR Board Adopted: May 25, 1995.
Amended: November 30, 1995; August 21, 1997; July 15, 1999; July 27, 2000; September 18, 2003; July 14, 2005; September 21, 2006; September 20, 2007; October 27, 2011.

Approved by SIB: November 18, 2011

Policy Type: TFFR Ends

Policy Title: Membership Data and Contributions

Ensure the security and accuracy of the members' permanent records and the collection of member and employer contributions from every governmental body employing a teacher.

Accordingly, the administrative means will be to:

1. Retain member documents applicable to the retirement program.

2. Safeguard TFFR database files.

3. Protect the confidential information contained in member files.

4. Collect the member and employer contributions from the employers based on retirement salary earned by the member.

5. Monitor the employer reporting process including the timely filing of information, consistency of month-to-month data, and changes in the employer payment of member assessments.

6. Review the individual member data, salary, and service credit for accuracy.

7. Post and validate the data received from the employer to the individual accounts.

8. Mail annual statements to every member.

9. Summarize the teacher data reported and notify the employers of the year-to-date information.

10. Ensure that individuals employed as "teachers" in North Dakota school districts, political subdivisions, and state institutions are reported to TFFR in compliance with the North Dakota Century Code (NDCC).

11. Provide publications and reporting instructions to employers on TFFR.

12. Transfer member and employer contributions to the investment program in a timely manner.

Policy Type: TFFR Ends

Policy Title: Membership Data and Contributions

Monitoring (Method, Responsibility, Frequency)

1. Internal Report

    a. Disclosure of compliance to the board from RIO's internal auditors. The Internal Audit (IA) program is designed to review the districts on a five-year cycle.

    b. Compliance for individual accounts is monitored through internal audits of staff compliance with state laws, rules, board policy, and procedures.

2. External Report

    a. Disclosure of compliance to the board by RIO's external auditors as a part of the annual audit.

    b. Disclosure of compliance to members through annual statements.

TFFR Board Adopted: May 25, 1995.
Amended: July 18, 2002, September 20, 2007.

Policy Type: TFFR Ends

Policy Title: Member Services

Provide direct services and public information to members of TFFR.

Accordingly, the administrative means will be to:

1. Enroll, update, maintain, and certify all member accounts.

2. Respond to member inquiries on the retirement program.

3. Provide statewide benefits counseling services to members through one-on-one sessions.

4. Make group presentations and distribute information at conferences and conventions throughout the state.

5. Coordinate and conduct preretirement and financial planning programs for members on a statewide basis.

6. Certify eligibility for TFFR benefits and purchase of service credit.

7. Calculate and process claims for refund, retirement, disability, survivor, and Qualified Domestic Relations Order (QDRO) benefits, as well as claims for purchasing credit.

8. Permit members to change designated beneficiaries in the event of life occurrences identified in the administrative rules.

9. Close retirement accounts of deceased teachers.

10. Develop and distribute information to the members on the retirement program and related topics through newsletters, annual reports, member handbooks, brochures, and retirement planning guides/workbooks.

11. Maintain a website for TFFR information to provide members with a greater variety of access methods.

Policy Type: TFFR Ends

Policy Title: Member Services

Monitoring (Method, Responsibility, Frequency)

1. Internal Report

   a. Disclosure of compliance to the board through internal audits on compliance with laws, rules, and policies.

   b. Periodic presentations by staff at board meetings.

2. External Report

   a. Receive annual reports from leadership of groups representing the plan's beneficiaries.

   b. RIO's annual audit by independent auditor.

   c. Written and oral communication with board members from teachers regarding payment and processing of benefit claims.

TFFR Board Adopted: May 25, 1995.
Amended: July 27, 2000; July 24, 2003, September 20, 2007.

Policy Type: TFFR Ends

Policy Title: Account Claims

Ensure the payment of claims to members of TFFR.

Accordingly, the administrative means will be to:

1. Pay retirement benefits based on a presumed final salary for members retiring upon completion of their teaching contract and whose final salary has not been reported to TFFR.

2. Allow teachers receiving an annuity from TFFR to have payroll deductions subtracted from their monthly benefit, including, but not limited to: health, life, and other insurance premiums payable to NDPERS, North Dakota Retired Teachers Association (NDRTA) dues, North Dakota Education Association (NDEA) Retired dues, and federal and North Dakota income tax withholdings.

3. Distribute payments for benefit claims (annuities, PLSOs, refunds, and rollovers) once per month. Distributions including payments made by Electronic Funds Transfer (EFT) will be mailed on the last working day of the previous month payable on the first working day of each month.

4. Distribute special payments for benefit claims in the event of unforeseen circumstances (i.e. death, QDRO, Court Order).

5. Send new account notices and account change notices to retired members.

Monitoring (Method, Responsibility, Frequency)

- Internal Report
  - Disclosure of compliance to the board through internal audits on compliance with laws, rules, and policies.
  - Periodic presentations by staff at board meetings.
- External Report
  - Disclosure of compliance to the board through annual audit by RIO auditors.

TFFR Board Adopted: May 25, 1995.
Amended: July 27, 2000; July 24, 2003.

Policy Type: TFFR Ends

Policy Title: Trust Fund Evaluation/Monitoring

Ensure actuarial consulting and accounting services are provided to the retirement program. The TFFR Board of Trustees will select the independent actuary for consulting and actuarial purposes and direct a contract be executed by the Deputy Executive Director.

Accordingly, the administrative means will be to:

1. Have an annual actuarial valuation (July 1 to June 30) performed on the retirement program. The valuation must be performed by an independent actuary who is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems. The valuation must be prepared in accordance with principles of practice prescribed by the Actuarial Standards Board. The calculations must be performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the system.

2. Have an actuarial review or audit of TFFR's actuarial valuation performed at least every five years by an independent actuary. The review should include an evaluation by an independent actuary, other than the one who performs the plan's actuarial valuation, for the purposes of expressing an opinion on the reasonableness or accuracy of the actuarial assumptions, actuarial cost methods, valuation results, contribution rates and certifications as described above.

3. Have an actuarial experience study performed on TFFR every five years. The experience study should include a review of demographic and economic assumptions and compare to actual experience. The study should analyze plan experience relating to assumed rates of mortality, disability, retirement, employment turnover, investment returns and other cost factors.

4. Have an asset liability study performed on TFFR every five years. The study should identify the optimal distribution of funds among the various asset classes that offers the highest probability of consistently achieving investment objectives within the confines of a predetermined level of risk. Projected changes in active and retired membership should also be considered.

5. Prepare financial statements in accordance with generally accepted accounting principles for defined benefit public pension plans.

6. Have a financial audit conducted annually in accordance with generally accepted auditing standards (as established by the AICPA) by an independent auditor.

7. Receive an unqualified opinion by the independent auditor regarding the audited financial statements.

8. Perform internal audits on the retirement program which provide the board with reasonable assurance that TFFR is being administered in compliance with federal and state laws, administrative rules, board policy, and established procedures.

Monitoring (Method, Responsibility, Frequency)

1. Internal Report

   - Disclosure of compliance to the Board through periodic presentations by staff at board meetings.

2. External Report

   - Disclosure of compliance to the Board through annual audit and actuarial reports.

TFFR Board Adopted: May 25, 1995.
Amended: July 27, 2000, September 23, 2010

Exhibit B-I

Plan Characteristics

The Teachers' Fund for Retirement (TFFR) was established in 1913 to provide retirement income to public educators. TFFR is a qualified defined benefit public pension plan covered under Section 401(a) of the Internal Revenue Code (IRC). The NDCC Chapter 15-39.1 contains the actual language governing the Fund and is supplemented by Title 82 of the North Dakota Administrative Code (NDAC).

The 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 benefits program is administered through the Retirement and Investment Office (RIO) according to this Statement of Retirement Policy.

TFFR's funds are invested under the direction of the State Investment Board (SIB) following the "Prudent Investor Rule." The investments must be invested exclusively for the benefit of the TFFR members. Four of the TFFR Board members serve as voting members on the 11-member SIB.

TFFR Board Adopted: May 25, 1995.
Amended: July 1, 1997, September 23, 2010.

Exhibit B-II

Teachers' Fund for Retirement Responsibilities

1. Establish policies for the administration of the TFFR programs.

2. Submit legislation, monitor the statutory responsibilities of the TFFR programs as outlined in the NDCC, and promulgate Administrative Rules.

3. Establish and monitor actuarial assumptions used to value the retirement plan and to conduct periodic valuations.

4. Establish and monitor retirement benefit and service program goals.

5. Establish and monitor policy for investment goals, objectives, and asset allocation for the fund.

6. Communicate and monitor program expectations with the SIB.

TFFR Board Adopted: May 25, 1995.

Exhibit B-III

SIB Responsibilities

To provide the staff and resources to carry out the **Ends** of the retirement program through RIO.

TFFR Board Adopted: May 25, 1995.

Exhibit B-IV

Asset Allocation Definitions

Global Equity

Definition

Investment represents an ownership claim on the residual assets of a company after the discharge of all senior claims such as secured and unsecured debt.

Public Equity

Public equity is traded on a national exchange. Includes common stock, preferred stock, convertible to stock, options, warrants, futures and other derivatives on equities or composites of equities, exchange-traded funds and equity-linked notes, units and partnership shares representing ownership interests in an underlying equity investment.

Private Equity

Private equity represents equity or equity linked securities in operating companies that are not publicly traded on a stock exchange.

Types of investment strategies:

- *Leveraged buyout (LBO)* – Acquisition of a company with the use of financial leverage
- *Growth capital* – Investment in mature companies looking for capital to expand, restructure, enter new markets
- *Venture capital* – Investment in typically less mature companies, for launch, early development, or expansion
- *Mezzanine* – Subordinated debt/preferred equity used to reduce amount of equity capital required to finance LBOs
- *Distressed* – Equity securities of financially stressed companies
- *Secondaries* – Investment in existing private equity assets

Types of structures:

- *Direct investment* – Direct purchase of equity securities of a private company
- *Co-investments* – Investments in equity securities of a private company alongside the manager of a direct fund
- *Direct fund* – Pool of capital formed to make direct investments
- *Fund-of-funds* – Pool of capital formed to make investments in direct funds

Strategic Role

- High long-term real returns
- Hedge against active (pre-retirement) liabilities
- Private equity enhances total portfolio return as a tradeoff for illiquidity

Characteristics

Public Developed Markets

- Relatively high returns (long-term)
- Relatively high volatility (standard deviation of returns)
- Relatively high liquidity
- Diversification
- Currency adds to volatility but can be hedged, which mutes the diversification benefits

Public Emerging Markets

- Higher expected returns due to economic growth potential
- Liquidity risk is significant
- High volatility
- FX markets not sufficiently developed to hedge currency risk
- Limited access to markets
- Market information less abundant than for developed markets

Private Equity

- Illiquid, long-term time horizon (7-12 year closed-end partnerships)
- Quality of the managers selected is the key determinant of success
- High volatility of returns compensated by higher expected returns
- Encompasses three stages: fundraising, portfolio construction and investment, exit and return realization

Risks

Public Equity

- *Absolute risk* – Possible magnitude of price decline
- *Liability hedging risk* – Risk that assets will not increase when liabilities increase
- *Regulatory risk* – Changes may adversely affect markets
- *Tax risk* – Changes may adversely affect markets
- *Liquidity risk* – Difficulty trading securities under adverse market conditions
- *Firm specific risk* – Unique risks associated with a specific firm
- *Tracking risk* – Magnitude of performance deterioration from a benchmark
- *Time horizon* – Horizon too short to weather cycles
- *Benchmark risk* – Benchmark not appropriate proxy
- *Market risks* – Price decline

- *Currency risk* – Unanticipated changes in exchange rate between two currencies

Private Equity

- *Liquidity risk* – Absence of liquidity and appropriate exits could significantly increase time horizon
- *Firm specific risk* – Unique risks associated with a specific firm
- *Leverage risk* – Historical excess use of leverage and current inability to secure financing may adversely affect LBOs
- *Manager selection risk* – Selecting managers that fail to deliver top performance results
- *Diversification risk* – Inability to properly diversify the portfolio by vintage year, industry groups, geography
- *Tax risk* – Changes may adversely affect markets
- *Regulatory risk* – Changes may adversely affect markets
- *Strategy risk* – Continuing applicability of investment strategy in context of capital flows
- *Market risks* – Price decline

Global Fixed Income

Definition

Investment represents a legal obligation between a borrower and the lender with a maturity in excess of one year. Evidence of indebtedness and securities that evidence an ownership interest in debt obligations that are issued, insured, guaranteed by, or based on the credit of the following: companies, governmental entities or agencies, banks and insurance companies. Includes agency and non-agency mortgage-backed securities, collateralized mortgage obligations, commercial mortgage-backed securities, asset-backed securities, private placements, and options, futures or other derivatives on fixed income securities or components of fixed income.

Strategic Role

- Diversification within a multi-asset class, total return portfolio
- Hedge against a long duration accrued liability
- Current income
- Non-U.S. provides hedge against unanticipated domestic inflation and diversification to U.S. assets

Characteristics

- Medium volatility asset class
- Relatively high liquidity
- Broadly diversified by market sector, quality, and maturity
- A large currency component exists within international fixed income returns
- Developed markets are extremely liquid. Many issues of less developed markets are also relatively liquid.

Risks

- *Duration risk* – Price volatility from a change in overall interest rates
- *Convexity risk* –Negative convexity is the risk of price declines being greater than the price increase due to interest rates moving equally up versus down
- *Default or credit risk* – The uncertainty surrounding the borrower's ability to repay its obligations
- *Structure risk* – Risk that arises from the options implicit in bonds (like call ability and sinking funds) or the rules that govern cash flow differ from expectations
- *Sector risk* – Risk of holding sectors that are in different proportions than the benchmark
- *Liquidity risk* – Cost of trading in a security which is reflected in the bid-ask spread or the cost of selling due to cash flow needs
- *Reinvestment risk* – The uncertainty surrounding future yield opportunities to invest funds which come available due to call, maturities, or coupon payments
- *Benchmark risk* – Risk of the benchmark being inappropriate
- *Yield curve risk* – Price changes induced by changes in the slope of the yield curve
- *Currency risk* – The risk of currency movements vs. the dollar for each market. Currency may contribute greatly to return and lower correlation.

<u>Global Real Assets</u>

Definition

Investment represents an ownership interest in real return assets that provide inflation hedging characteristics in periods of unanticipated inflation. Includes inflation-linked securities, private or public real estate equity or equity-linked investments, private or public real estate debt, infrastructure, timber, real asset mezzanine debt or equity, non-fixed assets and other opportunistic investments in real assets.

Strategic Role

- Reduces risk of composite multi-asset portfolios through diversification
- Relatively low correlations to traditional asset classes
- Can serve as a possible inflation hedge during periods of high inflation
- Provides an attractive return relative to fixed income asset class in periods of low to moderate inflation
- Infrastructure provides inflation protection as he revenues of the underlying assets are typically linked to CPI
- Potential for high returns in niche opportunities

Characteristics

Real Estate

- *Risk* – Volatility of private real estate falls between publicly-traded debt and publicly-traded equities
- *Returns* – Nominal returns are expected to fall between equities and fixed income
- *Illiquidity* – Transactions require a significantly longer period to execute than other asset classes
- *Inefficient Market* – Information affecting real estate asset valuation and market trading is not rapidly, accurately, or efficiently reflected or interpreted in its pricing

Infrastructure

- *Long life assets* – Capital intensive assets with 25 to 99 year concessions, match for liability duration
- *Inflation protection* – Revenues typically linked to CPI
- *Monopoly or quasi monopoly* – High barriers to entry due to scale and capital cost
- *Steady and predictable cash flow* – Produce strong and Predictable yields
- *Low correlation* – Provides portfolio diversification, low beta
- *Inelastic demand* – Predictable demand with little volatility, less susceptibility to economic downturns
- *Limited commodity risk* – Not subject to commodity pricing
- *Insensitive to changes in technology* – Low risk of redundancy or technology obsolescence
- Investments are usually illiquid and involve a long (10 to 20 year) holding period

Timberland

- *Return* – Low correlation with other asset classes, returns stem from four distinct sources: biological growth, timber prices, land values and management strategy
- *Income* – Driven almost entirely by the sale of harvested mature trees

- *Appreciation* – Driven by increased volume and value on timber and
  appreciation of underlying land
- Categorized by type of land (e.g. plantation, natural forest), type of tree (e.g., hardwood, softwood), country and region

Risks

Real Estate

- *Property type risks* – Negative changes in demand/supply conditions by property type (e.g., office, industrial, retail, lodging, mixed-use, multi-family)
- *Location risks* – Local market condition relative to the adverse changes surrounding a property, or in discovery of hazardous underlying conditions, such as toxic waste
- *Tenant credit risks* – Failure by a tenant to pay what is contractually owed
- *Physical/functional obsolescence* – Negative influences on buildings due to technological changes, outdated layout and design features, and physical depreciation
- *Interest rate risk* – Higher rates can negatively impact both sales strategies and leveraged properties at refinancing
- *Reinvestment risk* – In a declining rental rate market, cash flow received may not be reinvested at the same level
- *Business cycle risk* – As economies slow down, there may be less demand for space
- *Inflationary risk* – Rent levels may not always keep up with rising operating expense levels
- *Illiquidity* – Inability to effectively liquidate a property into cash
- *Natural disaster risk* – Weather, floods, earthquake
- Regulatory concerns are critical, especially in emerging markets
- Capital and managerial intensive

Infrastructure

- *Leverage* – Deals with leverage between 40% and 80% can transform low risk assets into risky investments. Changes in the credit environment alter refinancing risk.
- *Market inefficiencies* – Competitive auctions lead to overpaying. There is a limited history and track record in the U.S. infrastructure space.
- *Political and headline risk* – Public acceptance and understanding of infrastructure needs to expand. In addition, the political landscape in every state and municipality differs.
- *Regulatory risk* – Regulated assets are subject to government changes
- *Construction and development* – Project overruns and delays should be shared with construction partners. Volume/demand risk for new developments can vary.

- *Labor issues* – Greenfield projects could generate new jobs while the privatization of brownfield assets could eliminate skilled labor members
- *Asset control* – Stipulations via concession agreements limit some management control (pricing, growth, decision approvals, etc.). Asset control needs to be appropriately priced.
- *Firm specific risk* – Unique risks are associated with specific firm

Timberland

- *Liquidity risk* – Liquidity is thin, marketplace characterized by few buyers and sellers, transactions are complicated and can take many months to execute
- *Valuation risk* – Annual appraisal process can lead to disparities between carrying value and realized sales prices during downturns
- *Physical risk* – Subject to losses from natural and human-caused events such as fire, insect and vermin infestations, disease, inclement weather, and theft
- *Political and regulatory risk* – Environmental regulations can restrain or prohibit timberland management activities
- *Leverage* – Can amplify volatility and potentially lead to an inability to refinance properties or lead to a distressed sale, requires a minimum level of generated income
- *Location risks* – Real estate dispositions may also be impacted by weakness in local residential real estate markets

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Global Alternatives

Definition

Investment has a distinct return/risk factor profile as compared to other specified broad asset class groupings. Examples: Low market exposure/absolute return strategies such as market neutral, and other niche strategies with low asset class beta such as insurance-linked investments, volatility, intellectual property, healthcare royalty, litigation finance and fine art.

Strategic Role

- More robust diversification achieved through the introduction of non- traditional return drivers/risk factors
- Low or negative correlations to other asset classes
- Return profile less dependent on economic growth and interest rates
- Potential for attractive risk-adjusted returns

Characteristics

- *Returns* – Exhibits lower correlations to broader equity and credit markets in periods of market distress
- *Illiquidity* – Transactions may require a longer period to execute than other asset classes
- *Inefficient Market* – Information affecting asset valuation and market trading may not be accurately or efficiently reflected or interpreted in its pricing

Risks

- *Market risk* – Cost of carry on being long volatility
- *Natural disaster risk* – Weather, floods, earthquake affect natural catastrophe-based insurance-linked products
- *Due diligence* – Complicated to evaluate and monitor
- *Illiquidity* – Transactions may require a longer period to execute than other asset classes
- *Implementation* – Complexity of implementation may be an impediment

TFFR Board Adopted: January 24, 2013

C. Program Policies

Policy Type: TFFR Program

Policy Title: Board Agenda

It shall be the policy of the TFFR Board of Trustees that any individual or organization who desires to appear on the agenda of a scheduled meeting should notify the Deputy Executive Director/Retirement Officer in writing at the administrative office ten working days prior to the meeting date. Subject to approval by the Board President, the individual will be placed on a board meeting agenda.

TFFR Board Adopted: March 27, 1977.
Amended: July 16, 1998; November 18, 1999, September 25, 2008.

Policy Type: TFFR Program

Policy Title: Board Meetings

It shall be the policy of the TFFR Board of Trustees to conduct a minimum of six board meetings each year. Meetings will be scheduled for the day preceding the SIB meetings beginning in July of each year.

Special board meetings may be called in accordance with NDCC 15-39.1-06.

Eligible TFFR Board members will be paid for a full day for each board or committee meeting attended that lasts for two or more hours at the rate provided in NDCC 15-39.1-08, hereafter referred to as the payroll amount. Meetings lasting less than two hours will be compensated at one half the payroll amount. Mileage and travel expense reimbursement will be paid as provided in NDCC 44-08-04 and 54-06-09 for attending board or committee meetings.

TFFR Board Adopted: May 27, 1993.
Amended: July 16, 1998, September 22, 2011.

Policy Type: TFFR Program

Policy Title: Board Members' Code of Conduct

The following shall be the Code of Ethical Responsibility for the TFFR Board of Trustees:

1. Board members owe a duty to conduct themselves so as to inspire the confidence, respect, and trust of the TFFR members and to strive to avoid not only professional impropriety, but also the appearance of impropriety.

2. Board members shall perform the duties of their offices impartially and diligently. Board members are expected to fulfill their responsibilities in accord with the intent of all applicable laws and to refrain from any form of dishonest or unethical conduct. Board members shall be unswayed by partisan interest, public sentiment, or fear of criticism.

3. Conflicts of interest and the appearance of impropriety shall be avoided by Board members. Board members shall not allow their family, social, professional, or other relationships to influence their judgment in discharging their responsibilities. Board members shall refrain from financial and business dealings that tend to reflect adversely on their impartiality or interfere with the proper performance of their duties. If a conflict of interest unavoidably arises, the board member shall immediately disclose the conflict to the Board. Conflicts of interest to be avoided include, but are not limited to: receiving consideration for advice given to a person concerning any matter over which the board member has any direct or indirect control, acting as an agent or attorney for a person in a transaction involving the board, and participation in any transaction for which the board member has acquired information unavailable to the general public, through participation on the board.

   "Conflict of interest" means a situation in which a board member has a direct and substantial personal or financial interest in a matter which also involves the member's fiduciary responsibility.

4. The Board shall not unnecessarily retain consultants. The hiring of consultants shall be based on merit, avoiding nepotism and preference based upon considerations other than merit that may occur for any reason, including prior working relationships. The compensation of such consultants shall not exceed the fair value of services rendered.

5. Board members shall abide by NDCC 21-10-09, which reads: "No member, officer, agent, or employee of the state investment board shall profit in any manner from transactions on behalf of the funds. Any person violating any of the provisions of this section shall be guilty of a class A misdemeanor."

6. Board members shall perform their respective duties in a manner that satisfies their fiduciary responsibilities.

7. Political contributions are regulated under NDCC 16.1-08-03 and are not restricted under this ethics policy.

8. All activities and transactions performed on behalf of public pension funds must be for the exclusive purpose of providing benefits to plan participants and defraying reasonable expenses of administering the plan.

9. Prohibited transactions. Prohibited transactions are those involving self-dealing. Self-dealing refers to the fiduciary's use of plan assets or material, non-public information for personal gain; engaging in transactions on behalf of parties whose interests are adverse to the plan; or receiving personal consideration in connection with any planned transaction.

10. Violation of these rules shall result in an official reprimand from the TFFR Board. No reprimand shall be issued until the board member has had the opportunity to be heard by the Board.

11. Board members are required to affirm their understanding of this policy annually, in writing, and must disclose any conflicts of interest that may arise.

12. RIO Deputy Executive Director is required to affirm his/her understanding of RIO Administrative Policy – Code of Conduct for RIO Employees – annually, in writing, and must disclose any conflicts of interest that may arise.

TFFR Board Adopted: September 15, 2005.
Amended: September 22, 2011.

Policy Type: TFFR Program

Policy Title: Deductions from Annuity Checks

It shall be the policy of the TFFR Board of Trustees to allow retirees and beneficiaries receiving annuity payments to have payroll deductions subtracted from their monthly payments.

To initiate, change, or stop a deduction, the retiree must notify the administrative office in writing at least ten working days prior to the date the monthly benefit is issued. All deductions withheld will be forwarded to the appropriate entity within three working days after the first of the month or as required by federal/North Dakota state law. Authorization forms are to be kept on file at the administrative office.

The following deductions are available to retirees and beneficiaries receiving monthly annuity benefits:

- Health, life, and other insurance premiums payable to the NDPERS.
- Annual dues payable to the NDRTA and the NDEA Retired organization.
- Federal and North Dakota income tax withholdings.
- Court ordered payments including child support orders, Qualified Domestic Relations Orders (QDRO), IRS tax levies, federal garnishments, and other court ordered payments, subject to approval by the Attorney General's office.

Additional deductions may be added upon approval by the board.

TFFR Board Adopted: May 27, 1993.
Amended: July 16, 1998; March 23, 2000, September 25, 2008.

Policy Type: TFFR Program

Policy Title: Disclosure to Membership

It shall be the policy of the TFFR Board of Trustees that member handbooks, member statements, and financial reports be prepared and made available for TFFR members.

- Member Handbooks (Summary Plan Descriptions)

A member handbook will be developed and will include information about membership, contribution rates, service credit, benefit provisions for service retirement, disability retirement, and survivor benefits, eligibility for benefits, and how to apply for benefits. The handbook will be updated within 6 months of adoption of any significant legislative changes made to the plan.

Members will be notified in writing that the member handbook is available on the RIO website.

- Member Statements

All active and inactive members will be mailed a statement to their home within six months of fiscal year end reporting the status of their member account as of June 30 of the current year. The information to be reported annually will include: member's name, address, personal identification number, date of birth, beneficiary on file, value of account, retirement salary reported for current year, service credit earned during the current year, accumulated service credit, date of eligibility for unreduced benefits, retirement benefit estimate, and other information pertinent to the teacher's account.

All retired members and beneficiaries receiving monthly benefits will be mailed a statement to their home annually. The information will include: retired member's name, address, personal identification number, beneficiary on file, value of account, accumulated service credit, retirement date, retirement option, benefits received life-to-date, current monthly benefit, and adjustments to benefit (if applicable).

- Annual Financial Report

An annual financial report will be published within six months following every fiscal year end. The report will include financial, actuarial, and investment information about the plan. It will available on the RIO website, and can be provided to any TFFR member, benefit recipient, or the public upon request.

TFFR Board Adopted: July 16, 1998.
Amended: July 18, 2002, September 20, 2007, September 23, 2010.

Policy Type: TFFR Program

Policy Title: Employer Payment Plan Models

The TFFR board has developed models relating to employer payment of member contributions. The models are outlined in employer instructions prepared by the fund. Special provisions apply to state agencies and institutions, and employers that have not adopted a model.

Employers must select the employer payment plan model under which they will pay member assessments on a form provided by the administrative office. The model selected by the employer can only be changed once each year at the beginning of the fiscal year.

Effective July 1, 2003, employers may no longer select Model 3. Any employers currently paying member contributions under this model may continue as a closed group, but Model 3 will no longer be available to other employers.

Effective July 1, 2007, the portion of member contributions deducted from the member's salary can be made on a tax deferred basis for state agencies and institutions (Model 4).

Effective July 1, 2012, the portion of member contributions deducted from the member's salary can be made on a tax deferred basis under all models (Model 1, 2, 3, 4).

TFFR Board Adopted: July 16, 1998.
Amended: March 13, 2003; September 22, 2011.

Policy Type: TFFR Program

Policy Title: Employer Reporting Errors

It shall be the policy of the TFFR Board of Trustees that when an unintentional error in the reporting of retirement contributions by a school district is discovered during an audit or other review, the following policy shall be in effect:

- The school district will be billed for all material shortages due plus interest or refunded for all material overpayments.
- The interest charged to the school district shall be the actuarial assumption for earnings of the trust.
- The time period shall be from the onset of the error or three years prior to the beginning of the current school year.
- Failure of the school district to pay the required shortages or provide required information will constitute "failure to make required reports and payments" and require application of section 15-39.1-23, NDCC.
- The TFFR board reserves the right to negotiate with a school district in special situations.

If, as the result of an audit or other review, the participating employer is found not to be in compliance with NDCC 15-39.1:

- The employer must respond in writing to the audit finding(s) and/or recommendation(s) within 30 days of the report.
- NDRIO will conduct a follow-up review of the audit finding(s) and/or recommendation(s) one year following the date of the report.

TFFR Board Adopted: February 22, 1996.
Amended: July 16, 1998; January 24, 2002; April 15, 2004; July 14, 2005; September 20, 2007.

Policy Type: TFFR Program

Policy Title: Employer Reports

It shall be the policy of the TFFR Board of Trustees to require all employer units to report the collection and payment of member and employer contributions on a monthly basis to the RIO. Both payment and report must be postmarked or sent via the internet by the 15th day of the month following the end of the reporting period. Employer reports must be in a format approved by the TFFR board and may be submitted in one of the following ways: 1) manual – paper reports, 2) electronically – diskettes, 3) internet.

The administrative office will monitor late TFFR reports and payments by employers. Employers that do not meet the established deadlines for filing required reports shall be assessed a civil penalty as required in NDCC 15-39.1-23 unless the Deputy Executive Director/Retirement Officer approves a request for a waiver of the penalty under special circumstances such as:

- Death, surgery, or illness of the individual responsible for TFFR reports or their family.
- "Acts of God" that require an employer to close school such as blizzards, storms, or floods.
- Unforeseen events such as resignation of the individual responsible for TFFR reports, computer malfunction, etc.

The request for a waiver must be in writing and signed by the administrator.

In all late situations, member and employer contributions will be collected from the employer at the earliest date possible. Employers cooperating with TFFR to resolve the late filing of a report shall not have their state apportionment money (foundation payments) withheld, but will be assessed interest as required in NDCC 15-39.1-23.

TFFR Board Adopted: August 29, 1996.
Amended: July 16, 1998; November 18, 1999; March 22, 2001; September 20, 2007.

Policy Type: TFFR Program

Policy Title: Head Start Program Employees

It shall be the policy of the TFFR Board of Trustees that employees of a Head Start Program (which is not a U.S. Department of Education Program) who are certified to teach and contracted with a school district or other participating employer, are members of TFFR if the following conditions are met:

- Grantee agency for the Head Start Program is the school district which is governed by the local school board.
- Head Start Program employees are on the school district teaching or administrative faculty in positions such as coordinator, director, teacher, or home visitor.
- Head Start Program employees are on the school district salary schedule and negotiate for salary and benefits like other school district teaching faculty.

TFFR Board Adopted: November 20, 1997.

Policy Type: TFFR Program

Policy Title: Information Dissemination

It is the policy of the TFFR Board of Trustees to allow member and employer interest groups and other approved third parties to send specific information to the TFFR membership using a "blind mailing" method. The information to be mailed and third party organization must be approved by the RIO Deputy Executive Director in advance. Member and employer interest groups include, but are not limited to, North Dakota Council of Educational Leaders (NDCEL), NDEA, NDRTA, and North Dakota School Boards Association (NDSBA).

Under the "blind mailing" method, the third party must submit information or materials they wish to send to TFFR members. The third party must sign an agreement that they will not use the mailing to engage in partisan political activities.

If approved, the third party will forward the materials to an independent mailing company approved by TFFR. The mailing company must sign a "no disclosure" agreement with TFFR.

TFFR will then supply membership mailing information to the mailing company. The mailing company will combine the material from the third party with the mailing list and send to TFFR members. The cost of the mailing will be paid by the third party.

TFFR Board Adopted: July 15, 1999.
Amended: November 15, 2001.

Policy Type: TFFR Program

Policy Title: Level Income Option

It shall be the policy of the TFFR Board of Trustees to allow members who select the level income retirement option:

1. To level to age 62 or normal retirement age (including any fractional age from age 65 to 67.

2. To combine the level income option with the service retirement options offered (single life annuity, 100% and 50% joint and survivor, 10 and 20 year term certain and life annuity).

3. To reduce a member's retirement benefit the second month following the month the member reaches age 62 or normal retirement age.

4. To apply postretirement legislative benefit increases to the teacher's non-level income monthly retirement benefit.

TFFR Board Adopted: May 29, 1997.
Amended: July 16, 1998; July 24, 2003.

Policy Type: TFFR Program

Policy Title: Military Service Credit

It shall be the policy of the TFFR Board of Trustees that a teacher purchasing military service be credited with a full year of credit if the service was rendered for at least 175 school days or a period of nine months within any fiscal year.

TFFR Board Adopted: December 5, 1980.
Amended: July 16, 1998.

Policy Type: TFFR Program

Policy Title: Outreach Program Facilities

It shall be the policy of the TFFR Board of Trustees that school district facilities used for TFFR outreach programs must meet ADA requirements. In addition, authorized school district employees must be present to direct guests to the proper meeting room and lock the building at the close of the program. RIO employees who are conducting outreach programs for TFFR members are not allowed to be in school district buildings without the presence of an administrator, teacher, or other authorized school district employee.

RIO staff will not be able to conduct outreach programs at that site if the above conditions are not met.

TFFR Board Adopted: April 22, 1999.

Policy Type: TFFR Program

Policy Title: Payment of Benefits

It shall be the policy of the TFFR Board of Trustees to distribute payments for benefit claims (annuities, refunds/rollovers) once per month. Distributions will be mailed on the last working day of the previous month payable on the first working day of each month.

In order for a teacher to assure receipt of a benefit payment on the first working day of the month, the required information and forms must be filed with the administrative office at least ten working days prior to the distribution date.

The Deputy Executive Director/Retirement Officer may authorize special payments to pay benefit claims due to unforeseen circumstances that delay the processing of the claim.

Payments to a teacher approved for a refund/rollover will include all contributions and interest paid by a teacher for the purchase and repurchase of service credit. This is in addition to the entitled refund of member contributions plus interest. The Deputy Executive Director/Retirement Officer may waive the 120-day waiting period for refunds/rollovers based on necessary documentation.

TFFR Board Adopted: May 27, 1993.
Amended: July 6, 1998; November 18, 1999; September 20, 2007; September 22, 2011.

Policy Type: TFFR Program

Policy Title: PERS Retirement Plan Election (DPI & CTE)

NDCC 15-39.1-09(3) allows new employees of the Department of Public Instruction (DPI), who are eligible for TFFR coverage and hired after January 6, 2001, excluding the State Superintendent of Public Instruction, to elect to become participating members of ND Public Employees Retirement System (PERS).

NDCC 15-39.1-09(4) allows new employees of the Department of Career and Technical Education (CTE) who are eligible for TFFR coverage and hired after July 1, 2007, to elect to become participating members of PERS.

It is the policy of the TFFR Board of Trustees to allow the PERS retirement plan election by eligible new DPI and CTE employees under the following guidelines:

1) Any new employee who is required to participate in TFFR under NDCC 15-39.1-04(11)(b) and who is entered onto the payroll of DPI after January 6, 2001 (except the Superintendent of Public Instruction), or CTE after July 1, 2007, is eligible to make the election to become a participating member of NDPERS.

2) If eligible, the new employee must complete the "NDPERS/TFFR Membership Election" form within ninety days of hire. Until this election is made, the employee will be enrolled in the NDPERS retirement plan. If no election is made, the employee will be transferred to TFFR.

3) If the new employee is a former DPI employee or is retired from DPI and receiving TFFR benefits, the employee must have a one-year break in service to be eligible to elect participation in PERS. If the new employee is a former CTE employee or is retired from CTE and receiving TFFR benefits, the employee must have a one-year break in service to elect participation in PERS.

4) If the new employee is a TFFR retiree (but not a former DPI or CTE employee), the retiree may elect participation in PERS upon date of hire. The retiree is not subject to the one-year waiting period and is not subject to the TFFR retiree annual hours limit.

TFFR Board Adopted: January 25, 2001.
TFFR Board Amended: September 20, 2007

Policy Type: TFFR Program

Policy Title: Retirement Benefit Payments

It is the policy of the TFFR Board of Trustees that new retirees will have their initial retirement benefit payment calculated using either estimated or final salary and service credit information:

- Estimated salary and service credit information

  The member's initial retirement benefit is calculated using 90% of the estimated current year salary for final average salary calculation purposes. If the final information reported by the employer is different than the estimated information, the member's monthly retirement benefit will be adjusted retroactive to the member's retirement date. Using estimated information allows a member to begin receiving retirement benefits sooner, but results in correction of benefits at a later date retroactive to the member's retirement date.

- Finalized salary and service credit information

  The member's retirement benefit is calculated using finalized current year salary and service credit information. After salary, service credit, and last date of employment are reported by the employer and verified by TFFR, the member's retirement benefit is calculated and claim is processed. Using finalized information delays a member's first retirement benefit payment, but when payment is made, it is retroactive to the member's retirement date.

Under all circumstances, if any change or error in the records of TFFR or a participating employer or if any calculation results in a member receiving more or less in benefits than the member is entitled to receive, TFFR will correct the error and adjust the benefit (NDCC 15-39.1-31 and 32).

TFFR Board Adopted: March 15, 2007

Policy Type: TFFR Program

Policy Title: Travel

It is the policy of the TFFR Board of Trustees that the Board President is authorized, in consultation with the RIO Deputy Executive Director, to grant approval for travel outside of the continental United States by TFFR board members and to keep the board informed on travel requests.

TFFR Board Adopted: September 27, 2001.

Policy Type: TFFR Program

Policy Title: Voiding Checks

It shall be the policy of the TFFR Board of Trustees to void any uncashed benefit checks for the payment of retirement, disability, survivor, and refund benefits after six months. Should the payee request payment after six months, the RIO will re-issue a check, but without additional interest.

TFFR Board Adopted: November 21, 1996.
Amended: July 16, 1998.

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TFFR Board Adopted: May 25, 1995.
Amended: August 21, 1997; November 18, 1999; September 20, 2007; September 25, 2008; September 23, 2010; September 22, 2011.

Chapter 1 – Authority

Section 1-1. The Board of Trustees, hereafter referred to as "board," has the authority to set policy for the Teachers' Fund for Retirement (TFFR) under North Dakota Century Code (NDCC), sections 15-39.1-05.1, 15-39.1-05.2, 15-39.1-06, 15-39.1-07, and 15-39.1-08.

1-1-1. NDCC, section 15-39.1-05.1 states:

a. "The governor shall appoint, from a list of three nominees submitted to the governor by the North Dakota Education Association, two board members who are actively employed in full-time positions not classified as school administrators. A board member appointed under this subdivision who terminates employment may not continue to serve as a member of the board.

b. The governor shall appoint, from a list of three nominees submitted to the governor by the North Dakota Council of Educational Leaders, one board member who is actively employed as a full-time school administrator. A board member appointed under this subdivision who terminates employment may not continue to serve as a member of the board.

c. The governor will appoint, from a list of three nominees submitted to the governor by the North Dakota Retired Teachers Association, two board members who are the retired members of the fund.

d. The state treasurer and the superintendent of public instruction."

1-1-2. NDCC, section 15-39.1-05.2 states, "The board:

1. Has the powers and privileges of a corporation, including the right to sue and be sued in its own name. The venue of all actions to which the board is a party must be Burleigh County.

2. Shall establish investment policy for the trust fund under section 21-10-02.1. The investment policy must include:

a. Acceptable rates of return, liquidity, and levels of risk; and

b. Long-range asset allocation targets.

3. Shall arrange for actuarial and medical consultants. The board shall cause a qualified, competent actuary to be retained on a consulting basis. The actuary shall:

   a. Make a valuation of the liabilities and reserves of the fund and a determination of the contributions required by the fund to discharge its liabilities and pay administrative costs;

   b. Recommend to the board rates of employer and employee contributions required, based upon the entry age normal cost or other accepted actuarial method, to maintain the fund on an actuarial reserve basis;

   c. Once every five years make a general investigation of the actuarial experience under the fund including mortality, retirement, employment turnover, and other items required by the board;

   d. Recommend actuarial tables for use in valuations and in calculating actuarial equivalent values based on the investigation provided for in subdivision c; and

   e. Perform other duties assigned by the board.

4. May pay benefits and consultant fees as necessary which are hereby appropriated from the fund.

5. Shall submit to the legislative council's employee benefits programs committee any necessary or desirable changes in statutes relating to the administration of the fund.

6. Shall determine appropriate levels of service to be provided to members, including benefits counseling and preretirement programs.

7. Shall, through resolution, inform the state investment board, which is the administrative board of the retirement and investment office, the levels of services, goals, and objectives expected to be provided through the retirement and investment office."

Chapter 1 – Authority (continued)

1-1-3. NDCC, section 15-39.1-06 states, "The board may hold meetings as they may be necessary for the transaction of business and a meeting may be called by the president or any two members of the board upon reasonable notice to the other members of the board."

1-1-4. NDCC, section 15-39.1-07 states, "...the board may adopt such rules as may be necessary to fulfill the responsibilities of the board."

Section 1-2. The basis for NDCC, Chapter 15-39.1, can be found in State Law 1971 Chapter 1984.

Section 1-3. The board is responsible for carrying out the provisions of the NDCC, Chapters 15-39, 15-39.1, and 15-39.2.

Chapter 2 – Board of Trustees

Section 2.1. The board will have general charge of the retirement plan of TFFR, subject to law, administrative rules and regulations, and these by-laws. The board will make such policy as necessary to fulfill this obligation. Policy and program services will be communicated to the State Investment Board by resolution.

Section 2-2. Vacancies which may occur among the appointed members of the board will be filled by the Governor of the state, and the appointee will complete the term for which the original member was selected.

Section 2-3. The board will elect its own officers at its first meeting following July 1 of each year.

Section 2-4. The board will promulgate rules and regulations as prescribed in NDCC, section 28-32-03, for the administration of the retirement plan.

Section 2-5. The board will select three of its members to serve on the SIB and one member to serve as alternate on the SIB.

Section 2-6. The board will develop an annual board calendar which will include board education topics.

Chapter 3 – Officers and Duties

Section 3.1. The officers of the board will be the President, Vice President, Executive Director, and Deputy Executive Director/Retirement Officer. The President and Vice President will be elected by the board immediately following July 1 of each year and will hold office for one year or until their successors are elected and qualified. A vacancy occurring with the President or Vice President will be filled by the board at the first meeting of the board following the vacancy. The Executive Director and Deputy Executive Director/Retirement Officer will not be voting members of the board.

Section 3-2. **President.** The President will preside at all meetings of the board. The President will be an ex officio member of all board committees created from time to time. The President will approve the board meeting agenda, and with the Deputy Executive Director/Retirement Officer and Executive Director execute all instruments required to be executed on behalf of the fund, and will perform such other duties as may be imposed by the board.

Section 3-3. **Vice President.** The Vice President will perform the duties of the President in his/her absence.

Section 3-4. **Executive Director.** The Executive Director will be hired by the SIB, serve in an unclassified position at that board's pleasure, and will be paid such salary as the SIB determines.

3-4-1. The Executive Director oversees planning, supervising, and directing overall RIO programs in accordance with the SIB governance policies and state laws and rules.

3-4-2. The Executive Director administers the investment program of RIO and performs related work as assigned by the SIB.

3-4-3. The Executive Director directs the preparation and execution of the RIO budget and legislative agenda and evaluates and monitors financial and operational programs.

3-4-4. The Executive Director represents RIO, promotes RIO programs, and has the authority and responsibility to carry out the day-to-day administrative duties for RIO.

3-4-5. The Executive Director attends all meetings of the SIB and TFFR Board.

3-4-6. The Executive Director hires the Deputy Executive Director/ Retirement Officer and other staff as necessary to carry out the responsibilities of RIO.

Chapter 3 – Officers and Duties (continued)

Section 3-5. **Deputy Executive Director – Retirement Officer.** The Deputy Executive Director/Retirement Officer will be hired by the Executive Director, serve in an unclassified position at the Executive Director's pleasure, and will be paid such salary as the Executive Director determines.

3-5-1. The Deputy Executive Director/Retirement Officer assists the Executive Director in planning, supervising, and directing overall RIO programs in accordance with the SIB governance policies and state laws and rules and represents the Executive Director in his/her absence.

3-5-2. The Deputy Executive Director/Retirement Officer administers the retirement program in accordance with governing statutes and board policies established by the TFFR board and performs related work as assigned by that board.

3-5-3. The Deputy Executive Director/Retirement Officer develops annual and long-range plans for the board. He/she interprets state and federal law, which governs the retirement program and develops administrative rules, policies, and procedures necessary to administer the program.

3-5-4. The Deputy Executive Director/Retirement Officer represents the TFFR board on retirement program issues.

3-5-5. The Deputy Executive Director/Retirement Officer works as a team with the TFFR board, interest groups, legislative committees, actuarial consultants, legal counsel, and others to administer the retirement program.

3-5-6. The Deputy Executive Director/Retirement Officer will assist in the formulation of RIO's budget, including staffing needs, program costs, operating costs, and information technology requirements to assure that retirement program obligations are met.

3-5-7. The Deputy Executive Director/Retirement Officer is the custodian of the books, records, and files of TFFR. He/She will attend all meetings of the TFFR board, is responsible for board meeting minutes, required notices, procedures of the board, and applicable rules and regulations of the fund.

3-5-8. The Deputy Executive Director - Retirement Officer will keep a correct roster of the membership of the fund, the salaries paid to each member for service as a teacher, when and what teachers are dropped or withdrawn from the fund, and records of all pensions paid.

3-5-9. The Deputy Executive Director - Retirement Officer will process all applications for claims for payment as allowed under state laws in a timely manner.

Chapter 4 – Meetings

Section 4-1. Regular meetings of the board to conduct business are to be held as often as necessary. Notice of all meetings will be made in accordance with NDCC, section 44-04-20.

Section 4-2. Special meetings of the board may be called and held at any time by the President or any two members of the board upon reasonable notice to the other members of the board.

Section 4-3. An annual financial report for the year ending June 30 will be completed by the board. A copy will be filed with the Governor of the state.

Section 4-4. A quorum of four will be necessary to express the will or determination of the board.

Section 4-5. Voting on matters before the board will be by roll call vote. Four votes are required for resolution or action by the board. The minutes will show the recorded vote of each board member.

Section 4-6. All meetings of the board are open to the public.

Section 4-7. A record of proceedings will be kept on all meetings of the board. The record of these proceedings are public documents, and copies will be distributed to the membership or its representatives upon request.

Section 4-8. Public participation during board meetings will be allowed and will be at the discretion of the board President.

Section 4-9. Members of the board, excluding ex-officio members, are entitled to receive compensation and necessary mileage and travel expenses as provided in sections 15-39.1-08, 44-08-04 and 54-06-09 for attending meetings of the board. No member of the board may lose regular salary, vacation pay, vacation or any personal leave, or be denied the right of attendance by the state or political subdivision thereof while serving on official business of the fund.

Section 4-10. Board meetings may be attended in person, or by audio or video conference.

Chapter 5 – Committees

Section 5-1. The board has no standing committees, but may establish ad hoc committees as needed.

Section 5-2. Committee meetings shall be held as often as necessary. Notice of all meetings will be made in accordance with NDCC, section 44-04-20 and shall be open to the public.

Chapter 6 – Rules of Order

Section 6-1. All TFFR meetings will be conducted in accordance with Robert's Rules of Order Newly Revised, except as superseded by these by-laws, board policies, and state law.

Chapter 7 – Administrative Office

Section 7-1. For the purpose of carrying out the day-to-day business of the fund, a central administrative office has been established and will be known as the Retirement and Investment Office (RIO).

Section 7-2. The Executive Director is the administrator of the office.

Section 7-3. The Deputy Executive Director/Retirement Officer will represent the Executive Director in his/her absence.

Chapter 8 – Amendments

Section 8-1. These by-laws of the board may be amended from time to time by a vote in which a majority of the members concur on the amendment and said amendment is not in conflict with existing law.

E. Administrative Code — Title 82

ARTICLE 82-01

GENERAL ADMINISTRATION

CHAPTER 82-01-01
ORGANIZATION OF THE TEACHERS' FUND FOR RETIREMENT

82-01-01-01. Organization of the teachers' fund for retirement.

1. **Organization and administration.**

   a. History. The 1913 legislative assembly created the teachers' insurance and retirement fund by legislation codified as North Dakota Century Code chapter 15-39. This chapter provided a retirement program for public, nonpublic, and certain college teachers. In 1971, the legislative assembly repealed North Dakota Century Code chapter 15-39 and enacted North Dakota Century Code chapter 15-39.1 which created the present teachers' fund for retirement. The 1973 legislative assembly provided for teacher retirement options by enacting North Dakota Century Code chapter 15-39.2. The primary objective of the teachers' fund for retirement is to provide income security to retired teachers.

   b. Board of trustees. A seven-member board of trustees, as established by North Dakota Century Code section 15-39.1-05.1, is responsible for managing the fund.

   c. Qualified tax status of fund.

      (1) Qualified plan. The fund is a qualified employee pension plan under sections 401 and 501 of the Internal Revenue Code of 1986, as amended [U.S.C. title 26].

      (2) Exclusive benefit and purpose. As a qualified employee pension plan, all assets of the fund are held in trust for the exclusive benefit of members and their beneficiaries. Fund assets may not be diverted or used for any purpose other than to provide pension benefits and other incidental benefits allowed by law.

   d. Investment of the fund. The assets of the fund are invested and managed by the North Dakota state investment board. The state investment board invests the fund's assets in accordance with the "prudent investor" rule.

e. Accrued benefits nonforfeitable. Upon plan termination or complete discontinuance of contributions under the fund, the rights of all participants to benefits accrued to the date of such termination or discontinuance will become nonforfeitable to the extent funded.

2. **Description of portion of organization and functions subject to North Dakota Century Code chapter 28-32.**

   a. Overview. The teachers' fund for retirement is an "administrative agency" within the definition of that term under subsection 1 of North Dakota Century Code section 28-32-01.

   b. Rulemaking. North Dakota Century Code section 15-39.1-07 authorizes the board of trustees to adopt rules as may be necessary to fulfill the responsibilities of the board. The board follows the procedures established in North Dakota Century Code chapter 28-32 in adopting rules. The rules adopted by the board implement various statutory provisions set forth in North Dakota Century Code chapter 15-39.1.

   c. Administration. Administration rules for the state retirement and investment office as they pertain to the teachers' fund for retirement are contained in North Dakota Administrative Code title 103.

3. **Inquiries.** General inquiries and questions relating to policies of the board may be addressed to the executive director:

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Executive Director
1930 Burnt Boat Drive
P.O. Box 7100
Bismarck, ND  58502-7100
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History: Amended effective August 1, 1983; November 1, 1985; September 1, 1990; November 1, 1994; January 1, 1998; May 1, 1998; May 1, 2000.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 28-32-02.1

ARTICLE 82-02

DEFINITIONS

CHAPTER 82-02-01
DEFINITIONS

82-02-01-01. Definitions. Unless made inappropriate by context, all words used in this title have the meanings given to them under North Dakota Century Code chapter 15-39.1. The following definitions are not established by statute and apply for the purpose of this title:

1. "Acceptance of benefit" means the benefit payment date that is the first calendar day of each month for benefits paid by paper check or electronic funds transfer to a financial institution.

2. "Account balance" or "value of account" means the member's accumulated contributions or assessments, plus the sum of any member purchase or repurchase payments, plus interest at an annual rate of six percent compounded monthly.

3. "Administrative" means to manage, direct, or superintend a program, service, or school district or other participating employer.

4. "Benefit service credit" means employment service used to determine benefits payable under the fund.

5. "Bonus" means an amount paid to a member in addition to regular contract salary which does not increase the member's base rate of pay, is not expected to recur or continue in future fiscal years, or is not expected to be a permanent salary increase. A bonus is not considered eligible retirement salary and is not subject to payment of member and employer contributions.

   Bonuses include the following:

   a. Recruitment or contract signing payments defined in North Dakota Century Code section 15.1-09-33.1.

   b. Retention, experience, or service-related payments.

c. Early retirement incentive payments, severance payments, or other payments conditioned on or made in anticipation of a member's retirement or termination.

d. Payments made to recognize or reward a member's accomplishments or service.

e. Other special or irregular payments which the board determines to be bonuses using criteria and documentation described in section 82-04-02-01.

6. "Cessation of employment" means severance or termination of employment.

7. "Contributions" means the assessments or payments made to the fund.

8. "Covered employment" means employment as a teacher in a North Dakota state agency, state institution, school district, special education unit, regional education association, or other governing body of a school district.

9. "Eligibility service credit" means employment service used to determine vesting and benefit eligibility for dual members and qualified veterans under the Uniformed Services Employment and Reemployment Rights Act of 1994. Eligibility service credit is not used for benefit calculation purposes.

10. "Extracurricular services" means outside of the regular curriculum of a school district or other participating employer which includes advising, directing, monitoring, or coaching athletics, music, drama, journalism, and other supplemental programs.

11. "Member" is a teacher as defined in North Dakota Century Code section 15-39.1-04 who is a participant in the fund.

12. "Participating employer" means the employer of a teacher, including a North Dakota state agency, state institution, school district, special education unit, area career and technology center, regional education association, or other governing body of a school district who contributes to the teachers' fund for retirement.

13. "Performance or merit pay" means an amount paid to a member pursuant to a written compensation plan or policy that links a member's compensation to attainment of specific performance goals and duties. The specific goals, duties, and performance measures under which performance pay is expected to be made must be determined in advance of the performance period and documented in writing. Performance or merit pay may be in addition to regular salary or may replace regular salary increases. Performance or merit pay is

considered eligible retirement salary and subject to payment of member and employer contributions, unless the teachers' fund for retirement board determines the payments are ineligible salary using criteria and documentation described in section 82-04-02-01.

14. "Plan year" means the twelve consecutive months commencing July first of the calendar year and ending June thirtieth of the subsequent year.

15. "Referee" means all sporting and nonsporting event judges and officials, including referees, umpires, line judges, scorekeepers, timekeepers, ticket takers, ushers, and other judges or officials.

16. "Salary reduction or salary deferral amounts under 26 U.S.C. section 125, 132(f), 401(k), 403(b), or 457" means amounts deducted from a member's salary, at the member's option, to these plans. These reductions or deferrals are part of salary when calculating retirement contributions. Employer contributions to plans specified in 26 U.S.C. section 125, 132(f), 401(k), 403(b), or 457 which are made for the benefit of the member will not be counted as retirement salary when calculating retirement contributions. Member contributions paid by the employer under IRC section 414(h) pursuant to a salary reduction agreement do not reduce salary when calculating retirement contributions.

17. "Special teachers" include licensed special education teachers, guidance counselors, speech therapists, social workers, psychologists, librarians, audio visual or media coordinators, technology coordinators, and other staff members licensed by the education standards and practices board provided they are under contract with a school district or other participating employer to provide teaching, supervisory, administrative, or extracurricular services.

18. "Supervisory" means to have general oversight or authority over students or teachers, or both, of a school district or other participating employer.

19. "Teaching" means to impart knowledge or skills to students or teachers, or both, by means of oral or written lessons, instructions, and information.

20. "Vested" means the status attained by a teacher when the teacher has earned three years of service credit for a tier one member or five years of service credit for a tier two member for covered employment in this state.

21. "Written agreement" means a teaching contract, school board minutes, or other official document evidencing a contractual relationship between a teacher and participating employer.

History: Effective September 1, 1990; amended effective May 1, 1992; May 1, 1998; May 1, 2000; May 1, 2004; July 1, 2008; July 1, 2012.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1,15-39.1-04, 15-39.1-07

ARTICLE 82-03

PARTICIPATION

CHAPTER 82-03-01
MEMBERSHIP IN THE FUND

82-03-01-01. Teachers' withdrawal from fund - Refund. When a teacher terminates covered employment, the teacher may claim a refund of assessments paid to the fund during membership. A teacher wishing to claim a refund of assessments must request an application from the administrative office, complete the form, and return it for processing. Once the application has been processed, the refund will be paid the first day of the month following the expiration of one hundred twenty calendar days from the last date of covered employment.

The waiting period may be waived by the board if the teacher produces evidence that the teacher will not be returning to covered employment in North Dakota. The following written evidence is required before the board will grant a waiver:

1. Proof of resignation or nonrenewal of contract;

2. Proof that the teacher's employer has accepted the resignation, i.e., letter or copy of official school board minutes; and

3. Proof that the individual has either accepted noncovered employment or permanently relocated out of state, or a medical statement from a medical doctor attesting to nonemployment during the upcoming school year for medical reasons.

No refund can be issued to a teacher who has terminated a teaching position only for the summer months or for a leave of absence.

History: Effective September 1, 1990; amended effective April 1, 1994; May 1, 1998; May 1, 2000.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-20

82-03-01-02. Nonvested teachers' withdrawal from fund - Refund. Repealed effective July 1, 2008.

82-03-01-03. Termination of participation. A teacher who terminates covered employment and receives a refund of the teacher's account balance forfeits all benefit service credit under the fund.

History: Effective September 1, 1990.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-20

82-03-01-04. Repurchase of forfeited service credit. An individual who has forfeited service credit under section 82-03-01-03 may repurchase such service upon returning to teach or becoming an active dual member in accordance with the following:

1. An active teacher may immediately repurchase forfeited service credit upon returning to TFFR-covered employment. If the repurchase payment is made within five years of returning to teach, the repurchase cost must be the amount withdrawn plus interest.

2. An active member of the public employees retirement system or the highway patrol retirement system may repurchase withdrawn service credit from the fund. If the repurchase is made within five years from the date of initial eligibility or July 1, 1987, the repurchase cost must be the amount withdrawn plus interest.

3. If the repurchase payment is not made within five years, the cost of the remaining service credit will be calculated on an actuarial equivalent basis.

4. The cost may be paid in a lump sum or in installments. Installments may be made monthly, quarterly, semiannually, or annually for up to five years. Interest is charged on the unpaid balance based on the actuarially assumed investment return rate in effect at the time the member signs the installment agreement.

5. If a teacher retires prior to full payment of the repurchase amount, service credit will be granted in proportion to the actual principal payments made or the teacher may elect to make a lump sum payment

to complete the purchase or elect to have the payments included in a refund of the account balance.

6. If a teacher passes away prior to full payment of the repurchase amount, service credit will be granted in proportion to the actual principal payments made or the designated beneficiary may elect to make a lump sum payment to complete the purchase or elect to have the payments included in a refund of the account balance.

History: Effective September 1, 1990; amended effective May 1, 1992; April 1, 1994; May 1, 1998.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-24

82-03-01-05. Purchase of benefit service credit. A teacher may purchase additional eligible benefit service credit in accordance with the following:

1. Out-of-state teaching service at a public, private, or parochial school must be verified by the out-of-state employer or retirement system, or both, where the service was earned.

2. Military service must be verified by submitting military service discharge documents.

3. Professional education organization service must be certified by the teacher's participating employer.

4. Legislative service must be certified by the teacher's participating employer and must indicate the number of uncompensated days and salary information as required by the fund.

5. Government agency service as an administrator or teacher must be verified by the federal agency which employed the teacher.

6. Leave of absence from teaching service must be verified by the employer who granted such leave.

7. Nonpublic teaching service at a North Dakota private or parochial school must be verified by the employer or the retirement system, or both, where the service was earned.

In all cases, the purchase cost must be on an actuarial equivalent basis determined by applying the actuarial factors adopted by the board.

The cost may be paid in a lump sum or in installments. Installments may be made monthly, quarterly, semiannually, or annually for up to five years. Interest is charged on the unpaid balance at the actuarial assumption rate for investment earnings.

If a teacher retires prior to full payment of the purchase amount, service credit will be granted in proportion to the actual principal payments made, or the teacher may elect to make a lump sum payment to complete the purchase or elect to have the payments included in a refund of the account balance.

If a teacher passes away prior to full payment of the purchase amount, service credit will be granted in proportion to the actual principal payments made or the designated beneficiary may elect to make a lump sum payment to complete the purchase or elect to have the payments included in a refund of the account balance.

History: Effective September 1, 1990; amended effective May 1, 1992; April 1, 1994; May 1, 1998; May 1, 2000.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-24

82-03-01-06. Veterans' rights. A member may be entitled to eligibility service credit for military service under the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) [Pub. L. 103-353; 108 Stat. 3150; 38 U.S.C. 4301 et seq.] provided that the member received an honorable discharge and had the member's North Dakota teaching service interrupted by military duty after December 31, 1994. Interruption of service requires the member to enter military service within ninety days of leaving covered teaching employment and reenter covered employment within ninety days of the member's honorable discharge. Notwithstanding the preceding sentence, a member who dies or becomes disabled (under the terms of the plan) while performing USERRA qualified military service on or after January 1, 2007, shall be treated as if the member has resumed employment in accordance with USERRA on the day preceding death or disability and terminated employment on the actual date of death or disability. A member eligible to receive military credit under USERRA will have the service credit recognized for vesting and benefit eligibility purposes.

In addition to having the service credit recognized for vesting and benefit eligibility purposes, at the member's option, a member eligible to receive military credit under USERRA may pay an amount calculated by the fund to allow the credit to be used for benefit calculation purposes. A member may purchase up to five years of military credit and must apply for and complete the purchase prior to retirement. The member must provide a copy of the member's military discharge papers (DD214) as proof of eligibility. The timeframe to purchase military service under USERRA begins with reemployment and is equal to three times the length of the military service but may not exceed five years.

The cost to purchase USERRA military credit for benefit calculation purposes is the member and employer contributions required under North Dakota Century Code section 15-39.1-09 had the member's employment not been interrupted by military service. The member contributions must be applied to the member's annual salary at the time of the military leave. The member contributions must be paid by the member if the employer is withholding contributions under a salary reduction plan. If the employer is paying all of the member contributions in lieu of a salary increase, the employer is responsible for payment of any member contributions owed. If the employer is paying a portion of the member contributions in lieu of a salary increase, both the member and employer are responsible for payment of the member contributions. The employer is required to pay the employer contributions. No interest is charged if the credit is purchased within the timeframe allowed under USERRA.

Effective January 1, 2009, any employee receiving a differential wage payment on account of military service shall be treated as an employee of the employer making the payment and the payment shall be treated as compensation for purposes of calculation of contributions and benefits.

If the credit is not purchased within the USERRA timeframe, the cost becomes the responsibility of the member and six percent interest is charged beginning with the date the USERRA timeframe elapsed.

History: Effective May 1, 1992; amended effective May 1, 1998; May 1, 2000; July 1, 2012.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-24, 15-39.2-01.2; 26 USC 401(a)(37), 26 USC 414(u)(12)(A)

82-03-01-07. Nonrecognition of waived service credit. The teachers' fund for retirement will not recognize for any purpose service credit from another retirement system that the member waived as a result of the member's participation in the public employees retirement system's defined contribution retirement plan.

History: Effective May 1, 2000.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-24

82-03-01-08. Dual membership - Receipt of retirement benefits while contributing to the public employees retirement system or the highway patrolmen's retirement system.

1. Dual members may select one of the following options at retirement eligibility:

   a. Begin receiving retirement benefits from one plan prior to ceasing employment covered by the alternate plan, unless the continued employment is with the same employer.

   b. Begin receiving retirement benefits from one plan and begin work in a job covered by the alternate plan if for a different employer.

   c. Continue participating as a dual member and begin receiving retirement benefits from both plans after ceasing employment.

2. The following limitations apply when a member elects an option under subsection 1:

   a. Eligible service credit may be used for vesting purposes and determining when the dual member may begin drawing normal retirement benefits. A member may begin drawing retirement benefits from one fund and use the same years, and any additional years, for reaching retirement from the alternate fund so long as service credit does not exceed one year in any fiscal year.

   b. If a dual member elects to receive retirement benefits as provided in subdivision a or b of subsection 1, the final average salary, service credit, and member's age used to calculate the benefit that is applicable at the time retirement benefits begin may not be adjusted after the benefit effective date.

   c. The salary used in calculating the retirement benefit must be certified in writing by the alternate retirement system.

History: Effective May 1, 2004.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-10.3

82-03-01-09. Employer service purchase. An employer may elect to purchase up to three years of service credit for an active employee. In order to make the purchase, an employer must develop an employer service purchase program as outlined below:

1. The program must be in writing and meet all the conditions and member eligibility requirements in North Dakota Century Code section 15-39.1-33.

2. The program must be in compliance with the federal Age Discrimination in Employment Act and other federal and state laws.

3. The program must include specific guidelines for determining for whom the employer will purchase service credit.

4. The employer must not give the employee the option of a cash payment in lieu of the employer service purchase.

5. The employer must certify in writing that the program meets the necessary legal requirements prior to making the employer service purchase.

6. The teachers' fund for retirement will provide the purchase price amount to the employer.

7. If the service is purchased, the teachers' fund for retirement will credit the service to the member.

History: Effective May 1, 2004.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-33

ARTICLE 82-04

CONTRIBUTIONS

CHAPTER 82-04-01
CONTRIBUTIONS

82-04-01-01. Employer contributions and member contributions. Employer and member contributions must be paid to the fund administrative office by the fifteenth day of the month following collection of the member contributions.

History: Effective September 1, 1990; amended effective July 1, 2012.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-09

82-04-01-02. Employer payment of member contributions. Section 414(h) of the Internal Revenue Code of 1986, as amended, allows the employer to pay its employees' contributions to a retirement plan. A participating employer that elects to pay the member contributions may reduce the members' current salaries or offset future salary increases by an amount equal to the member contributions paid by the employer. Employer payment of member contributions to the fund is allowed only if the following conditions are satisfied:

1. The participating employer must specify in writing that the contributions are being paid by the employer in lieu of contributions paid by the member.

2. Members must not have the option of choosing to receive the contributed amounts directly instead of having them paid by the participating employer to the retirement fund.

3. All members of a participating employer must be covered by the plan for employer payment of member contributions.

4. All members covered under such a plan must be treated equally.

5. The participating employer's plan to pay member contributions must comply with the fund's "plan for employer payment of member contributions to the fund" or other instructions prepared by the fund.

6. Eligible salary and member and employer contributions paid by the participating employer must be certified by the disbursing official on the required fund reports.

7. Participating employers implementing the plan must report the payment of member contributions to the fund on forms provided by the fund. The employer payment plan must be implemented at the beginning of the fiscal year. The employer payment plan will remain in effect until a notice of cancellation or a new form is filed with the fund.

8. Participating employers must file a new employer payment plan form if:

   a. The employer changes the model or amount of member contributions paid.

   b. The legislative assembly approves a change to the contribution rate.

   c. The teachers' fund for retirement board changes the models.

History: Effective September 1, 1990; amended effective July 1, 2012.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-09

82-04-01-03. Taxation of contributions and benefits. Contributions to the fund by participating employers are not subject to taxation as income or wages under state or federal law. Benefits paid by the fund to a member are subject to taxation as income under state and federal law when distributed.

History: Effective September 1, 1990.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-07, 15-39.1-09(2), 21-10-07

82-04-01-04. Rollover contributions permitted for service purchases. Teachers are permitted to roll over or transfer to the fund any tax-deferred moneys from other eligible retirement plans that meet the requirements of IRC section 402(c) to repurchase refunded service credit and to purchase additional service credit.

The amount rolled over or transferred to TFFR cannot exceed the cost of the credit to be purchased. The transferring trustee or custodian and the teacher must complete authorization forms provided by the fund prior to transfer or rollover. Copies of the original distribution paperwork must be submitted with rollover funds received from a member.

History: Effective September 1, 1990; amended effective May 1, 1998; May 1, 2004.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-24(11)

CHAPTER 82-04-02
ELIGIBLE SALARY DETERMINATIONS

82-04-02-01. Criteria for eligible salary determinations. The teachers' fund for retirement board will consider the following criteria and documentation to determine whether benefits or payments made to a teachers' fund for retirement member is eligible retirement salary as authorized in subsection 9 of North Dakota Century Code section 15-39.1-04:

1. Written authorization made in advance of payment. Examples include:

    a. Master contract or negotiated agreement.

    b. Individual employment contract.

    c. Written agreement between employee and employer.

    d. Minutes of school board or participating employer.

    e. Policy of school board or participating employer.

    f. Other information the board deems relevant.

2. Written documentation describing payment details, including:

    a. Duration of payment or whether payment is recurring or nonrecurring in future years.

    b. Frequency and date of payment.

    c. Relation of payment to base or contract salary.

    d. Reason or intent of payment.

    e. Description of duties or services to be performed.

    f. Description of employees who are eligible for payment.

    g. Amount of payment expressed as either a fixed dollar amount or percentage of known contract amount (not fixed percent of unknown amount).

    h. Funding source for payment.

3. Other pertinent information the board deems relevant. Examples include:

   a. Employee salary history.

   b. Retirement eligibility.

   c. Other information the board deems relevant.

History: Effective July 1, 2012.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-04

ARTICLE 82-05

RETIREMENT BENEFITS

CHAPTER 82-05-01
PROCEDURAL REQUIREMENTS

82-05-01-01. Application for benefits. A member or beneficiary must make written application for benefits on enrollment forms provided by the fund before benefits can be paid. The enrollment form must be signed by the member or beneficiary and notarized or witnessed by a plan representative. The form of payment option selected may not be changed after the first benefit payment has been accepted by the member or beneficiary except as allowed under section 82-05-02-02. If the member dies before accepting the first benefit payment, the member's beneficiary is eligible for death benefits the first day of the month following the member's death.

Retirement benefits may not be issued to a member who has terminated a teaching position only for the summer months or for a leave of absence.

History: Effective September 1, 1990; amended effective April 1, 1994; May 1, 2000; July 1, 2012.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-10, 15-39.1-17

82-05-01-02. Proof of age. A teacher applying for a retirement benefit and each beneficiary entitled to a continuing annuity under the joint and survivor option must provide proof of age. The following documents will be accepted as proof of age: birth certificate, baptismal certificate, passport, or official military record.

History: Effective September 1, 1990.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-10

82-05-01-03. Designation of beneficiary. A member may designate a beneficiary in writing on forms provided by the fund prior to the beginning of benefit payments.

After benefit payments have begun, the member may not change the designated beneficiary, except under the following circumstances:

1. Members who select the single life, five-year term certain and life (option no longer available to new retirees), twenty-year term certain and life, or ten-year term certain and life annuity plans may change their beneficiary at any time.

2. Members who select the one hundred percent joint and survivor or fifty percent joint and survivor annuity plans may only name one beneficiary and may not change their beneficiary after retirement, except under the following circumstances:

   a. If the member's designated beneficiary precedes the member in death; or

   b. If the marriage of a member and the designated beneficiary is dissolved and the divorce decree provides for sole retention of the retirement benefits by the member.

   In these cases, the form of benefits shall automatically revert to the standard form of benefit payment under section 82-05-02-01 and a new beneficiary may be designated. The member, upon remarriage, may designate the new spouse as the primary beneficiary and may elect a joint and survivor benefit option under section 82-05-02-02.

History: Effective September 1, 1990; amended effective April 1, 1994; May 1, 2000; May 1, 2002; May 1, 2004; July 1, 2012.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-04, 15-39.1-16, 15-39.1-17

82-05-01-04. Proof of marriage. Repealed effective May 1, 2000.

82-05-01-05. Benefit eligibility calculation. In determining eligibility for benefits under North Dakota Century Code chapter 15-39.1, the calculations for age and service credit are rounded to the nearest one thousandth (.000).

History: Effective July 1, 2012.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-10, 15-39.1-27

CHAPTER 82-05-02
FORMS OF BENEFIT PAYMENTS

82-05-02-01. Standard form of benefit payments. The standard form of benefit payments under article 82-05 is an annuity payable for the life of the teacher with no survivor annuity.

History: Effective September 1, 1990.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-10

82-05-02-02. Optional forms of benefit payments.

1. A teacher may elect to receive benefits under article 82-05 in any one of the following forms:

   a. A one hundred percent joint and survivor annuity.

   b. A fifty percent joint and survivor annuity.

   c. An annuity payable to the teacher or the teacher's designated beneficiary for the life of the teacher or two hundred forty months, whichever is longer.

   d. An annuity payable to the teacher or the teacher's designated beneficiary for the life of the teacher or one hundred twenty months, whichever is longer.

2. 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 fifty percent joint and survivor option.

3. Benefits under the optional forms of payment must be determined on an actuarially equivalent basis. The teacher's choice of benefit under this section is irrevocable once the teacher has begun receiving benefits except under the following circumstances:

   a. Under the single life, five-year term certain and life (option no longer available to new retirees), twenty-year term certain and life, and ten-year term certain and life annuity options, if a retired teacher marries, that teacher may change that teacher's beneficiary under section 82-05-01-03 and form of benefit payment to a joint and survivor option.

b. Under the one hundred percent joint and survivor and fifty percent joint and survivor annuity options, if a retired teacher's designated beneficiary precedes the teacher in death, or if the marriage of a teacher and the designated beneficiary is dissolved and the divorce decree provides for sole retention of the retirement benefits by the teacher, the form of benefits shall automatically revert to the standard form of benefit payment under section 82-05-02-01 and a new beneficiary may be designated under section 82-05-01-03. The teacher, upon remarriage, may designate the new spouse as the primary beneficiary and may elect a joint and survivor option.

4. The teacher must provide proof of the teacher's good health before the board can permit a change in the designated beneficiary under the joint and survivor options. A medical examination conducted by a licensed medical doctor is required.

5. The teacher is required to provide proof of age for the new beneficiary. The board must adjust the monthly retirement benefit to the actuarially equivalent amount based on the new designated beneficiary's age.

History: Effective September 1, 1990; amended effective April 1, 1994; May 1, 2000; May 1, 2002; May 1, 2004.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-16

82-05-02-03. Level income option. A teacher who retires prior to social security normal retirement age may elect the level income option. This choice of benefit option is irrevocable once the teacher has begun receiving benefits. Under the level income option, the teacher's monthly benefit is adjusted so that the combined benefits received from the fund and social security remain level before, and after, the date social security benefits begin. The adjusted benefit payable from the fund must be determined on an actuarial equivalent basis. A teacher is not eligible for the level income option if the reduced level income benefit is less than two hundred dollars per month.

History: Effective September 1, 1990; amended effective May 1, 2000.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-16

82-05-02-04. Retroactive retirement eligibility. Upon application, a teacher is entitled to receive benefits retroactive to the date of initial eligibility in accordance with the benefit option selected. Teachers may not collect interest on retroactive back benefits.

History: Effective September 1, 1990; amended effective April 1, 1994.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-10, 15-39.1-16

82-05-02-05. Partial lump sum distribution option. A member who is eligible for an unreduced service retirement annuity may receive a portion of the retirement annuity paid in a lump sum distribution as provided in North Dakota Century Code section 15-39.1-16. The lump sum distribution may be paid in a direct rollover as outlined in North Dakota Century Code section 15-39.1-20.

History: Effective May 1, 2004.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-16

CHAPTER 82-05-03
PAYMENT OF BENEFITS

82-05-03-01. When benefit payments begin - Direct deposit. If the teacher terminates covered employment or becomes eligible for retirement benefits within the first fifteen days of the month, retirement benefits are paid beginning the fifteenth day of the month. If a teacher terminates covered employment or becomes eligible for retirement benefits after the first fifteen days of the month, retirement benefits are paid beginning the first day of the following month.

Annuity payments will be directly deposited to a teacher's account in a bank, credit union, savings and loan, or other financial institution provided that the financial institution is an automated clearing house (ACH) financial participant. The teacher must complete the official direct deposit form provided by the fund.

History: Effective September 1, 1990; amended effective May 1, 1998.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-10

82-05-03-02. Death benefits - Proof of death. Death benefits will be paid after proof of the member's death is submitted to the fund office. Proof of death includes a death certificate or other documentation approved by the executive director. If death benefits are required to be paid to the member's estate, documentation naming the administrator or personal representative of the estate must also be submitted to the fund office prior to payment.

History: Effective September 1, 1990; amended effective April 1, 1994; May 1,1998; July 1, 2012.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-17

CHAPTER 82-05-04
ACTUARIAL FACTORS

82-05-04-01. Actuarial factors - Early retirement. In determining early retirement benefits under North Dakota Century Code section 15-39.1-12, the benefits to which a member is entitled shall be reduced 0.5 percent for each month that the early retirement date precedes the first day of the month coincident with or next following the earlier of the member's sixty-fifth birthday or the date at which current service plus the member's age will equal eighty-five for a tier one member or current service plus member's age will equal ninety for a tier two member.

History: Effective September 1, 1990; amended effective May 1, 2000; July 1, 2008.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-16, 15-39.1-24

82-05-04-02. Actuarial factors - Optional payment forms. Under North Dakota Century Code section 15-39.1-16, the actuarial factors used to determine benefit amounts under the optional joint and survivor, term certain and life, partial lump sum and level income forms of annuity payment shall be based on the following actuarial assumptions:

1. Interest rate - 8.00 percent per year, compounded annually.

2. Member's mortality (used for nondisabled members) - a mortality table constructed by blending forty percent of the mortality rates under the 1983 group annuity mortality table for males, without margins, setback four years, with sixty percent of the mortality rates under the 1983 group annuity mortality table for females, without margins, setback three years.

3. Beneficiary's mortality - a mortality table constructed by blending sixty percent of the mortality rates under the 1983 group annuity mortality table for males, without margins, setback four years, with forty percent of the mortality rates under the 1983 group annuity mortality table for females, without margins, setback three years.

4. Disabled member's mortality - a mortality table constructed by blending forty percent of the mortality rates under pension benefit guaranty corporation table Va for disabled males, with sixty percent of the mortality rates under pension benefit guaranty corporation table VIa for disabled females.

In addition, the above actuarial assumptions shall be used to determine actuarial equivalence for other purposes not covered by sections 82-05-04-01, 82-05-04-03, and 82-05-04-04, such as the determination of the reduction to a member's benefit because of the existence of a qualified domestic relations order.

History: Effective May 1, 2000; amended effective May 1, 2004; July 1, 2008.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-16, 15-39.1-24

82-05-04-03. Actuarial factors - Maximum benefits under section 415. In computing the maximum benefits under Internal Revenue Code section 415, as required under North Dakota Century Code section 15-39.1-10.6, the following actuarial assumptions must be used:

1. Interest rate - the interest rate assumption must be the same as the rate that is used in computing actuarially equivalent optional payment forms under section 82-05-04-02 except that:

   a. The interest rate assumption may not be less than five percent for the purposes of converting the maximum retirement income to a form other than a straight life annuity with no ancillary benefits;

   b. The interest rate assumption may not be greater than five percent for the purposes of adjusting the maximum retirement income payable to a member who is over age sixty-five so that it is actuarially equivalent to such a retirement income commencing at age sixty-five; and

   c. The factor for adjusting the maximum permissible retirement income to a member who is less than age sixty-two years so that it is actuarially equivalent to such a retirement income commencing at age sixty-two years shall be equal to the factor for determining actuarial equivalence for early retirement under section 82-05-04-01 or an actuarially computed reduction factor determined using an interest rate assumption of five percent and the mortality assumptions specified in this section (except that the mortality decrement must be ignored if a death benefit at least equal to the single-sum value of the member's accrued benefit would be payable under the fund on behalf of the member if the member remained in service and the member's service was to be terminated by reason of the member's death prior to the member's normal retirement date), whichever factor will provide the greater reduction. The factor for determining actuarial equivalence for early retirement under the fund for any given age below age sixty-two years must be determined by dividing the early retirement adjustment factor that applies under section 82-05-04-01 at such given age by the early retirement adjustment factor that applies under the fund at age sixty-two years. The actuarial adjustment provided in this subdivision does not apply for limitation years beginning after 1994 to income received as a pension, annuity, or similar allowance as a result of a member's disability due to personal injuries or sickness, or amounts received as a result of a member's death by the member's beneficiaries, survivors, or estate.

2. Mortality - the mortality assumptions must be based upon the mortality table prescribed by the secretary of the treasury of the United States pursuant to Internal Revenue Code section 415(b)(2)(E).

History: Effective May 1, 2000; amended effective May 1, 2004.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-16, 15-39.1-24

82-05-04-04. Actuarial factors - Purchase of service. Whenever the North Dakota Century Code permits a member to purchase service on an actuarially equivalent basis, the following actuarial assumptions shall be used:

1. Interest rate - 8.00 percent per year, compounded annually.

2. Mortality rates - the same table specified in section 82-05-04-02 for nondisabled members.

3. Retirement - the member will be assumed to retire at the age at which the member is first eligible for an unreduced retirement benefit. Such unreduced retirement date will be determined taking into account any purchased service and assuming the member continues in full-time covered service.

4. Salary increase rate - Increases are assumed to occur once each year. The following table shows the increase rates indexed by the member's service (excluding any service being purchased):

Nearest Service at the Beginning of the Year	Percentage Increase at End of Year
0	14.00%
1	8.00%
2	7.75%
3	7.50%
4	7.25%
5	7.00%
6	6.75%
7	6.50%
8	6.25%

Nearest Service at the Beginning of the Year	Percentage Increase at End of Year
9	6.00%
10	5.75%
11	5.50%
12	5.50%
13	5.50%
14	5.25%
15 or more	4.50%

History: Effective May 1, 2000; amended effective July 1, 2008.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-16, 15-39.1-24

CHAPTER 82-05-05
DEFERRED RETIREMENT ELIGIBILITY

82-05-05-01. Deferred retirement eligibility. A teacher who is vested and terminates covered employment must apply for deferred retirement benefits on an official agency form.

History: Effective September 1, 1990.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-10, 15-39.1-11

CHAPTER 82-05-06
RETIREE RETURN TO WORK PROGRAM

82-05-06-01. Retiree reemployment reporting requirements. Participating employers and retirees must complete and submit a "TFFR Retired Member Employment Notification" form and a copy of the employment contract within thirty days of the retired member's return to covered employment.

Time spent performing extracurricular duties and attending professional development sessions is excluded from the annual hour limit. Extracurricular duties include those duties outlined in the extracurricular schedule of a participating employer's master agreement, unless the duty was part of the retiree's regular job duties and base salary prior to retirement. Employer and member contributions are required to be paid based on the employer payment plan model. Contributions are calculated on the retirement salary paid to the reemployed retiree, including salary for extracurricular duties and professional development.

Employer and member contributions are required to be paid on salary earned by retirees who perform in-staff subbing duties while under contract with a teachers' fund for retirement participating employer.

Retirees who perform regular substitute teaching duties and are not under contract with that teachers' fund for retirement participating employer are not subject to the annual hour limit and employer and member contributions are not required to be paid.

History: Effective July 1, 2008; amended effective July 1, 2012.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-19.1, 15-39.1-19.2

ARTICLE 82-06

SUSPENSION OF BENEFITS

CHAPTER 82-06-01
SUSPENSION OF BENEFITS

82-06-01-01. Suspension of benefits. Repealed effective May 1, 1998.

82-06-01-02. Participation upon suspension - Prior elections frozen. A teacher who subsequently retires following suspension of benefits is entitled to resume receiving the suspended annuity in accordance with the retirement benefit option previously selected. The retirement option previously selected cannot be modified at the subsequent retirement.

History: Effective September 1, 1990.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-19.1

ARTICLE 82-07

DISABILITY BENEFITS

CHAPTER 82-07-01
DISABILITY RETIREMENT ELIGIBILITY

82-07-01-01. Definitions. The following definitions govern the determination of disability benefits under the fund:

1. "Medical examination" means an examination conducted by a licensed medical doctor or a psychologist that includes a diagnosis of the disability, the treatment being provided for the disability, the prognosis and classification of the disability, and a statement indicating how the disability prevents the individual from performing the duties of a teacher.

2. "Permanent disability" means a condition of "total disability" that is static or deteriorating and the prognosis does not indicate an anticipated recovery from the disability.

3. "Temporary disability" means a condition of "total disability" that is expected to last at least twelve months, but is not considered permanent.

4. "Total disability" means any medically determinable physical or mental impairment that is expected to last for a continuous period of not less than twelve months and results in the individual's inability to perform the duties of a teacher. "Total disability" includes conditions of "temporary disability" and "permanent disability" as defined in this section.

History: Effective September 1, 1990; amended effective May 1, 1998; July 1, 2008.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-18

82-07-01-02. (Effective through June 30, 2013) Disability retirement eligibility. A member, with at least one year of service credit, who has a "total disability" is eligible for disability retirement benefits if the member became totally disabled while employed as a teacher and otherwise complies with the requirements of article 82-07.

(Effective after June 30, 2013) Disability retirement eligibility. A member, with at least five years of service credit, who has a "total disability" is eligible for disability retirement benefits if the member became totally disabled while employed as a teacher and otherwise complies with the requirements of article 82-07.

History: Effective September 1, 1990; amended effective May 1, 1998; July 1, 2012.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-18

82-07-01-03. Determination of disability - Procedures. The following procedures govern the determination of disability benefits under the fund:

1. **Application process.**

    a. Application for disability benefits must be made within thirty-six months from the last date of covered employment on the form provided by the fund. On a case-by-case basis, the board may extend the thirty-six month period.

    b. If the fund member is unable or unwilling to file an application, the member's employer or legal representative may file the member's disability application.

    c. The application must describe the disability, explain the cause of the disability, the limitations caused by the disability, the treatment being followed, the efforts by the employer and the member to implement reasonable accommodations, and the effect of the disability on the individual's ability to perform as a teacher.

    d. Applicants shall be provided information on potential services offered by the office of vocational rehabilitation.

    e. The employer's statement of disability must provide information about the member's sick leave benefits, explain how the disability affects the performance of the teaching duties, include a detailed listing of job duties, and describe efforts to provide reasonable accommodation for the member.

2. **Medical examination process.**

    a. The applicant for disability retirement must provide the fund with medical examination reports.

b. An initial medical examination should be completed by the member's attending or family physician on the medical examination form provided by the fund. If deemed necessary by the fund's medical consultant, an additional examination must be completed by a specialist in the disability involved. Available medical or hospital reports may be accepted in lieu of a medical examination report if deemed acceptable by the fund's medical consultant.

c. The fund is not liable for any costs incurred by the applicant in undergoing medical examinations and completing and submitting the necessary medical examination reports, medical reports, and hospital reports.

d. A medical examination report is not necessary if the applicant provides written proof documenting eligibility for disability benefits under the Social Security Act. In such cases, the applicant is eligible for disability benefits under North Dakota Century Code section 15-39.1-18 without submitting further medical information to the fund but is subject to recertification requirements specified in this chapter.

3. **Medical consultant review.**

a. The fund shall retain a medical doctor to act as its consultant and evaluate and make recommendations on disability retirement applications.

b. The medical consultant shall review all medical information provided by the applicant.

c. The medical consultant shall advise the board regarding the medical diagnosis and whether the condition is a "total disability".

4. **Decision.**

a. The board shall consider applications for disability retirement at regularly scheduled board meetings. The discussion concerning disability applications must be confidential and closed to the general public.

b. The applicant must be notified of the time and date of the meeting and may attend or be represented.

c. The executive director shall provide to the board for its consideration a case history brief that includes membership history, medical examination summary, and the medical consultant's conclusions and recommendations.

d. The board shall make the determination for eligibility at the meeting unless additional evidence or information is needed.

e. The executive director may make an interim determination concerning eligibility for disability retirement benefits when the medical consultant's report verifies that a total disability exists. However, the board must review the interim determination and make a final determination at its next regularly scheduled board meeting unless additional evidence or information is needed.

f. The applicant shall be notified in writing of the decision.

g. If the applicant is determined to be eligible for disability benefits, the disability annuity is payable on, or retroactive to, the first day of the month following the member's last day of paid employment.

h. If the applicant is determined not to be eligible for disability benefits, the executive director shall advise the applicant of the appeal procedure.

5. **Redetermination and recertification.**

a. A disabled annuitant is subject to redetermination and recertification to maintain eligibility. The schedule for redetermination and recertification must be as follows:

(1) Temporary disability. On July first, following the first anniversary date of disability retirement, and every two years thereafter (unless normal retirement is reached). No further recertification is required after the fourth recertification of temporary disability has been filed and accepted. Basis recovery will begin when the member reaches normal retirement age.

(2) Permanent disability. On July first, following the second anniversary date of disability retirement, and five years thereafter unless normal retirement is reached. No further recertification is required after the second recertification of permanent disability has been filed and accepted. Basis recovery will begin when the member reaches normal retirement age.

b. The fund may require additional recertifications, or waive the necessity for a recertification, if the facts warrant this action.

When a member who is drawing disability benefits is also eligible for normal retirement benefits at the time disability benefits commence, recertification will cease according to the following schedule:

Before age 60	Age 65
At or after age 60, before age 65	5 years
At or after age 65, before age 69	Age 70
At or after age 69	1 year

Basis recovery will also begin according to the above schedule.

c. The fund will send a recertification form to the disabled annuitant to be completed and sent back to the fund.

d. The fund may require the disabled annuitant to be reexamined by a doctor at the annuitant's own expense. The submission of medical reports by the member, and the review of those reports by the fund's medical consultant, may satisfy the reexamination requirement.

e. The executive director must make the redetermination and recertification decision and bring the matter to the board only if warranted. The disability annuitant may appeal an adverse recertification decision to the board in the same manner as the initial determination.

f. If it is determined that the disability annuitant was not eligible for benefits during any time period when benefits were provided, the executive director may do all things necessary to recover the erroneously paid benefits.

History: Effective September 1, 1990; amended effective April 1, 1994; May 1, 1998; May 1, 2000; July 1, 2012.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-18

CHAPTER 82-07-02
RIGHT TO FORMAL HEARING AND APPEAL

[Repealed effective May 1, 2002]

CHAPTER 82-07-03
FORMS OF DISABILITY BENEFITS

82-07-03-01. Forms of disability benefits. Except for the level income with social security and partial lump sum distribution options, all optional forms of retirement benefits are available to members entitled to disability retirement annuities.

History: Effective September 1, 1990; amended effective May 1, 1998; July 1, 2012.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-18

CHAPTER 82-07-04
SUSPENSION OF DISABILITY BENEFITS

82-07-04-01. Suspension of disability benefits.

1. When a member receiving disability retirement benefits is not recertified as eligible for continued benefits, the board shall presume the member does not have a "total disability" and the disability benefits must cease on the first day of the month following the date the member is not recertified eligible for continued benefits.

2. When a member receiving disability retirement benefits returns to active teaching in North Dakota or out of state, the board shall do one of the following:

   a. Presume the member does not have a "total disability" and, pursuant to subsection 3 of North Dakota Century Code section 15-39.1-18, suspend the member's disability benefits on the first day of the month following the date the member returns to active teaching.

   b. If the member consents, allow continued payment of the disability benefit for up to six months to permit a member who has partially recovered from the disability to return to active teaching on a trial basis. If the member terminates employment prior to the end of the trial period as set by the board, the board shall not deem the member recovered under North Dakota Century Code section 15-39.1-18, and the member's benefits must continue as permitted under North Dakota Century Code chapter 15-39.1 and this title. If, at the end of the trial period, the member has not terminated employment, the board shall presume the member does not have a "total disability" and shall suspend the member's disability benefits on the first day of the month following the date the member's trial period ends pursuant to North Dakota Century Code section 15-39.1-18.

History: Effective September 1, 1990; amended effective May 1, 1998; July 1, 2008.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-18, 15-39.1-19.1

ARTICLE 82-08

QUALIFIED DOMESTIC RELATIONS ORDERS

CHAPTER 82-08-01
QUALIFIED DOMESTIC RELATIONS ORDERS

82-08-01-01. Payment in accordance with qualified domestic relations orders. Repealed effective May 1, 2000.

82-08-01-02. Qualified domestic relations order procedures. Upon receipt of a domestic relations order, the plan shall:

1. Send an initial notice to each person named therein, together with an explanation of the procedures followed by the fund.

2. If the teacher or alternate payee receives any distribution that should not have been paid per the order, the teacher or alternate payee is designated a constructive trustee for the amount received and shall immediately notify the retirement and investment office and comply with written instructions as to the distribution of the amount received.

3. Review the domestic relations order to determine if it follows the model language format in section 82-08-01-03.

4. Forward the domestic relations order to the fund's legal counsel and actuarial consultant for their review and recommendation to the board.

5. The board shall review the domestic relations order and make the final determination of a qualified order.

6. The domestic relations order must be considered a qualified order when the plan notifies the parties the order is approved by the board and a certified copy of the court order has been submitted to the fund office.

7. If the order is determined to be qualified within eighteen months of receipt:

   a. Send notice to all persons named in the order and any representatives designated in writing by such person that a determination has been made that the order is a qualified domestic relations order.

b. Comply with the terms of the order.

c. Distribute the amounts as outlined in the order.

8. In the event that the order is determined not to be a qualified domestic relations order or a determination cannot be made as to whether the order is qualified or not qualified within eighteen months of receipt of such order:

a. Send written notification of such to all parties.

b. Apply the qualified domestic relations order prospectively only if determined after the expiration of the eighteen-month period the order as modified, if applicable, is a qualified domestic relations order.

History: Effective September 1, 1990; amended effective May 1, 1992; April 1, 1994; May 1, 1998; May 1, 2004.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-12.2

82-08-01-03. Format for a qualified domestic relations order. A qualified domestic relations order must be substantially in the following form:

ACTIVE OR INACTIVE MEMBERS

STATE OF NORTH DAKOTA	IN DISTRICT COURT
COUNTY OF _______	_______________ JUDICIAL DISTRICT

____________________,	)	
	)	
Plaintiff,	)	
	)	QUALIFIED DOMESTIC
	)	RELATIONS ORDER
-vs-	)	
	)	Case No. ________
	)	
____________________,	)	
Defendant.	)	

....

This Order is intended to meet the requirements of a "Qualified Domestic Relations Order" relating to the North Dakota Teachers' Fund for Retirement, hereafter referred to as the "Plan". The Order is made pursuant to North Dakota Century Code section 15-39.1-12.2. The Order is an integral part of the judgment entered on [DATE OF DIVORCE] granting a divorce to the above-entitled parties. [This Order is also drawn pursuant to the laws of the state of North Dakota relating to the equitable distribution of marital property between spouses and former spouses in actions for dissolution of a marriage.] or [This Order is drawn pursuant to the laws of the state of North Dakota relating to the provision of child support to a minor child in actions for dissolution of a marriage.]

BACKGROUND INFORMATION

[MEMBER'S NAME AND SOCIAL SECURITY NUMBER] is the participating member whose last-known address is [MEMBER'S ADDRESS]. The member's date of birth is [MEMBER'S D.O.B.].

[ALTERNATE PAYEE'S NAME AND SOCIAL SECURITY NUMBER] is the alternate payee whose last-known address is [ALTERNATE PAYEE'S ADDRESS]. The alternate payee's date of birth is [ALTERNATE PAYEE'S D.O.B.].

The participating member and the alternate payee were married on [DATE OF MARRIAGE].

IT IS HEREBY ORDERED THAT:

I. BENEFITS

Benefits under the plan are distributed as follows: (Choose one)

1. The alternate payee is awarded [______%] of the member's accrued annuity benefit as of [DATE OF DIVORCE]; (OR)

2. The alternate payee is awarded [$______] of the member's accrued annuity benefit as of [DATE OF DIVORCE].

If payments to the alternate payee begin prior to the member's sixty-fifth birthday, such benefits shall be reduced actuarially, except that if the member retires or dies prior to the member's sixty-fifth birthday, the alternate payee shall receive a commensurate share of any early retirement subsidy, beginning as of the date of the member's retirement or death. Such increase shall be determined actuarially.

II. TIME OF BENEFIT RECEIPT

Benefit payments to the alternate payee will begin: (Choose one)

1. When the participating member qualifies for normal retirement benefits under the plan. (OR)

2. When the participating member qualifies for early retirement. (OR)

3. When the alternate payee reaches [DATE OR EVENT]. The date or event must be after the date participating member would qualify for early retirement. (OR)

4. When the participating member retires and begins receiving retirement benefits from the plan.

Benefits to the alternate payee are payable even if the member has not separated from covered employment. In all cases, the payment will not begin later than when the participating member retires.

If the participating member begins receiving disability retirement benefits, the alternate payee will also begin receiving the benefits awarded in section I of this Order. The alternate payee's benefit will begin when the member's benefits begin and will be actuarially reduced to reflect the earlier disability payment start date.

III. DURATION OF PAYMENTS TO ALTERNATE PAYEE OVER THE LIFE OF THE ALTERNATE PAYEE (Choose one)

1. The payments shall be made to the alternate payee on a monthly basis over the life of the alternate payee and shall cease upon the alternate payee's death and will not revert back to the member. The payment shall be calculated on the basis of a single life annuity and will be actuarially adjusted based upon the plan's assumptions to reflect the life expectancy of the alternate payee.

(OR)

2. The payments shall be made to the alternate payee on a monthly basis over the life of the alternate payee and calculated on the basis of:

   (Choose one)

   (a) a 20-year term certain and life option; (OR)

   (b) a 10-year term certain and life option.

   The payment will be actuarially adjusted based upon the plan's assumptions to reflect the life expectancy of the alternate payee.

   Upon the alternate payee's death, payments will not revert back to the member, but will continue to the alternate payee's designated beneficiary under the term certain and life option identified above.

IV. MEMBER WITHDRAWS FROM RETIREMENT SYSTEM (Choose one)

A. If the participating member discontinues employment and withdraws the member account in a lump sum, the alternate payee shall receive [___%] of the member's account balance as of [DATE OF DIVORCE] accumulated with interest as required by the Plan from the divorce date until the refund is paid; (OR)

B. If the participating member discontinues employment and withdraws the member account in a lump sum, the alternate payee shall receive [$___] from the member's account balance accumulated with interest as required by the Plan from [DATE OF DIVORCE] until the refund is paid. [Note: The dollar amount in this option cannot exceed the member's account balance.]

V. LIMITATIONS OF THIS ORDER (Order must reflect all provisions of this section.)

A. This Order recognizes the existence of the right of the alternate payee to receive all OR a portion of the benefits payable to the participating members as indicated above.

B. Nothing contained in this Order shall be construed to require any Plan or Plan administrator:

1. To provide to the alternate payee any type or form of benefit or any option not otherwise available to the participating member under the Plan.

2. To provide the alternate payee benefits, as determined on the basis of actuarial value, not available to the participating member.

3. To pay any benefits to the alternate payee which are required to be paid to another alternate payee under another order previously determined by the Plan administrator to be a qualified domestic relations order.

4. To provide to the alternate payee any increased benefit due to the participating member under the disability provisions of this plan.

C. If the alternate payee dies prior to beginning receipt of benefits under this Order, the entire amount that may be due to the alternate payee reverts to the participating member.

D. If the participating member dies prior to retirement and before the alternate payee begins benefits, the alternate payee will receive [___%] share of the member's survivor benefits based on service as of [DATE OF DIVORCE]. The alternate payee and any other beneficiaries will each select their own form of survivor benefit.

If the alternate payee is already in payment, the benefits will continue and the value of the benefits to the alternate payee will reduce any survivor payment to other beneficiaries.

E. The benefit enhancements provided by the North Dakota legislature for service during the marital relationship which are adopted after the end of the marital relationship apply to the alternate payee's portion of benefits under this Order.

F. If participant or alternate payee receives any distribution that should not have been paid per this Order, the participant or alternate payee is designated a constructive trustee for the amount received and shall immediately notify RIO and comply with written instructions as to the distribution of the amount received.

G. Alternate payee is ORDERED to report any payments received on any applicable income tax return in accordance with Internal Revenue Code provisions or regulations in effect at the time any payments are issued by RIO. The plan is authorized to issue Form 1099R, or other applicable form on any direct payment made to alternate payee. Plan participant and alternate payee must comply with Internal Revenue Code and any applicable regulations.

H. Alternate payee is ORDERED to provide the plan prompt written notification of any changes in alternate payee's mailing address. RIO shall not be liable for failing to make payments to alternate payee if RIO does not have current mailing address for alternate payee at time of payment.

I. Alternate payee shall furnish a certified copy of this Order to RIO.

J. The Court retains jurisdiction to amend this Order so that it will constitute a qualified domestic relations order under the plan even though all other matters incident to this action or proceeding have been fully and finally adjudicated. If RIO determines at any time that changes in the law, the administration of the plan, or any other circumstances make it impossible to calculate the portion of a distribution awarded to alternate payee by this Order and so notifies the parties, either or both parties shall immediately petition the Court for reformation of the Order.

Signed this ________________ day of ________________________, 20_____.

____

(Judge Presiding)

OR

RETIRED MEMBERS

This Order is intended to meet the requirements of a "Qualified Domestic Relations Order" relating to the North Dakota Teachers' Fund for Retirement, hereafter referred to as the "Plan". The Order is made pursuant to North Dakota Century Code section 15-39.1-12.2. The Order is an integral part of the judgment entered on [DATE OF DIVORCE] granting a divorce to the above-entitled parties. [This Order is also drawn pursuant to the laws of the state of North Dakota relating to the equitable distribution of marital property between spouses and former spouses in actions for dissolution of a marriage.] or [This Order is drawn pursuant to the laws of the state of North Dakota relating to the provision of child support to a minor child in actions for dissolution of a marriage.]

BACKGROUND INFORMATION

[MEMBER'S NAME AND SOCIAL SECURITY NUMBER] is the participating member whose last-known address is [MEMBER'S ADDRESS]. The member's date of birth is [MEMBER'S D.O.B.].

[ALTERNATE PAYEE'S NAME AND SOCIAL SECURITY NUMBER] is the alternate payee whose last-known address is [ALTERNATE PAYEE'S ADDRESS]. The alternate payee's date of birth is [ALTERNATE PAYEE'S D.O.B.].

The participating member and the alternate payee were married on [DATE OF MARRIAGE].

IT IS HEREBY ORDERED THAT:

I. BENEFITS

Benefits to the participating member under the plan are distributed as follows: (Choose one)

1. The alternate payee is awarded [____%] of the monthly retirement benefit as of [DATE OF DIVORCE]; (OR)

2. The alternate payee is awarded [$____] of the monthly retirement benefit as of [DATE OF DIVORCE].

II. TIME OF BENEFIT RECEIPT.

The benefits are payable to the alternate payee in the month following receipt of this signed Order by the plan or plan administrator as the participating member is currently retired and receiving benefits under the Plan.

III. DURATION OF BENEFITS TO ALTERNATE PAYEE OVER THE LIFE OF THE PARTICIPATING MEMBER

The payments shall be made to the alternate payee on a monthly basis over the life of the participating member and, if applicable, a continuing monthly annuity will be payable to the surviving alternate payee after the member's death. The amount of the payments to the alternate payee will be calculated on the basis of: (Choose the annuity option in existence at the time of the divorce or legal separation.)

(1) Single life annuity option (OR)

(2) 100% joint and survivor option (OR)

(3) 50% joint and survivor option (OR)

(4) 20-year term certain and life option (OR)

(5) 10-year term certain and life option.

If the alternate payee is the designated beneficiary, the alternate payee must remain as the beneficiary under the joint and survivor options.

IV. LIMITATIONS OF THIS ORDER (Order must reflect all provisions of this section.)

A. This Order recognizes the existence of the right of the alternate payee to receive all OR a portion of the benefits payable to the participating members as indicated above.

B. Nothing contained in this Order shall be construed to require any Plan or Plan administrator:

1. To provide to the alternate payee any type or form of benefit or any option not otherwise available to the participating member under the Plan.

2. To provide the alternate payee benefits, as determined on the basis of actuarial value, not available to the participating member.

3. To pay any benefits to the alternate payee which are required to be paid to another alternate payee under another order previously determined by the Plan administrator to be a qualified domestic relations order.

C. If the provisions of this Order are applied to disability benefits, the benefits will cease to all parties upon the member's recovery. The parties will then need to submit a new order to allow for the equitable distribution of any future benefits payable from the plan.

D. Upon the alternate payee's death, if the member is still surviving, the entire amount that may be due to the alternate payee reverts to the participating member. Upon the member's death, if the alternate payee is still surviving, the entire benefit will cease under a single life option. Under a joint and survivor option, the alternate payee will receive the one hundred percent or fifty percent survivor benefit for the remainder of the alternate payee's life, since the alternate payee is the joint annuitant. If a term certain option was selected, and the member passes away before the term certain period has expired while the alternate payee is still living, then the benefit to the alternate payee will continue and the member's portion will continue to the member's designated beneficiary to complete the term certain period. If in the last case, the alternate payee dies before all payments due under the certain period have been made, the alternate payee's share will continue to the alternate payee's designated beneficiary.

E. The benefit enhancements provided by the North Dakota legislature for service during the marital relationship which are adopted after the end of the marital relationship apply to the alternate payee's portion of benefits under this Order.

F. If the participant or alternate payee receives any distribution that should not have been paid per this Order, the participant or alternate payee is designated a constructive trustee for the amount received and shall immediately notify RIO and comply with written instructions as to the distribution of the amount received.

G. Alternate payee is ORDERED to report any payments received on any applicable income tax return in accordance with Internal Revenue Code provisions or regulations in effect at the time any payments are issued by RIO. The plan is authorized to issue Form 1099R, or other applicable form on any direct payment made to alternate payee. Plan participant and alternate payee must comply with the Internal Revenue Code and any applicable regulations.

H. Alternate payee is ORDERED to provide the plan prompt written notification of any changes in alternate payee's mailing address. RIO shall not be liable for failing to make payments to alternate payee if RIO does not have current mailing address for alternate payee at time of payment.

I. Alternate payee shall furnish a certified copy of this Order to RIO.

J. The Court retains jurisdiction to amend this Order so that it will constitute a qualified domestic relations order under the plan even though all other matters incident to this action or proceeding have been fully and finally adjudicated. If RIO determines at any time that changes in the law, the administration of the plan, or any other circumstances make it impossible to calculate the portion of a distribution awarded to alternate payee by this Order and so notifies the parties, either or both parties shall immediately petition the Court for reformation of the Order.

Signed this ___________ day of ___________________, 20 _____.

____

(Judge Presiding)

History: Effective April 1, 1994; amended effective January 1, 1998; May 1, 1998; May 1, 2002; May 1, 2004.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-12.2

Article 82-09

Confidentiality of Records

[Repealed effective May 1, 1998]

ARTICLE 82-10

RIGHT TO FORMAL HEARING AND APPEAL

CHAPTER 82-10-01
RIGHT TO FORMAL HEARING AND APPEAL

82-10-01-01. Right to formal hearing and appeal. Any applicant aggrieved by a decision of the board may initiate a formal administrative action against the board in accordance with North Dakota Century Code chapter 28-32. The applicant must file a request for a formal hearing within thirty days after notice of the initial decision has been mailed. If an appeal is not filed within the thirty-day period, the initial decision of the board is final. If a request for a formal hearing is timely filed, notice of the hearing must be served at least thirty days before the date set for the hearing. The board shall request appointment of an administrative law judge from the office of administrative hearings to conduct the hearing and make recommended findings of fact, conclusions of law, and order. The board shall either accept the administrative law judge's recommended findings of fact, conclusions of law, and order or adopt its own findings of fact, conclusions of law, and order. The applicant may appeal the final decision resulting from this procedure to the district court in accordance with North Dakota Century Code chapter 28-32.

History: Effective May 1, 2002; amended effective July 1, 2008.
General Authority: NDCC 15-39.1-07
Law Implemented: NDCC 15-39.1-07

F. Century Code

F. Century Code (continued)

F. Century Code (continued)

CHAPTER 15-39.1
TEACHERS' FUND FOR RETIREMENT

15-39.1-01. Teachers' fund for retirement created.

There is hereby created the teachers' fund for retirement, which, upon the effective date of this chapter shall consist of the following:

1. All moneys contained in the teachers' insurance and retirement fund accumulated pursuant to chapter 15-39; and
2. All moneys thereafter received by the state treasurer under the provisions of this chapter.

15-39.1-02. Prior fund terminated.

The teachers' insurance and retirement fund shall, on July 1, 1971, cease to exist and the board administering said fund shall no longer function. All obligations of the teachers' insurance and retirement fund must be assumed by the newly created fund.

15-39.1-03. Rights under prior chapter preserved.

No person may be caused to be deprived of rights vested under the chapter superseded hereby. Any such person may elect to claim the person's retirement benefits according to the provisions of the retirement program for teachers in effect prior to July 1, 1971.

15-39.1-04. Definitions.

For purposes of this chapter, unless the context or subject matter otherwise requires:

1. "Actuarial equivalent" means the amount calculated to be of equal actuarial value to the benefit otherwise payable when computed on the basis of actuarial assumptions and methods adopted by the board.
2. "Beneficiary" means a person, estate, trust, or organization designated in writing by a participating member to receive benefits provided by this plan, in receipt of benefits, or otherwise provided under section 15-39.1-17.
3. "Board" means the board of trustees of the teachers' fund for retirement.
4. "Contract" means a written agreement with a school board or other governing body of a school district or special education unit of this state or a letter of appointment by a state institution, state agency, or other employer participating in the fund.
5. "Fund" means the teachers' fund for retirement.
6. "Interest" as applied to member assessments is an annual rate of six percent compounded monthly and as applied to the repurchase of credit for withdrawn years is six percent compounded annually.
7. "Normal retirement age" means the age at which a member becomes eligible for monthly lifetime normal unreduced retirement benefits as provided in subsection 1 of section 15-39.1-10.
8. "Retirement" means cessation of covered employment and acceptance of a benefit under former chapter 15-39, or chapter 15-39.1 or 15-39.2.
9. "Retirement annuity" means the payments made by the fund to a member after retirement, these payments beginning on the first or fifteenth day of the month following eligibility for a benefit.
10. "Salary" means a member's earnings in eligible employment under this chapter for teaching, supervisory, administrative, and extracurricular services during a plan year reported as salary on the member's federal income tax withholding statements plus any salary reduction or salary deferral amounts under 26 U.S.C. 125, 132(f), 401(k), 403(b), 414(h), or 457 in effect on August 1, 2013. "Salary" includes amounts paid to members for performance of duties, unless amounts are conditioned on or made in anticipation of an individual member's retirement or termination. The annual salary of each member taken into account in determining benefit accruals and contributions may not exceed the annual compensation limits established under 26 U.S.C. 401(a)(17)(B) in effect on August 1, 2013, as adjusted for increases in the cost of living in

accordance with 26 U.S.C. 401(a)(17)(B) in effect on August 1, 2013. A salary maximum is not applicable to members whose participation began before July 1, 1996. "Salary" does not include:

a. Fringe benefits or side, nonwage, benefits that accompany or are in addition to a member's employment, including insurance programs, annuities, transportation allowances, housing allowances, meals, lodging, or expense allowances, or other benefits provided by a member's employer.
b. Insurance programs, including medical, dental, vision, disability, life, long-term care, workforce safety and insurance, or other insurance premiums or benefits.
c. Payments for unused sick leave, personal leave, vacation leave, or other unused leave.
d. Early retirement incentive pay, severance pay, or other payments conditioned on or made in anticipation of retirement or termination.
e. Teacher's aide pay, referee pay, busdriver pay, or janitorial pay.
f. Amounts received by a member in lieu of previously employer-provided benefits or payments that are made on an individual selection basis.
g. Signing bonuses as defined under section 15.1-09-33.1.
h. Other benefits or payments not defined in this section which the board determines to be ineligible teachers' fund for retirement salary.

11. "State institution" includes North Dakota vision services - school for the blind, the school for the deaf, and the North Dakota youth correctional center.
12. "Teacher" means:
    a. All persons licensed by the education standards and practices board who are contractually employed in teaching, supervisory, administrative, or extracurricular services by a state institution, multidistrict special education unit, area career and technology center, regional education association, school board, or other governing body of a school district of this state, including superintendents, assistant superintendents, business managers, principals, assistant principals, and special teachers. For purposes of this subdivision, "teacher" includes persons contractually employed by one of the above employers to provide teaching, supervisory, administrative, or extracurricular services to a separate state institution, state agency, multidistrict special education unit, area career and technology center, regional education association, school board, or other governing body of a school district of this state under a third-party contract.
    b. The superintendent of public instruction, assistant superintendents of public instruction, county superintendents, assistant superintendents, supervisors of instruction, the professional staff of the department of career and technical education, the professional staff of the center for distance education, the executive director and professional staff of the North Dakota education association who are members of the fund on July 1, 1995, the professional staff of an interim school district, and the professional staff of the North Dakota high school activities association who are members of the fund on July 1, 1995.
    c. The executive director and professional staff of the North Dakota council of school administrators who are members of the fund on July 1, 1995, and licensed staff of teachers centers, but only if the person was previously a member of and has credits in the fund.
    d. Employees of institutions under the control and administration of the state board of higher education who are members of the fund on July 16, 1989.
13. "Tier one grandfathered member" for purposes of sections 15-39.1-10 and 15-39.1-12 means a tier one member who, as of June 30, 2013, is vested as a tier one member in accordance with section 15-39.1-11; and
    a. Is at least fifty-five years of age; or
    b. Has a combined total of years of service credit in the plan and years of age which equals or exceeds sixty-five.
14. "Tier one member" means a teacher who has credit in the system on July 1, 2008, and has not taken a refund pursuant to section 15-39.1-20 after June 30, 2008.

15. "Tier one nongrandfathered member" for purposes of sections 15-39.1-10 and 15-39.1-12 means a tier one member who does not qualify as a tier one grandfathered member.
16. "Tier two member" means a teacher who is not a tier one member.

15-39.1-05. Management of fund.
Repealed by S.L. 1997, ch. 170, § 4.

15-39.1-05.1. Board composition - Terms - Voting.
1. The authority to set policy for the fund rests in a board of trustees composed as follows:
   a. The governor shall appoint, from a list of three nominees submitted to the governor by the North Dakota education association, two board members who are actively employed in full-time positions not classified as school administrators. A board member appointed under this subdivision who terminates employment may not continue to serve as a member of the board.
   b. The governor shall appoint, from a list of three nominees submitted to the governor by the North Dakota council of educational leaders, one board member who is actively employed as a full-time school administrator. A board member appointed under this subdivision who terminates employment may not continue to serve as a member of the board.
   c. The governor shall appoint, from a list of three nominees submitted to the governor by the North Dakota retired teachers association, two board members who are the retired members of the fund.
   d. The state treasurer and the superintendent of public instruction.
2. All current appointees of the board shall serve the remainder of their terms as members of the board until their terms expire and their successors are appointed. The first newly appointed board member under subdivision a of subsection 1 must be appointed to serve an initial term of four years. The first newly appointed board member under subdivision c of subsection 1 must be elected to serve an initial term of five years. Newly appointed board members shall serve a term of five years. Each newly appointed term begins on July first.
3. Each board member is entitled to one vote, and four members constitute a quorum. Four votes are required for resolution or action by the board.

15-39.1-05.2. Board authority - Continuing appropriation.
The board:
1. Has the powers and privileges of a corporation, including the right to sue and be sued in its own name. The venue of all actions to which the board is a party must be Burleigh County.
2. Shall establish investment policy for the trust fund under section 21-10-02.1. The investment policy must include:
   a. Acceptable rates of return, liquidity, and levels of risk; and
   b. Long-range asset allocation targets.
3. Shall arrange for actuarial and medical consultants. The board shall cause a qualified, competent actuary to be retained on a consulting basis. The actuary shall:
   a. Make a valuation of the liabilities and reserves of the fund and a determination of the contributions required by the fund to discharge its liabilities and pay administrative costs;
   b. Recommend to the board rates of employer and employee contributions required, based upon the entry age normal cost or other accepted actuarial method, to maintain the fund on an actuarial reserve basis;
   c. Once every five years make a general investigation of the actuarial experience under the fund, including mortality, retirement, employment turnover, and other items required by the board;

d. Recommend actuarial tables for use in valuations and in calculating actuarial equivalent values based on the investigation provided for in subdivision c; and
e. Perform other duties assigned by the board.
4. May pay benefits and consultant fees as necessary which are hereby appropriated from the fund.
5. Shall submit to the legislative management's employee benefits programs committee any necessary or desirable changes in statutes relating to the administration of the fund.
6. Shall determine appropriate levels of service to be provided to members, including benefits counseling and preretirement programs.
7. Shall, through resolution, inform the state investment board, which is the administrative board of the retirement and investment office, the levels of services, goals, and objectives expected to be provided through the retirement and investment office.

15-39.1-06. Organization of board.
The board may hold meetings as necessary for the transaction of business and a meeting may be called by the president or any two members of the board upon reasonable notice to the other members of the board. The president for the ensuing year must be elected at the first meeting following July first of each year.

15-39.1-07. Vacancies - Rulemaking power.
Vacancies which may occur among the appointed members of the board must be filled by the governor and the appointee shall complete the term for which the original member was selected. The board may adopt such rules as may be necessary to fulfill the responsibilities of the board.

15-39.1-08. Compensation of members.
Members of the board, excluding ex officio members, are entitled to receive one hundred forty-eight dollars as compensation per day and necessary mileage and travel expenses as provided in sections 44-08-04 and 54-06-09 for attending meetings of the board. No member of the board may lose regular salary, vacation pay, vacation or any personal leave, or be denied right of attendance by the state or political subdivision thereof while serving on official business of the fund.

15-39.1-09. (Contingent expiration date - See note) Membership in fund and assessments - Employer payment of employee contribution.
1. Except as otherwise provided by law, every teacher is a member of the fund and must be assessed upon the teacher's salary seven and seventy-five hundredths percent per annum, which must be deducted, certified, and paid monthly to the fund by the disbursing official of the governmental body by which the teacher is employed. Member contributions increase to nine and seventy-five hundredths percent per annum beginning July 1, 2012, and increase thereafter to eleven and seventy-five hundredths percent per annum beginning July 1, 2014. Except as otherwise provided by law, every governmental body employing a teacher shall pay to the fund eight and seventy-five hundredths percent per annum of the salary of each teacher employed by it. Contributions to be paid by a governmental body employing a teacher increase to ten and seventy-five hundredths percent per annum beginning July 1, 2012, and increase thereafter to twelve and seventy-five hundredths percent per annum beginning July 1, 2014. The required amount of member and employer contributions must be reduced to seven and seventy-five hundredths percent per annum effective on the July first that follows the first valuation showing a ratio of the actuarial value of assets to the actuarial accrued liability of the teachers' fund for retirement that is equal to or greater than one hundred percent. The disbursing official of the governmental

body shall certify the governmental body payments and remit the payments monthly to the fund.

2. Each employer, at its option, may pay the teacher contributions required by subsection 1 for all compensation earned after June 30, 1983. The amount paid must be paid by the employer in lieu of contributions by the employee. If an employer decides not to pay the contributions, the amount that would have been paid will continue to be deducted from compensation. If contributions are paid by the employer, they must be treated as employer contributions in determining income tax treatment under this code and the federal Internal Revenue Code. If contributions are paid by the employer, they may not be included as gross income of the teacher in determining tax treatment under this code and the Internal Revenue Code until they are distributed or made available. The employer shall pay these teacher contributions from the same source of funds used in paying compensation to the teachers. The employer shall pay these contributions by effecting an equal cash reduction in the gross salary of the employee or by an offset against future salary increases. If teacher contributions are paid by the employer, they must be treated for the purposes of this chapter in the same manner and to the same extent as teacher contributions made prior to the date the contributions were assumed by the employer. The option given employers by this subsection must be exercised in accordance with rules adopted by the board.
3. A person, except the superintendent of public instruction, who is certified to teach in this state by the education standards and practices board and who is first employed and entered upon the payroll of the superintendent of public instruction after January 6, 2001, may elect to become a participating member of the public employees retirement system. An election made by a person to participate in the public employees retirement system under this subsection is irrevocable. Nonteaching employees of the superintendent of public instruction, including the superintendent of public instruction, may elect to transfer to the public employees retirement system pursuant to section 54-52-02.13. Employees of the state board for career and technical education may elect to transfer to the public employees retirement system pursuant to section 54-52-02.14.
4. An individual who is first employed and entered upon the payroll of the state board for career and technical education after July 1, 2007, may elect to become a participating member of the public employees retirement system. An election made by an individual to participate in the public employees retirement system under this subsection is irrevocable.

15-39.1-09.1. Participation of nonpublic schoolteachers.
Repealed by S.L. 1993, ch. 191, § 3.

15-39.1-10. (Effective through June 30, 2013) Eligibility for normal retirement benefits.

1. The following members are eligible to receive monthly lifetime normal retirement benefits under this section:
   a. All tier one members who have earned three years of teaching service credit and who have attained the age of sixty-five years.
   b. All tier one members who have earned three years of teaching service credit and who have a combined total of years of service credit and years of age which equals or exceeds eighty-five.
   c. All tier two members who have earned five years of teaching service credit and who have attained the age of sixty-five years.
   d. All tier two members who have earned five years of teaching service credit and who have a combined total of years of service credit and years of age which equals or exceeds ninety.
2. The amount of retirement benefits is two percent of the final average monthly salary of the member multiplied by the number of years of credited service. For the purposes of this subsection, final average monthly salary for a tier one member means one thirty-sixth of the total of the member's highest annual salaries earned between July

first of a calendar year and June thirtieth of the subsequent calendar year for any three years of service credit under the fund. For purposes of this subsection, final average monthly salary for a tier two member means one sixtieth of the total of the member's highest annual salaries earned between July first of a calendar year and June thirtieth of the subsequent calendar year for any five years of service credit under the fund.

3. Notwithstanding any other provision of this section, no member who retired on July 1, 1993, or after and is eligible to receive benefits under former chapter 15-39, chapter 15-39.1, or section 15-39.2-02, may receive benefits which are less than:
   a. Ten dollars per month per year of teaching to twenty-five years.
   b. Fifteen dollars per month per year of teaching over twenty-five years.
4. Retirement benefits must begin no later than April first of the calendar year following the year the member attains age seventy and one-half or April first of the calendar year following the year the member terminates covered employment, whichever is later. Payments must be made over a period of time which does not exceed the life expectancy of the member or the joint life expectancy of the member and the beneficiary. Payment of minimum distributions must be made in accordance with section 401(a)(9) of the Internal Revenue Code in effect on August 1, 2011, and the regulations issued under that section, as applicable to governmental plans.

(Effective after June 30, 2013) Eligibility for normal retirement benefits.

1. The following members who have acquired a vested right to a retirement annuity as set forth in section 15-39.1-11 are eligible to receive monthly lifetime normal unreduced retirement benefits under this section:
   a. All tier one and tier two members who have attained the age of sixty-five years.
   b. All tier one grandfathered members who have a combined total of years of service credit and years of age which equals or exceeds eighty-five.
   c. All tier one nongrandfathered members and tier two members who are at least sixty years of age and who have a combined total of years of service credit and years of age which equals or exceeds ninety.
2. The amount of retirement benefits is two percent of the final average monthly salary of the member multiplied by the number of years of credited service. For the purposes of this subsection, final average monthly salary for a tier one member means one thirty-sixth of the total of the member's highest annual salaries earned between July first of a calendar year and June thirtieth of the subsequent calendar year for any three years of service credit under the fund. For purposes of this subsection, final average monthly salary for a tier two member means one sixtieth of the total of the member's highest annual salaries earned between July first of a calendar year and June thirtieth of the subsequent calendar year for any five years of service credit under the fund.
3. Notwithstanding any other provision of this section, no member who retired on July 1, 1993, or after and is eligible to receive benefits under former chapter 15-39, chapter 15-39.1, or section 15-39.2-02, may receive benefits which are less than:
   a. Ten dollars per month per year of teaching to twenty-five years.
   b. Fifteen dollars per month per year of teaching over twenty-five years.
4. Retirement benefits must begin no later than April first of the calendar year following the year the member attains age seventy and one-half or April first of the calendar year following the year the member terminates covered employment, whichever is later. Payments must be made over a period of time which does not exceed the life expectancy of the member or the joint life expectancy of the member and the beneficiary. Payment of minimum distributions must be made in accordance with section 401(a)(9) of the Internal Revenue Code in effect on August 1, 2013, and the regulations issued under that section, as applicable to governmental plans.

15-39.1-10.1. Postretirement adjustments.

Every person receiving monthly benefits from the fund on an account on which benefits were being paid on June 30, 1983, shall receive an increase in benefits beginning July 1, 1983, equal to fifteen percent of the person's present annuity. The percentage must be adjusted, if necessary, so that the maximum increase would be no more than forty-five dollars per month. The fifteen percent increase in benefits must be adjusted in percentage so that no person receives less than one dollar per month per year of teaching credit.

15-39.1-10.2. Postretirement adjustments.

Every person receiving monthly benefits from the fund on an account on which benefits were being paid on June 30, 1985, shall receive an increase in benefits beginning July 1, 1985, equal to one percent for each year the person has been retired under the fund. No member may receive more than a ten percent or more than a forty dollar per month increase in benefits under this section.

15-39.1-10.3. Multiple plan membership - Eligibility for benefits - Amount of benefits.

1. a. For the purpose of determining vesting of rights and eligibility for benefits under this chapter, a teacher's years of service credit is the total of the years of service credit earned in the fund and the years, with twelve months of compensation equal to a year, of service employment earned in any number of the following alternate plans:
      (1) The public employees retirement system.
      (2) The highway patrolmen's retirement system.
      Service credit may not exceed one year of service in any fiscal year in determining vesting and benefit eligibility.
   b. If a teacher terminates eligible employment under the fund, if that teacher has not received a refund of member contributions, and if that teacher begins eligible employment in a plan described in paragraph 1 or 2 of subdivision a, that teacher may elect to remain an inactive member of the fund without refund of contributions. The board shall terminate the inactive status of a teacher under this subdivision if the teacher gains eligible employment under this chapter or if the teacher terminates eligible employment under a plan described in paragraph 1 or 2 of subdivision a.
   c. Pursuant to rules adopted by the board, a teacher who has service credit in the fund and in any number of the alternate plans described in paragraphs 1 and 2 of subdivision a is entitled to benefits under this chapter.
      (1) A tier one member may elect to have benefits calculated using the benefit formula in subsection 2 of section 15-39.1-10 under either of the following calculation methods:
         (a) Using the three highest certified fiscal year salaries of this plan in the computation of final average salary and all service credit earned in this plan; or
         (b) Using the three highest certified fiscal year salaries of this plan combined with the alternate plan in the computation of final average salary and service credit not to exceed one year in any fiscal year when combined with the service credit earned in the alternate retirement plan.
      (2) A tier two member may elect to have benefits calculated using the benefit formula in subsection 2 of section 15-39.1-10 under either of the following calculation methods:
         (a) Using the five highest certified fiscal year salaries of this plan in the computation of final average salary and all service credit earned in this plan; or
         (b) Using the five highest certified fiscal year salaries of this plan combined with the alternate plan in the computation of final average salary and service credit not to exceed one year in any fiscal year when combined with the service credit earned in the alternate retirement plan.
2. a. If a teacher, who is eligible to participate in this fund, is also eligible to participate in an alternate retirement system, the employee is a member of the teachers'

fund for retirement for duties covered under this fund, and the employee is also a member of the public employees retirement system or highway patrolmen's retirement system for duties covered by those alternate retirement systems. The employers shall pay the member and employer contributions at the rates currently existing for the applicable system.

b. If a teacher described in subdivision a was employed prior to August 1, 2003, and has dual member rights, the teacher may elect to begin participation in the alternate plan pursuant to the plan provisions on August 1, 2003, or may continue participation pursuant to the plan provisions in effect on July 31, 2003. A plan participation election is required by five p.m. on October 31, 2003. If an election is not received by the retirement plan, the participation and benefit calculation requirements of this chapter as of July 31, 2003, continue to be in effect for the teacher.

3. Under rules adopted by the board, an individual whose service credit was canceled when that individual received a refund of assessments at termination of employment under this chapter may, while that individual participates in a plan described in paragraph 1 or 2 of subdivision a of subsection 1, repurchase that service credit that was canceled.

15-39.1-10.4. Postretirement adjustments.

An individual who, on June 30, 1987, is receiving benefits from the fund on an account paid under former chapter 15-39 is entitled to a monthly increase in that individual's annuity. The monthly increase is fifteen dollars plus one dollar and fifty cents for every year benefits have been drawn from the fund, but cannot exceed an increase of seventy-five dollars per month. An individual who, on June 30, 1987, is receiving benefits from the fund on an account paid under this chapter is entitled to a monthly increase of one dollar and fifty cents for every year benefits have been drawn from the fund.

15-39.1-10.5. Postretirement adjustments.

An individual who on June 30, 1989, is receiving monthly benefits from the fund on an account paid under this chapter or under former chapter 15-39 is entitled to receive an increase in benefits equal to five cents times the individual's number of years of service credit under the fund times the number of years the individual has drawn benefits from the fund.

15-39.1-10.6. Benefit limitations.

Benefits with respect to a member participating under former chapter 15-39 or chapter 15-39.1 or 15-39.2 may not exceed the maximum benefits specified under section 415 of the Internal Revenue Code [26 U.S.C. 415] in effect on August 1, 2013, for governmental plans. The maximum dollar benefit applicable under section 415(b)(1)(A) of the Internal Revenue Code must reflect any increases in this amount provided under section 415(d) of the Internal Revenue Code subsequent to August 1, 2013. If a member's benefit is limited by these provisions at the time of retirement or termination of employment, or in any subsequent year, the benefit paid in any following calendar year may be increased to reflect all cumulative increases in the maximum dollar limit provided under section 415(d) of the Internal Revenue Code for years after the year employment terminated or payments commenced, but not to more than would have been payable in the absence of the limits under section 415 of the Internal Revenue Code. If an annuitant's benefit is increased by a plan amendment, after the commencement of payments, the member's benefit may not exceed the maximum dollar benefit under section 415(b)(1)(A) of the Internal Revenue Code, adjusted for the commencement age and form of payment, increased as provided by section 415(d) of the Internal Revenue Code. If this plan must be aggregated with another plan to determine the effect of section 415 of the Internal Revenue Code on a member's benefit, and if the benefit must be reduced to comply with section 415 of the Internal Revenue Code, then the reduction must be made pro rata between the two plans, in proportion to the member's service in each plan.

15-39.1-10.7. Postretirement adjustments.

An individual who on June 30, 1991, is receiving monthly benefits from the fund on an account paid under this chapter or under former chapter 15-39 is entitled to receive three dollars per month multiplied by the individual's number of years of credited service for individuals who retired before 1980, two dollars per month multiplied by the individual's number of years of credited service for individuals who retired after 1979 and before 1984, or one dollar per month multiplied by the individual's number of years of credited service for individuals who retired after 1983 and who retire before July 1, 1991, or an increase of ten percent in the individual's currently payable annuity, whichever is greater. The minimum monthly increase under this section is five dollars and the maximum monthly increase under this section is seventy-five dollars.

15-39.1-10.8. Postretirement adjustments.

An individual who on June 30, 1993, is receiving monthly benefits from the fund on an account paid under this chapter or under former chapter 15-39 is entitled to receive three dollars per month multiplied by the individual's number of years of credited service for individuals who retired before 1980, two dollars and fifty cents per month multiplied by the individual's number of years of credited service for individuals who retired after 1979 and before 1984, or one dollar per month multiplied by the individual's number of years of credited service for individuals who retired after 1983 and who retire before July 1, 1993, or an increase of ten percent in the individual's currently payable annuity, whichever is greater. The minimum monthly increase under this section is five dollars and the maximum monthly increase under this section is one hundred dollars.

15-39.1-10.9. Postretirement adjustment.

An individual who on June 30, 1997, is receiving monthly benefits from the fund on an account paid under this chapter or under former chapter 15-39 is entitled to receive an increase of thirty dollars per month.

15-39.1-10.10. Postretirement adjustment.

An individual who on June 30, 1999, is receiving monthly benefits from the fund on an account paid under this chapter or under former chapter 15-39 is entitled to receive a monthly increase equal to an amount determined by taking two dollars per month multiplied by the member's number of years of service credit plus one dollar per month multiplied by the number of years since the member's retirement.

15-39.1-10.11. Postretirement adjustments.

An individual who on June 30, 2001, is receiving monthly benefits from the fund on an account paid under this chapter or under former chapter 15-39 is entitled to receive a monthly increase equal to an amount determined by taking two dollars per month multiplied by the member's number of years of service credit plus one dollar per month multiplied by the number of years since the member's retirement. In addition, an individual who is receiving monthly benefits from the fund on an account paid under this chapter or under former chapter 15-39 is entitled to receive a seventy-five hundredths of one percent increase of the individual's current monthly benefit with the increased benefit payable each month thereafter beginning on July 1, 2001. An individual who on June 30, 2002, is receiving monthly benefits from the fund on an account paid under this chapter or under former chapter 15-39 is entitled to receive a seventy-five hundredths of one percent increase of the individual's current monthly benefit with the increased benefit payable each month thereafter beginning on July 1, 2002. This annual benefit adjustment is conditioned on an actuarial test performed annually by the board's actuarial consultant to determine the actuarial adequacy of the statutory contribution rate. The board shall report the results of the actuarial test annually to the employee benefits programs committee. If the actuarial valuation indicates a shortfall between the actuarially determined benchmark contribution rate and the statutory rate, the board may reduce or suspend the conditional annual benefit adjustment. The actuarial adequacy test fails if one or more of the following are true:

1. The shortfall is greater than six-tenths of one percent in any year; or
2. The shortfall is greater than three-tenths of one percent in any two consecutive years.

15-39.1-10.12. Supplemental retiree benefit payment.

An individual who retired before January 1, 2009, and is receiving monthly benefits from the fund on an account paid under this chapter or under former chapter 15-39 on December 1, 2009, is entitled to receive a supplemental payment from the fund. The supplemental payment is equal to an amount determined by taking twenty dollars multiplied by the member's number of years of service credit plus fifteen dollars multiplied by the number of years since the member's retirement as of January 1, 2009. The supplemental payment may not exceed the greater of ten percent of the member's annual annuity or seven hundred fifty dollars. The board shall make the supplemental payment in December 2009.

15-39.1-11. Vesting of rights.

When a tier one member has earned three years of service credit in this state, that member has a vested right to a retirement annuity but is not entitled to payments under this chapter until the member meets the requirements set forth in section 15-39.1-10 or 15-39.1-12. When a tier two member has earned five years of service credit in this state, that member has a vested right to a retirement annuity but is not entitled to payments under this chapter until the member meets the requirements set forth in section 15-39.1-10 or 15-39.1-12. When a tier one or tier two member has attained normal retirement age that member has a vested right to a retirement annuity under this chapter.

15-39.1-12. (Effective through June 30, 2013) Early retirement.

A tier one member who has acquired a vested right to a retirement annuity as set forth in section 15-39.1-11 and who has attained age fifty-five may retire prior to the normal retirement age as set forth in section 15-39.1-10 but the benefits to which the member is then entitled must be reduced to the actuarial equivalent of the benefit credits earned to the date of early retirement from the earlier of age sixty-five or the age at which current service plus age equals eighty-five. A tier two member who has acquired a vested right to a retirement annuity as set forth in section 15-39.1-11 and who has attained age fifty-five may retire prior to the normal retirement age as set forth in section 15-39.1-10 but the benefits to which the member is then entitled must be reduced to the actuarial equivalent of the benefit credits earned to the date of early retirement from the earlier of age sixty-five or the age at which current service plus age equals ninety.

(Effective after June 30, 2013) Early reduced retirement benefits.

A member who has acquired a vested right to a retirement annuity as set forth in section 15-39.1-11 and who has attained age fifty-five may retire prior to the normal retirement age as set forth in section 15-39.1-10 but the benefits to which the member is then entitled must be reduced according to the following schedule:

1. All tier one grandfathered member benefits must be reduced by six percent per annum from the earlier of:
   a. Age sixty-five; or
   b. The age at which the sum of the member's current years of service credit and years of age equals eighty-five.
2. All tier one nongrandfathered member and tier two member benefits must be reduced by eight percent per annum from the earlier of:
   a. Age sixty-five; or
   b. The later of:
      (1) Age sixty; or
      (2) The age at which the sum of the member's current years of service credit and years of age equals ninety.

15-39.1-12.1. Partial service retirement.
Repealed by S.L. 1999, ch. 175, § 9.

15-39.1-12.2. Benefit payments to alternate payee under domestic relations order.

1. The board shall pay retirement benefits in accordance with the applicable requirements of any qualified domestic relations order. The board shall review a domestic relations order submitted to it to determine if the domestic relations order is qualified under this section and under rules established by the board for determining the qualified status of domestic relations orders and administering distributions under the qualified orders. Upon determination that a domestic relations order is qualified, the board shall notify the teacher and the named alternate payee of its receipt of the qualified domestic relations order.
2. A "qualified domestic relations order" for purposes of this section means any judgment, decree, or order, including approval of a property settlement agreement, which relates to the provision of child support, spousal support, or marital property rights to a spouse, former spouse, child, or other dependent of the teacher, which is made pursuant to a North Dakota domestic relations law, and which creates or recognizes the existence of an alternate payee's right to, or assigns to an alternate payee the right to, receive all or a part of the benefits payable to the teacher. A qualified domestic relations order may not require the board to provide any type or form of benefit, or any option, not otherwise provided under the fund, or to provide increased benefits as determined on the basis of actuarial value. However, a qualified domestic relations order may require the payment of benefits at the early retirement date notwithstanding that the teacher has not terminated eligible employment. A qualified domestic relations order must specify:
   a. The name and last-known mailing address of the teacher and the name and mailing address of each alternate payee covered by the order;
   b. The amount or percentage of the teacher's benefits to be paid by the board to each alternate payee;
   c. The number of payments or period to which the order applies; and
   d. Each retirement plan to which the order applies.

15-39.1-13. Exemptions from legal process.
Repealed by S.L. 1987, ch. 386, § 2.

15-39.1-14. Retirement not mandatory.
Nothing in this chapter may be construed as requiring retirement at any specific age. If the teacher elects to teach beyond age sixty-five, the teacher continues to earn credits at the same rate as prior to the age of sixty-five.

15-39.1-15. Withdrawal from fund - Return to teaching.
A teacher who has withdrawn from the fund as set forth in this chapter may, by returning to teach in a public school or state institution of this state, regain service credit for prior teaching by making the required payment. The required payment, if made within five years of returning to teach in covered employment, is the amount that was withdrawn with interest. In all other cases, the purchase cost must be on an actuarial equivalent basis. If the teacher returns to teach in covered employment after June 30, 2008, the teacher becomes a tier two member regardless of whether the teacher repurchases service credit earned while the teacher was a tier one member.

15-39.1-16. Option of teachers eligible to receive annuities.
The board shall adopt rules providing for the receipt of retirement benefits in the following optional forms:
Option one. Upon the death of the teacher, the reduced retirement allowance must be continued throughout the life of, and paid to, the teacher's designated beneficiary named at the

time of retirement. If the person designated to receive the teacher's reduced retirement allowance predeceases the teacher, the reduced retirement allowance must be converted to a single life retirement annuity under which benefit payments, if the person designated died prior to July 1, 1989, must begin on July 1, 1989, or, if the person designated dies on or after July 1, 1989, must begin on the first day of the month following the death of the person designated.

Option two. Upon the death of the teacher, one-half of the reduced retirement allowance must be continued throughout the life of, and paid to, the teacher's designated beneficiary named at the time of retirement. If the person designated to receive the teacher's reduced retirement allowance predeceases the teacher, the reduced retirement allowance must be converted to a single life retirement annuity under which benefit payments, if the person designated died prior to July 1, 1989, must begin on July 1, 1989, or, if the designated beneficiary dies on or after July 1, 1989, must begin on the first day of the month following the death of the person designated.

Option three. Upon the death of the teacher within twenty years of the commencement of annuity payments, the payments must be continued for the remainder of the twenty-year period to the teacher's designated beneficiary. This payment option is available to teachers who retire after July 31, 2003.

Option four. Upon the death of the teacher within ten years of the commencement of annuity payments, the payments must be continued for the remainder of the ten-year period to the teacher's designated beneficiary.

Option five. Level retirement income with social security option, which is available to teachers retiring before social security is payable.

Option six. Partial lump sum distribution option. A member who is eligible for an unreduced service retirement annuity under section 15-39.1-10 and who retires after July 31, 2003, may make a one-time election to receive a portion of the retirement annuity paid in a lump sum distribution upon retirement, pursuant to rules adopted by the board.

1. The eligible member may select a standard service retirement annuity or an optional service retirement annuity described in this section, together with a partial lump sum distribution. The partial lump sum distribution option is not available to members who have selected option five, the level income retirement option. This option is not available to disabled members or beneficiaries of deceased members. The partial lump sum distribution option may be elected only once by a member and may not be elected by a retiree.
2. The amount of the partial lump sum distribution under this section is twelve months of a standard service retirement annuity computed under section 15-39.1-10 and payable at the same time that the first monthly payment of the annuity is paid.
3. The service retirement annuity selected by the member must be actuarially reduced to reflect the partial lump sum distribution option selected by the member.
4. Before a retiring member selects a partial lump sum distribution under this section, the fund shall provide a written notice to the member of the amount by which the member's annuity will be reduced because of the selection.

The amount of the reduced retirement allowance payable upon the exercise of any of these options must be computed upon an actuarial basis through the use of standard actuarial tables and based upon the ages of the teacher and the teacher's designated beneficiary. A member's spouse, if designated as beneficiary, must consent in writing to the member's choice of benefit payment option for any benefit payments commencing after June 30, 1999. The board may rely on the member's representations about that person's marital status in determining the member's marital status. The spouse's written consent must be witnessed by a notary or a plan representative. If the spouse does not consent, or cannot be located, the member's annuity benefit must be paid using option two, the fifty percent joint and survivor option.

15-39.1-17. Death of member.

1. A member may designate a beneficiary to receive death benefits under the plan when the member dies. If the member is not married, the member may designate a person, estate, or organization as primary beneficiary to receive death benefits. If the member is married, the spouse of the member is the member's primary beneficiary unless the

spouse consents in writing to the member's alternate primary beneficiary designation. A member also may designate contingent beneficiaries who are entitled to any remaining death benefits if the primary beneficiary dies before receiving all death benefits provided by this plan. If a member dies without naming a contingent beneficiary, the primary beneficiary may name a contingent beneficiary. If there is no named primary or contingent beneficiary, any death benefits will be paid to the estate.

2. If a member has named more than one primary beneficiary, the board shall pay any death benefits to the primary beneficiaries in the percentages designated by the member or, if the member has not designated a percentage for the beneficiaries, in equal percentages. If one or more of the primary beneficiaries has predeceased the member, the board shall pay the predeceased beneficiary's share to the remaining primary beneficiaries. If no primary beneficiaries remain, any death benefits must be paid to the contingent beneficiaries in the same manner.
   a. If before retiring a nonvested member dies, the plan shall pay the member's account value to the member's beneficiary.
   b. If before retiring a vested member dies, the member's beneficiary may select a form of payment as follows:
      (1) If the member dies and was eligible for unreduced retirement benefits and if the beneficiary is one person, the beneficiary may select:
         (a) A lump sum payment of the member's account value; or
         (b) A lifetime monthly annuity effective on the first of the month following the month of the member's death. The amount of the monthly annuity is equal to an amount that would have been paid to the beneficiary under a one hundred percent joint and survivor annuity. If the beneficiary dies before receiving the guaranteed member account value, any remaining balance must be paid in a lump sum to a named contingent beneficiary, or if none, to the estate of the recipient.
      (2) If the member dies and was not eligible for unreduced retirement benefits and if the beneficiary is one person, the beneficiary may select:
         (a) A lump sum payment of the member's account value; or
         (b) A lifetime monthly annuity effective on the first of the month following the month of the member's death. The amount of the monthly annuity is equal to an amount that would have been paid to the beneficiary under a one hundred percent joint and survivor annuity without reduction for early retirement and using the disability option reduction factor. If the beneficiary dies before receiving the guaranteed member account value, any remaining balance must be paid in a lump sum to a named contingent beneficiary, or if none, to the estate of the recipient.
      (3) If the member dies and multiple beneficiaries are eligible for death benefits, the plan shall pay the member's account value to the member's beneficiaries.
   c. If a member or beneficiary receiving benefits under this plan dies before the total amount of benefits paid to either or both equals the amount of the member's account value, the difference must be paid in a lump sum to a named beneficiary, or if none, to the estate of the recipient.

15-39.1-18. (Effective through June 30, 2013) Disability retirements.

1. Any member may also retire and receive a disability annuity if, after a period of at least one year of service as a member in this state, the member suffers from total disability as determined by the board.
2. The amount of the disability annuity is the greater of the amount computed by the retirement formula in section 15-39.1-10 without consideration of age or the amount computed by that formula without consideration of age but assuming the member had twenty years of credited service. A member determined eligible for a disability annuity under this section may elect to receive an annuity under any of the options allowed in

section 15-39.1-16, except the level retirement income with social security option or the partial lump sum option.

3. The disability annuity continues until the death or prior recovery of the disabled annuitant. The board shall ascertain by periodic medical examinations the continued disability status of a disabled annuitant.
4. If a disabled annuitant recovers and returns to active teaching, that annuitant is entitled to the retirement benefit credits which the annuitant earned prior to the time of disablement, and the credits which the annuitant earned after returning to active teaching must be added to those earned prior to disablement.

(Effective after June 30, 2013) Disability retirements.

1. Any member may also retire and receive a disability annuity if, after a period of at least five years of service as a member in this state, the member qualifies for total disability as determined by the board.
2. The amount of the disability annuity is the amount computed by the retirement formula in section 15-39.1-10 without consideration of age. A member determined eligible for a disability annuity under this section may elect to receive an annuity under any of the options allowed in section 15-39.1-16, except the level retirement income with social security option or the partial lump sum option.
3. The disability annuity continues until the death or prior recovery of the disabled annuitant. The board shall ascertain by periodic medical examinations the continued disability status of a disabled annuitant.
4. If a disabled annuitant recovers and returns to active teaching, that annuitant is entitled to the retirement benefit credits which the annuitant earned prior to the time of disablement, and the credits which the annuitant earned after returning to active teaching must be added to those earned prior to disablement.

15-39.1-19. Annuities discontinued on resumption of teaching.
Repealed by S.L. 1979, ch. 236, § 2.

15-39.1-19.1. Retired teachers return to active service - Annuities discontinued on resumption of teaching over annual hour limit.

1. a. Except as otherwise provided in section 15-39.1-19.2, a retired teacher who is receiving a retirement annuity under chapter 15-39, 15-39.1, or 15-39.2 may not return to covered employment until thirty calendar days have elapsed from the member's retirement date. A retired member may then return to covered employment under an annual hour limit and continue receiving a monthly retirement benefit. The annual hour limit is based on the length of the reemployed retiree's contract as follows:
      (1) Retiree reemployment of nine months or less, annual limit is seven hundred hours;
      (2) Retiree reemployment of ten months, annual limit is eight hundred hours;
      (3) Retiree reemployment of eleven months, annual limit is nine hundred hours; or
      (4) Retiree reemployment of twelve months, annual limit is one thousand hours.
   b. Employment as a noncontracted substitute teacher does not apply to the annual hour limit. Professional development and extracurricular duties do not apply to the annual hour limit.
   c. The retired member and the retired member's employer must notify the fund office in writing within thirty days of the retired member's return to covered employment.
   d. A retired member who returns to teaching shall pay the member contributions required by section 15-39.1-09 on the salary received by the retired member. The member contributions must be included in the retired member's account value

and may not be refunded except as provided under subdivision a of subsection 2 of section 15-39.1-19.1 and section 15-39.1-17.

e. A participating employer who employs a retired member under this section shall pay the employer contributions required by section 15-39.1-09 on the salary of the retired member.

f. A retired teacher who returns to teaching and does not exceed the annual hour limit must be treated as retired for all other purposes under this chapter. A retired teacher may not earn any additional service during the period of reemployment. The retired teacher's benefits may not be adjusted to reflect changes in the retired teacher's age or final average monthly salary at the end of the period of reemployment, any optional form of payment elected under section 15-39.1-16 remains effective during and after the period of reemployment, and additional benefits normally available to an active member, such as disability benefits, are not available to a retired teacher reemployed under this section.

g. A retired teacher who returns to teaching and exceeds the annual hour limit must immediately notify the fund office in writing. Failure to notify the fund office results in the loss of one month's annuity benefit for the member. The retired member's monthly benefit must be discontinued the first of the month following the date the member reaches the annual hour limit.

2. Upon the retired teacher's subsequent retirement, the member's benefit must be resumed as follows:

   a. If the teacher subsequently retires with less than two years of additional earned credited service, the teacher's contributions paid to the fund after the member's benefit was suspended must be refunded in accordance with section 15-39.1-20 and the teacher is entitled to receive the discontinued annuity, plus any postretirement benefit adjustments granted during the period of reemployment, the first day of the month following the teacher's re-retirement.

   b. If the teacher subsequently retires with two or more but less than five years of additional earned credited service, the retired person's annuity is the greater of the sum of the discontinued annuity, plus an additional annuity computed according to this chapter based upon years of service and average salaries earned during the period of reemployment plus any postretirement benefit adjustments granted during the period of reemployment, or a recalculated annuity computed according to this chapter based on total years of service credit earned during both employment periods offset by the actuarial value of payments already received. The new annuity is payable the first day of the month following the member's re-retirement.

   c. If the teacher subsequently retires with five or more years of additional earned credited service, the retired person's annuity is the greater of the sum of the discontinued annuity plus an additional annuity based upon years of service and average salaries earned during the period of reemployment plus any postretirement benefit adjustments granted during the period of reemployment, or a recalculated annuity based on all years of service computed under subsection 2 of section 15-39.1-10. The new annuity is payable the first day of the month following the member's re-retirement.

15-39.1-19.2. Retired teachers return to active service - Critical shortage areas and disciplines - Rules.

1. A retired teacher who is receiving a retirement annuity under chapter 15-39, 15-39.1, or 15-39.2 may elect to return to teaching without losing any benefits under the provisions of this section or elect to return to teaching under the provisions of section 15-39.1-19.1. To return to teaching under this section, a retired teacher must:

   a. Return to teach in a critical shortage geographical area or subject discipline as determined by the education standards and practices board by rule;

   b. If retired after January 1, 2001, have been receiving a retirement annuity for at least one year. A retired teacher may perform noncontracted substitute teaching duties but may not engage in full-time or part-time teaching duties during the one-year separation from service; and

c. Notify the fund office in writing within thirty days of the retired member's return to covered employment. The retired member's employer must also notify the fund office in writing within thirty days of the retired member's return to covered employment.

2. A retired teacher who returns to teaching under this section shall pay the member contributions required by section 15-39.1-09 on the salary of the retired member. The member contributions must be included in the retired member's account value and may not be refunded except as provided under section 15-39.1-17. A retired teacher who returns to teaching under the provisions of this section must be treated as retired for all other purposes under this chapter. A retired teacher may not earn any additional service during the period of reemployment. The retired teacher's benefits may not be adjusted to reflect changes in the retired teacher's age or final average monthly salary at the end of the period of reemployment, any optional form of payment elected under section 15-39.1-16 remains effective during and after the period of reemployment, and additional benefits normally available to an active member, such as disability benefits, are not available to a retired teacher reemployed under this section.
3. A participating employer who employs a retired member under this section shall pay the employer contributions required by section 15-39.1-09 on the salary of the retired member.

15-39.1-20. Withdrawal from fund.

When a member of the fund ceases to be eligible under the terms of this chapter to participate in the fund, the member may, after a period of one hundred twenty days, withdraw from the fund and is then entitled to receive a refund of assessments accumulated with interest. The one-hundred-twenty-day requirement may be waived by the board when it has evidence the teacher will not be returning to teach in North Dakota. The refund is in lieu of any other benefits to which the member may be entitled under the terms of this chapter, and by accepting the refund, the member is waiving any right to participate in the fund under the same provisions that existed at the time the refund was accepted regardless of whether the member later repurchases refunded service credit. A member or a beneficiary of a member may elect, at the time and under rules adopted by the board, to have any portion of an eligible rollover distribution paid directly in a direct rollover to an eligible retirement plan specified by the member or the beneficiary to the extent permitted by section 401(a)(31) of the Internal Revenue Code in effect on August 1, 2011.

15-39.1-21. Effect on existing obligations.

Nothing herein contained may be construed to affect existing retirement benefits and all obligations of the teachers' insurance and retirement fund existing on July 1, 1971, must be assumed and paid from the teachers' fund for retirement. Amounts which persons retired on July 1, 1971, are receiving must be frozen as of that date and may not be deemed increased by this chapter.

15-39.1-22. Annual audit.

The board shall conduct an annual audit of the fund for the fiscal year ending the preceding June thirtieth.

15-39.1-23. Penalties for failure to make required reports and payments.

Except for unintentional reporting errors, an employing body failing to file reports required by the board or failing to pay over for credit to the fund the amounts required to be paid by this chapter is subject to a civil penalty of two hundred fifty dollars and, as interest, one percent of the amount due for each month of delay or fraction thereof after the report was required to be filed or the payment became due. The board, if satisfied the delay or underpayment was unintentional and excusable, may waive, or if paid, refund all or part of the two hundred fifty dollar penalty and may reduce the interest rate charge to the investment return rate used in the most recent actuarial valuation, compounded annually, but may not waive the entire amount of the interest. The penalty must be paid to the fund and deposited in the same manner as other receipts under this chapter.

In addition, a school district, multidistrict special education unit, area career and technology center, and regional education association may not share in the apportionment of any money from the state for any year unless the school district, multidistrict special education unit, area career and technology center, or regional education association has made the reports required by the board as permitted by this chapter, and has paid over for credit to the fund the amounts required to be paid under this chapter.

15-39.1-24. Purchase of additional credit.

Prior to retirement a teacher who provides proof of eligibility under rules adopted by the board may purchase additional credit for use toward retirement in the following instances and manner:

1. A teacher may purchase service credit for years of elementary or secondary teaching service at an accredited out-of-state public, private, or parochial school.
2. A teacher not qualified to receive military credit under the Uniformed Services Employment and Reemployment Rights Act of 1994 [Pub. L. 103-353; 108 Stat. 3150; 38 U.S.C. 4301-4307] or Veterans' Reemployment Rights Act of 1991 [Pub. L. 93-508; 88 Stat. 3150] who has received an honorable discharge from military service of the United States of America may purchase military credit for no more than four years of active service, upon filing application and proof with the board.
3. A teacher may purchase service credit for credit lost while on an approved leave of absence from teaching duties.
4. A teacher may purchase service credit for the time during each legislative session spent serving as a member of the legislative assembly while holding eligible employment under this chapter. As an alternative to a teacher purchasing service credit under this subsection, a teacher and the governmental body employing the teacher may enter into an agreement by which payment for service credit for time spent during each legislative session by the teacher serving as a member of the legislative assembly is made pursuant to section 15-39.1-09. The agreement must provide that contributions made pursuant to section 15-39.1-09 are calculated based on the teacher's annual salary without reduction for a leave of absence taken by the teacher during the legislative session.
5. A teacher may purchase credit for years of elementary or secondary teaching service if employed by an agency of the United States government.
6. A teacher who is elected president of a professional educational organization recognized by the board and who serves in a full-time capacity in lieu of teaching may purchase service credit for the time spent serving as president. As an alternative to purchasing service credit under this subsection, a teacher and the governmental body employing the teacher may enter into an agreement under which payment for service credit for the time spent as president of the professional educational organization is made pursuant to section 15-39.1-09. The agreement must provide that contributions made pursuant to section 15-39.1-09 are calculated based on the teacher's annual salary as president.
7. A teacher may purchase service credit for years of elementary or secondary teaching service in an accredited North Dakota private or parochial school.
8. A teacher who has at least five years of teaching service credit in the fund may purchase credit not based on service for use toward retirement eligibility and benefits. The purchase of service credit for such nonqualified service as defined under section 415(n) of the Internal Revenue Code is limited to an aggregate of five years.
9. A teacher who had that person's North Dakota teaching service interrupted by military service in any branch of the United States armed forces and received an honorable discharge may receive credit for military service pursuant to applicable federal veterans' rights acts including the Uniformed Services Employment and

Reemployment Rights Act of 1994 [Pub. L. 103-353; 108 Stat. 3150; 38 U.S.C. 4301-4307] or the Veterans' Reemployment Rights Act of 1991 [Pub. L. 93-508; 88 Stat. 3150].

10. With the exception of military service, purchased service credit is not eligible for credit if the years claimed also qualify for retirement benefits from another retirement system.
11. The fund may accept eligible rollovers, direct rollovers, and trustee-to-trustee transfers from eligible retirement plans specified under Internal Revenue Code section 402(c)(8)(B) to purchase refunded service credit under section 15-39.1-15 and to purchase additional service credit under section 15-39.1-24. The board shall adopt rules to ensure that the rollovers and transfers comply with the requirements of the Internal Revenue Code and internal revenue service regulations. The total amount rolled over or transferred into the fund may not exceed the amount due to purchase service credit.
12. The amount of additional service eligible to be purchased under this section must be credited to the teacher when the teacher has made the required payment. Except as provided in subsections 4, 6, and 9, the purchase cost must be on an actuarial equivalent basis.

15-39.1-25. Certain rights and obligations fixed.

Except as otherwise provided in chapter 15-39.2, the laws pertaining to the teachers' fund for retirement, as contained in chapter 15-39.1, apply to teachers, superintendents, assistant superintendents, principals, assistant principals, special teachers, supervisors of instruction and other supervisors, presidents, deans, school librarians, and registrars employed by any state institution under the supervision and control of the state board of higher education and the commissioner of higher education, only in the form and substance as chapter 15-39 existed as of July 1, 1967, and all such persons have only such rights, benefits, and privileges as provided in chapter 15-39 as it existed on July 1, 1967. Such persons are responsible or liable for only those costs or assessments provided for in chapter 15-39 as such laws and chapter existed on July 1, 1967. The state board of higher education or any institution under the supervision or control of the state board of higher education is not liable for any costs, assessments, or payments under the provisions of chapter 15-39 in excess of that provided or required under the provisions of chapter 15-39 as such laws and chapter existed on July 1, 1967. It is hereby declared to be the intent of the legislative assembly to freeze the rights, benefits, privileges, assessments, payments, and obligations of the persons, offices, and institutions specified in this section to those rights, benefits, privileges, assessments, payments, and obligations as they existed under the provisions of chapter 15-39 as such laws and chapter existed in form and substance as of July 1, 1967, and that all legislative enactments subsequent to such date do not affect or apply to those persons, offices, and institutions specified in this section or their rights, benefits, privileges, assessments, payments, and obligations as fixed by this section.

15-39.1-26. Investment of moneys in fund - Interest and earnings attributable to fund.

Investment of the fund is under the supervision of the state investment board in accordance with chapter 21-10. The moneys must be placed for investment only with a firm or firms whose endeavor is money management, and only after a trust agreement or contract has been executed. Investment costs may be paid directly from the fund, and are hereby appropriated for that purpose, in accordance with section 21-10-06.2. All interest and earnings on funds administered by the board must be credited to the fund.

15-39.1-27. Computation of years of service.

In computing the terms of service of a member under this chapter, for a member employed full time, a year is deemed to be one hundred seventy-five days of compensation. Employment less than one hundred seventy-five days of compensation is not deemed to be a full year but only as the proportion of a year as the number of hours employed in each year of service bears to seven hundred hours.

15-39.1-28. (Effective for the first two taxable years beginning after December 31, 2012) Tax levy for teachers' retirement.

Any school district by a resolution of its school board may use the proceeds of levies, as permitted by section 57-15-14.2, for the purposes of meeting the district's contribution to the fund arising under this chapter and to provide the district's share, if any, of contribution to the fund for contracted employees of either a multidistrict special education board or another school district where the contracted employees are also providing services to the taxing school district.

(Effective after the first two taxable years beginning after December 31, 2012) Tax levy for teachers' retirement. Any school district by a resolution of its school board may levy a tax pursuant to subdivision b of subsection 1 of section 57-15-14.2, the proceeds to be used for the purposes of meeting the district's contribution to the fund arising under this chapter and to provide the district's share, if any, of contribution to the fund for contracted employees of either a multidistrict special education board or another school district where the contracted employees are also providing services to the taxing school district.

15-39.1-29. Fraud against fund - Penalty.

Any person who knowingly makes a false statement, or falsifies or permits to be falsified any record or records of this retirement fund in any attempt to defraud such fund as a result of such act, is guilty of theft, and is punishable therefor under the laws of the state of North Dakota. Should any change or error in records result in any person receiving from the fund more or less than that person would have been entitled to receive had the records been correct, then, on the discovery of any such error, the board shall correct such error, and, as far as practicable, shall adjust the payments in such a manner that the actuarial equivalent of the benefit to which such person was correctly entitled is paid.

15-39.1-30. Confidentiality of records.

All records relating to the retirement benefits of a member or a beneficiary under this chapter are confidential and are not public records. The information and records may be disclosed, under rules adopted by the board, only to:

1. A person to whom the teacher has given written consent to have the information disclosed.
2. A person legally representing the teacher, upon proper proof of representation, and unless the teacher specifically withholds consent.
3. A person authorized by a court order.
4. A member's participating employer, limited to information concerning the member's years of service credit, years of age, employer and employee contribution amounts, and salary. The board may share other types of information as needed by the employer to validate the employer's compliance with existing state or federal law. Any information provided to the member's participating employer under this subsection must remain confidential except as provided in subsection 6.
5. The administrative staff of the public employees retirement system for purposes relating to membership and benefits determination.
6. State or federal agencies for the purpose of validating member eligibility or employer compliance with existing state or federal law.
7. Member interest groups approved by the board, limited to information concerning the member's death.
8. A government child support enforcement agency for purposes of establishing paternity or establishing, modifying, or enforcing a child support obligation of the member.
9. The member's spouse or former spouse, that individual's legal representative, and the judge presiding over the member's dissolution proceeding for purposes of aiding the parties in drafting a qualified domestic relations order under section 15-39.1-12.2. The information disclosed under this subsection must be limited to information necessary for drafting the order.
10. Beneficiaries designated by a participating member or a former participating member to receive benefits after the member's death, but only after the member's death.

Information relating to beneficiaries may be disclosed to other beneficiaries of the same member.

11. The general public, but only after the board has been unable to locate the member for a period in excess of two years, and limited to the member's name and the fact that the board has been unable to locate the member.
12. Any person if the board determines disclosure is necessary for treatment, operational, or payment purposes, including the completion of necessary documents.
13. A person if the information relates to an employer service purchase, but the information must be limited to the member's name and employer, the retirement program in which the member participates, the amount of service credit purchased by the employer, and the total amount expended by the employer for that service credit purchase. Information identified under this subsection may only be obtained from the member's employer.

15-39.1-31. Correction of errors - Adjustment to actuarial equivalent.

If any change or error in the records of the fund or any participating employer or error in any calculation results in any person receiving from the fund more than that person would have been entitled to receive had the records been correct, the board shall correct the error and, as far as practicable, adjust the payment in such a manner that the actuarial equivalent of the benefit to which the person was entitled is paid or the board may offset the amount of the overpayment from the amount of future retirement benefit payments. However, if the person agrees to repay the fund for the cost of the error upon terms acceptable to the board, no actuarial adjustment to the person's retirement benefit need be made.

15-39.1-32. Correction of errors - Lump sum payment.

If any change or error in the records of the fund or any participating employer or any error in calculation results in any person receiving less from the fund than that person would have been entitled to receive had the records been correct, the board shall correct the error and adjust the payment in such a manner that the benefit to which the person was correctly entitled is paid. In addition, the board shall remit payment to the person in a lump sum to compensate that person for the difference between what was paid and what should have been paid. No interest may be assessed against the fund for providing payment for the correction of any loss of benefits.

15-39.1-33. Employer service purchases.

A participating employer may purchase additional service credit on behalf of a member under the following conditions:

1. The member may not be given the option to choose between an employer service purchase and an equivalent amount paid in cash.
2. The member must meet one of the following conditions at the time the purchase is made:
   a. The tier one member's age plus service credit must be equal to or greater than seventy-seven;
   b. The tier one member's age must be at least fifty-five and the member must have at least three years of service credit;
   c. The tier two member's age plus service credit must be equal to or greater than eighty-two; or
   d. The tier two member's age must be at least fifty-five and the member must have at least five years of service credit.
3. The board must determine the purchase price on an actuarially equivalent basis.
4. The purchase must be completed before the member's retirement.
5. The employer may purchase a maximum of three years of service credit on behalf of the member.
6. The employer must pay the purchase price for the service credit purchased under this section in a lump sum.

15-39.1-34. Internal Revenue Code compliance.

The board shall administer the plan in compliance with section 415, section 401(a)(9), section 401(a)(17), and section 401(a)(31) of the Internal Revenue Code and regulations adopted pursuant to those provisions as they apply to governmental plans.

15-39.1-35. Savings clause - Plan modifications.

If the board determines that any section of this chapter does not comply with applicable federal statutes or rules, the board shall adopt appropriate terminology with respect to that section as will comply with those federal statutes or rules, subject to the approval of the employee benefits programs committee. Any plan modifications made by the board pursuant to this section are effective until the effective date of any measure enacted by the legislative assembly providing the necessary amendments to this chapter to ensure compliance with the federal statutes or rules.

Memorandum

To: **TFFR Board**

From: Connie Flanagan

Date: July 19, 2013

RE: Annual Affirmation of Code of Conduct Policy

TFFR Program Policy C-3, *Board Members' Code of Conduct,* which is attached to this memorandum, details the Code of Ethical Responsibility for the TFFR Board. Item #11 of this policy indicates that each Board Member is required to reaffirm their understanding of this policy annually and disclose any conflicts of interest. Therefore, please read and sign the statement below to comply with this requirement.

"I have read and understand TFFR Program Process Policy C-3 *Board Members' Code of Conduct*. I have disclosed any conflicts of interest as required by this policy."

Name (printed) ________________________________

Signature____________________________________

Date____

Detail of any conflicts of interest (if any):

Policy Type: TFFR Program

Policy Title: Board Members' Code of Conduct

The following shall be the Code of Ethical Responsibility for the TFFR Board of Trustees:

1. Board members owe a duty to conduct themselves so as to inspire the confidence, respect, and trust of the TFFR members and to strive to avoid not only professional impropriety, but also the appearance of impropriety.

2. Board members shall perform the duties of their offices impartially and diligently. Board members are expected to fulfill their responsibilities in accord with the intent of all applicable laws and to refrain from any form of dishonest or unethical conduct. Board members shall be unswayed by partisan interest, public sentiment, or fear of criticism.

3. Conflicts of interest and the appearance of impropriety shall be avoided by Board members. Board members shall not allow their family, social, professional, or other relationships to influence their judgment in discharging their responsibilities. Board members shall refrain from financial and business dealings that tend to reflect adversely on their impartiality or interfere with the proper performance of their duties. If a conflict of interest unavoidably arises, the board member shall immediately disclose the conflict to the Board. Conflicts of interest to be avoided include, but are not limited to: receiving consideration for advice given to a person concerning any matter over which the board member has any direct or indirect control, acting as an agent or attorney for a person in a transaction involving the board, and participation in any transaction for which the board member has acquired information unavailable to the general public, through participation on the board.

   "Conflict of Interest" means a situation in which a board member has a direct and substantial personal or financial interest in a matter which also involves the member's fiduciary responsibility.

4. The Board shall not unnecessarily retain consultants. The hiring of consultants shall be based on merit, avoiding nepotism and preference based upon considerations other than merit that may occur for any reason, including prior working relationships. The compensation of such consultants shall not exceed the fair value of services rendered.

5. Board members shall abide by NDCC 21-10-09, which reads: "No member, officer, agent, or employee of the state investment board shall profit in any manner from transactions on behalf of the funds. Any person violating any of the provisions of this section shall be guilty of a class A misdemeanor."

6. Board members shall perform their respective duties in a manner that satisfies their fiduciary responsibilities.

7. Political contributions are regulated under NDCC 16.1-08-03 and are not restricted under this ethics policy.

8. All activities and transactions performed on behalf of the public pension funds must be for the exclusive purpose of providing benefits to plan participants and defraying reasonable expenses of administering the plan.

9. Prohibited transactions. Prohibited transactions are those involving self-dealing. Self-dealing refers to the fiduciary's use of plan assets or material, non-public information for personal gain; engaging in transactions on behalf of parties whose interests are adverse to the plan; or receiving personal consideration in connection with any planned transaction.

10. Violation of these rules shall result in an official reprimand from the TFFR Board. No reprimand shall be issued until the board member has had the opportunity to be heard by the Board.
11. Board members are required to affirm their understanding of this policy annually, in writing, and must disclose any conflicts of interest that may arise.
12. RIO Deputy Executive Director is required to affirm his/her understanding of RIO Administrative Policy – Code of Conduct for RIO Employees – annually, in writing, and must disclose any conflicts of interest that may arise.

TFFR Board Adopted: September 15, 2005.
Amended: September 22, 2011.

MEMORANDUM

TO: **TFFR Board**

FROM: **Fay Kopp**

DATE: **July 18, 2013**

SUBJ: **Annual Customer Satisfaction Reports**

To assist the TFFR Board in monitoring how well the TFFR program is serving member and employer needs, each year we survey the interest groups, and collect evaluations from members and employer representatives. Here they are!

a) Responses to the TFFR Customer Satisfaction Surveys from NDCEL, NDEA, NDRTA, NDRTA and NDSBMA.

b) Evaluation responses and comments received directly from the members and employers from benefits counseling sessions, preretirement seminars, business manager workshops, and other member and employer communications.

The TFFR Board is also asked to complete an evaluation. As in the past, the State Investment Board wants to know from its customers (TFFR, PERS, Workforce Safety & Insurance, etc.) if the SIB (through the RIO staff) is providing quality service. I have enclosed a copy of the SIB Customer Satisfaction Survey which the TFFR Board as a whole will be asked to complete at the July 25 meeting.

Enclosures

TFFR Customer Satisfaction Survey

Is the TFFR Board, through the RIO staff, providing members and employers with quality service? Please help the TFFR Board measure their performance and identify areas for improvement by completing this annual survey.

Rating factors:	Excellent	Above Average	Average	Poor
Staff courtesy	x			
Responsiveness	x			
Efficiency	x			
Accessibility	x			
Knowledge of TFFR program	x			
Clarity and effectiveness of information	x			
Outreach services				
Member education/presentations	x			
Member benefit counseling sessions	x			
Member pre-retirement seminars	x			
Employer education/presentations	x			
Legislative proposals	x			
Legislative presentations/information	x			
Overall quality of service	x			

How can the TFFR Board and/or RIO staff improve their service to TFFR members and employers? Once again the service has been exceptional. Really can't think of anything to improve upon what you are already doing!

Comments: TFFR and Rio staff do an outstanding job in addressing issues with regard to funding needs of TFFR and PERS. The provide excellent information during the 63rd Legislative Assembly and should be in good position to provide needed policy recommendations during the coming interim. Great job!!!

Signature ______________________ Date July 15, 2013

Organization NDCEL

THANK YOU for helping us improve service to TFFR members and employers.

ND Retirement and Investment Office, P.O. Box 7100, Bismarck, ND 58507-7100
Phone: 701-328-9885 or 800-952-2970 - FAX: 701-328-9897 - Email: fkopp@nd.gov

TFFR Customer Satisfaction Survey

Is the TFFR Board, through the RIO staff, providing members and employers with quality service? Please help the TFFR Board measure their performance and identify areas for improvement by completing this annual survey.

Rating factors:	Excellent	Above Average	Average	Poor
Staff courtesy	X			
Responsiveness	X			
Efficiency	X			
Accessibility	X			
Knowledge of TFFR program	X			
Clarity and effectiveness of information	X			
Outreach services				
Member education/presentations			X	
Member benefit counseling sessions		X		
Member pre-retirement seminars		X		
Employer education/presentations		X		
Legislative proposals	X			
Legislative presentations/information	X			
Overall quality of service	X			

How can the TFFR Board and/or RIO staff improve their service to TFFR members and employers?

TFFR's outstanding leadership and staff have a rich history of providing the legislature and other education shareholders with timely information that serves to inform many important decisions. The only area where improvement might be made is in the number and frequency of pre-retirement seminars, member benefit seminars, and employer/employee presentations. Overall, TFFR is a terrific organization led by outstanding professionals, notably Faye Kopp and Darren Schultz.

Signature ____________ Date 08 July 13

Nick Archuleta

Organization North Dakota Education Association

THANK YOU for helping us improve service to TFFR members and employers.

ND Retirement and Investment Office, P.O. Box 7100, Bismarck, ND 58507-7100
Phone: 701-328-9885 or 800-952-2970 - FAX: 701-328-9897 - Email: fkopp@nd.gov

TFFR Customer Satisfaction Survey

Is the TFFR Board, through the RIO staff, providing members and employers with quality service? Please help the TFFR Board measure their performance and identify areas for improvement by completing this annual survey.

Rating factors:	Excellent	Above Average	Average	Poor
Staff courtesy	x			
Responsiveness	x			
Efficiency		x		
Accessibility	x			
Knowledge of TFFR program	x			
Clarity and effectiveness of information		x		
Outreach services				
Member education/presentations			x	
Member benefit counseling sessions			x	
Member pre-retirement seminars			x	
Employer education/presentations			x	
Legislative proposals	x			
Legislative presentations/information	x			
Overall quality of service	x			

How can the TFFR Board and/or RIO staff improve their service to TFFR members and employers?

Comments

_I think it is important to comment on the reason for the 4 average ratings. From members that have been at any of the sessions, they always are rated as outstanding. The issue is that we need to find away to expand the number of sessions to increase the opportunity for our members—TFFR participants—to attend and then work jointly to encourage attendance.

Signature __Gary D. Rath, Chief Financial Officer Date 7/8/2013

Organization North Dakota United (NDEA)

THANK YOU for helping us improve service to TFFR members and employers.

ND Retirement and Investment Office, P.O. Box 7100, Bismarck, ND 58507-7100
Phone: 701-328-9885 or 800-952-2970 - FAX: 701-328-9897 - Email: fkopp@nd.gov

TFFR Customer Satisfaction Survey

Is the TFFR Board, through the RIO staff, providing members and employers with quality service? Please help the TFFR Board measure their performance and identify areas for improvement by completing this annual survey.

Rating factors:	Excellent	Above Average	Average	Poor
Staff courtesy	X			
Responsiveness	X			
Efficiency	X			
Accessibility	X			
Knowledge of TFFR program	X			
Clarity and effectiveness of information	X			
Outreach services	X			
Member education/presentations	X			
Member benefit counseling sessions	X			
Member pre-retirement seminars	X			
Employer education/presentations	X			
Legislative proposals	X			
Legislative presentations/information	X			
Overall quality of service	X			

How can the TFFR Board and/or RIO staff improve their service to TFFR members and employers?

Comments: Fay and staff are always so helpful and courteous. They are knowledgeable, respectful and always available to answer any questions our office or members have-we very much appreciate all the work they do.

Signature Erica Cermak Date 7-1-13

Organization NDRTA

THANK YOU for helping us improve service to TFFR members and employers.

ND Retirement and Investment Office, P.O. Box 7100, Bismarck, ND 58507-7100
Phone: 701-328-9885 or 800-952-2970 - FAX: 701-328-9897 - Email: fkopp@nd.gov

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TFFR Customer Satisfaction Survey

Is the TFFR Board, through the RIO staff, providing members and employers with quality service? Please help the TFFR Board measure their performance and identify areas for improvement by completing this annual survey.

Rating factors:	Excellent	Above Average	Average	Poor
	X			
Staff courtesy	X			
Responsiveness	X			
Efficiency	X			
Accessibility	X			
Knowledge of TFFR program	X			
Clarity and effectiveness of information	X			
Outreach services				
Member education/presentations	X			
Member benefit counseling sessions	X			
Member pre-retirement seminars	X			
Employer education/presentations	X			
Legislative proposals	X			
Legislative presentations/information	X			
Overall quality of service	X			

How can the TFFR Board and/or RIO staff improve their service to TFFR members and employers?

Comments: Fay is wonderful! She is helpful, responsive, and willing to present at our convention (and on Saturdays)!

Signature: [signature]

Date: July 5, 2013

Organization: ND School Boards Assn.

THANK YOU for helping us improve service to TFFR members and employers.

ND Retirement and Investment Office, P.O. Box 7100, Bismarck, ND 58507-7100
Phone: 701-328-9885 or 800-952-2970 - FAX: 701-328-9897 - Email: fkopp@nd.gov

TFFR Customer Satisfaction Survey

Is the TFFR Board, through the RIO staff, providing members and employers with quality service? Please help the TFFR Board measure their performance and identify areas for improvement by completing this annual survey.

Rating factors:	Excellent	Above Average	Average	Poor
Staff courtesy	✓			
Responsiveness	✓			
Efficiency	✓			
Accessibility	✓			
Knowledge of TFFR program	✓			
Clarity and effectiveness of information	✓			
Outreach services				
Member education/presentations	NA			
Member benefit counseling sessions				
Member pre-retirement seminars				
Employer education/presentations	✓			
Legislative proposals		✓		
Legislative presentations/information		✓		
Overall quality of service	✓			

How can the TFFR Board and/or RIO staff improve their service to TFFR members and employers?

Comments

Signature *Mona M Dunlop* Date *6-12-13*

Organization *Leeds Public School*

THANK YOU for helping us improve service to TFFR members and employers.

ND Retirement and Investment Office, P.O. Box 7100, Bismarck, ND 58507-7100
Phone: 701-328-9885 or 800-952-2970 - FAX: 701-328-9897 - Email: fkopp@nd.gov

Annual Tabulation 2012-13
Comment Cards 208

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
COMMENT CARD

Are we providing you with quality service and information on your TFFR benefits?

			Excellent	Above Average	Average	Poor
Staff Courtesy			199	7	2	
Promptness			192	12	2	1
Content/Information			197	8	2	1

- Very helpful.
- Very helpful and informative-answered all of my questions and set me at ease.Great staff-thanks!
- Thank you for making it so easy for me to apply for my retirement benefits. It's been great working with you!
- Staff is very helpful.
- My retirement came quickly for me as I had no plans for this to happen. You have been more than helpful/cooperative/caring/etc as I worked through my retirement process!!
- Counselor is great! Thanks for all your help!
- I was extremely satisfied how TFFR handled my account.
- Counselor was so helpful making information clear and easy to understand. It helps to make for an easier transition. ☺
- Thanks for your help. Retiring doesn't seem quite so frightening now that I know I have support for questions.
- It has been a pleasure doing business with your staff. Thank you!
- I was very satisfied with the services I received & you were prompt in answering my questions.
- Very patient and helpful with all my questions no matter how simple. Counselor made me feel confident all had been properly prepared for retirement.
- Thanks so much to all, especially counselor, for helping me with this new stage of my life.
- Counselor has been extremely helpful! Very patient with my numerous questions!
- Counselor has been excellent!
- Your staff has been helpful & instrumental in making the transition into retirement a smooth one.
- Counselor has been very helpful. Thanks.
- Counselor provided excellent service.
- Thank you for being so helpful.
- Thank you for all your help. ☺
- I felt everything was done and completed in a timely manner.
- I appreciate all the help & questions answered by your staff. You all were very accommodating. Thanks a bunch!
- Excellent service - very informative. Thank you!!!
- Invest well and keep the checks coming.
- I have been very pleased with the assistance I have received from the TFFR staff. Keep up the good work. Thank you for everything!
- Thanks for all your help!
- Thanks, counselor, for your dedication and passion for assisting retirees. Please commend your staff.
- Thank you for all you do!! ☺
- Thank you. Everything was spelled out clearly, directions clear and staff helpful! Counselor was great to work with. PS-I now feel like I have an "endless summer" ahead of me!
- Very helpful, cooperative, and provided accurate information. Answered questions in a timely manner.
- Thank you!

- Thank you for all what you do. We appreciate it!!
- Thank you for your help!
- Suggestion: Check list for all forms and material to be returned.
- You provide invaluable service. Thank you!
- Thank you for making this easier for me. ☺
- Counselor was great-clear directions, friendly, helpful throughout the year & long process. Thank you!
- Counselor was great! She helped make the retirement process easy and painless.Thanks!
- Counselor provided timely and current information and she made the process of retiring more easily understood. What was a very complicated issue was simplified by her. Very knowledgeable and personable!
- Counselor was very helpful and efficient! Thank you!
- Thank you. Everything was spelled out clearly, directions clear and staff helpful! Counselor was great
- Counselor was especially helpful!
- Counselor was very helpful. ☺
- Thank you Counselor! ☺
- Thank you for all your help on the phone -- I'm VERY satisfied!
- Thanks for your continued assistance.
- I can't thank you enough counselor! You rescued my sorry self and helped me through this process. Thanks to you I am enjoying a stress free retirement!
- Always willing to answer my questions - "no silly questions" I was told. Awesome.
- Great benefit counselors both!
- Thank you! I was impressed with the service I have received from you. I have retired from 2 states + ND. The process in ND was smoothest.
- I am late in replying to this TFFR request. I retired this past year & was very pleased with the help I received.Thank you so much for answering all my questions & helping me know what to do.
- Knowledgeable, courteous, and very personable.
- I am very pleased with the help I am receiving.
- I was glad for all of your assistance to get ready for retirement and appreciate your answers to my questions! Thank you!
- My counselor is super!
- I have learned since retiring in May that the process is "not for sissies". Your staff have been the most helpful & well-informed of all the advisors/experts/etc. that I have had to contact. I thank you!
- Very helpful.
- I did not realize how much work was required in order to address my questions. I greatly appreciate your kindness as well as your work!
- All my contact with your staff was helpful and timely. Thank you for such great service on short notice!
- I am sure I have created memories that will last due to my continuing confusion! Always courteous and helpful.
- Very helpful, friendly and always willing to answer questions. Made the retirement process very easy! Thank you!
- I was very pleased with the process of enrolling for retirement benefits.
- Great to work with! Thanks so much!
- Thank you so much for your helpful, pleasant, and knowledgeable service.
- Thank you so much - I really appreciated the friendly tone and answering questions. The information also arrived more quickly than I expected.
- Thanks for great, prompt help & service. Very efficient!!
- Keep up the good work.
- The staff was very professional & understood someone with multi-disabilities. I will be forever grateful. Thank you kindly.
- Totally helpful and very prompt & kind!! Counselor helped me!! ☺
- I no longer live in ND so my retirement paperwork was done from a distance. Everyone was extremely kind, helpful and answered all my questions, large & small! Thank you!
- Thanks so much!
- Counselor was always helpful, providing information quickly.
- My counselor is amazing! She explains everything so well - gave me the options available & answers questions so thoroughly. She is so very pleasant, knowledgeable, & works with you for

your benefit. I couldn't ask for a better advisor! Super!

- Thank you for all your help.
- Great help! Thanks!
- Their the Greatest!
- Counselor was a great resource! Thank you.
- She helped me immediately, no waiting or mailing. A packet of material came a few days later - outstanding!
- The gross income and net income should be made clear at the beginning.
- Counselor was so helpful. I am so glad she worked with me to make this process go smoothly.
- Thank you very much for helping me!! ☺
- They made a complicated, important decision very easy -- thank you.
- I am thoroughly satisfied with the courteous, prompt service I received from counselor.
- Questions were answered promptly. Always assisted me when I stopped at the office.
- I appreciated the service & prompt accurate answers I received to all my questions.
- Thank you for guiding me through this whole process. Thanks especially to counselor! You were terrific! ☺
- I was very pleased with how everything was handled and taken care of by the employees at the ND Retirement and Investment Office! Thank you to everyone that explained everything to me and answered all my questions! I also enjoyed my visit to your office!
- I was very pleased with service. Efficient and very friendly. GREAT STAFF!
- Very helpful and knowledgeable, always called back to answer my questions, easy to work with. Thank you for all your help!
- Thank you so much for your excellent service. I really appreciate your help.
- Counselor worked with both my husband and I. Kudos to her!
- Keep up the good work!
- I thank you!! I appreciate your very kind patience.
- This has been a scary but exciting time. The info & help from you has cut down on some of the anxiety. The information was delivered in a timely manner which made planning for retirement easier.
- I have had an excellent experience working with & receiving information about my retirement.
- Everyone was very helpful and professional.
- Counselor was super walking me through the process.
- Smooth process.
- Thank you for your patience & assistance.
- We are very fortunate to have our retirement system. You all have amazed me on your efficiency! Your system is awesome!
- Counselor has been wonderful. She is very knowledgeable and helpful. She makes the process very easy. Staff is amazing too.
- TFFR was always ready to listen and help with my retirement.
- Counselor is amazing! She is so knowledgeable and gracious.
- Other than having to "renotorize" my docs because the wrong date was on the first one, everything was great. Thanks much!!
- Very pleased with service received.
- Rep I met with in late fall in Fargo was very informative and helpful!
- Keep up the great work!
- A very easy transition.
- Thank you for the summer sessions.
- You were very patient with me through the entire process. Thanks! ☺
- Counselor was wonderful to work with. She is a very valuable employee to your office.
- Thanks for making the process as streamlined as possible!
- Very satisfied with communication & promptness.
- I attended a Pre-retirement seminar in August 2012 which was very helpful.
- Thank you for making the transition so easy. The questions I had were always answered quickly and professionally! ☺
- Thank you for your help.
- Thank you for your help. I received my first retirement check Monday, June 3. Thanks again.
- Very nice staff. Answered every question I had. Explained the paperwork. Thanks.
- Coming to the retirement office was a very pleasant experience. Everyone was very helpful & the

information I received about my retirement was explained thoroughly-so many things that I would not even have thought about asking. Much appreciated!! Thanks.

- Thank you!
- Looking forward to a continued great service from TFFR.
- The summer seminars are outstanding-I went 2 years in a row. So much to decide on & learn. Keep up the great service to the educators!!
- Counselor, my main TFFR rep for the past few years, has been caring, compassionate and so helpful to me! All staff have been patient, informative and competent!
- I've had a very pleasant experience.
- Everyone I contacted has been very helpful and willing to answer any and all questions.
- All good! Thank you! You people are AWESOME!!
- You made the retirement process informative & easy to understand. Thank you.
- Thanks so much for the prompt, excellent reports.
- I was very pleased with the prompt courteous service given to me.
- Everything went excellent. Thank you!
- Counselor was an awesome TFFR counselor. Thanks for navigating me through some murky waters!
- I have been very pleased with the services that I have received. The information packet that I got in the mail was easy to follow as the directions helped to guide me step by step.
- Thank you for all your help with my retirement! Everything went very smoothly.
- Thank you for all of your help and advice.
- Great experience! Thank you!
- I had a very positive experience with your staff! First payment was right on time. Thank you!!
- Everything was done excellent. Thank you!
- Wonderful to work with!!
- Counselor has been wonderful in helping me with the dual membership. I really appreciate counselor and administrative assistant too!
- Thank you!
- Counselor was very helpful and answered all my questions!
- **AWESOME**
- My meeting with my counselor was very helpful & informative. Thank you so very much!

Retirement 101
Evaluation
Bismarck
February 26-27, 2013

Members Present 72
Evaluations Returned 53

Please rate the overall program.

Excellent	Above Average	Average	Poor	No Answer
38	14	1		

- Easy to understand, very helpful to have my great handout information.
- Great presentation, good information.
- Thank you for the great info!
- Very clear and concise!
- Very informative. Good to learn about contingency beneficiaries.
- Very enthusiastic & knowledgeable - great speaking voice.
- Good job explaining complicated ideas & terms.
- You do an excellent job. Your expertise is so appreciated.
- Very clear on the dynamics of TFFR.
- Thank you! Answered a lot of questions!
- Thank you, very concise, well versed.
- Thank you!
- Great information.
- You explained things very well! Thank you. This is just a little confusing, but you helped me understand!
- Very informative.
- Very informative! Thank you!
- These are things I normally don't think about but it was GREAT to hear. Thanks!

What did you like best about the program?

- Our personal information & an excellent explanation of benefits.
- Instructor was very knowledgeable.
- Very informative, answered a lot of questions.
- Folder and contents.
- The explanation of everything.
- Understanding my benefits!
- The information regarding my TFFR account.
- Presenter was just so easy to understand.
- A lot of valuable information.
- The good explanation for ease of understanding.
- Information that I did not know.
- Great information.
- Security.
- So informative! So well organized!
- Easy to understand.
- Thanks for very informative, individual info!
- Personalized information--relating to each of us--very informative.
- Lots of applicable information.

Retirement 101

- The visuals.
- Needed the information in general and personal info. Handout.
- Great, applicable info. Appreciated the individual forms that were calculated. Thank you!
- Clarifies my decision.
- I did not know much about the program, so it was an excellent start.
- Good info.
- Very clear & easy to understand.
- Knowing my options.
- Projected info.
- Explained a lot that was never explained before.
- Moved smoothly, well prepared.
- Very informative.
- Very informative and very good with lots of details.
- It was nice to have this explained to me in terms that I understand. I liked the print out of my current plan.
- The review.
- All the info!
- I liked that information was prepared specifically for me.
- It was all GREAT information that I was not aware of.
- The clear, concise information!
- The folder - nice and organized.
- Very informative.
- Good info.
- What my specific retirement will be and when I am eligible. Also, I was not aware of the contingency for my beneficiary.
- The glossary - everything done & ready for us.
- I'm pretty new so the terms are great to become familiar with.
- Individualized information!
- Being able to see very specific information & numbers.
- The slide show was a nice visual.
- I like the printout with my info. That was very helpful.
- Facts.
- Very informative.
- Print off of my information. A great description of information.

What did you like least about the program?

- LIKED IT ALL!!!
- Nothing
- Nothing
- The changes in economy.
- 2009 ☺
- Nothing
- Nothing
- More time for questions.
- Grandfathering/non-grandfathering
- Lots of information.
- % increase

Retirement 101

Was the length of the program appropriate (90 minutes)?

Yes	No	No Answer
52	1	

If not, how long should the program be?

- Even longer would be fine.
- 15-20 more minutes for group questions.
- Great info.

Do you have any suggestions for future programs?

- This should be an in-service for every school, every year, so people understand and don't forget!
- No.
- Thanks!
- Please always give this information. It is **SO** valuable.
- Thank you for coming!
- I will set up an appointment.
- It was a great program.
- Possible more examples of retiree check estimates on the slides so people have a visual. Thank you. Great information.
- Maybe a current case study from a teacher that is in this district.

PRE-RETIREMENT SEMINAR FOR TFFR MEMBERS
ANNUAL EVALUATION REPORT
YEAR 2012-2013

Members	Fargo	82	Minot	38
Spouses - Others		28		10
Evaluation Forms Returned		57		34

1. TFFR PENSION BENEFITS

Excellent	Above Average	Average	Poor	No Answer
64	21	4		2

- Good information.
- Wish there was more time for questions, but thank you for being available to ask.
- All topics were pertinent.
- Good intro - review for me.
- A little disorganized. Hard to do Question & Answers in this location.
- Great delivery.
- Patient speaker. Answered lots of questions.
- Helpful.
- Informative.
- Lots to think about! Presenter did a very good job of explaining & answering questions. Thank you.
- Good pacing--easy to understand.
- Very helpful.
- Good info. Heard things that made TFFR more understandable. Gave me direction.

2. SOCIAL SECURITY

Excellent	Above Average	Average	Poor	No Answer
37	39	11	3	1

- Ask him to wear wireless microphone.
- Important note FRA!!
- Alot of information
- Liked the info-re: Social Security sites.
- I didn't care for some of the presenter's choice of words (ex-"Let's kill her off"). Also, he seemed to want to cut off questioners.
- Would be nice if he updated Power Point to follow his presentation.
- Couldn't always hear him -- didn't keep mic by his mouth. Sorry to have missed out on things that he had to tell us. Time went quickly -- he kept us with him.
- History of Social Security was not important to me.
- Good info. Lively presentation.
- Tough to hear - he's a mover! ☺
- Hard to hear. Very knowledgeable.

- Gave good detailed info. (Slides were not readable tho:)
- Hard to hear. Wasn't keeping microphone up. He was intimidating. I believe people were not comfortable asking for clarification.
- Didn't know how to use the microphone. The time might be used more productively. Given the website (takes about 10 seconds), we can use it to find the info.
- Had to use a different powerpoint than hers. She coped well and did a great job. Thanks!
- Could have had all the printouts she had with the powerpoint--did understand the glitch however.
- Very thoughtful that the local office can help on a difficult process.
- Well prepared.
- So much information but hopefully going to web site will provide clarification.

3. FINANCIAL PLANNING

Excellent	Above Average	Average	Poor	No Answer
30	39	20	2	

- Should move to Power Point for presentation.
- Had hoped for more info on choices for collecting from the annuity.
- Went too fast. Complicated stuff.
- Has to be so general.
- Too dry a speaker for right after lunch.
- Easy to follow.
- Covered a lot in short period of time.
- Clear, but will rely more on a one to one session in November.
- Interesting information.
- Info was good but for me too many numbers to sort through as I do not pay too much attention to this part of my life--unfortunately. I know better but choose otherwise.
- Could have had more time scheduled for us.
- Too long.
- Tried to explain everything which resulted in too much information. Some scenarios discussed were unrealistic for many ND teachers.

4. INSURANCES

Excellent	Above Average	Average	Poor	No Answer
47	33	9		2

- Good information and rates.
- Very interesting! Many opportunities to ask/answer questions.
- I just have trouble following any presentation on medical insurance.
- I like how he repeated the questions and took time for lots of questions!
- Interesting.
- Spent too much time on questions.
- Easy to hear, great information, very open to questions.
- Good verbal and written descriptions.
- Good info.
- Very helpful.
- Very good. Wish she had more time. Did appreciate she was available for ?'s after she presented.
- Not enough about rates.

- Learned a lot about insurance that I did not know. Very beneficial.

5. ESTATE PLANNING

Excellent	Above Average	Average	Poor	No Answer
73	9	2		7

- Very good information.
- She was **<u>so</u>** easy to understand!
- Wonderful information but scary.
- Interesting presenter.
- WOW!!
- Oh do I have some paperwork to do!
- Very informative. Thanks for doing!
- Great to understand with all the examples.
- Best session.
- Extremely knowledgeable - should have more time!
- An eye opener - I need to get organized!
- ☺ WOW! A wealth of information.
- Very knowledgeable and easy to listen to.
- WOW! She was very informative!
- Clear and concise. Great information.
- Easy to listen to and down to earth. Liked that she repeated questions for those of us who couldn't hear questions. Very good job!
- Wonderful info!!!
- Outstanding!
- She was awesome!
- Very understandable.
- Very knowledgeable.
- Very <u>well</u> done. <u>Thanks!!</u>
- Great to have terminology in "student" terms. Examples of "open and closed" boxes very useful as it was visual.
- Good teacher. Very informative. She made estate planning easy to understand. Would have appreciated being given a ballpark figure for a basic trust.
- Wonderful job.

6. PLEASE RATE THE OVERALL SEMINAR

Excellent	Above Average	Average	Poor	No Answer
55	29	3		4

- All topics were pertinent.
- The location was not conducive to Questions and Answers.
- The binder provided is a tremendous resource. Thank you for this! I appreciated the coffee & water available.
- Thank you for providing the info into binders.
- Sure am glad I was told about this through a recommendation of another teacher.
- Very good info - a day well spent!
- Thanks so much!

7. DO YOU FEEL THAT ATTENDANCE AT THIS SEMINAR WAS TIME WELL SPENT?

Yes	No	No answer
88		3

- Some
- Yes--very informative about a lot of important topics!

8. WOULD YOU RECOMMEND THIS SEMINAR TO OTHERS?

Yes	No	No answer
88		3

- Parts of it.

9. WILL ATTENDANCE TODAY MOTIVATE YOU TO TAKE ACTION RELATIVE TO YOUR RETIREMENT PLANNING?

Yes	No	No answer
86	1	4

If yes, what action will you take?

- Look at/update legal documents.
- Redo our wills.
- I will review my plan for retirement.
- Financial and legal planning.
- Open discussion with spouse. I will get TOD (transfer on death) on my home deed. I will have Power of Attorney/health care directive completed!
- Already underway.
- More pre-planning, meet with Horace Mann representative.
- Check on Long Term Care insurance. Check on contingent beneficiaries.
- We will look at our will and make necessary changes and updates.
- Long term health care
- Estate planning.
- Find out what I should do with my teaching years that I have in MN and SD.
- Review financial assets and see if changes are needed in investments.
- Begin the process starting with a counseling appt.
- Talk to my counselor to get things in order about rollovers and buying credits.
- I may have to teach a little longer.
- A will, check out health insurance, financial Power of Attorney, health care directive
- Set up plan for estate and do will.
- Compare insurances, get the paper work done!
- Go to financial advisor.
- Estate planning-making sure my family does not have to be my advocate.
- Estate planning.
- I will open discussions with my spouse.
- Long term care insurance

- Check on liability coverages.
- Need to name contingency beneficiaries, talk with spouse about TFFR plan choice.
- Go over what I've done to ensure it is up to date and also do a couple more items.
- Estate planning.
- Get assets in order for joint ownership.
- I will get a health directive, check my home deed and car titles. I was happy to learn about PERS and to understand Cobra.
- Living will, probate checks, etc.
- Make certain that will is in order and get all of the forms started for retirement.
- Update legal documents. Plan for medical/dental/vision insurance.
- Make more estate planning decisions..more informed to do this.
- Check web Social Security.
- I will be checking the wording on my important papers, etc.
- See my lawyer, check deeds for "joint", check into long term insurance.
- All ready started.
- Check will, check beneficiaries.
- Talk with my financial planner, review binder & make a to-do list regularly, go to appropriate online resources.
- It already did - I set up an appointment for an individual appointment.
- Estate planning.
- Taking a more serious look at the actual numbers.
- Make a plan ahead of time.
- Change beneficiaries. Add contingent ones. I have a 9 point "to do list!"
- I have most things in place but I need to be aware of dates when I get closer to retirement.
- Estate planning was a goal that I had set for this summer. I feel much more informed about what to do to get started and what the options are.
- More visits with financial planner, update will.
- Go over with husband.
- Investments.
- Check into health insurance, writing a will, checking social security website.
- Look into long term care insurance and medical insurance options.
- Living will, look more closely at health insurance, start making plans.
- Plan/look at insurance options.
- Estate planning, rethink financial plans, check into cobra.
- Put more thought into estate planning, making a list of assets and important records.
- Start paperwork early for retirement.
- Plan, plan, plan.
- Add contingency beneficiary-will-estate planning.
- Get more organized with our information for beneficiary.
- Long term insurance.
- Estate planning & more financial planning.
- Estate planning, financial planning.
- Change beneficiaries.
- What contingent beneficiaries, if any, that I have listed on life insurances. Curious about the differences on IRA & Roth IRA's. Rethink retirement age now for me.

10. WAS THE LENGTH OF THE PROGRAM APPROPRIATE?

Yes	No	No answer

86	1	4

If not, how long should the program be?

- But a few stretches-get up and move-would be helpful. Lots of info!
- More breaks - short duration.
- This is the maximum time I can stand - day is good!
- Good during the summer break.
- Lots of sitting!
- But it is overwhelming with information.
- No longer.
- Any longer would be ineffective as it has much information to process.
- Not any longer day--too much info in one day--if more probably lose interest as brain tired!
- Afternoon got a bit long.
- By 3:30. I am shot! Too much information to take in.

11. WAS THE TIME OF THE PROGRAM CONVENIENT (FULL DAY - SUMMER)?

Yes	No	No answer
84	4	3

If not, what would be a better time?

- Maybe 2 mornings might be better
- Summer is great!!
- Start later/more lunch time.
- End of July
- A little early for out of town members considering the road construction (drove 70 miles one way) 9:00-

12. DO YOU HAVE ANY SUGGESTIONS FOR FUTURE PROGRAMS?

- I would like to have a tax accountant display and explain, using an example, what my tax return will look like in retirement. I'm wondering where my TFFR and Social Security is reported on my tax return.
- No - it was excellent. Thank you for this opportunity!
- Couple this with individual 30 minute sessions. I have to wait until November now to get a 30 minute session in Fargo (or travel to Bismarck).
- This was great! Thank you!!
- THANK YOU!! ☺
- One hour is not enough time for an off-site lunch.
- Thank you! This was time very well spent!
- Shorten the Social Security section or have speaker give more concrete examples.
- For the insurance info for Fargo schools-this should have been done at a time Fargo teachers meet, it should not have been at a state seminar. The seminar was very well organized and you kept to the time scheduled. Good job - Thank you!
- Do a segment comparing long term care insurance options..how to choose a plan.
- Thanks for doing this free of charge!
- Everything was so informative.
- Need better person with accurate facts on financial planning.

- General comment - The day was so helpful, and a workshop I will sign up for again. I'll need to hear this more than once. ☺
- This was well organized and informative. Thanks!
- Maybe order lunch in so people don't need to fight rush hour lunch traffic.
- No, I thought it was well organized & informational. Appreciated presenters were available during the day if we had questions.
- Great job.
- Have a working lunch--cater sandwiches--this would allow for a shorter afternoon. Charge for the sandwiches.
- None - excellent session. Thanks for doing this for us. A lot of great worthwhile information!
- Great program!
- It was an excellent day, very informational.
- Awesome!
- Great. Continue as is!
- No, this was very informative.

Business Managers
Annual Evaluation
2012-2013

Attendees 176

Evaluations 146

	Excellent	Above Average	Average	Poor
Was the subject material relevant to your needs and/or interests? (1 did not answer)	90	44	11	

Comments:

- ♦ Didn't find it useful to review reporting using "Software Unlimited". Waste of time.

	Excellent	Above Average	Average	Poor
How knowledgeable, organized, and effective were the speakers?	109	33	4	
How would you rate the NDRIO/TFFR website? (10 did not answer)	75	51	10	

Comments:

- ♦ Sometimes hard to find info.
- ♦ I do not use the NDTFFR website, but plan to more in the future and to start submitting my report electronically.
- ♦ Never used.
- ♦ Don’t use it often.
- ♦ Do not use.
- ♦ I don't use it a whole lot.
- ♦ Don't use

	Excellent	Above Average	Average	Poor
How would you rate the service you receive from TFFR staff? (1 did not answer)	107	36	2	

Comments:

- ♦ Very helpful!
- ♦ Staff has been wonderful working with ☺
- ♦ Excellent! Thank you!
- ♦ Very helpful and friendly
- ♦ Helpful - friendly
- ♦ You have been so incredibly helpful this year! Thank you☺

	Yes	No
Have you ever referenced the TFFR Employer Guide? (6 did not answer)	110	30

Comments:

- ♦ It has been a long time since I did!
- ♦ Just starting as business manager
- ♦ I usually just call the office.

	Yes	No
Do you read the Briefly newsletter?	135	10

(1 did not answer)

Comments:

- Sometimes
- Briefly☺
- Sometimes
- Sometimes--depending on how much time I have.
- When I receive it.
- Sometimes.

How could we serve you better?

- I have always felt like I get great service from you.
- You always are vey helpful. Thank you.
- More employee education
- Have all forms online "fillable" and easier to use.
- You're doin' fine!
- All is good.
- You are doing great!!
- You are doing a great job.
- You are doing great - Keep it up!
- You guys are always very helpful!
- Talk louder.

Other comments:

- Thanks for being easy to work with.
- I had some problems with my SUI software & staff was nice each time a new problem came up.
- Great presentation.
- Notify teachers of website more. Retirement seminars for teachers?
- Frustration with the pending retiree salary verification process. It is an estimate yet I have been asked to redo the form to actuals. If it is an estimate why am I redoing to actuals?
- Like the games. Miss the chocolate. Still like the candy! ☺
- Very friendly and helpful staff.
- Thank you for all your help with a retirement. You made her stress level go down immensely.
- Everything very informational and beneficial.
- I only started my position 1 month ago, so am not real familiar with this yet.
- Great presentation - very helpful.
- Thanks for your prompt and helpful service when I email you!
- Well presented.
- As always - great presentation.
- Thanks for all your help!

ND Retirement and Investment Office

Teachers' Fund for Retirement
State Investment Board

1930 Burnt Boat Drive
P.O. Box 7100
Bismarck, ND 58507-7100
Telephone 701-328-9885
Toll Free 800-952-2970
Fax 701-328-9897
www.nd.gov/rio

July 3, 2013

Michael Gessner
President
ND Teachers' Fund for Retirement
PO Box 7100
Bismarck ND 58507-7100

RE: CUSTOMER SATISFACTION SURVEY
TEACHERS' FUND FOR RETIREMENT

To ensure that clients receive the highest quality service, the State Investment Board (SIB) is using an annual customer satisfaction survey to determine how well the Board, through the Retirement and Investment Office (RIO) staff, is meeting your expectations and requirements. This survey is part of our ongoing effort to be responsive to our clients' needs and to continually improve the services we deliver.

Your input is very important to us, so we hope you will take a few minutes to provide candid feedback on our services to you during fiscal year 2013. Please email your response back to bheit@nd.gov.

Questions about this survey should be addressed to Dottie Thorsen, Internal Audit, Retirement and Investment Office, P.O. Box 7100, Bismarck, ND 58507-7100, telephone number 328-9896 or dthorsen@nd.gov.

Thank you for your time and assistance.

Sincerely,

Les D. Mason

Les Mason
Supervisor of Internal Audit

Enclosures

NORTH DAKOTA STATE INVESTMENT BOARD
CUSTOMER SATISFACTION SURVEY

Is the State Investment Board (SIB), through the Retirement and Investment Office (RIO) staff, providing you with quality service? Please help us measure our performance and identify areas for improvement by rating our service to you during fiscal year 2013. Circle the appropriate response and return the questionnaire in the courtesy envelope to the RIO office.

RATING FACTORS	EXCELLENT	ABOVE AVERAGE	AVERAGE	POOR
Handling of telephone calls promptly and professionally	X	X	X	X
Clarity and effectiveness of letters, reports, and presentations	X	X	X	X
Detail provided on reports	X	X	X	X
Delivery of high-quality service	X	X	X	X
Accessibility	X	X	X	X
Responsiveness	X	X	X	X
Efficiency	X	X	X	X
Knowledge of investments	X	X	X	X

HOW CAN THE SIB AND/OR RIO STAFF IMPROVE THEIR SERVICE TO YOU?

Keep up the good job!

ND Teachers' Fund for Retirement

SIGNATURE ______________________ DATE __________

Thank you for helping us to serve you better.

ND STATE INVESTMENT BOARD MEETING

Friday, July 26, 2013, 8:30 a.m.
Workforce Safety & Insurance
1600 E Century Ave, Bismarck, ND

I. APPROVAL OF AGENDA

II. APPROVAL OF MINUTES (JUNE 28, 2013)

III. ELECTION OF OFFICERS 2013-14

A. Chair
B. Vice Chair
C. Parliamentarian (Appointed by Chair)

IV. AUDIT COMMITTEE MEMBERSHIP 2013-14 (Board Acceptance) - Ms. Kopp (enclosed) (5 min)

V. EDUCATION

PIMCO Bravo II Fund - Stephanie King, Jennifer Bridwell, and John Murray (enclosed) (90 min)

VI. INVESTMENTS

A. Discussion on PIMCO Bravo II Fund - Mr. Schulz (to follow) (15 min)
B. Legacy Fund Transition - Mr. Schulz (enclosed) (30 min)
C. ND State Board of Medical Examiners - Mr. Schulz (enclosed) (10 min)
D. Insurance Cash Pool - Mr. Schulz (5 min)

VII. GOVERNANCE

A. Search Committee Status Report - (enclosed)
B. Code of Conduct Certification - Mr. Schulz (enclosed) (5 min)

VIII. QUARTERLY MONITORING - 6/30/13 (enclosed). (Questions Only - Board Acceptance) (5 min)

A. Executive Limitations/Staff Relations - Ms. Kopp (enclosed).
B. Budget and Financial Conditions - Ms. Flanagan (enclosed).
C. Investment Program - Mr. Schulz (enclosed).
D. Retirement Program - Ms. Kopp (enclosed)
E. Watch List - Mr. Schulz (enclosed)

IX. OTHER.

SIB meeting - August 23, 2013, 8:30 a.m. - Workforce Safety & Insurance
SIB Audit Committee meeting - September 27, 2013, 1:00 p.m. - Peace Garden Room, State Capitol

X. ADJOURNMENT.

Any individual requiring an auxiliary aid or service, please contact the Retirement and Investment Office (701) 328-9885 at least three (3) days prior to the scheduled meeting.

NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
JUNE 28, 2013, BOARD MEETING

BOARD MEMBERS PRESENT:	Drew Wrigley, Lt. Governor, Chair Mike Sandal, Vice Chair Clarence Corneil, TFFR Board Levi Erdmann, PERS Board Lance Gaebe, Land Commissioner Mike Gessner, TFFR Board Howard Sage, PERS Board Kelly Schmidt, State Treasurer Cindy Ternes, Workforce Safety & Insurance Bob Toso, TFFR Board
BOARD MEMBERS ABSENT:	Adam Hamm, Insurance Commissioner
STAFF PRESENT:	Connie Flanagan, Fiscal & Investment Officer Bonnie Heit, Office Manager Fay Kopp, Interim Executive Director Darren Schulz, Interim CIO Susan Walcker, Investment Accountant
OTHERS PRESENT:	TJ Jerke, Forum News Services Mary Kay Kelsch, Attorney General's Office Bryan Reinhardt, PERS

CALL TO ORDER:

Lt. Governor Wrigley called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, June 28, 2013, at the State Capitol, Peace Garden Room, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. ERDMANN AND CARRIED ON A VOICE VOTE TO ACCEPT THE REVISED JUNE 28, 2013, AGENDA.

AYES: MS. TERNES, MR. CORNEIL, TREASURER SCHMIDT, COMMISSIONER GAEBE, MR. ERDMANN, MR. TOSO, MR. SANDAL, MR. SAGE, MR. GESSNER, AND LT. GOVERNOR WRIGLEY
NAYS: NONE
MOTION CARRIED
ABSENT: COMMISSIONER HAMM

MINUTES:

The minutes were considered from the May 17, 2013, meeting,

IT WAS MOVED BY COMMISSIONER GAEBE AND SECONDED BY MR. CORNEIL AND CARRIED ON A VOICE VOTE TO ACCEPT THE MAY 17, 2013, MINUTES AS WRITTEN AND AMENDED.

AYES: MS. TERNES, MR. CORNEIL, MR. SANDAL, TREASURER SCHMIDT, MR. GESSNER, MR. SAGE, COMMISSIONER GAEBE, MR. TOSO, MR. ERDMANN, AND LT. GOVERNOR WRIGLEY
NAYS: NONE

MOTION CARRIED
ABSENT: COMMISSIONER HAMM

INVESTMENTS:

Legacy Fund - Mr. Schulz reviewed his recommendation and timeframe to transition the Legacy Fund into a new strategic asset allocation plan that was adopted by the Legacy and Budget Stabilization Fund Advisory Board (Advisory Board) on April 2, 2013, and accepted by the SIB on April 26, 2013. After discussion,

IT WAS MOVED BY COMMISSIONER GAEBE AND SECONDED BY MS. TERNES AND CARRIED ON A ROLL CALL VOTE TO ACCEPT STAFF'S TRANSITION PLAN AND TIMEFRAME TO IMPLEMENT A NEW STRATEGIC ASSET ALLOCATION PLAN FOR THE LEGACY FUND.

AYES: MR. TOSO, TREASURER SCHMIDT, MR. CORNEIL, COMMISSIONER GAEBE, MR. ERDMANN, MR. SANDAL, MR. GESSNER, MR. SAGE, MS. TERNES, AND LT. GOVERNOR WRIGLEY
NAYS: NONE
MOTION CARRIED
ABSENT: COMMISSIONER HAMM

Manager Catalog - Ms. Flanagan reviewed an updated manager catalog for the SIB's reference which lists each manager, its mandate, and date of inception.

IT WAS MOVED BY MR. CORNEIL AND SECONDED BY MR. GESSNER AND CARRIED ON A VOICE VOTE TO ACCEPT THE MANAGER CATALOG.

AYES: MS. TERNES, COMMISSIONER GAEBE, MR. GESSNER, MR. SAGE, MR. ERDMANN, MR. SANDAL, MR. TOSO, MR. CORNEIL, TREASURER SCHMIDT, AND LT. GOVERNOR WRIGLEY
NAYS: NONE
MOTION CARRIED
ABSENT: COMMISSIONER HAMM

Westridge/WG Trading - Ms. Kelsch requested the SIB enter into Executive Session pursuant to NDCC 44-04-19.1(2), NDCC 44-04-19.1(5), and NDCC 44-04-19.2 for the purposes of attorney consultation regarding the Westridge/WG Trading litigation.

IT WAS MOVED BY MR. ERDMANN AND SECONDED BY TREASURER SCHMIDT AND CARRIED ON A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION FOR ATTORNEY CONSULTATION REGARDING THE WESTRIDGE/WG TRADING LITIGATION.

AYES: MR. GESSNER, COMMISSIONER GAEBE, MR. SAGE, TREASURER SCHMIDT, MR. TOSO, MR. CORNEIL, MR. ERDMANN, MR. SANDAL, MS. TERNES, AND LT. GOVERNOR WRIGLEY
NAYS: NONE
MOTION CARRIED
ABSENT: COMMISSIONER HAMM

The board entered into Executive Session at 9:05 a.m.

The following were present - SIB with the exception of Commissioner Hamm, Mr. Schulz, Ms. Flanagan, Ms. Heit, Ms. Kelsch, Ms. Kopp, and Ms. Walcker.

The Board exited the Executive Session at 9:09 a.m.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. SANDAL AND CARRIED ON A ROLL CALL VOTE TO AUTHORIZE THE INTERIM CIO TO EXTEND THE TOLLING AGREEMENT WITH DELOITTE.

AYES: COMMISSIONER GAEBE, TREASURER SCHMIDT, MR. SANDAL, MR. CORNEIL, MS. TERNES, MR. GESSNER, MR. ERDMANN, MR. TOSO, MR. SAGE, AND LT. GOVERNOR WRIGLEY
NAYS: NONE
MOTION CARRIED
ABSENT: COMMISSIONER HAMM

GOVERNANCE:

Search Committee - Mr. Sandal updated the SIB on the Executive Director/Chief Investment Officer search. On May 31, 2013, Mr. Michael Kennedy, KornFerry, met with the majority of the SIB as well as Mr. Schulz, Ms. Flanagan, and Ms. Kopp to determine the needs and to build the position specifications. As of June 27, 2013, KornFerry has reached out to over 60 contacts and has had conversations with more than half. Over the next two weeks, KornFerry will be reaching out to an additional group of approximately 40-50 individuals. At this point, KornFerry has approximately five to six candidates who are interested in the position and appear, initially, to have the appropriate experience and background. KornFerry will be interviewing several of the candidates via skype over the next two weeks. KornFerry will also be placing ads on the following websites - National Council on Teacher Retirement, National Association of Securities Professionals, and will also be placing an ad in Pensions and Investments. KornFerry has also been working with Ms. Jan Murtha on the States open records laws. KornFerry also indicated they are hoping to schedule first round interviews with the Search Committee in late July and that overall feedback has been positive. KornFerry will also be scheduling a conference call with the Search Committee the week of July 8, 2013, to provide an overview of the search, market feedback, and general candidate information, and to also solicit feedback.

The SIB then discussed the initial ED/CIO search through the States Human Resource Management Services (HRMS) and the current search by KornFerry. Candidates who applied through HRMS were informed they could also apply with the Executive Recruitment firm once the firm was in place if they so desired.

Audit Committee Liaison Report - Mr. Gessner updated the SIB on the activities of the SIB Audit Committee. At their May 17, 2013, meeting, CliftonLarsonAllen presented their financial audit scope and approach of the Retirement and Investment Office for FY13. The firm conducted preliminary field work the week of May 13, 2013, and will be back in the fall to finish the audit.

Mr. Gessner also stated, to date, the internal audit division has completed 44 school district audits. Staff and the Audit Committee have been reviewing policies and procedures to streamline the school district audit process. The Audit Committee also received internal audit reports from staff and are also reviewing and revising their charter. Once the charter is finalized, it will be brought back to the SIB for their review and acceptance.

IT WAS MOVED BY MR. CORNEIL AND SECONDED BY MR. TOSO AND CARRIED ON A VOICE VOTE TO ACCEPT THE AUDIT REPORT.

AYES: MR. GESSNER, COMMISSIONER GAEBE, MR. SAGE, MS. TERNES, TREASURER SCHMIDT, MR. TOSO, MR. CORNEIL, MR. ERDMANN, MR. SANDAL, AND LT. GOVERNOR WRIGLEY
NAYS: NONE
ABSENT: COMMISSIONER HAMM

MONITORING REPORTS - Mr. Schulz reviewed managers currently on the "watch list".

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. CORNEIL AND CARRIED ON A VOICE VOTE TO ACCEPT THE "WATCH LIST" REPORT.

AYES: MR. CORNEIL, MR. ERDMANN, COMMISSIONER GAEBE, MR. GESSNER, MR. SAGE, MR. SANDAL, TREASURER SCHMIDT, MS. TERNES, MR. TOSO, AND LT. GOVERNOR WRIGLEY
NAYS: NONE
MOTION CARRIED
ABSENT: COMMISSIONER HAMM

OTHER:

The SIB recognized and thanked Mr. Toso for his six years of service to the SIB and for his service of 37 years in the education system and congratulated him on his retirement.

Commissioner Gaebe informed the SIB the Board of University and School Lands has hired RV Kuhns to conduct an asset allocation study of the Permanent Trust Funds and Strategic Investment and Improvement Fund. Commissioner Gaebe also mentioned the Board of University and School Lands is in the early stages of determining whether or not to invest the Permanent Trust Funds with the SIB.

Ms. Flanagan reported as of June 27, 2013, the Pension Trust was up about 13.5%, Workforce Safety & Insurance (WSI) 8.2%, and Insurance Trust 5.8%.

Ms. Ternes recognized Mr. Schulz for all of his work on the Legacy Fund and also for his efforts coordinating the process with Callan and RV Kuhns. Ms. Ternes also mentioned she recently reported to the WSI Board on the SIB process and was able to utilize reports previously given by staff to the SIB and the Advisory Board. Ms. Ternes recognized Mr. Schulz and Ms. Flanagan for all of their work that is done on a daily basis on behalf of the SIB clients.

The next SIB meeting is scheduled for July 26, 2013, at 8:30 am at Workforce Safety & Insurance, 1600 E Century Ave., Bismarck, ND.

The next Audit Committee meeting is scheduled for September 27, 2013, at 1:00 pm in the Peace Garden Room at the State Capitol.

ADJOURNMENT:

With no further business to come before the SIB, Lt. Governor Wrigley adjourned the meeting at 9:50 a.m.

Lt. Governor Wrigley, Chair
State Investment Board

Bonnie Heit
Assistant to the Board

ND TEACHERS F[illegible] RETIREMENT
INVESTMENT PE[illegible]CE REPORT AS OF MAY 31, 2013

	May-13 Market Value	May-13 Allocation Actual	May-13 Allocation Policy	May-13 Month Gross (8)	May-13 Month Net	April-13 Market Value	April-13 Allocation Actual	April-13 Allocation Policy	April-13 Month Gross (8)	April-13 Month Net
TOTAL FUND	1,833,852,866	100.0%	100.0%	0.48%	0.45%	1,827,050,474	100.0%	100.0%	1.86%	1.83%
POLICY TARGET BENCHMARK				-0.03%	-0.03%				1.86%	1.86%
ATTRIBUTION ANALYSIS										
Asset Allocation				0.01%	0.01%				0.02%	0.02%
Manager Selection				0.50%	0.47%				-0.03%	-0.06%
TOTAL RELATIVE RETURN				0.51%	0.46%				-0.01%	-0.03%
GLOBAL EQUITIES	1,081,487,922	59.0%	57.0%	1.38%	1.36%	1,077,712,262	59.0%	57.0%	2.28%	2.25%
Benchmark				0.38%	0.38%				2.49%	2.49%
Epoch (1)	90,887,919	5.0%	4.5%	3.50%	3.49%	87,875,926	4.8%	4.5%	1.91%	1.90%
Calamos	24,612,858	1.3%	1.5%	-0.17%	-0.18%	24,702,054	1.4%	1.5%	0.82%	0.81%
LSV	188,439,386	10.3%	10.0%			185,477,110	10.1%	10.0%		
Total Global Equities	303,940,161	16.6%	16.0%	2.12%	2.11%	298,055,090	16.3%	16.0%	2.30%	2.28%
MSCI World (2)				0.04%	0.04%				3.15%	3.15%
Domestic - broad	422,141,396	23.0%	21.6%	3.00%	2.97%	417,878,712	22.9%	21.6%	1.47%	1.44%
Benchmark				2.62%	2.62%				1.32%	1.32%
Large Cap Domestic										
LA Capital	123,410,468	6.7%	5.0%	2.30%	2.29%	121,116,095	6.6%	5.0%	2.14%	2.13%
Russell 1000 Growth				1.86%	1.86%				2.12%	2.12%
LSV	-	0.0%	0.0%	N/A	N/A	-	0.0%	0.0%	N/A	N/A
Russell 1000 Value				0.00%	0.00%				0.00%	0.00%
LA Capital	84,766,643	4.6%	2.9%	2.88%	2.86%	82,703,137	4.5%	2.9%	2.13%	2.11%
Russell 1000				2.22%	2.22%				1.81%	1.81%
Northern Trust	42,741,413	2.3%	2.3%	3.27%	3.24%	41,529,660	2.3%	2.3%	1.83%	1.80%
Prudential	-	0.0%	0.0%	N/A	N/A	-	0.0%	0.0%	N/A	N/A
Clifton	69,746,278	3.8%	6.4%	2.15%	2.13%	75,239,433	4.1%	6.5%	1.99%	1.97%
S&P 500				2.34%	2.34%				1.93%	1.93%
Total Large Cap Domestic	320,664,801	17.5%	16.6%	2.84%	2.82%	320,588,326	17.5%	16.6%	2.08%	2.04%
Russell 1000 (2)				2.22%	2.22%				1.81%	1.81%
Small Cap Domestic										
SEI	233,386	0.0%	0.0%	6.64%	6.64%	218,647	0.0%	0.0%	0.00%	0.00%
Callan	52,297,858	2.9%	2.4%	5.00%	4.93%	49,926,134	2.7%	2.4%	-0.54%	-0.61%
Clifton	48,945,350	2.7%	2.4%	3.99%	3.95%	47,145,406	2.6%	2.4%	-0.36%	-0.40%
Total Small Cap Domestic	101,476,594	5.6%	4.8%	4.51%	4.46%	97,290,387	5.3%	4.8%	-0.46%	-0.50%
Russell 2000				4.00%	4.00%				-0.37%	-0.37%
International - broad	261,611,234	14.3%	14.6%	-1.48%	-1.53%	266,021,760	14.6%	14.6%	4.39%	4.34%
Benchmark				-2.44%	-2.44%				4.36%	4.36%
Developed International										
State Street	23,379,276	1.3%	1.3%	-1.74%	-1.81%	23,630,263	1.3%	1.3%	5.84%	5.77%
MSCI EAFE (3)				-2.42%	-2.42%				6.21%	6.21%
Capital Guardian	32,274,671	1.8%	2.7%	0.90%	0.85%	32,120,238	1.8%	2.5%	3.54%	3.49%
LSV	-	0.0%	0.0%	N/A	N/A	-	0.0%	0.0%	N/A	N/A
MSCI EAFE (4)				-2.42%	-2.42%				6.21%	5.21%
Clifton	95,959,462	5.2%	5.2%	-1.89%	-1.90%	97,674,401	5.4%	5.4%	5.76%	5.75%
MSCI EAFE				-2.42%	-2.42%				6.21%	5.21%
DFA	29,187,768	1.6%	1.3%	-1.90%	-1.97%	29,771,113	1.6%	1.3%	2.84%	2.77%
Wellington	33,658,834	1.8%	1.3%	-0.40%	-0.48%	33,872,331	1.9%	1.3%	5.60%	5.52%
S&P/Citigroup BMI EPAC < $2BN				-3.49%	-3.49%				3.88%	3.88%
Total Developed International	214,460,032	11.7%	11.4%	-1.23%	-1.27%	217,468,346	11.9%	11.8%	5.02%	4.88%
MSCI EAFE (4)				-2.42%	-2.42%				5.21%	5.21%
Emerging Markets										
JP Morgan	9,831,259	0.5%	0.5%	-3.51%	-3.58%	10,215,076	0.6%	0.5%	1.62%	1.55%
PanAgora	6,738,064	0.4%	0.5%	-2.29%	-2.37%	6,911,206	0.4%	0.5%	1.76%	1.68%
UBS	9,222,004	0.5%	0.8%	-3.79%	-3.88%	9,609,225	0.5%	0.8%	1.62%	1.55%
NTGI	7,455,701	0.4%	0.5%	-2.57%	-2.57%	7,671,517	0.4%	0.5%	0.73%	0.73%
DFA	13,906,195	0.8%	0.5%	-1.37%	-1.45%	14,146,391	0.8%	0.5%	2.03%	1.95%
Total Emerging Markets	47,151,222	2.6%	2.8%	-2.62%	-2.68%	48,553,414	2.7%	2.8%	1.82%	1.66%
MSCI Emerging Markets				-2.67%	-2.67%				0.75%	0.75%

	March-13 Market Value	March-13 Allocation Actual	March-13 Allocation Policy	March-13 Quarter Gross (8)	March-13 Quarter Net	December-12 Market Value	December-12 Allocation Actual	December-12 Allocation Policy	December-12 Quarter Gross (8)	December-12 Quarter Net
TOTAL FUND	1,793,999,762	100.0%	100.0%	4.69%	4.61%	1,721,114,280	100.0%	100.0%	2.89%	2.80%
POLICY TARGET BENCHMARK				4.77%	4.77%				2.16%	2.16%
ATTRIBUTION ANALYSIS										
Asset Allocation				0.02%	0.02%				-0.01%	-0.01%
Manager Selection				-0.11%	-0.19%				0.73%	0.64%
TOTAL RELATIVE RETURN				-0.09%	-0.17%				0.72%	0.64%
GLOBAL EQUITIES	1,054,873,098	58.8%	57.0%	7.63%	7.44%	991,167,414	57.6%	57.0%	2.80%	2.71%
Benchmark				7.40%	7.40%				2.68%	2.68%
Epoch (1)	88,292,910	4.8%	4.5%	7.88%	7.63%	78,948,234	4.6%	4.5%	2.68%	2.43%
Calamos	24,489,756	1.4%	1.5%	4.03%	3.84%	23,228,979	1.3%	1.5%	0.10%	-0.08%
LSV	180,419,640	10.1%	10.0%							
Total Global Equities	291,202,306	16.2%	16.0%	6.89%	6.76%	102,177,213	5.9%	6.0%	2.06%	1.86%
MSCI World (2)				7.73%	7.73%				2.49%	2.49%
Domestic - broad	410,989,343	22.9%	21.5%	11.89%	11.80%	472,195,980	27.4%	27.4%	0.82%	0.73%
Benchmark				11.29%	11.29%				0.51%	0.51%
Large Cap Domestic										
LA Capital	116,343,647	6.6%	5.0%	10.79%	10.73%	106,051,999	6.2%	6.7%	-1.61%	-1.66%
Russell 1000 Growth				9.54%	9.54%				-1.32%	-1.32%
LSV	-	0.0%	0.0%	N/A	N/A	112,056,980	6.5%	6.7%	3.35%	3.27%
Russell 1000 Value				0.00%	0.00%				1.52%	1.52%
LA Capital	80,822,548	4.5%	2.9%	11.14%	11.08%	72,184,062	4.2%	3.8%	-0.40%	-0.45%
Russell 1000				10.96%	10.96%				0.12%	0.12%
Northern Trust	40,701,173	2.3%	2.3%	12.23%	12.12%	36,010,671	2.1%	2.1%	-0.81%	-0.91%
Prudential	-	0.0%	0.0%	N/A	N/A	-	0.0%	0.0%	N/A	N/A
Clifton	73,641,970	4.1%	6.5%	10.60%	10.54%	36,013,077	2.1%	1.9%	-0.27%	-0.33%
S&P 500				10.61%	10.61%				-0.38%	-0.38%
Total Large Cap Domestic	313,509,438	17.5%	16.8%	11.88%	11.81%	362,316,788	21.1%	21.2%	0.34%	0.27%
Russell 1000 (2)				10.96%	10.96%				0.12%	0.12%
Small Cap Domestic										
SEI	218,010	0.0%	0.0%	-2.69%	-2.69%	354,211	0.0%	0.0%	371.62%	371.62%
Callan	50,034,403	2.8%	2.4%	13.34%	13.13%	54,680,069	3.2%	3.1%	2.17%	1.97%
Clifton	47,207,491	2.6%	2.4%	12.42%	12.31%	54,664,882	3.2%	3.1%	2.15%	2.05%
Total Small Cap Domestic	97,469,904	5.4%	4.8%	12.88%	12.71%	109,879,162	6.4%	6.2%	2.42%	2.27%
Russell 2000				12.39%	12.39%				1.85%	1.85%
International - broad	257,881,818	14.4%	14.6%	4.08%	3.94%	317,696,186	18.6%	18.6%	6.67%	6.53%
Benchmark				3.83%	3.83%				6.39%	6.39%
Developed International										
State Street	22,335,376	1.2%	1.3%	4.88%	4.65%	21,425,468	1.2%	1.7%	8.40%	8.17%
MSCI EAFE (3)				5.13%	5.13%				6.57%	6.57%
Capital Guardian	30,721,460	1.7%	2.5%	5.58%	5.42%	29,260,135	1.7%	3.8%	6.09%	5.93%
LSV	-	0.0%	0.0%	N/A	N/A	56,673,814	3.3%	3.8%	6.85%	6.70%
MSCI EAFE (4)				5.13%	5.13%				6.57%	6.57%
Clifton	96,452,982	5.4%	5.4%	3.88%	3.85%	93,279,646	5.4%	2.4%	6.79%	6.76%
MSCI EAFE				5.13%	5.13%				6.57%	6.67%
DFA	28,718,015	1.6%	1.3%	8.08%	7.86%	26,729,855	1.6%	1.7%	8.89%	8.67%
Wellington	31,813,249	1.8%	1.3%	7.94%	7.68%	29,663,333	1.7%	1.7%	5.20%	4.95%
S&P/Citigroup BMI EPAC < $2BN				8.51%	8.51%				5.28%	5.28%
Total Developed International	210,041,082	11.7%	11.8%	5.22%	5.09%	267,032,280	14.8%	16.0%	6.88%	6.76%
MSCI EAFE (4)				5.13%	5.13%				6.57%	6.57%
Emerging Markets										
JP Morgan	10,065,144	0.6%	0.5%	-0.44%	-0.65%	16,449,893	1.0%	0.6%	6.63%	6.42%
PanAgora	6,800,524	0.4%	0.5%	0.27%	0.03%	6,753,313	0.4%	0.6%	4.36%	4.12%
UBS	9,467,495	0.5%	0.8%	-3.51%	-3.73%	16,228,119	0.9%	1.1%	4.16%	3.93%
NTGI	7,625,172	0.4%	0.5%	-1.80%	-1.80%	7,732,098	0.4%	0.6%	5.75%	5.75%
DFA	13,882,200	0.8%	0.5%	2.56%	2.32%	13,499,523	0.8%	0.7%	7.73%	7.47%
Total Emerging Markets	47,840,536	2.7%	2.8%	-0.62%	-0.81%	60,662,935	3.5%	3.5%	6.83%	6.63%
MSCI Emerging Markets				-1.62%	-1.62%				5.66%	5.66%

	September-12 Market Value	September-12 Allocation Actual	September-12 Allocation Policy	September-12 Quarter Gross (8)	September-12 Quarter Net	Current Fiscal YTD Gross (7)	Current Fiscal YTD Net	Prior FY12 Gross (7)	Prior FY12 Net	3 Years Ended 6/30/2012 Gross	3 Years Ended 6/30/2012 Net	5 Years Ended 6/30/2012 Net
TOTAL FUND	1,693,110,433	100.0%	100.0%	4.63%	4.44%	15.23%	14.89%	-0.62%	-0.97%	12.29%	11.88%	-1.23%
POLICY TARGET BENCHMARK				4.37%	4.37%	13.77%	13.77%	-0.82%	-0.82%	11.17%	11.17%	1.19%
ATTRIBUTION ANALYSIS												
Asset Allocation				0.01%	0.01%	0.07%	0.07%	0.27%	0.27%			
Manager Selection				0.14%	0.06%	1.39%	1.05%	-0.07%	-0.43%			
TOTAL RELATIVE RETURN				0.16%	0.07%	1.46%	1.12%	0.20%	-0.16%			
GLOBAL EQUITIES	975,916,182	58.0%	57.0%	5.81%	5.72%	21.28%	20.91%					
Benchmark				6.01%	6.01%	20.27%	20.27%					
Epoch (1)	77,035,363	4.6%	4.5%	4.81%	4.66%	22.57%	21.51%	-1.33%	-2.28%	11.26%	10.15%	0.02%
Calamos	23,245,618	1.4%	1.5%	6.14%	5.95%	11.25%	10.51%	N/A	N/A	N/A	N/A	N/A
LSV						N/A	N/A					
Total Global Equities	100,280,981	6.0%	6.0%	6.18%	4.96%	19.90%	19.14%					
MSCI World (2)				6.71%	6.71%	21.57%	21.57%					
Domestic - broad	472,834,667	28.1%	27.4%	6.22%	6.13%	25.23%	24.86%					
Benchmark				6.08%	6.08%	23.37%	23.37%					
Large Cap Domestic												
LA Capital	109,445,344	6.5%	6.7%	5.74%	5.69%	20.44%	20.21%	6.79%	6.56%	17.64%	17.43%	2.00%
Russell 1000 Growth				6.11%	6.11%	19.31%	19.31%	5.76%	5.76%	17.50%	17.50%	2.87%
LSV	106,316,199	6.4%	6.7%	7.51%	7.43%	N/A	N/A	-1.21%	-1.51%	15.39%	15.02%	-3.25%
Russell 1000 Value				6.60%	6.50%	0.00%	0.00%	3.00%	3.00%	15.80%	15.80%	-2.19%
LA Capital	73,757,095	4.4%	3.8%	5.41%	5.36%	22.60%	22.37%	6.37%	6.15%	17.26%	16.97%	0.89%
Russell 1000				6.31%	6.31%	22.81%	22.81%	4.37%	4.37%	16.64%	16.64%	0.39%
Northern Trust	36,231,281	2.2%	2.2%	7.05%	6.95%	25.32%	24.88%	6.46%	6.05%	16.89%	16.74%	0.00%
Prudential	163,192	0.0%	0.0%	0.00%	-0.04%	N/A	N/A	6.42%	6.25%	30.88%	30.72%	N/A
Clifton	36,576,554	2.2%	1.9%	6.56%	6.49%	22.46%	22.18%	6.57%	6.30%	N/A	N/A	N/A
S&P 500				6.35%	6.35%	22.24%	22.24%	5.45%	5.45%	16.40%	16.40%	0.22%
Total Large Cap Domestic	364,469,664	21.7%	21.2%	6.40%	6.33%	24.65%	24.39%	3.66%	3.36%	17.27%	16.96%	-4.31%
Russell 1000 (2)				6.31%	6.31%	22.91%	22.91%	5.34%	5.34%	16.36%	16.36%	0.20%
Small Cap Domestic												
SEI	75,044	0.0%	0.0%	-0.49%	-0.49%	367.92%	367.92%	-27.98%	-27.98%	-3.92%	-4.12%	-17.53%
Callan	53,743,650	3.2%	3.1%	5.14%	4.94%	27.15%	26.26%	-3.11%	-3.87%	19.05%	18.33%	0.63%
Clifton	54,526,309	3.2%	3.1%	6.12%	6.01%	26.28%	25.80%	-0.63%	-1.06%	N/A	N/A	N/A
Total Small Cap Domestic	108,345,204	6.4%	6.2%	5.63%	5.47%	27.05%	26.36%	0.23%	-0.37%	23.45%	22.72%	-0.06%
Russell 2000				5.25%	5.25%	24.85%	24.85%	-2.08%	-2.08%	17.80%	17.80%	0.54%
International - broad	299,730,142	17.8%	18.0%	7.22%	7.07%	22.42%	21.81%					
Benchmark				7.09%	7.09%	20.44%	20.44%					
Developed International												
State Street	19,777,366	1.2%	1.7%	7.38%	7.15%	26.97%	25.96%	-17.65%	-18.59%	4.88%	4.18%	-8.34%
MSCI EAFE (3)				6.92%	6.92%	22.99%	22.99%	-13.83%	-13.83%	5.96%	5.96%	-6.10%
Capital Guardian	27,586,983	1.6%	3.8%	7.45%	7.29%	25.73%	25.05%	-11.29%	-11.83%	6.93%	6.40%	-6.44%
LSV	53,051,809	3.2%	3.8%	8.36%	8.21%	N/A	N/A	-15.65%	-16.14%	4.91%	4.41%	-9.09%
MSCI EAFE (4)				6.92%	6.92%	22.99%	22.99%	-13.83%	-13.83%	4.92%	4.92%	-6.49%
Clifton	87,282,832	5.2%	2.4%	6.10%	6.07%	22.11%	22.00%	-15.37%	-15.46%	N/A	N/A	N/A
MSCI EAFE				6.92%	6.92%	22.99%	22.99%	-13.83%	-13.83%			
DFA	24,562,387	1.5%	1.7%	8.38%	8.16%	28.69%	27.71%	-17.09%	-17.81%	7.91%	7.22%	N/A
Wellington	28,227,279	1.7%	1.7%	7.56%	7.31%	28.47%	27.35%	-7.52%	-8.42%	13.15%	12.25%	-2.98%
S&P/Citigroup BMI EPAC < $2BN				6.96%	6.96%	22.51%	22.51%	-15.07%	-15.07%	7.45%	7.45%	-6.11%
Total Developed International	240,498,666	14.3%	16.0%	7.25%	7.12%	25.11%	24.55%	-14.72%	-15.15%	8.42%	7.93%	-6.06%
MSCI EAFE (4)				6.92%	6.92%	22.99%	22.99%	-13.83%	-13.83%	4.92%	4.92%	-6.49%
Emerging Markets												
JP Morgan	15,960,447	0.9%	0.6%	6.49%	6.26%	10.65%	10.04%	-12.96%	-13.67%	10.63%	9.87%	0.43%
PanAgora	6,682,066	0.4%	0.6%	8.11%	7.86%	12.48%	11.52%	-14.67%	-15.49%	9.90%	9.15%	-1.25%
UBS	16,088,098	1.0%	1.1%	7.66%	7.42%	5.78%	4.93%	-15.06%	-15.82%	11.31%	10.48%	-0.03%
NTGI	7,550,007	0.4%	0.6%	5.15%	5.15%	7.16%	7.16%					
DFA	12,960,845	0.8%	0.7%	7.40%	7.15%	19.42%	18.37%	-16.19%	-17.02%	15.04%	14.26%	1.06%
Total Emerging Markets	59,241,468	3.5%	3.8%	7.09%	6.88%	11.45%	10.86%	-9.21%	-9.89%	12.70%	12.00%	0.96%
MSCI Emerging Markets				7.74%	7.74%	9.86%	9.86%	-15.95%	-15.95%	9.98%	9.98%	0.14%

ND TEACHERS FUND FOR RETIREMENT
INVESTMENT PERFORMANCE REPORT AS OF MAY 31, 2013

	May-13					April-13				
		Allocation		Month			Allocation		Month	
	Market Value	Actual	Policy	Gross (6)	Net	Market Value	Actual	Policy	Gross (6)	Net
Private Equity										
Brinson IVCF III	2	0.0%		0.00%	0.00%	2	0.0%		0.00%	0.00%
Coral Partners V	1,421	0.0%		0.00%	0.00%	1,425	0.0%		0.00%	0.00%
Coral Partners V - Supplemental	91,541	0.0%		0.00%	0.00%	91,794	0.0%		0.00%	0.00%
Coral Momentum Fund (Formerly Fund VI)	1,371,425	0.1%		0.00%	0.00%	1,375,224	0.1%		0.00%	0.00%
Brinson 1998 Partnership Fund	54,523	0.0%		0.00%	0.00%	54,674	0.0%		0.00%	0.00%
Brinson 1999 Partnership Fund	515,043	0.0%		0.00%	0.00%	518,470	0.0%		0.00%	0.00%
Brinson 2000 Partnership Fund	1,631,944	0.1%		0.00%	0.00%	1,636,465	0.1%		0.00%	0.00%
Brinson 2001 Partnership Fund	1,885,588	0.1%		0.00%	0.00%	1,890,812	0.1%		0.00%	0.00%
Brinson 2002 Partnership Fund	981,840	0.1%		0.00%	0.00%	984,560	0.1%		0.00%	0.00%
Brinson 2003 Partnership Fund	381,290	0.0%		0.00%	0.00%	382,346	0.0%		0.00%	0.00%
Total Brinson Partnership Funds	5,450,226	0.3%		0.00%	0.00%	5,465,326	0.3%		0.00%	0.00%
Brinson 1999 Non-US Partnership Fund	233,937	0.0%		0.00%	0.00%	239,267	0.0%		0.00%	0.00%
Brinson 2000 Non-US Partnership Fund	504,923	0.0%		0.00%	0.00%	515,904	0.0%		0.00%	0.00%
Brinson 2001 Non-US Partnership Fund	350,060	0.0%		0.00%	0.00%	341,239	0.0%		0.00%	0.00%
Brinson 2002 Non-US Partnership Fund	1,115,890	0.1%		0.00%	0.00%	1,170,869	0.1%		0.00%	0.00%
Brinson 2003 Non-US Partnership Fund	906,161	0.0%		0.00%	0.00%	898,459	0.0%		0.00%	0.00%
Brinson 2004 Non-US Partnership Fund	563,001	0.0%		0.00%	0.00%	604,361	0.0%		0.00%	0.00%
Total Brinson Non-US Partnership Fund	3,674,002	0.2%		0.00%	0.00%	3,770,100	0.2%		0.00%	0.00%
Adams Street 2008 Non-US Partnership Fd	2,123,820	0.1%		0.00%	0.00%	2,129,704	0.1%		0.00%	0.00%
Brinson BVCF IV	2,177,107	0.1%		0.00%	0.00%	2,061,970	0.1%		0.00%	0.00%
Adams Street Direct Co-Investment Fund	6,845,304	0.4%		0.00%	0.00%	7,762,509	0.4%		0.00%	0.00%
Adams Street 2010 Direct Fund	410,654	0.0%		0.00%	0.00%	411,792	0.0%		0.00%	0.00%
Adams Street 2010 Non-US Emerging Mkts	136,147	0.0%		0.00%	0.00%	136,524	0.0%		0.00%	0.00%
Adams Street 2010 Non-US Developed Mkts	621,094	0.0%		0.00%	0.00%	622,815	0.0%		0.00%	0.00%
Adams Street 2010 Partnership Fund	1,231,997	0.1%		0.00%	0.00%	1,235,411	0.1%		0.00%	0.00%
Total Adams Street 2010 Funds	2,399,892	0.1%		0.00%	0.00%	2,406,541	0.1%		0.00%	0.00%
Matlin Patterson Global Opportunities	5,493	0.0%		0.00%	0.00%	5,508	0.0%		0.00%	0.00%
Matlin Patterson Global Opportunities II	721,372	0.0%		0.00%	0.00%	764,282	0.0%		0.00%	0.00%
Matlin Patterson Global Opportunities III	13,037,646	0.7%		0.00%	0.00%	12,770,478	0.7%		0.00%	0.00%
InvestAmerica (Lewis and Clark Fund)	2,720,258	0.1%		0.00%	0.00%	2,727,794	0.1%		0.00%	0.00%
L&C II	4,298,428	0.2%		0.00%	0.00%	4,308,331	0.2%		0.00%	0.00%
Corsair III (2)	5,568,192	0.3%		4.38%	4.38%	5,301,945	0.3%		-0.61%	-0.61%
Corsair III - ND Investors LLC (2)	4,793,942	0.3%		0.00%	0.00%	4,807,223	0.3%		-0.24%	-0.24%
Corsair IV	4,157,996	0.2%		0.00%	0.00%	4,169,516	0.2%		-1.20%	-1.20%
Capital International (CIPEF V)	6,646,307	0.5%		2.28%	2.28%	10,393,235	0.6%		-0.31%	-0.31%
Capital International (CIPEF VI)	3,058,438	0.2%		-2.62%	-2.62%	2,484,703	0.1%		-2.50%	-2.50%
EIG (formerly TCW)	13,905,243	0.8%		0.55%	0.55%	14,167,031	0.8%		2.98%	2.98%
Quantum Resources	4,365,874	0.2%		0.00%	0.00%	4,432,132	0.2%		0.00%	0.00%
Quantum Energy Partners	4,383,200	0.2%		0.00%	0.00%	4,359,926	0.2%		0.00%	0.00%
Total Private Equity (8)	93,786,132	5.1%	6.0%	0.00%	0.00%	96,756,700	5.2%	6.0%	0.00%	0.00%
GLOBAL FIXED INCOME	390,241,806	21.3%	22.0%	-1.63%	-1.65%	389,670,139	21.3%	22.0%	1.69%	1.67%
Benchmark				-1.98%	-1.98%				1.22%	1.22%
Domestic Fixed Income	302,753,167	16.5%	17.0%	-0.90%	-0.92%	298,275,920	16.3%	17.0%	1.26%	1.24%
Benchmark				-1.43%	-1.43%				1.26%	1.26%
Investment Grade Fixed Income										
PIMCO (DiSCO II) (6)	43,673,291	2.4%	1.9%	1.85%	1.85%	42,653,647	2.3%	1.9%	1.81%	1.81%
BC Aggregate				-1.78%	-1.78%				1.01%	1.01%
Bank of ND (9)	18,756,016	1.0%	1.2%	-6.26%	-6.26%	19,903,682	1.1%	1.2%	3.93%	3.93%
BC Long Treasuries				-6.24%	-6.24%				4.00%	4.00%
PIMCO (Unconstrained)	24,647,587	1.3%	1.4%	-0.51%	-0.51%	24,643,320	1.3%	1.4%	0.44%	0.44%
3m LIBOR				0.02%	0.02%				0.02%	0.02%
Declaration (Total Return)	24,682,251	1.3%	1.4%	-0.46%	-0.51%	24,365,777	1.3%	1.4%	0.82%	0.77%
3m LIBOR				0.02%	0.02%				0.02%	0.02%
Western Asset	42,448,169	2.3%	2.4%	-1.69%	-1.70%	40,941,851	2.2%	2.4%	0.47%	0.46%
PIMCO (MBS)	63,959,459	3.5%	3.6%	-1.52%	-1.53%	60,585,338	3.3%	3.6%	0.41%	0.40%
BC Mortgage Backed Securities Index				-1.63%	-1.63%				0.53%	0.53%
Total Investment Grade Fixed Income	218,166,773	11.9%	12.0%	-1.09%	-1.09%	212,093,616	11.7%	12.0%	1.07%	1.06%
BC Aggregate				-1.78%	-1.78%				1.01%	1.01%
Below Investment Grade Fixed Income										
Loomis Sayles	78,944,113	4.3%	4.7%	-0.85%	-0.89%	79,623,487	4.4%	4.7%	1.88%	1.84%
Goldman Sachs 2006 Fund (8)	1,911,446	0.1%	0.1%	4.12%	4.12%	1,840,133	0.1%	0.1%	0.00%	0.00%
Goldman Sachs Fund V (8)	3,730,834	0.2%	0.2%	8.28%	8.28%	3,518,684	0.2%	0.2%	0.00%	0.00%
PIMCO (8)	0	0.0%	0.0%	N/A	N/A	0	0.0%	0.0%	N/A	N/A
Total Below Investment Grade Fixed Income	84,586,394	4.6%	5.0%	-0.46%	-0.49%	85,102,306	4.7%	5.0%	1.76%	1.71%
LB High Yield 2% Issuer Constrained Index				-0.58%	-0.58%				1.81%	1.81%
International Fixed Income	87,488,633	4.8%	5.0%	-4.00%	-4.03%	91,294,209	5.0%	5.0%	2.68%	2.65%
Benchmark				-3.84%	-3.84%				1.15%	1.15%
Developed Investment Grade Int'l FI										
UBS Global (Brinson)	41,143,733	2.2%	2.5%	-3.43%	-3.45%	42,674,971	2.3%	2.5%	1.60%	1.58%
BC Global Aggregate ex-US (8)				-3.84%	-3.84%				1.15%	1.15%
Brandywine	46,344,900	2.5%	2.5%	-4.50%	-4.53%	48,619,238	2.7%	2.5%	3.65%	3.62%
BC Global Aggregate (ex-US)				-2.97%	-2.97%				1.39%	1.39%
Total Developed Investment Grade Int'l FI	87,488,633	4.8%	5.0%	-4.00%	-4.03%	91,294,209	5.0%	5.0%	2.68%	2.65%
BC Global Aggregate ex-US				-3.84%	-3.84%				1.15%	1.15%

	March-13					December-12				
		Allocation		Quarter			Allocation		Quarter	
	Market Value	Actual	Policy	Gross (6)	Net	Market Value	Actual	Policy	Gross (6)	Net
Private Equity										
Brinson IVCF III	40,180	0.0%		0.00%	0.00%	40,180	0.0%		-0.24%	-0.24%
Coral Partners V	1,429	0.0%		0.00%	0.00%	1,429	0.0%		0.00%	0.00%
Coral Partners V - Supplemental	92,044	0.0%		0.00%	0.00%	92,044	0.0%		0.00%	0.00%
Coral Momentum Fund (Formerly Fund VI)	1,213,638	0.1%		4.99%	4.99%	2,054,608	0.1%		1.99%	1.99%
Brinson 1998 Partnership Fund	54,822	0.0%		0.87%	0.87%	54,349	0.0%		3.83%	3.83%
Brinson 1999 Partnership Fund	517,872	0.0%		0.20%	0.20%	516,656	0.0%		2.49%	2.49%
Brinson 2000 Partnership Fund	1,640,910	0.1%		-1.19%	-1.19%	1,660,697	0.1%		1.97%	1.97%
Brinson 2001 Partnership Fund	1,895,948	0.1%		0.90%	0.90%	2,065,828	0.1%		4.94%	4.94%
Brinson 2002 Partnership Fund	1,112,198	0.1%		-1.36%	-1.36%	1,127,503	0.1%		2.98%	2.98%
Brinson 2003 Partnership Fund	383,385	0.0%		1.33%	1.33%	378,345	0.0%		2.61%	2.61%
Total Brinson Partnership Funds	5,605,136	0.3%		-0.21%	-0.21%	5,803,578	0.3%		3.25%	3.25%
Brinson 1999 Non-US Partnership Fund	239,917	0.0%		12.63%	12.63%	213,011	0.0%		2.46%	2.46%
Brinson 2000 Non-US Partnership Fund	517,306	0.0%		-0.45%	-0.45%	519,634	0.0%		-0.45%	-0.45%
Brinson 2001 Non-US Partnership Fund	342,166	0.0%		-0.69%	-0.69%	344,526	0.0%		8.52%	8.52%
Brinson 2002 Non-US Partnership Fund	1,283,446	0.1%		2.31%	2.31%	1,366,133	0.1%		4.43%	4.43%
Brinson 2003 Non-US Partnership Fund	900,900	0.1%		12.39%	12.39%	876,862	0.1%		7.51%	7.51%
Brinson 2004 Non-US Partnership Fund	606,003	0.0%		3.70%	3.70%	613,191	0.0%		1.26%	1.26%
Total Brinson Non-US Partnership Fund	3,889,739	0.2%		4.63%	4.63%	3,933,357	0.2%		4.15%	4.15%
Adams Street 2008 Non-US Partnership Fd	2,026,863	0.1%		3.19%	3.19%	1,984,221	0.1%		1.73%	1.73%
Brinson BVCF IV	2,067,571	0.1%		18.51%	18.51%	1,744,589	0.1%		-3.65%	-3.65%
Adams Street Direct Co-Investment Fund	7,783,595	0.4%		3.79%	3.79%	7,924,163	0.5%		-1.87%	-1.87%
Adams Street 2010 Direct Fund	395,633	0.0%		3.21%	3.21%	355,674	0.0%		-0.86%	-0.86%
Adams Street 2010 Non-US Emerging Mkts	136,895	0.0%		-1.12%	-1.12%	124,499	0.0%		-1.61%	-1.61%
Adams Street 2010 Non-US Developed Mkts	561,271	0.0%		2.82%	2.82%	530,315	0.0%		4.05%	4.05%
Adams Street 2010 Partnership Fund	1,211,123	0.1%		1.85%	1.85%	1,189,102	0.1%		3.47%	3.47%
Total Adams Street 2010 Funds	2,304,922	0.1%		2.16%	2.16%	2,199,590	0.1%		2.60%	2.60%
Matlin Patterson Global Opportunities	5,523	0.0%		-6.26%	-6.26%	5,891	0.0%		1.64%	1.64%
Matlin Patterson Global Opportunities II	766,358	0.0%		-1.26%	-1.26%	776,169	0.0%		0.02%	0.02%
Matlin Patterson Global Opportunities III	12,805,167	0.7%		12.96%	12.96%	11,336,141	0.7%		10.22%	10.22%
InvestAmerica (Lewis and Clark Fund)	2,914,287	0.2%		9.58%	9.58%	2,659,637	0.2%		0.00%	0.00%
L&C II	4,320,034	0.2%		-5.85%	-5.85%	3,973,060	0.2%		0.00%	0.00%
Corsair III (2)	5,319,529	0.3%		-3.41%	-3.41%	5,488,630	0.3%		-6.23%	-6.23%
Corsair III - ND Investors LLC (2)	4,820,282	0.3%		-1.82%	-1.82%	4,886,595	0.3%		-0.47%	-0.47%
Corsair IV	4,180,842	0.2%		-0.22%	-0.22%	4,451,879	0.3%		-1.74%	-1.74%
Capital International (CIPEF V)	10,505,237	0.6%		-11.90%	-11.90%	11,896,058	0.7%		-0.55%	-0.55%
Capital International (CIPEF VI)	2,491,452	0.1%		-1.87%	-1.87%	3,023,081	0.2%		-4.12%	-4.12%
EIG (formerly TCW)	13,794,910	0.8%		-2.23%	-2.23%	15,809,140	0.9%		-0.33%	-0.33%
Quantum Resources	4,092,554	0.2%		0.00%	0.00%	4,698,490	0.3%		4.33%	4.33%
Quantum Energy Partners	3,778,538	0.2%		0.00%	0.00%	4,328,334	0.3%		8.29%	8.29%
Total Private Equity (8)	94,819,832	5.3%	6.0%	0.36%	0.36%	99,089,088	5.8%	6.0%	1.27%	1.27%
GLOBAL FIXED INCOME	384,849,003	21.6%	22.0%	0.98%	0.91%	382,686,047	22.2%	22.0%	2.88%	2.82%
Benchmark				-0.22%	-0.22%				0.62%	0.62%
Domestic Fixed Income	295,630,580	16.6%	17.0%	1.90%	1.84%	291,600,781	16.9%	17.0%	3.42%	3.36%
Benchmark				0.76%	0.76%				1.11%	1.11%
Investment Grade Fixed Income										
PIMCO (DiSCO II) (6)	41,965,230	2.3%	1.9%	4.97%	4.97%	40,140,981	2.3%	1.9%	14.74%	14.74%
BC Aggregate				-0.12%	-0.12%				0.21%	0.21%
Bank of ND (9)	19,182,179	1.1%	1.2%	-2.35%	-2.37%	19,727,199	1.1%	1.2%	-0.63%	-0.64%
BC Long Treasuries				-2.38%	-2.38%				-0.77%	-0.77%
PIMCO (Unconstrained)	24,576,290	1.4%	1.4%	0.84%	0.84%	24,471,302	1.4%	1.4%	0.76%	0.76%
3m LIBOR				0.08%	0.08%				0.08%	0.08%
Declaration (Total Return)	24,275,421	1.4%	1.4%	2.60%	2.45%	23,756,419	1.4%	1.4%	2.92%	2.76%
3m LIBOR				0.08%	0.08%				0.08%	0.08%
Western Asset	40,616,070	2.3%	2.4%	-0.08%	-0.13%	41,036,466	2.4%	2.4%	-0.24%	-0.28%
PIMCO (MBS)	60,343,501	3.4%	3.6%	-0.27%	-0.29%	60,778,912	3.5%	3.6%	-0.04%	-0.07%
BC Mortgage Backed Securities Index				-0.05%	-0.05%				-0.20%	-0.20%
Total Investment Grade Fixed Income	211,160,692	11.9%	12.0%	1.03%	0.99%	209,311,279	12.2%	12.0%	2.82%	2.78%
BC Aggregate				-0.12%	-0.12%				0.21%	0.21%
Below Investment Grade Fixed Income										
Loomis Sayles	78,422,009	4.4%	4.7%	4.17%	4.05%	75,155,791	4.4%	4.6%	4.41%	4.29%
Goldman Sachs 2006 Fund (8)	1,893,127	0.1%	0.1%	7.32%	7.32%	1,854,931	0.1%	0.1%	2.92%	2.92%
Goldman Sachs Fund V (8)	4,153,271	0.2%	0.2%	2.26%	2.26%	4,678,780	0.3%	0.3%	6.04%	6.04%
PIMCO (8)	1,482	0.0%	0.0%	N/A	N/A	0	0.0%	0.0%	N/A	N/A
Total Below Investment Grade Fixed Income	84,469,888	4.7%	5.0%	4.13%	4.01%	81,688,602	4.7%	5.0%	4.38%	4.26%
LB High Yield 2% Issuer Constrained Index				2.89%	2.89%				3.29%	3.29%
International Fixed Income	89,218,423	5.0%	5.0%	-1.96%	-2.04%	91,087,266	5.3%	5.0%	1.20%	1.11%
Benchmark				-3.51%	-3.51%				-1.03%	-1.03%
Developed Investment Grade Int'l FI										
UBS Global (Brinson)	42,144,160	2.3%	2.5%	-3.93%	-4.00%	43,903,978	2.6%	2.5%	-0.84%	-0.92%
BC Global Aggregate ex-US (8)				-3.51%	-3.51%				-1.03%	-1.03%
Brandywine	47,074,263	2.6%	2.5%	-0.12%	-0.22%	47,183,288	2.7%	2.5%	3.17%	3.07%
BC Global Aggregate (ex-US)				-2.10%	-2.10%				-0.48%	-0.48%
Total Developed Investment Grade Int'l FI	89,218,423	5.0%	5.0%	-1.96%	-2.04%	91,087,266	5.3%	5.0%	1.20%	1.11%
BC Global Aggregate ex-US				-3.51%	-3.51%				-1.03%	-1.03%

	September-12					Current Fiscal YTD		Prior FY12		3 Years Ended 6/30/2012		5 Years Ended 6/30/2012
		Allocation		Quarter								
	Market Value	Actual	Policy	Gross (6)	Net	Gross (7)	Net	Gross (7)	Net	Gross	Net	Net
Private Equity												
Brinson IVCF III	40,278	0.0%		0.00%	0.00%	-0.24%	-0.24%	9.19%	9.19%	19.22%	19.22%	14.97%
Coral Partners V	1,487	0.0%		0.00%	0.00%	0.00%	0.00%	12.85%	12.85%	75.73%	75.73%	38.62%
Coral Partners V - Supplemental	95,761	0.0%		0.00%	0.00%	0.00%	0.00%	-58.37%	-58.37%	-15.87%	-15.87%	-14.90%
Coral Momentum Fund (Formerly Fund VI)	2,095,983	0.1%		-5.18%	-5.18%	1.54%	1.54%	4.47%	4.47%	-14.90%	-14.90%	-18.04%
Brinson 1998 Partnership Fund	54,460	0.0%		1.44%	1.44%	6.24%	6.24%	-14.46%	-14.46%	-1.43%	-1.43%	-7.20%
Brinson 1999 Partnership Fund	524,650	0.0%		3.42%	3.42%	6.21%	6.21%	-5.66%	-5.66%	8.72%	8.72%	0.81%
Brinson 2000 Partnership Fund	1,631,983	0.1%		2.43%	2.43%	3.20%	3.20%	6.74%	6.74%	14.10%	14.10%	5.38%
Brinson 2001 Partnership Fund	2,199,468	0.1%		-0.22%	-0.22%	5.66%	5.66%	4.90%	4.90%	12.44%	12.44%	2.58%
Brinson 2002 Partnership Fund	1,309,434	0.1%		-0.29%	-0.29%	1.29%	1.29%	12.41%	12.41%	22.51%	22.51%	3.79%
Brinson 2003 Partnership Fund	416,104	0.0%		-0.58%	-0.58%	3.38%	3.38%	-5.78%	-5.78%	10.46%	10.46%	-0.59%
Total Brinson Partnership Funds	6,436,099	0.4%		0.88%	0.88%	3.95%	3.95%	4.35%	4.35%	13.60%	13.60%	3.89%
Brinson 1999 Non-US Partnership Fund	216,285	0.0%		9.24%	9.24%	26.07%	26.07%	-0.36%	-0.36%	18.50%	18.50%	2.79%
Brinson 2000 Non-US Partnership Fund	622,195	0.0%		0.04%	0.04%	-0.86%	-0.86%	-3.49%	-3.49%	12.53%	12.53%	2.59%
Brinson 2001 Non-US Partnership Fund	384,710	0.0%		-3.59%	-3.59%	3.90%	3.90%	-14.12%	-14.12%	5.11%	5.11%	-7.15%
Brinson 2002 Non-US Partnership Fund	1,434,234	0.1%		2.74%	2.74%	9.76%	9.76%	-2.78%	-2.78%	12.89%	12.89%	-1.62%
Brinson 2003 Non-US Partnership Fund	848,524	0.1%		9.23%	9.23%	31.99%	31.99%	-11.60%	-11.60%	16.11%	16.11%	4.71%
Brinson 2004 Non-US Partnership Fund	829,898	0.0%		1.53%	1.53%	6.61%	6.61%	-8.24%	-8.24%	9.51%	9.51%	0.91%
Total Brinson Non-US Partnership Fund	4,135,946	0.2%		3.21%	3.21%	12.47%	12.47%	-6.71%	-6.71%	12.87%	12.87%	0.73%
Adams Street 2008 Non-US Partnership Fd	1,904,878	0.1%		3.75%	3.75%	8.91%	8.91%	-1.84%	-1.84%	3.99%	3.99%	N/A
Brinson BVCF IV	1,883,774	0.1%		0.00%	0.00%	14.19%	14.19%	84.19%	84.19%	89.31%	89.31%	44.31%
Adams Street Direct Co-Investment Fund	6,859,298	0.5%		0.00%	0.00%	1.85%	1.85%	5.82%	5.82%	14.37%	14.37%	1.24%
Adams Street 2010 Direct Fund	348,088	0.0%		0.00%	0.00%	2.32%	2.32%	22.19%	22.19%	N/A	N/A	N/A
Adams Street 2010 Non-US Emerging Mkts	109,665	0.0%		-0.62%	-0.62%	-3.32%	-3.32%	-21.77%	-21.77%	N/A	N/A	N/A
Adams Street 2010 Non-US Developed Mkts	487,997	0.0%		3.38%	3.38%	10.61%	10.61%	4.57%	4.57%	N/A	N/A	N/A
Adams Street 2010 Partnership Fund	1,106,337	0.1%		1.41%	1.41%	6.88%	6.88%	8.84%	8.84%	N/A	N/A	N/A
Total Adams Street 2010 Funds	2,052,288	0.1%		1.52%	1.52%	6.40%	6.40%	8.71%	8.71%	N/A	N/A	N/A
Matlin Patterson Global Opportunities	6,031	0.0%		24.07%	24.07%	18.21%	18.21%	-21.48%	-21.48%	58.17%	58.17%	-0.76%
Matlin Patterson Global Opportunities II	807,371	0.0%		0.00%	0.00%	-1.25%	-1.25%	-79.03%	-79.03%	-53.26%	-53.26%	-45.01%
Matlin Patterson Global Opportunities III	11,199,258	0.7%		0.00%	0.00%	24.51%	24.51%	124.86%	124.86%	44.50%	44.50%	5.42%
InvestAmerica (Lewis and Clark Fund)	3,284,605	0.2%		0.00%	0.00%	9.58%	9.58%	6.13%	6.13%	8.60%	8.60%	7.72%
L&C II	4,017,598	0.2%		0.00%	0.00%	-5.85%	-5.85%	-3.26%	-3.26%	-10.62%	N/A	N/A
Corsair III (2)	5,980,998	0.4%		-0.60%	-0.60%	-6.60%	-6.60%	-1.10%	-2.14%	1.97%	1.61%	5.38%
Corsair III - ND Investors LLC (2)	5,083,961	0.3%		0.00%	0.00%	-2.52%	-2.52%	5.30%	5.04%	1.15%	1.06%	N/A
Corsair IV	4,843,042	0.3%		-1.20%	-1.20%	-4.30%	-4.30%	-15.55%	-16.03%	N/A	N/A	N/A
Capital International (CIPEF V)	11,631,956	0.7%		-0.47%	-0.47%	-11.07%	-11.07%	-4.74%	-4.74%	13.64%	13.57%	N/A
Capital International (CIPEF VI)	2,367,140	0.1%		-2.95%	-2.95%	-13.30%	-13.30%	N/A	N/A	N/A	N/A	N/A
EIG (formerly TCW)	16,744,602	1.0%		0.42%	0.42%	1.34%	1.34%	7.17%	7.17%	13.10%	13.10%	11.58%
Quantum Resources	5,351,643	0.3%		21.08%	21.08%	26.32%	26.32%	-0.85%	-0.85%	-13.12%	-13.12%	-49.44%
Quantum Energy Partners	4,235,403	0.3%		-2.37%	-2.37%	5.73%	5.73%	30.29%	30.29%	16.80%	16.80%	3.54%
Total Private Equity (8)	103,072,192	6.1%	6.0%	0.89%	0.88%	2.53%	2.53%	5.12%	5.12%	12.90%	12.90%	-0.14%
GLOBAL FIXED INCOME	375,572,494	22.3%	22.0%	4.19%	4.13%	8.18%	7.93%					
Benchmark				2.88%	2.88%	2.49%	2.49%					
Domestic Fixed Income	288,490,303	17.0%	17.0%	3.91%	3.86%	9.88%	9.66%					
Benchmark				2.44%	2.44%	4.16%	4.16%					
Investment Grade Fixed Income												
PIMCO (DiSCO II) (6)	34,973,450	2.1%	1.9%	9.64%	9.64%	36.93%	36.93%	N/A	N/A	N/A	N/A	N/A
BC Aggregate				1.58%	1.58%	0.87%	0.87%	7.47%	7.47%	6.93%	6.93%	6.79%
Bank of ND (9)	19,848,156	1.2%	1.2%	-1.20%	-1.21%	-6.60%	-6.65%	9.53%	9.47%	7.95%	7.89%	7.73%
BC Long Treasuries				0.20%	0.20%	-5.36%	-5.36%	15.86%	15.86%	9.62%	9.62%	8.26%
PIMCO (Unconstrained)	28,336,706	1.7%	1.4%	2.65%	2.65%	4.22%	4.22%	N/A	N/A	N/A	N/A	N/A
3m LIBOR				0.11%	0.11%	0.32%	0.32%					
Declaration (Total Return)	23,075,219	1.4%	1.4%	3.49%	3.34%	9.67%	9.07%	N/A	N/A	N/A	N/A	N/A
3m LIBOR				0.11%	0.11%	0.32%	0.32%					
Western Asset	41,139,291	2.4%	2.4%	1.33%	1.29%	-0.23%	-0.39%	N/A	N/A	N/A	N/A	N/A
PIMCO (MBS)	60,810,157	3.6%	3.6%	2.05%	2.02%	0.60%	0.51%	N/A	N/A	N/A	N/A	N/A
BC Mortgage Backed Securities Index				1.13%	1.13%	-0.14%	-0.14%					
Total Investment Grade Fixed Income	208,102,981	12.4%	12.0%	3.02%	2.99%	6.99%	6.88%	6.24%	6.01%	6.63%	6.31%	4.66%
BC Aggregate				1.58%	1.58%	0.87%	0.87%	7.47%	7.47%	6.93%	6.93%	6.79%
Below Investment Grade Fixed Income												
Loomis Sayles	72,288,176	4.3%	4.6%	6.38%	6.25%	16.86%	16.37%	2.57%	2.07%	16.71%	16.20%	6.86%
Goldman Sachs 2006 Fund (8)	1,842,965	0.1%	0.1%	0.37%	0.37%	15.43%	15.43%	-20.28%	-20.28%	31.00%	31.00%	-2.25%
Goldman Sachs Fund V (8)	4,376,180	0.3%	0.3%	-1.00%	-1.00%	14.10%	14.10%	7.04%	7.04%	22.19%	22.19%	N/A
PIMCO (8)	0	0.0%	0.0%	366.85%	366.85%	N/A	N/A	5.54%	5.54%	30.43%	30.43%	N/A
Total Below Investment Grade Fixed Income	78,507,322	4.7%	5.0%	6.33%	6.22%	17.74%	17.26%	3.46%	3.06%	17.33%	16.90%	3.99%
LB High Yield 2% Issuer Constrained Index				4.53%	4.53%	12.44%	12.44%	7.21%	7.21%	16.20%	16.20%	8.62%
International Fixed Income	88,882,192	5.3%	5.0%	5.11%	5.02%	2.80%	2.48%					
Benchmark				4.37%	4.37%	-3.06%	-3.06%					
Developed Investment Grade Int'l FI												
UBS Global (Brinson)	43,731,242	2.6%	2.5%	4.77%	4.69%	-2.08%	-2.35%	-0.67%	-1.16%	5.36%	5.05%	6.72%
BC Global Aggregate ex-US (8)				4.37%	4.37%	-3.06%	-3.06%	-0.64%	-0.64%	5.23%	5.23%	7.45%
Brandywine	45,150,950	2.7%	2.5%	5.45%	5.35%	7.56%	7.18%	9.67%	9.25%	13.36%	12.95%	9.36%
BC Global Aggregate (ex-US)				3.27%	3.27%	-1.01%	-1.01%	2.73%	2.73%	6.31%	6.31%	7.11%
Total Developed Investment Grade Int'l FI	88,882,192	5.3%	5.0%	5.11%	5.02%	2.80%	2.48%	4.61%	4.26%	9.76%	9.40%	6.29%
BC Global Aggregate ex-US				4.37%	4.37%	-3.06%	-3.06%	-0.64%	-0.64%	5.23%	5.23%	7.45%

ND TEACHERS F[illegible] RETIREMENT
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	May-13 Market Value	May-13 Allocation Actual	May-13 Allocation Policy	May-13 Month Gross (8)	May-13 Month Net	April-13 Market Value	April-13 Allocation Actual	April-13 Allocation Policy	April-13 Month Gross (8)	April-13 Month Net
GLOBAL REAL ASSETS	345,691,831	18.4%	20.0%	0.06%	0.02%	342,693,002	18.7%	20.0%	0.95%	0.91%
Benchmark				0.96%	0.96%				0.87%	0.87%
Global Real Estate										
INVESCO - Core	62,617,718			0.00%	-0.03%	62,617,718			0.00%	-0.03%
INVESCO - Fund II (8)	18,189,101			0.00%	0.00%	18,189,101			5.64%	5.64%
INVESCO - Fund III (8)	18,583,136			0.00%	0.00%	18,583,136			7.77%	7.77%
INVESCO - Asia Real Estate Fund (8)	10,715,835			0.00%	0.00%	10,715,835			0.00%	0.00%
J.P. Morgan Strategic & Special Funds	57,494,889			0.74%	0.67%	57,075,181			0.94%	0.87%
J.P. Morgan Alternative Property Fund	2,664,299			-4.99%	-5.01%	2,804,223			0.00%	-0.02%
J.P. Morgan Greater Europe Fund (8)	4,989,683			-9.96%	-9.96%	1,827,456			3.37%	3.37%
J.P. Morgan Greater China Property Fund (8)	10,069,157			0.00%	0.00%	10,086,169			0.00%	0.00%
Total Global Real Estate	186,323,819	10.1%	10.0%	0.06%	0.02%	181,898,819	10.0%	10.0%	1.33%	1.30%
NCREIF TOTAL INDEX				0.85%	0.85%				0.85%	0.85%
Timber										
TIR - Teredo (7)	35,427,143	1.9%		0.00%	0.00%	35,623,483	1.9%		3.50%	3.50%
TIR - Springbank	55,152,334	3.0%		0.00%	0.00%	55,457,994	3.0%		-0.58%	-0.58%
Total Timber	90,579,477	4.9%	6.0%	0.00%	0.00%	91,081,477	5.0%	6.0%	0.96%	0.98%
NCREIF Timberland Index(8)				1.94%	1.94%				1.94%	1.94%
Infrastructure										
JP Morgan (Asian)	13,782,431	0.8%		7.69%	7.69%	12,805,357	0.7%		0.00%	0.00%
JP Morgan (IIF)	43,762,871	2.4%		-1.99%	-2.10%	44,678,623	2.4%		0.00%	-0.11%
Credit Suisse	12,143,233	0.7%		-0.01%	-0.01%	12,128,726	0.7%		-0.31%	-0.31%
Total Infrastructure (8)	69,688,535	3.8%	6.0%	0.14%	0.07%	69,612,706	3.8%	6.0%	-0.08%	-0.12%
CPI				0.20%	0.20%				-0.16%	-0.16%
Cash Equivalents										
Northern Trust STIF	18,531,013			0.02%	0.02%	18,115,080			0.02%	0.02%
Total Cash Equivalents	18,531,013	0.9%	1.0%	0.02%	0.02%	18,115,080	1.0%	1.0%	0.02%	0.02%
90 Day T-Bill				0.01%	0.01%				0.01%	0.01%

	March-13 Market Value	March-13 Allocation Actual	March-13 Allocation Policy	March-13 Quarter Gross (8)	March-13 Quarter Net	December-12 Market Value	December-12 Allocation Actual	December-12 Allocation Policy	December-12 Quarter Gross (8)	December-12 Quarter Net
GLOBAL REAL ASSETS	329,832,534	18.4%	20.0%	0.74%	0.64%	325,623,640	18.9%	20.0%	3.28%	3.17%
Benchmark				3.13%	3.13%				2.48%	2.48%
Global Real Estate										
INVESCO - Core	62,589,602			5.44%	5.34%	59,551,703			-0.10%	-0.20%
INVESCO - Fund II (8)	17,210,405			-1.52%	-1.52%	20,752,901			9.32%	9.32%
INVESCO - Fund III (8)	9,236,118			-1.56%	-1.56%	9,394,137			4.34%	4.34%
INVESCO - Asia Real Estate Fund (8)	10,711,024			-8.18%	-8.18%	8,814,404			8.07%	8.07%
J.P. Morgan Strategic & Special Funds	56,646,606			3.57%	3.35%	54,887,646			2.74%	2.52%
J.P. Morgan Alternative Property Fund	2,802,964			9.73%	9.66%	2,684,553			7.61%	7.54%
J.P. Morgan Greater Europe Fund (8)	1,787,351			-7.71%	-7.71%	1,929,444			-23.63%	-23.63%
J.P. Morgan Greater China Property Fund (8)	10,061,641			-2.66%	-2.66%	10,369,607			1.73%	1.73%
Total Global Real Estate	171,045,710	9.5%	10.0%	2.30%	2.18%	168,384,396	9.8%	10.0%	2.67%	2.45%
NCREIF TOTAL INDEX				2.67%	2.67%				2.54%	2.54%
Timber										
TIR - Teredo (7)	34,417,435	1.9%		-5.49%	-5.49%	36,416,581	2.1%		6.97%	6.97%
TIR - Springbank	55,780,150	3.1%		-1.78%	-1.78%	56,805,765	3.3%		0.19%	0.19%
Total Timber	90,197,584	5.0%	6.0%	-3.23%	-3.23%	93,222,346	5.4%	6.0%	2.73%	2.73%
NCREIF Timberland Index(8)				6.92%	6.92%				5.92%	5.92%
Infrastructure										
JP Morgan (Asian)	11,653,916	0.6%		-1.65%	-1.65%	8,971,625	0.5%		21.99%	21.99%
JP Morgan (IIF)	44,678,623	2.5%		4.03%	3.71%	43,058,330	2.5%		4.42%	4.09%
Credit Suisse	12,056,701	0.7%		-0.28%	-0.28%	11,686,945	0.7%		1.77%	1.77%
Total Infrastructure (8)	68,389,239	3.8%	6.0%	2.39%	2.17%	63,816,900	3.7%	6.0%	6.02%	5.79%
CPI				1.52%	1.52%				-1.01%	-1.01%
Cash Equivalents										
Northern Trust STIF	24,645,129			0.03%	0.03%	21,745,167			0.03%	0.03%
Total Cash Equivalents	24,646,129	1.4%	1.0%	0.03%	0.03%	21,746,167	1.3%	1.0%	0.03%	0.03%
90 Day T-Bill				0.02%	0.02%				0.04%	0.04%

	September-12 Market Value	September-12 Allocation Actual	September-12 Allocation Policy	September-12 Quarter Gross (8)	September-12 Quarter Net	Current Fiscal YTD Gross (7)	Current Fiscal YTD Net	Prior FY12 Gross (7)	Prior FY12 Net	3 Years Ended 6/30/2012 Gross	3 Years Ended 6/30/2012 Net	5 Years Ended 6/30/2012 Net
GLOBAL REAL ASSETS	322,866,740	19.2%	20.0%	1.36%	1.26%	8.61%	8.12%					
Benchmark				1.59%	1.59%	9.34%	9.34%					
Global Real Estate												
INVESCO - Core	60,772,364			2.80%	2.70%	8.28%	7.69%	8.97%	8.54%	8.03%	7.54%	-1.26%
INVESCO - Fund II (8)	19,782,387			0.00%	0.00%	13.73%	13.73%	28.70%	28.70%	-3.10%	-3.10%	N/A
INVESCO - Fund III (8)	9,178,937			0.00%	0.00%	10.69%	10.69%	N/A	N/A	N/A	N/A	N/A
INVESCO - Asia Real Estate Fund (8)	8,315,072			-3.39%	-3.39%	-4.14%	-4.14%	1.09%	1.09%	-22.90%	-22.90%	N/A
J.P. Morgan Strategic & Special Funds	54,593,439			3.65%	3.43%	12.15%	11.28%	13.33%	12.37%	8.42%	7.42%	-2.25%
J.P. Morgan Alternative Property Fund	7,794,835			3.11%	3.04%	15.67%	15.40%	27.71%	27.38%	2.83%	2.15%	-9.30%
J.P. Morgan Greater Europe Fund (8)	3,127,503			-16.43%	-16.43%	-45.17%	-45.17%	-100.01%	-100.01%	N/A	N/A	N/A
J.P. Morgan Greater China Property Fund (8)	10,691,423			-4.30%	-4.30%	-5.22%	-5.22%	-4.20%	-4.20%	3.62%	3.62%	N/A
Total Global Real Estate	174,256,960	10.4%	10.0%	1.42%	1.32%	7.90%	7.46%	12.87%	12.46%	7.34%	6.72%	-2.97%
NCREIF TOTAL INDEX				2.34%	2.34%	9.47%	9.47%	12.04%	12.04%	8.82%	8.82%	2.51%
Timber												
TIR - Teredo (7)	32,948,659	2.0%		0.00%	0.00%	4.63%	4.63%	-2.76%	-2.76%	4.79%	4.79%	8.28%
TIR - Springbank	54,886,635	3.3%		0.02%	0.02%	-2.15%	-2.15%	-5.48%	-5.48%	-8.06%	-8.06%	-1.70%
Total Timber	87,835,494	5.2%	6.0%	0.01%	0.01%	0.39%	0.39%					
NCREIF Timberland Index(8)				0.75%	0.75%	17.45%	17.45%	1.49%	1.49%	-3.83%	-0.56%	4.43%
Infrastructure												
JP Morgan (Asian)	7,491,263	0.4%		0.00%	0.00%	29.21%	29.21%	-4.29%	-4.29%	-0.51%	-0.68%	N/A
JP Morgan (IIF)	42,053,403	2.5%		4.61%	4.28%	11.37%	10.08%	4.51%	3.22%	5.87%	4.40%	-0.91%
Credit Suisse	11,230,619	0.7%		-0.31%	-0.31%	0.85%	0.85%	N/A	N/A	N/A	N/A	N/A
Total Infrastructure (8)	60,775,286	3.6%	6.0%	3.09%	2.86%	11.99%	11.12%					
CPI				0.95%	0.95%	1.49%	1.49%					
Cash Equivalents												
Northern Trust STIF	8,753,017			0.03%	0.03%	0.12%	0.12%	0.13%	0.13%	0.14%	0.14%	0.42%
Total Cash Equivalents	8,753,017	0.5%	1.0%	0.03%	0.03%	0.12%	0.12%	0.13%	0.13%	0.19%	0.19%	0.46%
90 Day T-Bill				0.03%	0.03%	0.11%	0.11%	0.06%	0.06%	0.13%	0.13%	0.99%

NOTE: Monthly returns and market values are preliminary and subject to change.
New asset class structure began October 1, 2011. Composite returns for new composites not available prior to that date.
Portfolios moved between asset classes will show historical returns in new position.
(1) Epoch was included in the Large Cap Domestic Equity composite through 12/31/11.
(2) Prior to January 1, 2012, the benchmark was S&P 500.
(3) This benchmark was changed to the MSCI EAFE (unhedged) as of December 1, 2004.
(4) This benchmark was changed to the MSCI EAFE (unhedged) as of April 1, 2011.
(5) Prior to January 1, 2005, the benchmark was the First Boston Convertible Index.
(6) Prior to December 1, 2009, the benchmark was the Citigroup World Gov't Bond Index ex-US
(7) Prior to June 1, 2006, the Teredo properties were under the management of RMK.
(8) All limited partnership-type investments' returns will only be reported net of fees, which is standard practice by the investment consultant.
(9) BND was terminated effective April 30, 2013. Account was frozen until State Street began transition services to take over the account in June.

STATE INVESTMENT BOARD SEARCH COMMITTEE
MINUTES OF THE
July 11, 2013, MEETING

COMMITTEE MEMBERS PRESENT:	Lt. Governor Wrigley, Chair Lance Gaebe, Land Commissioner Mike Gessner, TFFR Board Mike Sandal, PERS Board
COMMITTEE MEMBER ABSENT:	Kelly Schmidt, State Treasurer
STAFF PRESENT:	Connie Flanagan, Fiscal & Investment Officer Bonnie Heit, Office Manager Darren Schulz, Interim CIO
OTHERS:	Michelle Booth, KornFerry Paul Erlendson, Callan Michael Kennedy, KornFerry Kim Wassim, HRMS

CALL TO ORDER:

A meeting of the State Investment Board Search Committee was called to order at 11:05 am on Thursday, July 11, 2013. The meeting was conducted by teleconference.

The meeting was held for the purposes of receiving an update from KornFerry representatives on the status of recruitment efforts for the Executive Director/Chief Investment Officer of the Retirement and Investment Office.

Mr. Kennedy informed the Search Committee an ad was placed with Pension and Investments, and also on the National Council on Teacher Retirement and the National Association of Security Professionals web sites. As a result of the ad, feedback, resumes, and interest is coming in.

KornFerry has had conversations with approximately 90 individuals. The types of candidates KornFerry has been reaching out to are Chief Investment Officers and Deputy Chief Investment Officers from a variety of plans. The CIOs contacted are with public plans that are the size of North Dakota. The Deputy CIOs contacted are from larger plans with asset class experience. KornFerry has also reached out to individuals who have experience with endowments, foundations, and asset management organizations, etc. Of those contacted, approximately 13-14 individuals have initially indicated they would have an interest in North Dakota. Of the 13-14 individuals, 5-6 candidates have been interviewed and KornFerry feels they are strong candidates. KornFerry has more individuals to connect with and feel good about the momentum.

Mr. Kennedy stated the biggest drawback from the candidates is the location and compensation. The 13-14 candidates who initially expressed an interest are very interested in North Dakota and relocating. The candidates are also intrigued about the Legacy Fund and the assets they would oversee. Many candidates are aware of the oil opportunities and the influx of people to North Dakota. Overall, there is a positive perspective on the State and where it is right now.

Mr. Kennedy also reviewed the States open records laws and has been working with Ms. Jan Murtha. Mr. Kennedy indicated North Dakota open records laws are the most stringent that he has worked with and some of the candidates may be put at risk as they will not have the appropriate background to be considered for the ED/CIO position.

Mr. Kennedy reviewed the backgrounds of five candidates whom KornFerry has interviewed. Mr. Kennedy stated the first three of the five candidates are very strong candidates and arrangements could be made to have them come in for preliminary interviews before the Search Committee. Mr. Sandal indicated the Search Committee would like to interview a number of candidates and from those interviews finalists will be selected and brought before the full SIB.

The Search Committee and KornFerry discussed dates and the next meeting of the Search Committee will be July 26, 2013, from 1-5 pm at Workforce Safety & Insurance. The Search Committee and KornFerry will conduct preliminary interviews with the first three candidates.

KornFerry will also continue to reach out to other candidates to bring before the Search Committee a week or two after the July 26, 2013, meeting.

ADJOURNMENT:

With no further issues to come before the Search Committee, the meeting adjourned at 11:30 a.m.

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Lt. Governor Wrigley, Chair
State Investment Board Search Committee

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Bonnie Heit
Assistant to the Board

KORN/FERRY INTERNATIONAL

Confidential Position Specification

North Dakota Retirement & Investment Office

Chief Investment Officer & Executive Director

June 2013

CONFIDENTIAL POSITION SPECIFICATION

Position	Chief Investment Officer & Executive Director
Company	North Dakota Retirement & Investment Office (RIO)
Location	Bismarck, North Dakota
Reporting Relationship	This position will report to the North Dakota State Investment Board.
Website	http://www.nd.gov/rio

COMPANY BACKGROUND/CULTURE

The North Dakota Retirement and Investment Office (RIO) was established in 1989 to coordinate the activities of the State Investment Board (SIB) and The Teachers' Fund for Retirement (TFFR). The SIB is the governing authority for RIO.

The SIB has statutory responsibility for the administration of the investment programs of 23 funds, including the Public Employees Retirement System (PERS), the Teachers' Fund for Retirement (TFFR), the Workforce Safety & Insurance Fund, and the Legacy and Budget Stabilization Funds. The SIB also maintains contractual relationships for investment management with certain political sub-divisions. The 11 member SIB includes the Lt. Governor, State Treasurer, State Insurance Commissioner, Executive Director of Workforce Safety & Insurance, Land Commissioner, three representatives of PERS, and three representatives of TFFR.

In addition to administering the state's investment program, RIO is also responsible for administration of the TFFR pension program for ND educators. The TFFR serves over 10,000 members from 222 employer groups and pays benefits to more than 7,100 retirees and beneficiaries.

RIO employs a staff of 19, which includes the Executive Director – CIO, Deputy CIO, and five other positions generally allocated to the SIB investment program. RIO staff also includes a Deputy Executive Director – Chief Retirement Officer, who works with the TFFR Board and 11 other employees to administer the TFFR pension program.

All funds invested under the direction of the SIB follow the "Prudent Investor Rule." Investments are managed exclusively in the interest of meeting each funds' individual objectives. Asset allocation and investment policy are determined by each funds' individual governing board. All funds are managed externally, and professional investment managers, consultants and custodians are retained to assist in the implementation of the investment program.

The ND SIB believes that an investment program must be built and managed like any good business, with a clear statement of mission, overall objectives, roles and responsibilities, and policies and guidelines. Major issues include:

A. Asset Allocation Targets: (1) setting appropriate benchmarks; (2) finding the right managers; (3) monitoring the program; and (4) searching for appropriate new opportunities.

B. To ensure rigorous attention to all aspects of the investment program, the SIB follows an established investment process which involves three phases: (1) investment policy development/modification; (2) implementation/monitoring; and (3) evaluation.

The SIB investment team oversees externally-managed assets of approximately $6.1 billion. The assets are comprised of $3.7 billion in pension investments and $2.4 billion in insurance investments. The TFFR and the PERS plans comprise the bulk of the pension pool investments.

Recently added to SIB management, the ND Legacy Fund was created by a constitutional amendment in 2010, and provides that 30% of oil and gas gross production and oil extraction taxes on oil produced after June 30, 2011 be transferred to the Legacy Fund. The fund is projected to grow to approximately $3 billion by the end of the 2013-15 biennium.

As of March 31, 2013, the Pension and Insurance Trusts target asset allocation were as follows:

	Pension Trust Target
Domestic Large Cap	16.5%
Domestic Small Cap	4.9%
Developed International Equity	11.1%
Emerging Markets Equity	3.1%
Global Equity	16.0%

Private Equity	4.9%
Investment Grade Fixed Income	13.1%
Below Investment Grade Fixed Income	5.1%
Developed Investment Grade International Fixed Income	5.0%
Global Real Estate	9.7%
Timberland	4.9%
Infrastructure	4.9%
Cash & Equivalent	1.0%
	100.0%

	Insurance Trust Target
Domestic Large Cap	5.8%
Domestic Small Cap	2.0%
International Equity	4.0%
Domestic Fixed Income	28.6%
Inflation Protected	11.8%
Short Term Fixed Income	42.3%
Cash & Equivalent	2.3%
Real Estate	3.2%
	100.0%

KEY RESPONSIBILITIES

The Chief Investment Officer (CIO) of the SIB also serves as the Executive Director of RIO. The CIO manages the day-to-day investment activity and the multiple outside investment managers and advisors, formulates long-term investment policies and strategies, makes recommendations to the SIB and individual plan governing boards, and implements approved polices and strategies. The CIO also is responsible for serving as the in-house investment expert to the SIB and individual plan governing boards, providing education and advice on asset allocation, portfolio structure, and investment strategies. The Executive Director manages RIO's strategic planning process and leads the formulation of the organizational mission, objectives, and strategies.

Essential Duties and Responsibilities:

Investment Administration/Policy

- Formulate, evaluate and recommend an investment policy for all of SIB client assets, including asset allocation, structure of investment assets and, upon SIB approval, implementation of the policy.
- Monitor and evaluate total portfolio risk and return, and recommend adjustments to the asset allocation, investment strategy, manager structure and guidelines.
- Adjust managers' assets to maintain proper risk levels and asset allocation targets.
- Monitor and oversee SIB clients' external investment managers.
- On a monthly basis, evaluate and review the investment activity and portfolio management of the investment managers.
- Report a summary of investment manager activity and compliance with investment policy and contractual guidelines to the SIB and individual plan governing boards.
- Regularly meet with the investment managers to review performance and other activity.
- Oversee and, from time to time, participate in searches for new investment managers and consultants, negotiate fees and contracts, and recommend termination of managers when necessary.
- Coordinate direction on all investment issues for external investment consultant(s).
- Monitor, analyze, and recommend changes for all investment costs, including commissions, manager fees and other costs.
- Formulate, recommend and implement investment strategies in the U.S. and international public and private investment markets.
- Research and recommend new asset classes and innovative investment management styles that can increase the return on assets, reduce risk, or reduce costs to the plan.

- Assist the SIB and individual plan governing boards with investment education and other efforts to promote sound decision-making on investments.
- Provide written and verbal investment education and research to the SIB and individual plan governing boards, Legislative Committees, and other stakeholders, as necessary.

Office Administration

- Provides leadership, coaching and feedback to RIO staff, recommending measures to improve performance and increase efficiency.
- Direct the preparation and execution of the RIO budget and SIB legislative agenda. Assure follow-through and evaluate results.
- Establish and maintain working relationships across all organizational work units and levels.
- Represent the RIO and promote SIB programs to various stakeholders, constituencies, political subdivisions and the state legislature.
- Assure accountability and compliance with all statutory and SIB prescribed policies and procedures.
- Oversee the Deputy Executive Director/Chief Retirement Officer and subordinate staff responsible for administering accurate, prompt and efficient TFFR pension benefits program to constituents and educational outreach initiatives.

PROFESSIONAL EXPERIENCE/QUALIFICATIONS

Minimum ten years of relevant investment experience with a pension plan, foundation/ endow-ment, trust organization, investment banking firm, money management firm or financial consulting firm, with responsibility for the formulation and/or implementation of investment policy for substantial portfolios utilizing all major asset classes (e.g., stocks, bonds, real estate, private equity, etc.).

The person must have a superior intellectual capacity and be someone who is a natural leader, and be able to enhance the current investment management and retirement administration organization. He/She will also have to be a visionary and a strategic thinker. The right person will have demonstrable skills in building and motivating successful teams.

The ideal candidate will have a passion for excellence and the desire to have a significant impact on the organization. He/She will have outstanding people skills and experience in building, leading and mentoring a team of professionals in pension fund management, and will exhibit demonstrated leadership qualities, including the ability to engage and inspire a talented and dedicated senior staff. Ethics must be of the highest quality.

The successful candidate will possess excellent interpersonal skills, a compelling presence, and strong skills in working with diverse groups to assist each in meeting its respective goals. Presentation skills, both oral and written, shall be superb. Must be able to explain complicated topics in an understandable manner without talking down to the audience. Mature and self-assured, the successful candidate must be able to demonstrate credibility and gain respect, both internally and externally. Creative leadership is a critical success factor. He/She must continue to build a team that is supportive of one another, respects individual skills, is innovative, and takes opportunities to develop professional skills.

The successful candidate will have the following experience/traits:

- A deep and broad knowledge of institutional investment management, public sector funds preferred.
- A proven record of success in both academic and professional pursuits, established outstanding results, and a record of rapid advancement in every challenge undertaken.
- Superb team-building skills, with a predisposition to building consensus and achieving goals through collaboration rather than purely direct line authority.
- A positive, results-oriented style, evidenced by listening, motivating, delegating, influencing and monitoring the work being done.
- A high level of energy, sense of urgency, creativity and decisiveness, coupled with the ability/willingness to work hard and well under pressure.
- An engaging/open interpersonal style, complemented by the analytical pragmatism necessary to quickly dissect highly complex issues.
- Strong operations leadership and management skills.
- Ability to establish immediate credibility among his/her staff; a professional who is respected for his/her intelligence and technical expertise.
- A genuine interest in mentoring and developing professional staff members.
- Unquestionable integrity, credibility and character, demonstrating high moral and ethical behavior.

Additionally, the successful candidate will possess the following knowledge, skills and abilities:

- Extensive knowledge of investment concepts, strategies, styles, and analytical methodologies from the total portfolio level to individual security selection.
- Knowledge of global and domestic macro economic and capital market issues relating to investments.
- Knowledge of statistical concepts, methods and models, and their application to investments.
- Extensive skill in managing, mentoring and motivating staff to meet organization goals and objectives.
- Extensive skill in negotiating issues and resolving problems.
- Extensive skill in effective written and verbal communications, including preparing and delivering complex correspondence, reports, presentations, policies and proposals.
- Experience in interfacing and working collaboratively with governmental entities, such as legislative bodies, as needed.
- Ability to promote and maintain harmonious working relationships with co-workers, division staff and external contacts, and to work effectively in a professional team environment.
- Demonstrated ability in developing investment objectives and establishing performance benchmarks, policies, strategies and tactics for diversified investment programs.
- Strong media relations acumen. Outstanding written, verbal and presentation skills are required.
- A strong understanding of the public sector environment is critical, including financial reporting, accounting rules, media interface, open meetings and public record laws, and overall public sector processes.
- Experience interfacing and interacting with public funds boards is desired, as well as with consultants and investment advisors.

LEADERSHIP CHARACTERISTICS

Understanding the Business

- Knows the business and the mission-critical technical and functional skills needed to do the job; understands various types of business propositions and understands how businesses operate in general; learns new methods and technologies easily.

Making Complex Decisions

- Can solve even the toughest and most complex of problems; great at gleaning meaning from whatever data is available; is a quick study of the new and different; adds personal wisdom and experience to come to the best conclusion and solution, given the situation; uses multiple problem-solving tools and techniques.

Being Organizationally Savvy

- Maneuvers well to get things done; maze bright; knows where to go to get what he/she needs; politically aware and agile; knows what the right thing to do is; presents views and arguments well.

Communicating Effectively

- Writes and presents effectively; adjusts to fit the audience and the message; strongly gets a message across.

Relating Skills

- Warm, friendly, and interpersonally agile; easy to approach and talk to; relates well to all kinds of people; makes a pleasant first impression and builds solid relationships.

Inspiring Others

- Is skilled at getting individuals, teams, and an entire organization to perform at a higher level and to embrace change; negotiates skillfully to achieve a fair outcome or promote a common cause; communicates a compelling vision and is committed to what needs to be done; inspires others; builds motivated, high-performing teams; understands what motivates different people.

Acting with Honor and Character

- Is a person of high character; is consistent and acts in line with a clear and visible set of values and beliefs; deals and talks straight; walks his/her talk; is direct and truthful but at the same time can keep confidences.

EDUCATION

Candidates should have a Bachelor's degree from an accredited four-year college or university with major course work in business administration, finance, accounting, economics, or a related area. Either a master's degree in accounting, finance, economics, or a closely related field OR a CFA is strongly preferred.

COMPENSATION

The successful candidate will be paid a base salary ranging from $180,000 to $220,000 per year as well as benefits including: (1) paid family health insurance, (2) life insurance, and (3) a defined benefit retirement plan.

EQUAL OPPORTUNITY EMPLOYER

The State of North Dakota and this hiring agency do not discriminate on the basis of race, color, national origin, sex, genetics, religion, age or disability in employment or the provision of services, and complies with the provisions of the North Dakota Human Rights Act.

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North Dakota Retirement and Investment Office
Fiscal Year 2012/ 2013
SCHOOL DISTRICT COMPLIANCE AUDITS
July 1, 2012 through June 30, 2013

× Audit notifications sent to District (14)
& Audits currently in progress (4)
✔ School audits completed (45)

Audits carried over from 2011/12 year (11)
Audit notifications sent 2012/13 (52)

In compliance	38
Generally in compliance	1
Not in compliance	6
	45

Carry forward from 2011/12

			SCHOOL DISTRICT	FISCAL YEARS	MEMBERS IN DISTRICT	DATE AUDIT NOTIFICATION SENT	INFORMATION RECEIVED	REPORT DATE	MEMBER/ EMPLOYER CONTRIB'S DR(CR)	MEMBER'S SALARIES ADJUSTED	MEMBER SERVICE CREDIT ADJUSTED	STATUS
1	✔	LM	Bismarck	6/30/11, 10	1054	12/13/2011	12/5/2012	9/13/2012	0.00	0	0	In compliance No errors noted.
2	✔	LM	Fort Yates 100% audit	6/30/10, 09	88	1/7/2011	7/15/2011	1/16/2013	2,734.78	25	1	Not in compliance Reported ineligible salary-unused leave, bus driving, signing bonus; did not report eligible salary-bonus, contract, and summer; reported salary in the wrong fiscal year; reported incorrect contract salary and undocumented salary; did not have written agreements for out-of-district teachers; and reported service hours incorrectly.
3	✔	LM	Killdeer	6/30/11, 10	45	2/28/2012	3/21/2012	9/18/2012	0.00	0	0	In compliance The District did not issue written agreements for summer school.
4	✔	DT	Kindred 100% audit	6/30/11, 10	52	12/13/2011	12/28/2011	2/27/2013	22,229.07	30	0	Not in compliance. The District had software programming issues where TFFR reportable salary and contributions was calculated incorrectly; reported salary in the wrong fiscal year; and did not issue written agreements for summer salary.
5	✔	DT	McClusky	6/30/11, 10	22	2/28/2012	3/21/2012	7/30/2012	(2,442.87)	7	6	Not in compliance Reported salary in the wrong fiscal year; did not report eligible contract salary; reported ineligible subbing and recruiting bonuses; service hours incorrect for part-time teachers; and no written agreement for summer special education.
6	✔	LM	Minnewauken 100% audit	6/30/11, 10	33	5/24/2012	6/28/2012	3/12/2013	8,018.22	19	1	Not in compliance District reported ineligible reimbursed leave, bus driving, bonus, para-professional, and janitorial salary; did not report eligible contract, extra-curricular, and summer salary; reported salary in the wrong fiscal year; and did not have written agree ments for out-of-district teachers.

North Dakota Retirement and Investment Office
Fiscal Year 2012/ 2013
SCHOOL DISTRICT COMPLIANCE AUDITS
July 1, 2012 through June 30, 2013

			SCHOOL DISTRICT	FISCAL YEARS	MEMBERS IN DISTRICT	DATE AUDIT NOTIFICATION SENT	INFORMATION RECEIVED	REPORT DATE	MEMBER/ EMPLOYER CONTRIB'S DR(CR)	MEMBER'S SALARIES ADJUSTED	MEMBER SERVICE CREDIT ADJUSTED	STATUS
	×		Audit notifications sent to District (14)						In compliance		38	
	&		Audits currently in progress (4)						Generally in compliance		1	
	✓		School audits completed (45)						Not in compliance		6	
											45	
			Audits carried over from 2011/12 year (11)									
			Audit notifications sent 2012/13 (52)									
7	✓	DT	Mott-Regent	6/30/11, 10	31	5/24/2012	6/8/2012	11/6/2012	0.00	0	0	In compliance No exceptions noted.
8	✓	DT	Napoleon	6/30/11, 10	29	5/24/2012	6/20/2012	11/9/2012	(464.01)	1	1	In compliance The District reported ineligible subbing; did not report eligible subbing; did not have written agreements for summer salary.
9	✓	LM	Newburg	6/30/11, 10	19	5/24/2012	6/21/2012	9/13/2012	0.00	0	0	In compliance No errors noted.
10	✓	DT	New England	6/30/11, 10	21	5/24/2012	6/8/2012	7/17/2012	0.00	0	0	In compliance No errors noted.
11	✓	DT	Powers Lake 100% audit	6/30/11, 10	23	12/3/2011	12/21/2011	1/3/2013	2,933.77	17	0	Not in compliance Reported salary in the wrong fiscal year; reported ineligible salary-busing, cleaning, flex cash, mileage/meals, and special education aide; no written agreements for summer salary; did not report eligible salary-conference, drama, and in-service; and software programming error (deductions) - caused wrong retirement salary to be reported.
			Notifications in 2012/13									
12	✓	LM	Ashley	6/30/12, 11	19	11/15/2012	12/17/2012	2/21/2013	(180.50)	1	0	In compliance The District reported the same salary twice.
13	✓	DT	Beach	6/30/12, 11	40	11/15/2012	12/3/2012	3/25/2013	0.00	0	0	In compliance No written agreements for summer school.
14	✓	LM	Belcourt	6/30/12, 11	150	11/15/2012	11/29/2012	3/5/2013	0.00	1	3	In compliance Reported service hours incorrectly; did not issue written agreements for summer teachers; and reported salary in the wrong fiscal year.
15	✓	LM	Center-Stanton	6/30/12, 11	26	2/20/2013	3/20/2012	4/4/2013	0.00	0	0	In compliance No exceptions noted.

North Dakota Retirement and Investment Office
Fiscal Year 2012/ 2013
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July 1, 2012 through June 30, 2013

× **Audit notifications sent to District (14)**
& **Audits currently in progress (4)**
✔ **School audits completed (45)**

Audits carried over from 2011/12 year (11)
Audit notifications sent 2012/13 (52)

In compliance	**38**
Generally in compliance	**1**
Not in compliance	**6**
	45

			SCHOOL DISTRICT	FISCAL YEARS	MEMBERS IN DISTRICT	DATE AUDIT NOTIFICATION SENT	INFORMATION RECEIVED	REPORT DATE	MEMBER/ EMPLOYER CONTRIB'S DR(CR)	MEMBER'S SALARIES ADJUSTED	MEMBER SERVICE CREDIT ADJUSTED	STATUS
16	✔	LM	Drake	6/30/12, 11	13	11/15/2012	12/24/2012	3/25/2013	0.00	0	0	In compliance Did not report subbing for a member-isolated occurrence.
17	✔	LM	Dunseith	6/30/12, 11	56	11/15/2012	12/17/2012	4/30/2013	35,690.59	51	0	Not in compliance Did not report eligible summer training/workshops, summer salary, tutoring; reported ineligible signing bonuses; reported salary in the wrong fiscal year; and did not issue written for part-time and summer school teachers.
18	✔	LM	Enderlin	6/30/12, 11	36	11/15/2012	12/17/2012	3/21/2013	0.00	0	0	In compliance No exceptions noted.
19	✔	LM	Fessenden-Bowdon	6/30/12, 11	19	2/20/2013	3/20/2012	4/4/2013	0.00	0	0	In compliance No exceptions noted.
20	×	LM	Grand Forks	6/30/12, 11	789	6/14/2013						Requested audit information.
21	×	LM	GST Educational Services	6/30/12, 11	32	6/14/2013						Requested audit information.
22	✔	LM	Hankinson	6/30/12, 11	31	2/20/2013	3/21/2013	4/24/2013	(539.50)	1	0	In compliance Reported ineligible cell phone stipend.
23	✔	DT	Hazen	6/30/12, 11	50	2/20/2013	3/12/2013	5/13/2013	0.00	0	1	In compliance Did not have written agreements for out-of-district summer teachers; reported service hours incorrectly for a part-time member; and discontinued health insurance on a individual basis for a member.
24	×	LM	Hebron	6/30/12, 11	28	6/14/2013						Requested audit information.
25	&	DT	Jamestown	6/30/12, 11	225	3/152013	4/4/2013					Les is reviewing the file.

North Dakota Retirement and Investment Office
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×	**Audit notifications sent to District (14)**		**In compliance**	**38**
&	**Audits currently in progress (4)**		**Generally in compliance**	**1**
✓	**School audits completed (45)**		**Not in compliance**	**6**
				45
	Audits carried over from 2011/12 year (11)			
	Audit notifications sent 2012/13 (52)			

			SCHOOL DISTRICT	FISCAL YEARS	MEMBERS IN DISTRICT	DATE AUDIT NOTIFICATION SENT	INFORMATION RECEIVED	REPORT DATE	MEMBER/ EMPLOYER CONTRIB'S DR(CR)	MEMBER'S SALARIES ADJUSTED	MEMBER SERVICE CREDIT ADJUSTED	STATUS
26	✓	DT	Kenmare	6/30/12, 11	32	2/20/2013	3/11/2013	5/23/2013	0.00	0	1	In compliance The District does not issue written agreements to summer school teachers; and reported services hours incorrectly for a part-time teacher.
27	×	LM	Maddock	6/30/12, 11	21	6/14/2013						Requested audit information.
28	×	LM	Manvel Elementary	6/30/12, 11	22	6/14/2013						Requested audit information.
29	✓	LM	Mapleton	6/30/12, 11	11	4/16/2013	4/30/2013	5/16/2013	0.00	0	0	In compliance The District did not report subbing salary for one member and reported service hours incorrectly for one member.
30	×	LM	Medina	6/30/12, 11	23	6/14/2013						Requested audit information.
31	×	LM	Midkota	6/30/12, 11	23	6/14/2013						Requested audit information.
32	×	LM	Midway	6/30/12, 11	29	6/14/2013						Requested audit information.
33	×	LM	Minto	6/30/12, 11	24	6/14/2013						Requested audit information.
34	✓	LM	Mt. Pleasant	6/30/12, 11	33	3/15/2013	4/17/2013	5/13/2013	0.00	4	0	In compliance The District reported summer salary in the wrong fiscal year; and did not report eligible curriculum mapping salary.
35	×	LM	Nedrose	6/30/12, 11	19	6/14/2013						Requested audit information.
36	✓	LM	New Rockford/Sheyenne	6/30/12, 11	35	4/16/2013	5/20/2013	6/12/2013	0.00	0	0	In compliance District did not have a written agreement for summer salary.
37	✓	DT	New Salem - Almont	6/30/12, 11	31	3/15/2013	4/12/2013	5/31/2013	0.00	0	1	In compliance District did not have written agreements for summer school; reported service hours incorrectly for two part-time teachers; and did not report eligible noon hour salary.

North Dakota Retirement and Investment Office
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	×		Audit notifications sent to District (14)						In compliance		38	
	&		Audits currently in progress (4)						Generally in compliance		1	
	✔		School audits completed (45)						Not in compliance		6	
											45	
			Audits carried over from 2011/12 year (11)									
			Audit notifications sent 2012/13 (52)									
38	✔	DT	New Town	6/30/11, 10	76	7/17/2012	8/16/2012	5/15/2013	340.48	3	1	In compliance District did not report eligible salary; reported ineligible bus driving salary; did not have written agreements for summer salary; reported service hours incorrectly for a member; and longevity and loyalty bonuses are not reportable.
39	✔	LM	North Sargent	6/30/12, 11	25	3/15/2013	4/1/2013	4/29/2013	0.00	0	1	In compliance Reported service hours incorrectly.
40	✔	DT	North Star	6/30/11, 10	31	7/17/2012	8/6/2012	1/16/2013	0.00	0	0	In compliance District did not have written agreements for out-of-district teachers; and no written agreements for summer salary.
41	✔	LM	Northern Cass	6/30/12, 11	48	3/15/2013	4/8/2013	5/20/2013	(643.92)	1	0	In compliance The District reported ineligible bus driving salary; reported the wrong contract salary; and did not issue written agreements for summer salary.
42	✔	DT	Northwood	6/30/11, 10	28	7/17/2012	8/6/2012	12/13/2012	(69.34)	1	0	In compliance The District did not have written agreements for summer salary; and reported ineligible teacher's aide salary.
43	✔	DT	Oakes	6/30/12, 11	38	3/15/2013	4/1/2013	6/12/2013	0.00	0	0	In compliance District did not issue written agreements for summer school.
44	✔	DT	Park River	6/30/11, 10	48	7/17/2012	8/13/2012	3/12/2013	0.00	0	0	In compliance The District did not issue written agreements for extra-curricular and summer salary.
45	✔	DT	Richland (Colfax)	6/30/12, 11	34	3/15/2013	4/1/2013	5/15/2013	0.00	0	0	In compliance District reported salary in the wrong fiscal year; reported ineligible bus driving salary; and did not have a written agreement for Driver's Education salary.

North Dakota Retirement and Investment Office
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	×		Audit notifications sent to District (14)						In compliance		38	
	&		Audits currently in progress (4)						Generally in compliance		1	
	✔		School audits completed (45)						Not in compliance		6	
											45	
			Audits carried over from 2011/12 year (11)									
			Audit notifications sent 2012/13 (52)									
46	✔	LM	Rolette	6/30/11, 10	23	7/17/2012	9/5/2012	2/21/2013	(184.56)	5	0	Generally in compliance The District reported ineligible leave reimbursement and expense reimbursement; did not report eligible contract and extra-curricular salary; and did not issue written agreements for all summer programs.
47	✔	LM	Rural Cass Special Ed.	6/30/12, 11	20	3/15/2013	4/1/2013	5/1/2013	(2,627.85)	1	0	In compliance Reported an ineligible annuity to TFFR.
48	✔	LM	St. Thomas	6/30/12, 11	18	4/16/2013	5/15/2013	5/29/2013	0.00	0	0	In compliance No findings noted.
49	✔	LM	Sawyer	6/30/12, 11	21	3/15/2013	4/11/2013	5/10/2012	0.00	0	0	In compliance Did not issue written agreements for summer salary.
50	&	DT	Sheyenne Valley Special Ed.	6/30/12, 11	27	3/15/2013	4/16/2013					Retirement Services is making corrections.
51	✔	DT	Souris Valley Special Ed.	6/30/12, 11	28	11/15/2012	11/23/2012	2/20/2013	0.00	0	0	In compliance Did not issue a written agreement to two members reported to TFFR (part-time teacher and out-of-district summer administrator).
52	✔	LM	Stanley	6/30/12, 11	56	11/15/2012	11/30/2012	2/25/2013	0.00	0	0	In compliance No errors were noted.
53	✔	DT	Strasburg	6/30/12, 11	20	11/15/2012	12/14/2012	3/8/2013	0.00	0	1	In compliance Reported service hours incorrectly for part-time members.
54	&	DT	Surrey	6/30/12, 11	40	4/16/2013	4/25/2013					Reviewed and requested additional information.
55	&	DT	TGU	6/30/12, 11	43	4/16/2013	5/10/2013					Reviewed and requested additional information.
56	✔	DT	Thompson	6/30/12, 11	37	11/15/2012	12/17/2012	4/5/2013	329.26	1	0	In compliance Reported a retirement salary incorrectly; reported ineligible ticket-taking; no written agreements for summer salary; and noted a bonus paid to members is no longer reportable.

North Dakota Retirement and Investment Office
Fiscal Year 2012/ 2013
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×	Audit notifications sent to District (14)		In compliance	38
&	Audits currently in progress (4)		Generally in compliance	1
✓	School audits completed (45)		Not in compliance	6
				45
	Audits carried over from 2011/12 year (11)			
	Audit notifications sent 2012/13 (52)			

			SCHOOL DISTRICT	FISCAL YEARS	MEMBERS IN DISTRICT	DATE AUDIT NOTIFICATION SENT	INFORMATION RECEIVED	REPORT DATE	MEMBER/ EMPLOYER CONTRIB'S DR(CR)	MEMBER'S SALARIES ADJUSTED	MEMBER SERVICE CREDIT ADJUSTED	STATUS
57	×	LM	Turtle Lake-Mercer	6/30/12, 11	58	4/16/2013	5/15/2013					Received requested information.
58	✓	LM	Underwood	6/30/12, 11	29	11/15/2012	11/27/2012	2/7/2013	0.00	0	0	In compliance No exceptions noted.
59	✓	LM	Upper Valley Spec. Ed.	6/30/12, 11	45	4/16/2013	5/2/2013	5/20/2013	0.00	0	1	In compliance The District reported service hours incorrectly.
60	✓	DT	Wahpeton	6/30/12, 11	112	11/15/2012	11/23/2012	6/14/2013	(73.84)	1	0	In compliance District reported salary in the wrong fiscal year; did not have written agreements for two out-of-district summer teachers; and reported adult education salary without a written agreement.
61	×	LM	Westhope	6/30/12, 11	22	4/16/2013	5/16/2013					Received requested information.
62	×	LM	Wishek	6/30/12, 11	21	4/16/2013	5/21/2013					Received requested information.
63	×	LM	Wyndemere	6/30/12, 11	29	4/16/2013	5/16/2013					Received requested information.
				Totals	4,211				65,049.78	170	19	
					2,736	Completed as of June 30, 2013.						

Not in compliance reviews

1	✓	LM	Eight Mile	6/30/2012	4/25/2013	5/5/2013	5/8/2013	0.00	0	0	In compliance No exceptions noted.
2	✓	LM	Halliday	6/30/2012	4/25/2013	5/1/2013	6/28/2013	763.03	1	1	Not in compliance Will look at again 2014/15.
3	✓	DT	Solen-Cannonball	6/30/2012	4/5/2013	5/20/2013	6/27/2013	0.00	0	0	In compliance No exceptions noted.
4	✓	DT	Velva	6/30/2012	3/5/2013	3/27/2013	5/1/2013	0.00	0	0	In compliance No exceptions noted.

MEMORANDUM

TO: **TFFR Board**

FROM: **Fay Kopp**

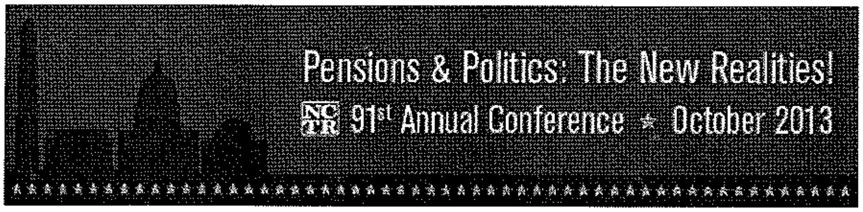
DATE: **July 18, 2013**

SUBJ: **NCTR**

- Registration is now open for the annual NCTR conference in Washington DC October 5 – 9. Please notify Fay or Bonnie by August 30 if you are interested in attending.

- NCTR newsletter, Summer 2013

Enclosures



- Summary
- Hotel Information
- Airport Information
- Conference Sponsors

National Council on Teacher Retirement - 2013 Annual Conference
Saturday, October 05, 2013 5:30 PM -
Wednesday, October 09, 2013 9:00 PM (Eastern Time)

Conference Hotel: Omni Shoreham Hotel
(202)234-0700
2500 Calvert Street NW (at Connecticut Avenue)
Washington, DC 20008

REGISTRATION CATEGORIES & FEES
Fees shown at cost per person

MEMBER: Non-Commercial: $900
Fee increases to $1,050 on Monday, September 9, 2013.

GUEST of Non-Commercial Member: $250

MEMBER: Commercial: $1,850
Fee increases to $2,100 on Monday, September 9, 2013.

Conference Sponsor: $1,500

GUEST of Commercial Member or Conference Sponsor: $350

AGENDA AT-A-GLANCE
***Please Note:* Attire for meeting and events is business casual.**

Saturday, October 5
5:30 pm: Welcome Reception, followed by free evening to catch up with friends and colleagues

Sunday, October 6
10:15 am: Depart hotel for off-site event (all attendees)
11:30 am - 1:30 pm: Get-Acquainted off-site event
3:30 to 4:30 pm: Pre-Conference Seminar: What's Going on in the States?
5:30 pm: Reception, followed by free evening

Monday, October 7
7:30 am: Breakfast
8:15 am to Noon: Opening of Conference, followed by First General Session
Noon - 1:30 pm: Group Luncheon
1:45 - 4:00 pm: Sessions continue
6:00 pm: Reception
7:00 - 9:00 pm: NCTR Annual Dinner

Tuesday, October 8
7:30 am: Breakfast
8:30 am: Second General Session
Noon: Sessions end. On your own for lunch.
Noon - 4:30 pm: Visits to Capitol Hill. Shuttles run between hotel and The Hill.
4:30 pm: Open Forum for Associate Commercial Members
6:00 pm: Reception
7:00 - 9:00 pm: National Teacher of the Year Dinner

Wednesday, October 9

7:30 am : Breakfast
8:30 am: Third General Session
Noon: Luncheons for System Trustees and Directors; all others on your own for lunch.
2:00 - 3:00 pm: Annual Business Meeting
6:00 pm: Casual Final Night Event

CalSTRS Celebrates 100 Years of Service to California's Educators

1913. Model T's roll off the assembly line. Suffragettes parade in Washington, DC. Woodrow Wilson settles into the White House. And California establishes a statewide teacher pension system, registering 120 retired members and 15,000 active members. Fast forward 100 years—and CalSTRS has grown to provide retirement, disability, and survivor benefits for 862,000 educators and their families with a portfolio valued at more than $157 billion.

To commemorate this landmark year and honor California's classroom heroes, CalSTRS held a Centenarian Reception at its West Sacramento headquarters on Wednesday, June 5. Members 100-years-old or older, plus members with 50 or more years of service credit, were welcomed by CalSTRS administrators, staff, trustees, and others. Robyn Gonzales, Assistant Executive Director of NCTR, which is based in nearby Elk Grove, was thrilled to attend and found the afternoon a touching tribute.

"It was both an honor and a privilege to participate in such a milestone event for both CalSTRS and its members," says Gonzales. "The strong commitment to teachers' retirement security for the past 100 years was heartfelt by all at this event—and is something the staff at CalSTRS should be very proud of!"

CalSTRS has developed a video history, rich with photographs of members' teaching experiences from the past century. To view the video and a photo gallery, visit the CalSTRS Anniversary page.

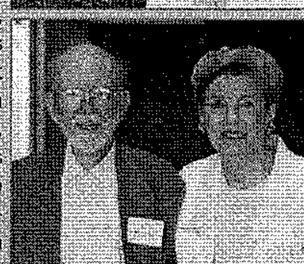
This year CalSTRS celebrates a century of securing the financial future and sustaining the trust of California's educators. Delivering on our promise of a secure retirement educators can count on year in and year out for 100 years is an accomplishment we are proud to celebrate with you.

— Jack Ehnes, Chief Executive Officer

Among the Venerated Guests...



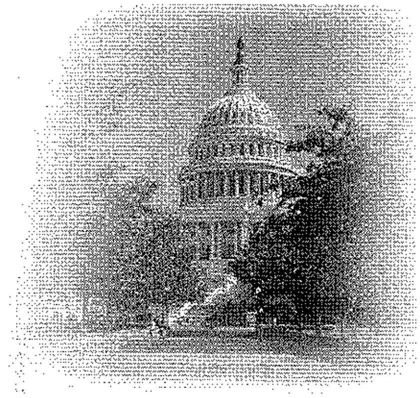




Honorees at the CalSTRS reception include (clockwise from top) waving centenarian George Langley; centenarian Gertrude Stafford; Howard Bryan, with 50+ years of service credit; centenarian Tom Dougles beside Georgianna Light, a 50+ years service credit member. In the middle, 50+ years credit service member Elizabeth Essa (right) enjoys the afternoon with her guest.

Photos by Clarissa Resultan, and courtesy of CalSTRS.

NATIONAL COUNCIL ON TEACHER RETIREMENT
Supporting Retirement Security for America's Teachers



CAPITOL COMMENTARY

WELCOME TO WASHINGTON, DC!

By Leigh Snell, NCTR Federal Relations Director

The NCTR 2013 conference doesn't begin until October 5, but it's never too soon to begin planning your trip to the nation's capital! Washington, DC, offers a number of exciting visitor opportunities, and NCTR's conference program has set aside Tuesday afternoon, October 8, for the specific purpose of expediting visits to Capitol Hill. Shuttles will run between the hotel and "the Hill" throughout the afternoon. *Advance preparations are often required, sometimes months in advance, so here are some "insider" tips to help you plan.*

You can't really get the true flavor of Washington without a visit to the Hill. Even if Congress is in recess, staff are always available, and getting to know them is often just as important as meeting your Representative or Senator. Make an appointment ahead of time.

TIP: If the receptionist hears the word "teacher," you will likely end up with the education expert unless you make it clear that you want to discuss pensions and retirement.

◆

You can reach any Congressional office by calling the Capitol switchboard at 202-225-3121. However, many offices prefer/require visitors to use an online form to request an appointment. All members have a website: House Member Directory with links to Member sites is at:
www.house.gov/representatives/

and a similar site for Senators is at:
www.senate.gov/general/contact_information/senators_cfm.cfm

TIP: These websites are great sources of information on places to visit, from the Smithsonian's many museums to the Kennedy Center, often with hours and details of Metro access included.

◆

Congressional offices also disburse passes to visit the House and Senate Chambers. Galleries are open to visitors whenever either legislative body is in session. When they are not, visitors with passes are admitted to the House Gallery from 9 am to 4:15 pm, Monday through Friday except for holidays. The Senate gallery's availability varies, so call 202-224-0057 to check.

To visit the Capitol itself, you can also make arrangements through your Congressional offices; many offer their own staff-led tours. Tours can also be arranged directly through the Capitol Visitor Center using an online reservation system, found at:
http://tours.visitthecapitol.gov/.

Same-day reservations are not offered, but same-day tour passes may be available at the tour kiosks on the Capitol's East and West Fronts or on the lower level of the Visitor Center.

TIP: Avoid long lines; book ahead!

◆

The Capitol Visitor Center is located below the Capitol's East Plaza between Constitution and Independence Avenues, and is open from 8:30 am to 4:30 pm, Monday through Saturday. For more information, go to:
www.visitthecapitol.gov/.

Unfortunately, the White House is currently closed to visitors due to staffing reductions resulting from sequestration.

Closer to the conference hotel, the National Zoo is always a treat. Just a few blocks away, it is free, open 364 days a year, and offers 2,000 individual animals of 400 different species. And Rock Creek Park, in all its autumnal glory, is just out the hotel's back door, with over 32 miles of trails and bike paths.

I look forward to welcoming you to my home turf in a few months. See you soon!

During the NCTR Annual Conference, free shuttles will run between the Omni Shoreham Hotel & Capitol Hill on Tuesday, October 8, 2013 from Noon to 4:30 pm

THE LATEST WORD

UPDATES FROM NCTR

SCHOOL'S OUT!

I sure used to look forward to that last day of school.

My perspective has changed a bit over the years. Unfortunately, that is not the only thing that has changed. We used to place teachers on a pedestal in recognition of their contributions to the well-being of our children and our community. We counted on them to ignite the spark of life-long learning in all of us. We expected teachers to inspire and motivate their students in order that they might recognize and realize their full potential.

Moreover, teachers were the ultimate innovators. They didn't get to pick their students. Instead, they had to work with what they got. They defined the concept of "different strokes for different folks."

Times have changed. Today, it seems that everyone, particularly those who have accumulated some wealth or political standing, is an education and pension expert. Education and pensions for educators have become political footballs with the arguments reduced to derisive sound bites.

Professional educators deserve better. A retired teacher once presented me with an old-style campaign button that simply said, "Teachers impact lives forever." That brief statement is the ultimate, bottom-line performance measure!

NCTR remains committed to supporting the trustees and administrators who work so hard to provide secure retirements for America's educators.

— MEREDITH WILLIAMS, NCTR EXECUTIVE DIRECTOR, COLORADO

RECAP OF NCTR PROGRAMS—PAST & FUTURE!

It has been a long-standing commitment of NCTR to be the premier provider of education to the trustees and administrators of our member organizations. We continually look at ways to expand and enhance the quality of our educational programs to address our members' needs.

This past May, NCTR held workshops for Deputy Directors, Communication Specialists, and Administrative Assistants, which were graciously hosted by New York State Teachers' Retirement System (NYSTRS) at their headquarters in Albany, New York. Topical matters and interests of current concern were addressed in an open and interactive atmosphere. The discussions and exchanges of ideas were lively and enjoyed by all.

In June, NYSTRS hosted NCTR's 26th Annual System Directors' Meeting, which was well attended. The agenda covered a wide spectrum of topics, ranging from subjects such as Disaster Planning to the growing use of Social Media.

Roundtable discussions have been the core of the Directors' Meeting from the very first. This year was no different. The candid exchange of information and ideas, as well as the camaraderie, make this meeting a favorite event year after year. One comment sums up the many positive comments we received—"Always good! Very relevant and a great way to get caught up."

We are now looking forward to the 13th Annual Trustee Workshop at the end of July. It is being presented in partnership with the Trustee Leadership Forum at The Initiative for Responsible Investment at the Hauser Center for Nonprofit Organizations at Harvard University. This will be a stimulating program for all!

NCTR is very pleased to announce that online registration is now open for our 91st Annual Conference. We have made some changes to the program's format, and we are very excited about the positive response we have received from our membership regarding our new approach. As in the past, NCTR requires you register before securing your hotel reservation. Your registration confirmation page—and your confirmation email—will have a link to the hotel's custom page for the NCTR room block. We have terrific sessions lined up and look forward to seeing you in Washington, DC, this October!

NCTR continues to make it a top priority to provide educational and networking opportunities for our membership—all with a common goal—*retirement security for all of America's teachers.*

— ROBYN GONZALES
NCTR ASSISTANT EXECUTIVE DIRECTOR, CALIFORNIA

Continued on page 4...

Continued from page 3...

UPDATES FROM NCTR

UPDATE ON NCTR'S STRATEGIC PLANNING PROJECT

In our recent newsletters, I have been reporting on NCTR's strategic planning process and the new methodology being employed in the development of a comprehensive, modern plan. I have written about the significant progress we have made through the various stages.

As you may recall, in its new approach, the Executive Committee appointed a strategic planning work group made up of NCTR stakeholders. Their opinions, criticisms, ideas, and suggestions on moving NCTR into the future—in recognition of the new "world of public pensions" that we now live in—were invaluable in drafting the new plan.

I am happy to inform you that since my last report, the Strategic Plan has continued to move forward. A final draft was presented to the Executive Committee at its spring meeting for review and comment. Following careful study and extensive discussion, the Executive Committee approved the adoption of the Strategic Plan. Per NCTR policy, it will be in effect for a period of three years.

In our continuing commitment to keep all NCTR's stakeholders fully informed and involved in their organization, copies of the new strategic plan will be made available for you at October's Annual Conference in Washington, D.C.

We all hope to see you there.

— DON MILLER, NCTR CONSULTANT, NEW JERSEY

On the move

SHIFTS IN SYSTEM DIRECTORS

The Wyoming Retirement System Board of Directors hired **RUTH RYERSON** as the system's new Executive Director. Ms. Ryerson, who has 25 years of experience in the retirement industry, will start August 1.

NYSTRS Hosts NCTR Meetings

In May, **TOM LEE**, Executive Director/CIO of New York STRS, and his enthusiastic, hard-working staff welcomed NCTR System Administrative Assistants, Communications Specialists, and Deputy Directors (above, on the State Capitol steps) for NCTR workshops.

They opened their doors again for the June meeting of NCTR System Directors (left, at Albany headquarters). Agendas varied, but cross-over sessions in disaster recovery, communication trends, and candid roundtable discussions rated high among all.

More than Half a Century in the Classroom (But Far from Done!)

By Leslie Kranz, NCTR Communications Assistant

This spring, NCTR Past President Ms. Mel Vogler wrapped up 57+ years in the classroom where she has logged countless hours guiding Pennsylvania high school students through the mysteries of mathematics. For the last 20 of those years, she's done double duty in the active teacher seat on the Board of Trustees of the Pennsylvania Public School Employees' Retirement System (PSERS), where she served seven years as Chairman. For more than a decade, Mel also has been a force at NCTR—as a familiar voice on the resolutions, legislative, and trustee education committees; as a member, then officer, of the Executive Committee, where she advanced to President; and as a PSERS delegate at NCTR's annual business meeting.

Now retired from teaching, Mel must vacate her current PSERS board position at the end of 2013, rather than complete her original term through 2014. But she's far from done heeding her internal drive for advocacy and for "making a difference." As her teaching drew to a close, the retiree seat opened.

And so, Mel's off and running again—sending innumerable letters, seeking more than the requisite number of signatures, getting her name out to ensure it'll be recognized come November's statewide election. "I have to have a mission in life!" she exclaims.

Although certified to teach history, English, and German, Ms. Vogler found her calling in teaching math. "The answers are either right or wrong," she quips.

She's been with the same school district for more than five decades, three of those as Chairman of the Wallenpaupack Area High School math department, where she is the longest tenured faculty member. Not surprisingly, that track record means that Mel has worked alongside former students who followed her into the profession. "Some of my best friends are former students," she says. Ironically, some of those students retired long before their 79-year-old mentor Mel.

She, too, might have retired before now, if it weren't for her work on the PSERS board. "I found PSERS tremendously interesting and a very important thing to be doing," she says enthusiastically. For the first two years on the board, Mel continued to teach trigonometry and calculus. The demands of board service, however, led to a new role as an "in-class lab teacher," working with kids who needed one-on-one assistance.

As 2008 NCTR President, Mel Vogler welcomed Teacher of the Year Michael Geisen to the 86th Annual Convention, held in Washington, DC.

Has she witnessed any overall change in students in 57 years? "It seems there are more special needs students," she says; then points out that may be due to a better means of identifying difficulties. "On the other hand," she continues, "the brighter students seem brighter than ever. And have more opportunities than ever!"

She's also observed some changes from her front row PSERS seat. "Pensions did not attract much attention" in her early years on the board, she reflects. "They weren't a household concern as they are now." She adds, "There wasn't the assortment of investments then. We had 'baskets,' and could invest only in equities and fixed income."

Fifty-seven years at the forefront of teaching and advocacy—quite a legacy!

"I felt I was making a contribution," she summarizes. "I like to think that extended to both my teaching and to PSERS."

Her contributions extended to NCTR as well. "We're so grateful for Mel's remarkable conviction and input through the years," says Meredith Williams, NCTR Executive Director. "NCTR is stronger for it!"

REGISTRATION'S BEGUN—JOIN US IN DC IN OCTOBER!

Pensions & Politics: The New Realities!

NCTR 91st Annual Conference ★ October 2013

CATCH THE FULL RANGE OF SESSIONS & ACTIVITIES!

Our first get-together is a Welcome Reception at the hotel, the Omni Shoreham, on Saturday, October 5, at 5:30 pm. The last event is a casual dinner on Wednesday, October 9, at 6:00 pm for those staying over. Visit www.nctr.org for details.

REGISTRATION DATES TO NOTE

Saturday, 8/31/13: Last day to reserve polo shirt
Friday, 9/6/13: Room reservation recommendation
Monday, 9/9/13: Registration fees increase
Monday, 9/16/13: Registration fees are due
Monday, 9/30/13: Last day to request a refund

NCTR Welcomes Conference Media Sponsor

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Thanks to this partnership, NCTR members may sign up to receive a free, one-year subscription to GOVERNING magazine!

Sign up here!

HAVE A RESOLUTION OR A POTENTIONAL EXECUTIVE COMMITTEE CANDIDATE?

2013 Resolutions

NCTR welcomes recognition, memoriam, and policy resolutions for consideration at the Annual Conference Business Meeting.

Submit to Robyn Gonzales at rgonzales@nctr.org by

SATURDAY, AUGUST 31, 2013

For content guidance, refer to NCTR 2012 resolutions

2013 Nominations

Candidate names for the NCTR Executive Committee may be submitted by:

(1) An individual interested in serving,
(2) A System Director,
(3) A System Trustee, or a
(4) Nominating Committee Member

Nomination letters should be addressed to the: "Chair of the Nominating Committee."

Submit to Robyn Gonzales at rgonzales@nctr.org by

TUESDAY, SEPTEMBER 10, 2013

Qualified candidates will be asked to complete an application package and will be interviewed by the Nominating Committee at the Annual Conference.

NATIONAL COUNCIL ON TEACHER RETIREMENT
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Elk Grove, CA 95758

Phone: 916.897.9139
Fax: 916.897.9315

Visit us at: www.nctr.org

NASRA ISSUE BRIEF:
State and Local Government Spending on Public Employee Retirement Systems

Updated May 2013

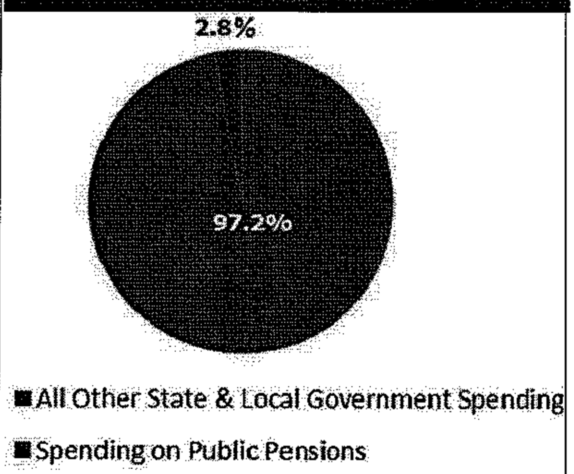
State and local government pension benefits are paid not from general operating revenues, but from trust funds to which public retirees and their employers contributed while they were working. On a nationwide basis, pension contributions made by state and local governments account for roughly three percent of total spending (see Figure 1). Current pension spending levels, however, vary widely and are sufficient for some entities and insufficient for others.

In the wake of the 2008-09 market decline, nearly every state and many cities have taken steps to improve the financial condition of their retirement plans and to reduce costs. Although some lawmakers have considered closing existing pension plans to new hires, most determined that this would increase—rather than reduce—costs,[i] particularly in the near-term. Instead, states and cities have made changes to the pension plan by adjusting employee and employer contribution levels, restructuring benefits, or both. Generally, any adjustments to pension plan costs have been proportionate to the plan's funding condition and the degree of change needed.[ii]

Three Percent Nationwide

Based on the most recent information provided by the U.S. Census Bureau, approximately three percent of all state and local government spending is used to fund pension benefits for employees of state and local government.[iii] As shown in Figure 2, pension costs since 1980 have been reliably stable, declining from around four percent to three percent in 2010.

Figure 1: State and local spending on public pensions as percentage of total government spending, 2010



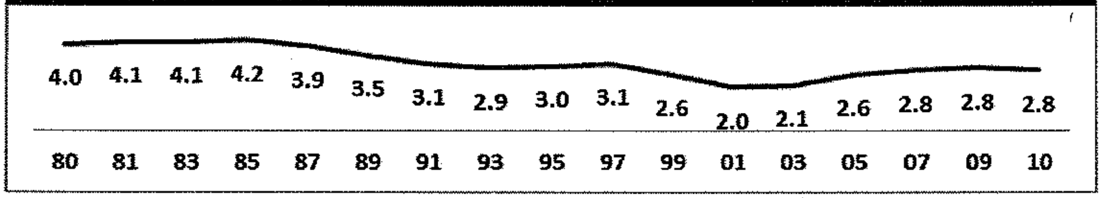
Source: U.S. Census Bureau

Because not all state and local government revenue is discretionary, the actual effect of pension costs on state and city budgets is likely to be higher—to varying degrees—than calculated. In addition, some states and cities do not contribute the amount determined actuarially to adequately fund the plan.

Although pensions are not the state-local budget-drain that some claim they are, as shown in Table 1, spending levels for states and cities do vary from the national average, from less than one percent to more than four percent. Some municipalities have reported higher pension costs as a percentage of their budget. One study estimates that total required spending on pensions could consume as much as 13 percent of one state's budget,[iv] due partly to past failures to adequately fund pension costs and assuming a relatively low five percent investment return. The chronic failure by some pension plan sponsors to pay required contributions results in greater future contributions to make-up the difference.

Most of the variation in pension spending levels is attributable to three factors: different levels of effort by states and cities to make pension contributions; differences in benefit levels; and variations in the size of unfunded pension liabilities. As a percentage of total spending, pension costs for cities are higher than states by about 50 percent. This is due in part to the types of services delivered at the local level and the resulting larger share of municipal budgets that is committed to salaries. As with states, pension costs for municipalities can vary widely.

Figure 2: Pension costs as a percentage of all state and local government spending, 1980-2010



Source: U.S. Census Bureau

Cost and Financing Factors

Public pensions are financed through a combination of contributions from public employers (state and local agencies) and public employees, and the investment returns on those contributions.[v] Since 1982, investment earnings have accounted for approximately 60 percent of all public pension revenue; employer contributions, 28 percent; and employee contributions, 12 percent.

Employee Contributions

Because the vast majority of public employees are required to contribute toward the cost of their pension benefit—typically four to eight percent of pay—most state and local government retirement plans are mandatory savings programs. In recent years, many states have increased required employee contributions. On a national basis, in fiscal year 2009, employee contributions accounted for 31 percent of all public pension plan contributions, with employer contributions making up the remaining 69 percent (see *NASRA Issue Brief: Employee Contributions to Public Pension Funds*, January 2013).

Employer Contributions

A variety of state and local laws and policies guide governmental pension funding practices. Most require employers to contribute what is known as the Annual Required Contribution (ARC), which is the amount needed to finance benefits being accrued each year, plus the cost to amortize unfunded liabilities from past years, minus required employee contributions.

The average ARC received in recent years has been around 90 percent. Beneath this average ARC experience lies diversity: approximately 60 percent of plans in the Public Fund Survey consistently receive 90 percent or more of their ARC.[vi] This means that although a majority of plans have been receiving their required funding, many plans have not been adequately funded, which will result in higher future costs.

Leading national public sector associations recently established a Pension Funding Task Force, which earlier this year released its report *Pension Funding: A Guide for Elected Officials* urging policymakers to follow recommended guidelines for an actuarially determined contribution to government retirement systems.

Social Security Coverage

Twenty-five to thirty percent of state and local governments and their employees make contributions to their retirement plan instead of to Social Security. This is the case for most to substantially all of the state and local government workforce in seven states, 40 percent of the nation's public school teachers, and a majority of firefighters and police officers. Pension benefits—and costs—for those who do not participate in Social Security are usually higher than for those who do participate in order to compensate for the absence of Social Security benefits. This higher cost should be considered in the context of the 12.4 percent of payroll, or an estimated $31.2 billion annually,[vii] these employers and employees would otherwise be paying into Social Security.

Investments and Other Parts of the Financing Equation

The largest portion of public pension funding comes from investment earnings, which illustrates the major role this revenue source plays in determining pension costs (see *NASRA Issue Brief: Public Pension Plan Investment Return Assumptions*, March 2013). Other factors that affect pension costs include expectations for wage and general inflation, rates of worker retirement and attrition, and rates of mortality. Expectations for these and other economic and actuarial events typically are based on long timeframes, such as 20 to 50 years.

Although the market decline of 2008-09 lowered public pension fund asset values, macro-economic events also affect the cost of the plan. These events include such changes as retirement rates, attrition (such as hiring freezes), and wage growth (including salary cuts/layoffs). Additionally, legislatures in over 40 states have made changes to pension benefits and/or financing structures, in some cases reducing plan costs and long-term obligations.

Conclusion

On average, retirement programs remain a small part of state and local government spending, although required costs, benefit levels, funding levels, and funding adequacy vary widely. Over $210 billion is distributed annually from these trusts to retirees and their beneficiaries, which serves as a source of economic stimulus to virtually every city and town in the nation.[viii]

Changes to benefit levels and required employee contributions adopted by states and cities have been diverse, dependent in part on such factors as the legal authority to make changes to benefits or required employee contribution rates, and the plan's financial condition prior to the 2008-09 market decline. Generally, states and cities with a history of paying their required pension contributions are in better condition and have needed more minor adjustments to benefits or financing arrangements compared to those with a history of not adequately making their contributions.

Table 1: State and local government contributions to pensions as a percentage of all state and local government spending, by state, 2010

Alabama	2.85	*Louisiana*	3.31	Oklahoma	3.34
Alaska	2.25	*Maine*	2.77	Oregon	1.46
Arizona	2.42	Maryland	3.14	Pennsylvania	1.29
Arkansas	3.02	*Massachusetts*	3.36	Rhode Island	3.99
California	3.58	Michigan	2.32	South Carolina	2.24
Colorado	2.08	Minnesota	1.62	South Dakota	1.54
Connecticut	4.54	Mississippi	2.81	Tennessee	1.97
Delaware	1.99	Missouri	3.08	*Texas*	2.16
District of Columbia	1.33	Montana	2.40	Utah	2.76
Florida	2.58	Nebraska	1.60	Vermont	1.09
Georgia	2.14	*Nevada* [1]	2.84	Virginia	3.15
Hawaii	3.57	New Hampshire	2.47	Washington	1.40
Idaho	2.38	New Jersey	2.03	West Virginia	3.87
Illinois	4.75	New Mexico	2.77	Wisconsin	2.07
Indiana	2.82	New York	3.68	Wyoming	1.24
Iowa	1.73	North Carolina	0.99	U. S. weighted avg.	2.77
Kansas	2.03	North Dakota	1.20		
Kentucky	2.58	*Ohio*	2.85		

States where more than one-half of public employee payrolls are estimated to be outside of Social Security are italicized.

[1] *In addition to being a non-Social Security state, one-half of Nevada PERS employers' contribution is attributable to a non-refundable pre-tax salary reduction to fund the employees' portion of the contribution.*

Source: U.S. Census Bureau

See also

National Governors Association, National Conference of State Legislatures, The Council of State Governments, National Association of Counties, National League of Cities, The U.S. Conference of Mayors, International City/County Management Association, National Council on Teacher Retirement, National Association of State Auditors, Comptrollers and Treasurers, Government Finance Officers Association, and National Association of State Retirement Administrators, "Pension Funding: A Guide for Elected Officials," 2013, http://wikipension.com/images/9/95/1303PensionFundingGuideBrief.pdf

Center for Retirement Research at Boston College, "The Impact of Public Pensions on State and Local Budgets," October 2010, http://crr.bc.edu/briefs/the_impact_of_public_pensions_on_state_and_local_budgets.html

Center on Budget Priorities and Policies, "Misunderstandings Regarding State Debt, Pensions, and Retiree Health Costs Create Unnecessary Alarm," January 2011, http://www.cbpp.org/cms/index.cfm?fa=view&id=3372

National Association of State Retirement Administrators, Issue Brief: Public Pension Plan Investment Return Assumptions, Updated March 2013, http://www.nasra.org/resources/InvReturnAssumption_Final.pdf

National Association of State Retirement Administrators, Issue Brief: Employee Contributions to Public Pension Funds, January 2013, http://wikipension.com/images/8/8e/Issuebrief130102.pdf

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www.nasra.org

[i] Wikipension, "Costs of Switching from a DB to a DC Plan," http://www.wikipension.com/index.php?title=Studies_and_reports#State_Studies

[ii] Center for Retirement Research at Boston College, "State and Local Pension Costs: Pre-Crisis, Post-Crisis, and Post-Reform," February 2013

[iii] A similar study conducted by the Center for Retirement at Boston College calculated the cost of pensions to be 3.8 percent, using a calculation that excluded capital spending

[iv] Center for Retirement Research at Boston College, "The Impact of Public Pensions on State & Local Budgets," supra

[v] U.S. Census Bureau, http://www2.census.gov/govs/retire/2010ret02.xls - State and local government retirement system sources of revenue

[vi] Public Fund Survey, http://www.publicfundsurvey.org/

[vii] Author's calculation based on 30 percent of state and local government employees not participating in Social Security

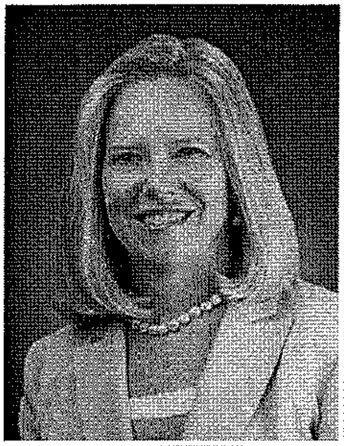
[viii] *Pensionomics: Measuring the Economic Impact of State and Local Pension Plans*, National Institute on Retirement Security, February 2009; see also "Economic Effects of Public Pensions," http://www.nasra.org/resources/economic.htm

CENTER FOR STATE &
LOCAL GOVERNMENT
EXCELLENCE

ISSUE BRIEF

The Funding of State and Local Pensions: 2012–2016

June 2013



As public pension plans continue to smooth in the losses from the 2008 downturn of the stock market, it is not surprising that the ratio of assets to liabilities has declined from 75 percent in 2011 to 73 percent in 2012. The Boston College research team also found that pension plan sponsors paid 80 percent of their annual required contribution (ARC) in 2012, roughly the same level they funded in 2011.

This issue brief tackles the confusing road ahead as public pension plans calculate their assets and liabilities in 2014 according to new accounting standards issued by the Governmental Accounting Standards Board (GASB).

Key observations:

- Funded levels among plans vary substantially; a few large plans had funded levels below 50 percent.
- The growth of liabilities has slowed, but the growth of assets has slowed even more.
- The 2012 valuations do not include the 24 percent stock market increase from June 2012 to June 2013.
- The ARC increased significantly over the last three years due to higher unfunded liabilities related to the financial crisis.

What are the implications for the future? While there will be more pension calculations to explain (see "Understanding New Public Pension Funding Guidelines and Calculations" at http://slge.org/wp-content/uploads/2013/06/Understanding_New_Public_Pension_Funding_Guidelines_and_Calculations.pdf), what's most important is that state and local leaders keep a clear focus on their funding strategies, fiscal realities, and human resources goals. It will not be easy to balance the competing pressures, but a sensible funding plan is a good place to begin.

The Center for State and Local Government Excellence gratefully acknowledges the financial support from the ICMA-RC to undertake this research project.

Elizabeth K Kellar

Elizabeth K. Kellar
President and CEO
Center for State and Local Government Excellence

The Funding of State and Local Pensions: 2012–2016

By Alicia H. Munnell, Jean-Pierre Aubry, Josh Hurwitz, and Madeline Medenica*

Introduction

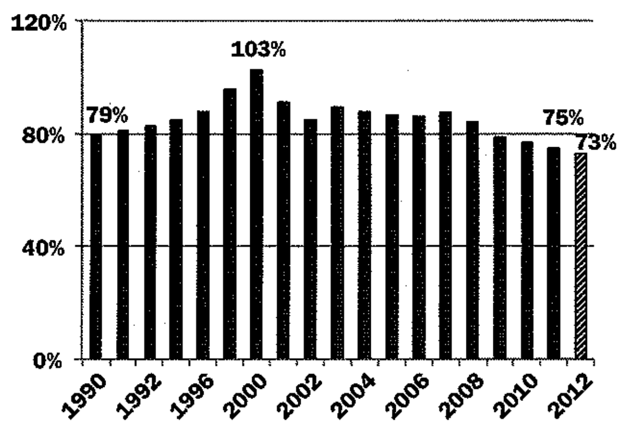
This 2012 update on the funded status of state and local pensions will be one of the last two based on the Governmental Accounting Standards Board's (GASB) old provisions, under which assets are reported on an actuarially smoothed basis, the discount rate is the long-run expected rate of return, and the annual required contribution (ARC) serves as a well-defined metric against which to measure the extent to which plan sponsors are meeting their obligations. Under these standards, despite a rising stock market, the rebound in tax revenues, and increased employee contributions, the funded status in 2012 declined slightly. This result, which at first seems surprising, reflects the fact that liabilities continued to grow—albeit at a slower pace compared to the past—while the actuarial value of assets increased only modestly, reflecting asset smoothing procedures that continue to include losses from the 2008–09 market crash. In addition to providing a 2012 update, this brief offers a glimpse of the world when GASB's new proposals go into effect in 2014 and reports projections for the period 2013-2016 under both the old and new GASB standards.

The discussion is organized as follows. The first section reports that the ratio of assets to liabilities for our sample of 126 plans declined from 75 percent in 2011 to 73 percent in 2012. The second section shifts from a snapshot of funded status to sponsors' required payment. The update shows that the ARC—at 15.3 percent of payrolls—and the percent of ARC paid—at 80 percent—were virtually unchanged between 2011 and 2012. These funded ratios and ARCs, however, are based on promised benefits discounted by the expected long-term yield on plan assets, roughly 8 percent, so the third section revalues liabilities using the riskless rate, as advocated by most economists for reporting purposes. The fourth section provides a preview of funding under GASB's new provisions and compares the new GASB-funded ratios with those produced by the current standards. The fifth section projects funded ratios for our sample plans for 2013–16 under three alternative economic scenarios and under both the old and new GASB standards. The final section concludes that while the shift in GASB standards will make monitoring funding more difficult, the public pension landscape should improve over the next few years if financial markets do not collapse again.

Funded Status in 2012

In 2012, the estimated aggregate ratio of assets to liabilities for our sample of 109 state-administered plans and 17 locally administered plans was 73 percent under GASB's old standards.[1] (The ratio for each individual plan appears in the Appendix.) This ratio declined slightly from last year and is considerably below the levels of funding in the 1990s and early 2000s (see Figure 1).

Figure 1. *State and Local Pension Funded Ratios, 1990-2012*



Note: 2012 is authors' estimate.
Sources: Various 2012 actuarial valuations; *Public Plans Database* (2001-2011); and Zorn (1990-2000).

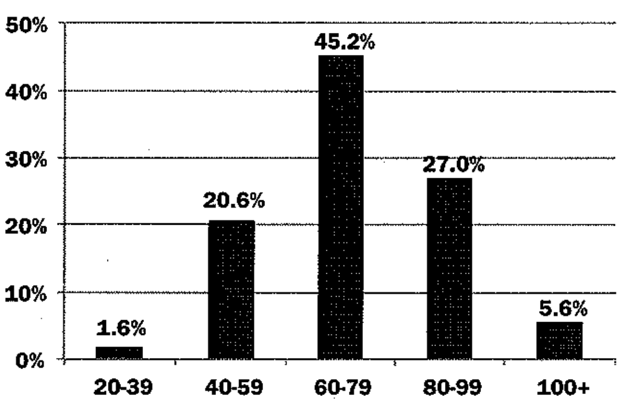
* Alicia H. Munnell is director of the Center for Retirement Research at Boston College (CRR) and the Peter F. Drucker professor of management sciences at Boston College's Carroll School of Management. Jean-Pierre Aubry is the assistant director of state and local research at the CRR. Josh Hurwitz and Madeline Medenica are research associates at the CRR. The authors would like to thank Keith Brainard and Nathan Scovronick for helpful comments.

Because only about 60 percent of our sample of 126 plans had reported their funded levels by mid-June 2013, the 2012 aggregate figure is an estimate. As in previous years, for those plans without 2012 valuations, assets are projected on a plan-by-plan basis using the detailed process described in the valuations.[2] This process resulted in a complete set of plan-funded ratios for fiscal year 2012. In the aggregate, the actuarial value of assets amounted to $2.8 trillion and liabilities amounted to $3.8 trillion, producing a funded ratio of 73 percent.

The reason for the decline in funded levels from 2011 to 2012 is that liability growth outpaced asset growth. The growth in liabilities in 2012 was roughly 4.2 percent, considerably below the 6 percent growth in earlier years. Liability growth has slowed because states and localities have responded to the economic crisis by reducing their workforce, freezing salaries, and/or modifying the cost-of-living adjustments for current and future retirees. While the growth in liabilities slowed, the growth in the actuarial value of assets was even slower. The 2012 valuation for most plans pre-dated the 24 percent increase in the stock market that occurred between June 2012 and June 2013.

In 2012, as in earlier years, funded levels among plans varied substantially. Figure 2 shows the distribution of funding for our sample of plans. Although many of the poorly-funded plans are relatively small, several large plans, such as those in Illinois (SERS, Teachers, and Universities) and Connecticut (SERS), had funded levels below 50 percent.

Figure 2. *Distribution of Funded Ratios for Public Plans, 2012*



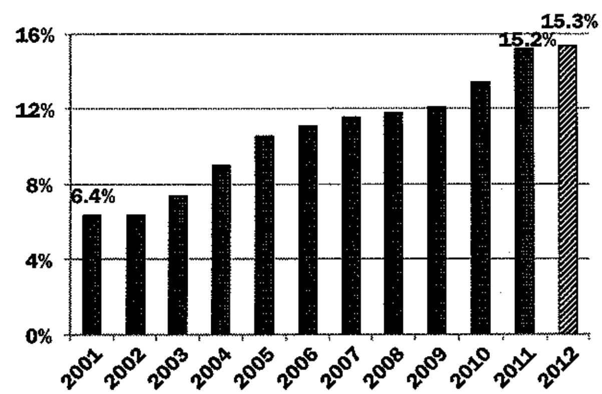
Sources: Authors' calculations and various 2012 actuarial valuations.

The ARC

The ARC, as defined by GASB, is the payment required to keep the plan on a steady path toward full funding. It equals normal cost—the present value of the benefits accrued in a given year—plus a payment to amortize the unfunded liability, generally over a 30-year period. Each year the plan sponsor reports the ratio of the employers' actual contribution to the ARC.

The ARC has increased significantly in the last three years, primarily because the financial crisis led to higher unfunded liabilities and thereby increased the amortization component of the ARC. In 2012, the ARC was 15.3 percent of payroll (see Figure 3).

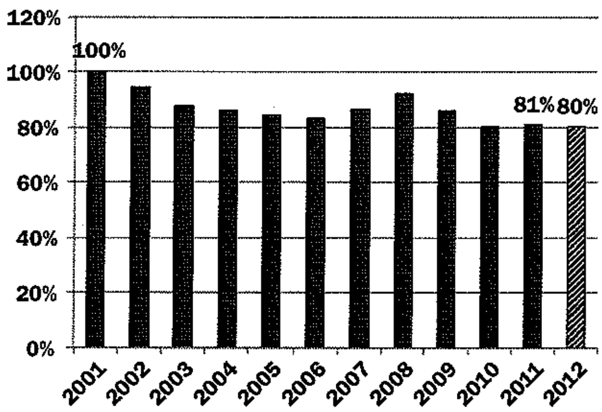
Figure 3. *Annual Required Contribution as a Percent of Payroll, 2001-2012*



Note: 2012 is authors' estimate.
Sources: Various 2012 actuarial valuations; and PPD (2001-2011).

The increase in the ARC has occurred during a period when states and localities have seen a dramatic decline in their revenues. As a result, sponsors have paid less than the full ARC (see Figure 4, pg. 5). In 2012, employer contributions equaled 80 percent of the required payments. This decline resembles the pattern in the wake of the bursting of the dot-com bubble in 2000–2001, in which the percent of ARC paid fell from 100 percent in 2001 to 83 percent in 2006. Thereafter, the percent paid increased until the financial crisis of 2009. As budgets recover and the unfunded liability stabilizes as a result of stock market gains, hopefully the ARC will stop rising and the percent of ARC paid will once again increase.

Figure 4. *Percent of Annual Required Contribution Paid, 2001-2012*



Note: 2012 is authors' estimate.
Sources: Various 2012 actuarial valuations; and PPD (2001-2011).

Liabilities Valued at the Riskless Rate

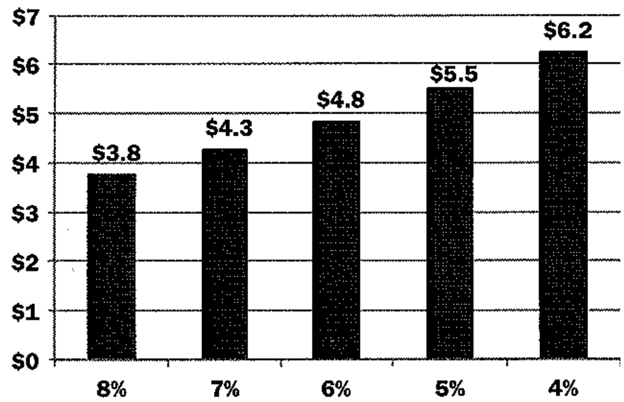
The funded ratios presented above follow GASB's existing standards under which assets are reported on an actuarially smoothed basis and the discount rate is the long-run expected rate of return, which has been around 8 percent (although many plans have recently lowered their assumptions). Most economists contend that using the return on the plan's assets produces misleading results. The returns on the bonds and stocks in the pension fund include premiums to cover the risk of holding these assets. Discounting pension benefits using the expected yield on these securities implies that the entire yield is available to help pay future benefits, making no allowance for the cost of expected losses, which is represented by the risk premium.

Standard financial theory suggests that future streams of payment should be discounted at a rate that reflects their risk.[3] In the case of state and local pension plans, the risk is the uncertainty about whether payments will need to be made. Since these benefits are protected under most state laws, the payments are, as a practical matter, guaranteed. Consequently, to assess accurately the status of a plan warrants discounting its stream of future benefits by the risk-free interest rate.

As events have unfolded in the wake of the economic crisis, though, benefits have proved themselves not to be riskless; the benefits for current workers and retirees have been reduced in several states by suspending the cost-of-living adjustment. Nevertheless, core benefits will almost certainly be paid, so benefits—for reporting purposes—should be discounted by something closer to the risk-free interest rate.[4]

Figure 5 shows the value of liabilities for our sample of 126 plans under different interest rates. In 2012, the aggregate liability was $3.8 trillion, calculated under a typical discount rate of 8 percent. A discount rate of 5 percent raises public sector liabilities to $5.5 trillion.

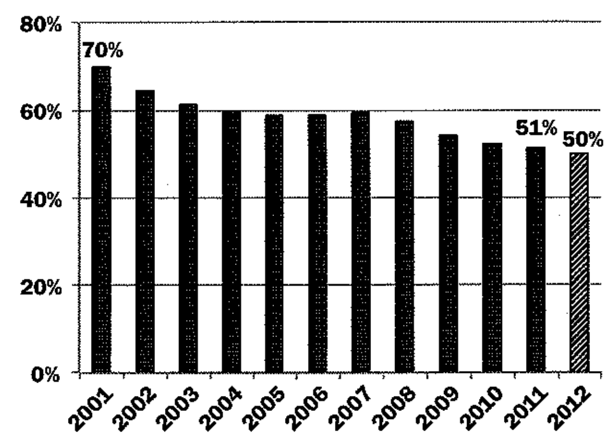
Figure 5. *Aggregate State and Local Pension Liability under Alternative Discount Rates, 2012, Trillions*



Note: The $3.8 trillion figure is the value for the liabilities of plans in our sample, which—on average—are calculated using a discount rate of about 8 percent.
Source: Authors' calculations and various 2012 actuarial valuations.

Recalculating the liabilities for each plan at 5 percent in 2012 produces a funded ratio of 50 percent—$2.8 trillion in actuarial assets (the same value used earlier) compared to $5.5 trillion in liabilities. The 2012 ratio of 8 percent liability to 5 percent liability was applied retroactively to derive funded ratios for earlier years (see Figure 6).

Figure 6. *State and Local Funded Ratios with Liabilities Using a Riskless Rate, 2001-2012*



Note: Authors' estimates.
Sources: Authors' calculations using various 2012 actuarial valuations and PPD (2001-2011).

A Preview of GASB's New Standards

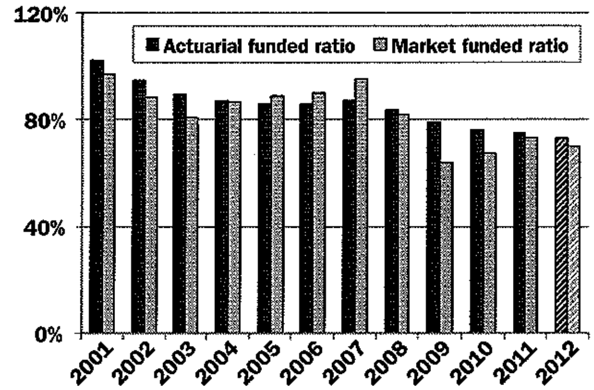
Perhaps in response to pressure for a more market-based valuation of both liabilities and assets, GASB in 2006 embarked on a project to review its accounting standards for pensions and in 2012 announced wide-ranging recommendations. GASB itself emphasizes that these recommendations relate to accounting and reporting only and have nothing to do with how governments should address funding. Three of the main proposals pertain to the valuation of assets and liabilities used to measure reported funded ratios. First, assets will be reported at market value rather than actuarially smoothed. Second, projected benefit payments will be discounted by a combined rate that reflects: 1) the expected return for the portion of liabilities that are projected to be covered by plan assets; and 2) the return on high-grade municipal bonds for the portion that are to be covered by other resources. Third, the entry age normal/level percentage of payroll will be the sole allocation method used for reporting purposes (roughly three-quarters of plans already use this method).

Implications for Funded Ratios

To see the implications of GASB's new reporting standards, it is useful to proceed in two steps. The first step is to estimate the change in reported funded ratios by switching from actuarial to market assets. As Figure 7 reveals, actuarial funded ratios lag market ratios. Smoothing mitigated the full impact of the financial crisis but also lengthened the period of recovery. If no changes are made to the interest rate assumptions, then funded levels under the new GASB provisions will look like those in Figure 7.

The second step is to calculate how funded ratios would change if liabilities were calculated using a combined rate of return. GASB's rationale for the combined rate is that, while the expected rate of return is appropriate for discounting benefits backed by assets, benefits not covered by assets fall to the sponsoring government and therefore should be discounted by the interest rate for high-yield, tax-exempt, 20-year general obligation bonds. The argument, of course, is at odds with economists' view that the discount rate should reflect the riskiness of the benefits, irrespective of how the benefits are funded.

Figure 7. *Aggregate Funded Ratios for State and Local Plans Using Actuarial and Market Assets, 2001-2012*



Note: 2012 is authors' estimate.
Source: Various 2012 actuarial valuations; and Public Plans Database (2001-2011).

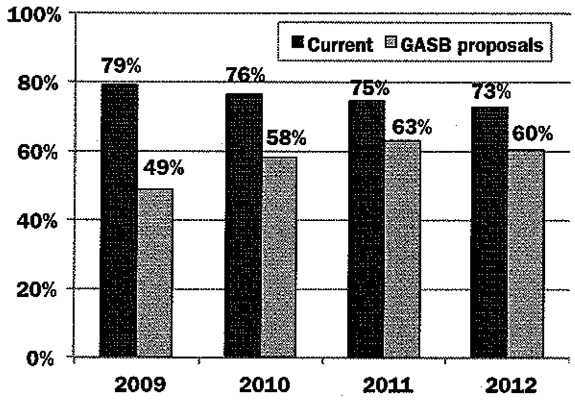
Calculating whether plans will be forced to use a combined rate requires knowing the underlying stream of benefit payments owed by the plan in future years. Public pensions typically do not disclose this information, so the benefit stream must be re-engineered based on data from actuarial reports on the age, salary, and tenure of the workforce, as well as assumptions regarding retirement, separation, and mortality.[5]

With the stream of projected benefits in hand, the task is to project the portion of that stream that will be covered by plan assets and the portion that will be covered by other resources. Projected assets depend on three factors—current asset levels, future contributions, and investment returns. In determining how much sponsors will contribute in the future, GASB recommends looking at the percent of ARC paid in the last five years. In terms of investment returns, GASB proposes to use the plan's long-run expected return.

With current assets, flows of projected benefits, government and employee contributions, and investment returns, it is possible to calculate the date when assets will not be sufficient to cover annual benefit payments. All benefits payable in years prior to the crossover point are discounted using the average assumption regarding the expected return on assets. Benefits payable after the run-out date are discounted by 3.7 percent—the current yield on high-grade municipal bonds.

Figure 8 (pg. 7) compares the funded ratios currently reported with our estimates of what these ratios would have looked like under GASB's current proposals for 2009–12. The bottom line is that this headline number would have been 60 percent instead of 73 percent.

Figure 8. *Aggregate Funded Ratios for State and Local Plans: Currently Reported versus GASB Proposals, 2009-2012*



Source: Authors' calculations from various actuarial valuation reports (2012) and the PPD (2009-11).

The key issue is whether discount rates will really change. GASB's proposed combined rate requires a complicated calculation based on a number of assumptions. The determination of the portion of benefits funded requires assumptions not only about plan returns but also about future contributions from the government and from employees. Plan sponsors can easily assert that adequate contributions will be made and, therefore, assets will always be available to cover projected benefits. In this case, the relevant discount rate reverts to the plan's expected long-run rate of return.

Implications for the ARC

GASB's proposals will remove the ARC—the percent of payroll required to cover current service costs and amortize the unfunded liability over a maximum of thirty years—from the measurement of pension obligations and costs. In its place, plans will either report an actuarially determined contribution or a statutory contribution. Those that report an actuarially determined contribution will provide information on the underlying actuarial assumptions and methods used. However, GASB will no longer provide guidelines regarding acceptable parameters, which will make comparisons between plans difficult. Plans with a statutory rate will not be required to report an actuarially determined contribution. This change not only results in a loss in analysts' ability to assess how close plan contributions are to those required to keep the system on track, but also creates a tempting escape valve that states could use as ARCs rise beyond reach: introduce a statutory rate and dispense with reporting actuarial calculations. Such a development would be harmful to efforts to improve plan funding.

Projections for 2013-2016

The question is how the shift to the new GASB standards will affect the trajectory of funded ratios over the next few years. The pattern of future funding under either GASB guideline depends on three factors: the performance of the stock market, the growth in contributions and benefits, and the growth in liabilities.

- To address uncertainty about future stock market outcomes, projections are made using three assumptions for the average nominal return for the Dow Jones Wilshire 5000 Index: 7.75 percent (baseline), 11.0 percent (optimistic), and zero percent (pessimistic).[6]
- Both contributions and benefits rise slowly over time, so their average growth for the period 2013-2016 was assumed to equal their average growth over 2001–12.[7]
- Growth in liabilities holds steady at the 2012 level of 4.2 percent under both GASB's old and new standards.[8]

The projected funded ratios are shown in Table 1

Table 1. *Projected Funded Ratios for Fiscal Years 2013-16 under GASB's Old and New Standards*

Year	GASB old scenario	GASB new scenario: Market assets	GASB new scenario: Market assets/ Combined rate
		Baseline	
2013	74.6%	78.8%	N/A
2014	76.9	80.6	69.5%
2015	79.1	82.1	70.8
2016	81.2	83.4	71.9
		Optimistic	
2013	74.7	79.2	N/A
2014	77.7	83.7	72.1
2015	81.1	87.7	75.6
2016	84.7	91.2	78.6
		Pessimistic	
2013	74.4	78.3	N/A
2014	75.6	75.1	64.8
2015	75.7	72.1	62.1
2016	74.9	69.2	59.6

Source: Authors' projections.

for three scenarios. Under the baseline assumption, without any adjustment on the liability side, the 2013 actuarial reports will show funded ratios higher than 2012, given the increase in stock prices that has already occurred. Then funded ratios continue to climb as asset growth under either actuarial or market value continues to exceed assumed liability growth. The funded numbers are much lower if many plans adopt a combined rate, which would produce a one-shot increase in liabilities and lower funded ratios thereafter.

Looking further out, liability growth will likely be restrained somewhat by the long-term benefit cutbacks enacted in recent years. These cutbacks were detailed in a study that we published earlier this year.[9]

Conclusion

The funded status of state and local pensions has been front-page news since the collapse of financial markets in 2008. At the time, it was clear that the funded ratios of public plans would continue to decline as actuaries gradually averaged in the losses. Indeed, the funded status of public plans has declined steadily as the losses work their way through the averaging process, with the 2012 level slightly below that of the previous year.

The measure of funded ratios will change in 2014 as GASB's new guidelines take effect. At a minimum, market assets will replace actuarially smoothed assets in the calculation. Funded ratios may also change to the extent that sponsors with significantly underfunded plans will be forced to use a combined rate, which will be lower than the long-run expected return on assets. Measuring the funded status of plans has always been fraught with difficulty. Unfortunately, the future will be more confusing than the past.

Regardless of measurement problems, a healthy stock market will improve the funding picture in 2013. What happens thereafter depends very much on the performance of the stock market and the extent to which plans adjust their interest rate assumptions. In 2016, assuming a healthy stock market, plans should be slightly more than 80 percent funded using either the market or actuarial value of assets. The ratio will be lower if public plans widely adopt a combined rate to discount their benefit promises.

Endnotes

1 The sample represents about 90 percent of the assets in state-administered plans and 30 percent of assets in plans administered at the local level.

2 For plans without published 2012 actuarial valuations, we estimated the percent change in actuarial assets between 2011 and 2012, calculated according to the plan's own methodology, and applied that change to its published 2011 GASB level of actuarial assets. Applying our methodology retrospectively for each plan produced numbers for previous years that perfectly matched published asset values in half the cases and that came within 1 percent in the other half. Liabilities are projected based on the average rate of growth for plans already reporting. The initial estimates of assets and liabilities were then sent to the plan administrators and any suggested alterations were incorporated.

3 The analysis of choice under uncertainty in economics and finance identifies the discount rate for riskless payoffs with the riskless rate of interest. See Gollier (2001) and Luenberger (1997). This correspondence underlies much of the current theory and practice for the pricing of risky assets and the setting of risk premiums. See Sharpe, Alexander, and Bailey (2003); Bodie, Merton, and Cheeton (2008); and Benninga (2008).

4 Such an approach has been adopted by other public or semi-public plans, such as the Ontar io Teachers' Pension Plan (2011) and the quasi-public defined benefit plans in the Netherlands (Ponds and van Riel, 2007). For a more detailed discussion of valuing liabilities *for reporting purposes* and the implications for funding and investments, see Munnell et al. (2010).

5 For a detailed description of the methodology, see Munnell et al. (2012).

6 The detailed assumptions for each scenario are as follows.

Baseline: Output grows 5.75 percent per year (3.5 percent real, 2.25 percent inflation), profits rise on average 5.75 percent annually, the price/earnings (p/e) ratio is 17 at the end of 2016, and the dividend yield remains at 2 percent. Stock prices rise, on average, 5.75 percent annually, producing an average nominal return of 7.75 percent.

Optimistic: Output grows 6.5 percent per year (4 percent real, 2.5 percent inflation), profits rise on average 8 percent annually, the p/e ratio is 18 at the end of 2016, and the dividend yield averages 1.5 percent over the four years. Stock prices rise, on average, 9.5 percent annually, producing an average nominal return of 11 percent.

Pessimistic: Output grows 3.5 percent per year (2 percent real, 1.5 percent inflation), profits rise on average 2 percent annually, the p/e ratio is 14 at the end of 2016, and the dividend yield averages 2.5 percent. Stock prices fall, on average, 2.5 percent annually, producing a zero average return over the four years.

7 The focus here is on contributions, where growth remains fairly steady, rather than on the percent of ARC paid, which is more variable.

8 Liabilities increased at an average rate of about 6 percent over the period 2001-09. The rate then declined to about 4.0 percent in 2010 and to 4.2 percent in 2011 and 2012.

9 Munnell et al. (2013).

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Appendix

Ratio of Assets to Liabilities for State and Local Plans 2001–2011 and 2012 Projections[a]

Plan name	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total	91.4	84.9	89.7	87.8	86.6	86.4	87.6	84.3	79.0	77.1	74.9	73.1
Alabama ERS	100.2	95.4	91.1	89.7	84.0	81.1	79.0	75.7	72.2	68.2	65.8	62.9 *
Alabama Teachers	101.4	97.4	93.6	89.6	83.6	82.8	79.5	77.6	74.7	71.1	67.5	63.8 *
Alaska PERS	100.9	75.2	72.8	70.2	65.7	78.2	77.8	78.8	63.0	62.4	61.9	57.4 *
Alaska Teachers	95.0	68.2	64.3	62.8	60.9	67.8	68.2	70.2	57.0	54.3	54.0	49.4 *
Arizona Public Safety Personnel	126.9	113.0	100.9	92.4	81.3	76.7	65.2	68.8	70.0	67.7	63.7	60.2
Arizona SRS	115.1	106.4	98.4	92.5	86.1	84.3	83.2	82.1	79.0	76.4	75.5	75.3
Arkansas PERS	106.0	100.0	95.0	89.0	86.0	83.0	89.0	90.0	78.0	74.1	70.7	68.9
Arkansas Teachers	95.4	91.9	85.9	83.8	80.4	80.3	85.3	84.9	75.7	73.8	72.0	72.3 *
California PERF	111.9	95.2	87.7	87.3	87.3	87.2	87.2	86.9	83.3	83.4	82.6	83.9 *
California Teachers	98.0		85.0	85.0	86.0	87.0	89.0	87.0	78.0	71.0	69.0	68.1 *
Chicago Teachers	100.0	96.3	92.0	85.9	79.0	78.0	80.1	79.4	73.3	66.9	59.7	54.7 *
City of Austin ERS	96.4	86.9	86.9	80.8	78.0	75.9	78.3	65.9	71.8	69.6	65.7	63.9 **
Colorado Municipal	104.3	93.6	80.2	77.2	78.0	79.5	81.2	76.4	76.2	73.0	69.3	73.4 *
Colorado School	98.2	87.9	75.2	70.1	73.9	74.1	75.5	70.1	69.2	64.8	60.2	61.9 *
Colorado State	98.2	87.9	75.2	70.1	71.5	73.0	73.3	67.9	67.0	62.8	57.7	58.7 *
Connecticut SERS	63.1	61.6	56.7	54.5	53.3	53.2	53.6	51.9		44.4	47.9	42.3
Connecticut Teachers		75.9		65.3		59.5		70.0		61.4		55.2
Contra Costa County	87.6	89.6	85.4	82.0	84.8	84.3	89.9	88.5	83.8	80.3	78.5	76.2 *
DC Police & Fire	81.1	76.6	78.3	81.9	85.1	91.6	101.0	99.8	100.7	100.7	108.6	110.1
DC Teachers	107.4	107.0	103.8	101.9	102.1	111.2	111.6	108.2	110.8	118.3	101.9	94.4
Delaware State Employees	112.4	109.6	106.9	103.0	101.6	101.7	103.7	103.1	98.8	96.0	94.0	91.5
Denver Employees	99.5	101.7	98.0	99.1	97.4	98.6	98.2	91.9	88.4	85.0	81.6	80.0 *
Denver Schools	97.0	91.0	90.6	88.2	87.9	88.3	87.7	84.3	88.3	88.9	81.5	82.9 *
Duluth Teachers	107.6	100.4	95.7	91.8	86.4	84.1	86.8	82.1	76.6	81.7	73.2	63.4
Fairfax County Schools	103.0	95.6	90.1	84.9	84.9	86.4	88.0	76.9	76.5	76.5	75.6	75.4 **
Florida RS	117.9	115.0	114.2	112.1	107.3	105.6	105.7	105.4	87.1	86.6	86.9	86.4
Georgia ERS	101.7	101.1	100.5	97.6	97.2	94.5	93.0	89.4	85.7	80.1	76.0	73.1
Georgia Teachers	103.9	102.0	101.1	100.9	98.0	96.5	94.7	91.9	87.2	85.7	84.0	82.3
Hawaii ERS	90.6	84.0	75.9	71.7	68.6	65.0	67.5	68.8	64.6	61.4	59.4	59.2
Houston Firefighters	113.0	98.0		88.0	86.0	87.0	91.0	96.0	95.4	93.4	90.6	89.3 *
Idaho PERS	97.2	84.9	83.8	91.7	94.2	95.2	105.5	93.3	74.1	78.9	90.2	84.7
Illinois Municipal	106.4	101.5	97.6	94.3	94.6	95.3	96.1	84.3	83.2	83.3	83.0	84.3
Illinois SERS	65.8	53.7	42.6	54.2	54.4	52.2	54.2	46.1	43.5	37.4	35.6	34.7
Illinois Teachers[b]	59.5	52.0	49.3	61.9	60.8	62.0	63.8	56.0	52.1	48.4	46.5	42.1
Illinois Universities	72.1	58.9	53.9	66.0	65.6	65.4	68.4	58.5	54.3	46.4	44.3	42.1
Indiana PERF	105.0	99.2	102.9	100.1	96.4	97.6	98.2	97.5	93.1	85.2	80.5	76.6
Indiana Teachers[c]	43.0	42.1	44.4	44.8	43.4	44.3	45.1	48.2	41.9	44.3	43.8	42.7

continued

Plan name	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Iowa PERS	97.2	92.6	89.6	88.6	88.7	88.4	90.2	89.1	81.2	81.4	79.9	79.9
Kansas PERS	85.0	78.0	75.0	70.0	69.0	69.0	71.0	59.0	64.0	62.0	59.0	56.7 *
Kentucky County	141.0	125.3	114.1	101.0	90.7	81.4	80.1	77.1	70.6	65.5	62.9	60.0
Kentucky ERS	125.8	110.7	98.0	85.8	74.6	61.3	58.4	54.2	46.7	40.3	35.6	29.7
Kentucky Teachers	90.8	86.6	83.5	80.9	76.3	73.1	71.9	68.2	63.6	61.0	57.4	54.5
LA County ERS	100.0	99.4	87.2	82.8	85.8	90.5	93.8	94.5	88.9	83.3	80.6	76.8
Louisiana SERS	74.2	70.2	66.2	59.6	61.5	64.3	67.2	67.6	60.8	57.7	57.6	55.9
Louisiana Teachers	78.4	73.9	68.8	63.1	64.6	67.5	71.3	70.2	59.1	54.4	55.1	55.4
Maine Local	108.2	122.8	116.3	112.1	114.2	112.2	113.6	112.7	102.5	96.3	93.5	93.2 *
Maine State and Teacher	73.1	69.6	67.6	68.5	69.8	71.3	74.1	74.1	67.7	66.0	80.2	80.0 *
Maryland PERS	102.2	98.0	93.1	91.2	86.7	80.4	79.5	77.2	63.9	62.8	62.8	62.5
Maryland Teachers	95.3	92.0	92.8	92.8	89.3	84.2	81.1	79.6	66.1	65.4	66.3	65.8
Massachusetts SERS	94.0	79.5	83.9	82.8	81.5	85.1	89.4	71.6	76.5	81.0	73.8	69.1
Massachusetts Teachers	76.2	64.5	69.6	67.6	67.2	71.0	73.9	58.2	63.0	66.3	60.7	57.7 *
Michigan Municipal	84.3	79.8	78.7	76.7	76.1	76.4	77.3	75.0	75.5	74.5	73.0	73.2 *
Michigan Public Schools	96.5	91.5	86.5	83.7	79.3	87.5	88.7	83.6	78.9	71.1	64.7	61.3
Michigan SERS	107.6	98.7	88.8	84.5	79.8	85.1	86.2	82.8	78.0	72.6	65.5	60.3 **
Minneapolis ERF	93.3	92.4	92.3	92.1	91.7	92.1	85.9	76.4	55.9	65.6	72.5	69.1
Minnesota PERF	87.0	85.0	81.3	76.7	74.5	74.7	73.3	73.6	70.0	76.4	75.2	73.5
Minnesota State Employees	112.1	104.5	99.1	100.1	95.6	96.2	92.5	90.2	85.9	87.3	86.3	82.7
Minnesota Teachers	105.9	105.3	103.1	100.0	98.5	92.1	87.5	82.0	77.4	78.5	77.3	73.0
Mississippi PERS	87.5	83.4	79.0	74.9	72.4	73.5	73.7	72.9	67.3	64.2	62.2	58.0
Missouri DOT and Highway Patrol	66.1	61.5	56.2	53.4	53.9	55.5	58.2	59.1	47.3	42.2	43.3	46.3
Missouri Local	104.0	100.4	96.4	95.9	95.1	95.3	96.1	97.5	80.0	81.0	81.6	83.5
Missouri PEERS	103.1	97.6	81.9	82.7	83.3	80.5	83.2	82.5	80.7	79.1	85.3	82.5
Missouri State Employees	97.0	95.9	90.9	84.6	84.9	85.3	86.8	85.9	83.0	80.4	79.2	73.2
Missouri Teachers	99.4	95.3	81.1	82.0	82.7	82.6	83.5	83.4	79.9	77.7	85.5	81.5
Montana PERS		100.0		86.7	85.5	88.3	91.1	90.3	84.0	74.2	70.0	67.0
Montana Teachers		86.6		76.6	73.4	76.1	79.6	79.9	66.2	65.4	61.5	59.2
Nebraska Schools	87.2	94.9	90.6	87.2	85.6	87.2	90.5	90.6	86.6	82.4	80.4	76.6
Nevada Police Officer and Firefighter	78.9	78.1	73.9	71.7	69.8	68.9	71.1	70.8	68.9	67.8	68.4	70.1
Nevada Regular Employees	85.5	83.5	83.2	80.5	77.3	76.5	78.8	77.7	73.4	71.2	70.6	71.2
New Hampshire Retirement System[d]	85.0	82.1	75.0	71.1	60.3	61.4	67.0	67.8	58.3	58.5	57.4	56.1
New Jersey PERS	117.1	107.3	97.9	91.3	85.3	78.0	76.0	73.1	64.9	69.5	66.8	63.6
New Jersey Police & Fire	100.8	95.8	88.4	84.0	80.1	78.4	77.6	74.3	70.8	77.1	74.9	74.3
New Jersey Teachers	108.0	100.0	92.7	85.6	79.1	76.3	74.7	70.8	63.8	67.1	63.2	59.3

continued

Plan name	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
New Mexico PERF	105.4	103.1	97.3	93.0	91.6	92.1	92.8	93.3	84.2	78.5	70.5	65.3
New Mexico Teachers	91.9	86.8	81.1	75.4	70.4	68.3	70.5	71.5	67.5	65.7	63.0	60.7
New York City ERS	117.4	112.0	104.0	94.5	88.4	82.3	79.0	79.7	78.6	77.2	73.8	71.6 *
New York City Teachers	98.0	93.6	88.2	81.1	77.1	71.8	69.6	65.2	64.1	62.9	62.2	58.7 *
New York State Teachers	125.0	99.6	99.4	99.2	98.8	102.6	104.2	106.6	103.2	100.3	96.7	89.7 *
North Carolina Local Government	99.3	99.4	99.3	99.3	99.4	99.5	99.5	99.6	99.5	99.6	99.8	101.7 *
North Carolina Teachers and State Employees	111.6	108.4	108.1	108.1	106.5	106.1	104.7	99.3	95.9	95.4	94.0	93.6 *
North Dakota PERS	110.6	104.2	98.1	94.0	90.8	86.8	93.4	92.6	85.1	73.4	70.5	65.1
North Dakota Teachers	96.4	91.6	85.1	80.3	74.8	75.4	79.2	81.9	77.7	69.8	66.3	60.9
NY State & Local ERS	119.3	118.5	98.9	101.6	102.8	104.1	105.8	107.3	101.0	93.9	90.2	87.2 **
NY State & Local Police & Fire	132.1	128.6	103.4	105.0	104.8	105.2	106.5	108.0	103.8	96.7	91.9	87.9 **
Ohio PERS	103.0	86.0	85.0	88.0	89.0	93.0	96.0	75.0	75.0	76.1	77.4	78.3 *
Ohio Police & Fire	92.8	82.6	86.5	80.9	78.4	78.2	81.7	65.1	72.8	69.4	63.1	67.4 *
Ohio School Employees	95.0	90.2	83.6	78.1	75.3	76.4	80.8	82.0	68.4	72.6	65.2	62.8
Ohio Teachers	91.2	77.4	74.2	74.8	72.8	75.0	82.2	79.1	60.0	59.1	58.8	56.0
Oklahoma PERS	82.6	79.8	76.8	76.0	72.0	71.4	72.6	73.0	66.8	66.0	80.7	80.2
Oklahoma Teachers	51.4	51.4	54.0	47.3	49.5	49.3	52.6	50.5	49.8	47.9	56.7	54.8
Oregon PERS	106.7	91.0	97.0	96.2	104.2	110.5	112.2	80.2	85.8	86.9	82.0	88.0 *
Pennsylvania School Employees	114.4	104.8	97.2	91.2	83.6	81.2	85.8	86.0	79.2	75.1	69.1	66.3
Pennsylvania State ERS	116.3	107.2	104.9	96.1	92.9	92.7	97.1	89.0	84.4	75.2	65.3	57.9 *
Phoenix ERS	102.5	91.6	88.5	84.2	84.2	81.3	83.9	79.1	75.3	69.3	66.7	62.2
Rhode Island ERS	77.6	72.6	64.3	59.4	55.8	53.4	56.2	61.5	58.5	48.4	58.8	57.8
Rhode Island Municipal	118.1	111.3	100.7	93.2	87.2	87.1	90.3	92.8	88.3	73.6	84.3	82.5
San Diego County	106.8	75.4	75.5	81.1	80.3	83.6	89.7	94.4	91.5	84.3	81.5	78.7
San Francisco City & County	129.0	117.9	109.0	103.8	107.6	108.7	110.3	103.8	97.0	91.1	88.0	82.6
South Carolina Police[e]	94.6	93.0	91.5	87.7	87.4	84.7	84.7	77.9	76.3	74.5	77.3	71.1
South Carolina RS[e]	87.4	86.0	82.8	80.3	71.6	69.6	69.7	69.3	67.8	65.5	64.0	64.7
South Dakota PERS	96.4	96.7	97.2	97.7	96.6	96.7	97.1	97.2	91.8	96.3	96.4	92.6
St. Louis School Employees	80.5	82.1	84.0	86.3	87.6	87.2	87.6	87.6	88.4	88.6	84.9	80.9 *
St. Paul Teachers	81.9	78.8	75.6	71.8	69.7	69.1	73.0	75.1	72.2	68.1	70.0	62.0
Texas County & District	89.3	88.7	90.5	91.0	91.4	94.3	94.3	88.6	89.8	89.4	88.8	88.9 **
Texas ERS	104.9	102.5	97.6	97.3	94.8	95.2	95.6	92.6	89.8	85.4	84.5	82.6

continued

Plan name	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Texas LECOS	131.6	124.7	111.5	109.3	103.1	101.7	98.0	92.0	89.7	86.3	86.4	82.0
Texas Municipal	85.0	84.2	82.6	82.8	82.7	82.1	73.7	74.4	75.8	82.9	85.1	87.2
Texas Teachers	102.5	96.3	94.5	91.8	87.1	87.3	89.2	90.5	83.1	82.9	82.7	81.9
TN Political Subdivisions	90.4		91.9		92.7		89.5		86.3		89.2	88.4 *
TN State and Teachers	99.6		99.8		99.8		96.2		90.6		92.1	91.5 *
University of California	147.7	138.4	125.7	117.9	110.3	104.1	104.8	103.0	94.8	86.7	82.5	78.7
Utah Noncontributory	102.8	92.2	94.4	92.3	93.2	95.8	95.1	86.5	85.7	82.2	78.4	76.8 *
Vermont State Employees	93.0	97.4	97.5	97.6	97.8	99.3	100.8	94.1	78.9	81.2	79.6	77.7
Vermont Teachers	89.0	89.5	89.6	90.2	90.7	84.6	84.9	80.9	65.4	66.5	63.8	61.6
Virginia Retirement System[f]	107.3	101.8	96.4	90.3	81.3	80.8	82.3	84.0	80.2	72.4	69.9	65.8 **
Washington LEOFF Plan 1	129.0	120.0	112.0	109.0	113.0	116.0	122.0	128.0	125.0	127.0	134.0	135.0 **
Washington LEOFF Plan 2	119.5	111.0	211.7	198.2	103.3	108.5	120.2	126.4	119.9	117.0	111.4	110.0 **
Washington PERS 1	91.0	86.0	81.0	77.0	71.0	73.0	71.0	71.0	70.0	74.0	71.0	69.1 **
Washington PERS 2/3	125.0	115.1	107.9	105.4	101.7	100.8	101.5	101.1	99.3	97.2	97.1	96.0 **
Washington School Employees Plan 2/3	123.5	113.8	105.6	103.6	95.5	103.8	106.8	104.3	100.4	98.5	97.2	95.7 **
Washington Teachers Plan 1	94.0	92.0	88.0	84.0	78.0	80.0	77.0	77.0	75.0	85.0	81.0	78.7 **
Washington Teachers Plan 2/3	133.6	130.2	122.7	119.3	106.1	110.5	112.7	107.9	101.8	100.5	99.3	97.7 **
West Virginia PERS	84.4	75.4	73.1	80.0	83.6	86.8	97.0	84.2	65.9	74.6	78.4	77.6
West Virginia Teachers	21.0	19.2	19.1	22.2	24.6	31.6	51.3	50.0	41.3	46.5	53.7	53.0
Wisconsin Retirement System	96.5	97.1	99.2	99.4	99.5	99.6	99.6	99.7	99.8	99.8	99.9	99.8 **
Wyoming Public Employees	103.0	92.2	91.7	96.0	95.1	94.4	94.0	78.6	87.5	84.6	81.9	89.7 *

* Numbers are authors' estimates.
** Received from plan administrator.
a Funded ratios may vary across plans because of the discount rate used to value liabilities. While the median discount rate is 8.0 percent, the rates range from 8.5 percent in Minnesota and 8.25 percent in New Jersey to 7.0 percent in Virginia, 6.5 percent in Indiana, and 6.25 percent in Vermont.
b Through 2008, the Illinois TRS funded ratio was based on the market value of assets. Beginning in 2009, the funded ratio was calculated using five-year smoothed actuarial assets.
c The reported funded ratios of the Indiana TRF are made up of two separately funded accounts: the pre-1996 account and the 1996 account. The pre-1996 account is for employees hired prior to 1996 and is funded under a pay-go schedule. The 1996 account is for employees hired afterwards and is pre-funded. The funded ratio for the pre-funded account is currently 90.7 percent. As expected, the pay-go account has a much lower funded ratio of 30.1 percent.
d Prior to 2007, the New Hampshire Retirement System used the Open Group Aggregate method to calculate its funded ratio. Beginning in 2007, the entry age normal (EAN) method was used.
e The 2011 funded ratios for South Carolina RS and Police are calculated based on the plan design features and actuarial methods in place prior to the passing of Act 278.
f The funded ratios presented represent the VRS plan only for the state employees, teachers and political subdivisions. They do not reflect the information in the other plans—SPORS, JRS and VaLORS.
Sources: Various 2012 actuarial valuations; and PPD (2001-2011).

Center for State & Local Government Excellence

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Helping state and local governments become knowledgeable and competitive employers

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Understanding New Public Pension Funding Guidelines and Calculations

The importance of properly financing state and local government retirement systems has never been greater. Sound pension funding policies not only help ensure costs and benefits remain sustainable, but also strengthen the financial position and credit rating of the sponsoring governments.

State and local governments soon will need to distinguish several separate pension calculations that will be derived in different manners for distinct purposes:

- *Books – computing an annual position regarding pensions for financial statements*
- *Bonds – calculating how pension obligations affect a government's creditworthiness*
- *Budgets – determining the appropriate annual contribution to the retirement system for sound funding*

The Governmental Accounting Standards Board (GASB) has released new standards for how governments should report pensions on their books or income statements. Some credit ratings agencies have announced that they will make new adjustments to governmental pension data for bond ratings. However, none of these computations is intended to determine the appropriate annual pension contribution a government should appropriate to ensure sound funding.

To guide lawmakers in reviewing the effectiveness of existing funding policies and practices, national organizations representing the nation's governors, state legislatures, state and local officials, and public finance professionals jointly formed a Pension Funding Task Force and released *Pension Funding: A Guide for Elected Officials*.

These guidelines urge policymakers to ensure pension contributions are actuarially determined within sound parameters. Doing so ensures that pension promises can be paid, employer costs can be managed, and the policy to finance pensions is clear to all stakeholders.

Separate Pension Numbers for Books, Bonds, and Budgets

	Books	Bonds	Budgets
Purpose	Standardized financial reporting of pensions for accounting	Stress testing the degree to which pension obligations may affect a government's ability to repay bonded debt	Determining an annual pension contribution to properly fund benefits
Primary audience	Users of government financial statements	Ratings analysts	State/local policymakers
Source of calculation	Accounting standards set by the Governmental Accounting Standards Board (GASB)	Practices established by individual credit rating agencies	State/local statutory, administrative and procedural rules
Methodology	Pensions are accounted for through the computation of a Net Pension Liability, i.e., the difference between the market value of pension fund assets and benefit obligations as of a specific date	Varies by rating agency, as pensions are just one of many metrics used to determine a bond rating	Most governments make actuarially determined contributions, calculated within established parameters as a level percentage of payroll to fully fund benefits earned each year and to amortize unfunded liabilities
What's changing	The Net Pension Liability is a new figure that will be placed on basic government financial statements and is expected to create unprecedented volatility and, in some cases, could dwarf other items on the financial statement	Some ratings agencies have announced that in their credit analytics, they will adjust pension data using uniform, generally more conservative assumptions regarding amortization periods and investment returns	New GASB standards will no longer include parameters for calculating an annual required contribution. Although this does not necessitate a change to existing funding policies or statutes, governments are urged to follow recommended guidelines established by the Pension Funding Task Force

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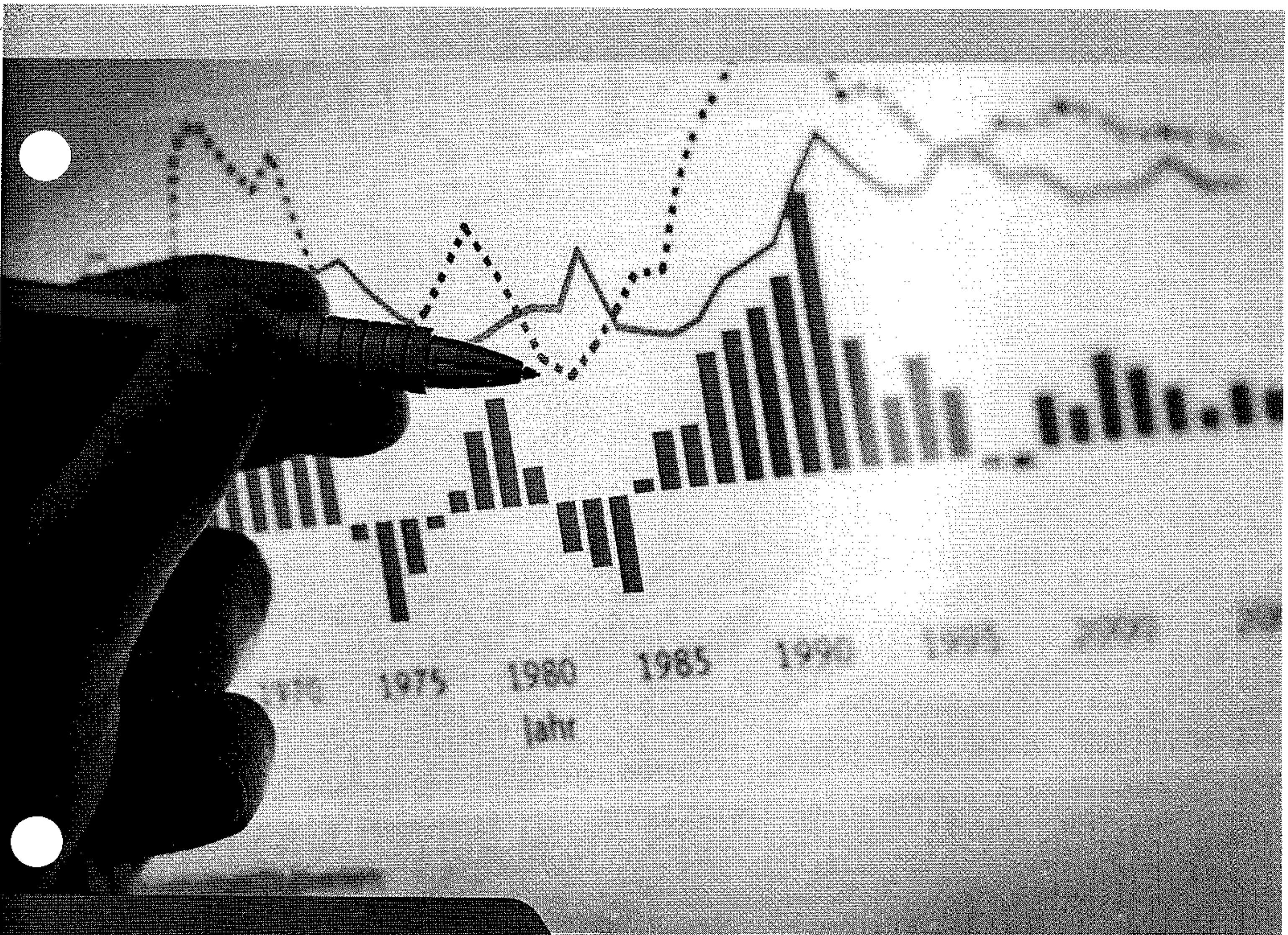

PENSION FUNDING:

A Guide for Elected Officials

Report from the Pension Funding Task Force 2013

Issued by:

National Governors Association (NGA)
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The Council of State Governments (CSG)
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International City/County Management Association (ICMA)
National Council on Teacher Retirement (NCTR)
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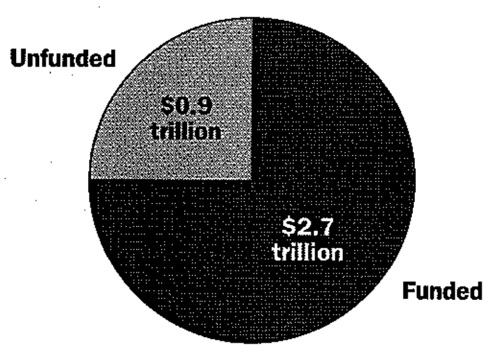
PENSION FUNDING:
A Guide for Elected Officials

Introduction

Defined benefit pension plans have a long history in public sector compensation. These plans are typically funded through a combination of employer and employee contributions and earnings from investments. Public pension plans hold more than $3 trillion in assets in trust on behalf of more than 15 million working and 8 million retired state and local government employees and their surviving family members. The pie chart below illustrates the 2011 funded status of 109 state-administered plans and 17 locally administered plans. These plans represent 85 percent of total state and local government pension assets and members.

Figure 1. *Funding of Aggregate Pension Liability, 2011*



Source: BC-CRR Estimates based on *Public Plans Database* (PPD).

The value of securities held by public and private retirement plans declined significantly following the economic crisis of 2008–2009, causing an increase in unfunded pension liabilities. The range of those unfunded public pension liabilities varies widely among governments. These same governments also have enacted major changes in their retirement plans over the past decade. Today, some public pension plans are well funded, while others have seen their funded status decline.

Now another change is on the horizon: new pension accounting standards issued by the Governmental Accounting Standards Board (GASB) in 2012. GASB Statement No. 67, *Financial Reporting for Pension Plans*, takes effect for pension plan fiscal years beginning after June 15, 2013 (fiscal years ending on or after June 30, 2014). GASB Statement No. 68, *Accounting and Reporting for Pensions*, applies to employers (and contributing nonemployers) in fiscal years beginning after June 15, 2014 (fiscal years ending on or after June 30, 2015).

These new accounting standards will change the way public pensions and their sponsoring governments report their pension liabilities. In particular, the new standards no longer provide guidance on how to calculate the actuarially determined annual required contribution (ARC), which many governments have used not only for accounting, but also to budget their pension plan contribution each year. In fact, these new GASB accounting standards end the relationship between pension accounting and the funding of the ARC.

In addition to GASB's new accounting standards, policymakers should be aware that rating agencies such as Moody's may use yet another set of criteria to assess the impact of pension obligations on the creditworthiness of a municipal bond issuer. If the ratings agencies publicize their pension calculations, state and local officials would be faced with the challenge of interpreting three sets of pension numbers: an accounting number to comply with the GASB's financial reporting requirements, an actuarial calculation to determine funding requirements for budgeting purposes, and a financial analysis figure produced by bond rating agencies to evaluate and compare issuers of municipal debt.

This guide provides key facts about public pension plans, why it is essential to have a pension funding policy, a brief overview of the new GASB standards, and which issues state and local officials need to address. The guide also offers guidance for policy makers to use when developing their pension plan's funding policy.

Pension funding background

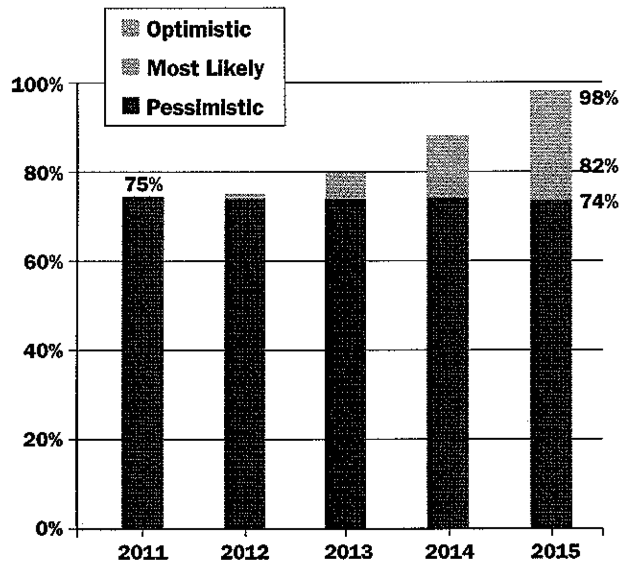
In the 1970s, it was not uncommon for state and local governments to fund their pensions on a pay-as-you-go basis. Following the passage of ERISA, which set private sector funding requirements, state and local officials took steps to fully advance-fund their pensions. They were further encouraged to meet their actuarial funding obligations by new accounting and reporting standards issued by the GASB in 1986.

The trend to improve pension funding continued over the next decade. When the GASB issued Statements 25 and 27 in 1994, employers were required to disclose information on plan assets and liabilities in their financial reports. More important, to comply with GASB, employers also had to disclose their actuarially determined ARC and the percentage of the ARC the employer actually paid. The GASB defined the ARC to include the normal cost of pensions for today's employees plus a contribution to pay for any unfunded liabilities, typically amortized over a maximum 30-year period. Paying the full ARC has been an important measure of whether or not a pension plan is on track to fund its pension promises.

By the turn of the century, public pensions were as well funded as private pensions. In fact, most public plans were nearly 100 percent funded in 2000. Unfortunately, the last decade of economic upheaval and the wide swings in the stock market have reduced pension assets in both public and private plans.

In 2011, the estimated aggregate ratio of assets to liabilities slipped to 75 percent[1]. State and local officials have stepped up their efforts to restore pension funding. According to the National Conference of State Legislatures, 44 states have enacted major changes in state retirement plans from 2009–2012.[2] Changes have included increases in employee contributions to pension plans, longer vesting periods, reduced benefit levels, higher retirement ages, and lower cost-of-living adjustments. Some modifications may apply to new workers only, while others affect current employees and/or retirees.

Figure 2. *Projected State and Local Funding Ratios Under Three Scenarios, 2011–2015*



Source: BC-CRR estimates for 2011–2015 based on *Public Plans Database* (PPD).

Pension funding policies

A variety of state and local laws and policies guide decisions concerning pension funding practices. Many state and local governments have passed legislation that stipulates how pensions should be funded. Others have policies that address how pension assets are to be invested or if pension reserves must be maintained.

Generally speaking, employers with well-funded pension plans take a long-term approach to estimating investment returns, adjust their demographic and other assumptions as needed, and consistently pay their annual required contribution in full.

A clear pension funding policy is important because it:

- Lays out a plan to fund pensions;
- Provides guidance in making annual budget decisions;
- Demonstrates prudent financial management practices;
- Reassures bond rating agencies; and
- Shows employees and the public how pensions will be funded.

GASB's new approach

Under prior GASB statements, there was a close link between accounting and funding measures. That link has now been broken. The new GASB standards

1 Munnell, Alicia H., Aubrey, Jean-Pierre, Hurwitz, Josh, Medinica, Madeline, and Quinby, Laura, "The Funding of State and Local Pensions: 2011–2015," Center for State and Local Government Excellence, May 2012.

2 Snell, Ron, "State Retirement Legislation 2009–2012," National Conference of State Legislatures, July 31, 2012.

focus entirely on accounting measurements of pension liabilities and no longer on how employers fund the cost of benefits or calculate their ARC. This is a significant change for government employers because the ARC historically served as a guide for policy makers, employees, bond rating agencies and the public to determine whether pension obligations were being appropriately funded. The ARC also often was used to inform budget decisions.

Today, employers report a liability on the face of their financial statements only if they fail to fully fund their ARC (just as a homeowner would report a liability only for mortgage payments in arrears). Thus, many government employers today do *not* report a liability for pensions on the face of their financial statements. However, if the plan they sponsor does have an unfunded pension liability, it is reported in the notes to the financial statements, which are considered an integral part of financial reporting. In contrast, under the new GASB standards, employers will report their unfunded pension liability on the face of their financial statements, even if they fully fund each year's ARC (just as a homeowner would report a mortgage liability even if all monthly mortgage payments are paid on time, in full). Thus, in the future, all employers will report any unfunded pension liability on the face of their financial statements, and that amount may be substantial for many.

Furthermore, those seeking to know how much an employer should be contributing each year to the pension plan and how much the employer actually contributed (funding information) today can find that information in the employer's financial report. In contrast, under the new GASB pension accounting standards, employers will no longer *automatically* be required to obtain an actuarially determined ARC and then include information concerning that amount and actual employer contributions in their financial report.

Filling the gap in funding guidance

Because the GASB's new standards focus entirely on how state and local governments should account for pension liabilities and no longer focus on how employers fund the costs of benefits or calculate their ARC, a new source of guidance is needed.

To help fill that gap, the national associations representing local and state governments established a Pension Funding Task Force (Task Force) to develop policy guidelines.

The "Big 7" (National Governors Association, National Conference of State Legislatures, Council of State Governments, National Association of Counties, National League of Cities, U.S. Conference of Mayors, and the International City/County Management Association) and the Government Finance Officers Association established a pension funding task force in 2012. The National Association of State Auditors, Comptrollers and Treasurers; the National Association of State Retirement Administrators; and the National Council on Teacher Retirement also serve on it. The Center for State and Local Government Excellence is the convening organization for the Task Force.

The Task Force has monitored the work of the actuarial community and the rating agencies, as well as considered recommendations from their own organizations to develop guidelines for funding standards and practices and to identify methods for voluntary compliance with these standards and practices.

The actuarial and finance communities have been working on the pension funding issues and will be invaluable resources as governments make needed changes. Indeed, the California Actuarial Advisory Panel and the Government Finance Officers Association have issued guidelines consistent with the Task Force's recommendations, but with a greater level of specificity. The Conference of Consulting Actuaries is also preparing similar guidance. State and local officials are encouraged to review the guidelines and best practices of these organizations.

It also is important to note that some governments with well-funded pension plans will determine that they need to make few, if any, changes to their funding policies, while others may face many challenges. Keep in mind that changes can be made over time. A transition plan can address changes that may need to be phased in over a period of years. For example, an employer or retirement board that currently amortizes its unfunded liabilities over 30 years could adopt a transition plan to continue that schedule (as a fixed, decreasing period) for current unfunded liabilities and to amortize any new unfunded liabilities over 25 years. In five years, that pension plan would have completed its transition to a 25-year amortization period.

In many cases, governments will need to strike a balance between competing objectives to determine the most appropriate timeframe in which to meet their goals.

Task force recommendations

States and localities have established distinct statutory, administrative and procedural rules governing how retirement benefits are financed. While nothing in the new GASB standards or the possible credit rating agency changes *requires* a change in funding policy, the Task Force recommends pension funding policies be based on the following five general policy objectives:

1. Have a pension funding policy that is based on an actuarially determined contribution.
2. Build funding discipline into the policy to ensure that promised benefits can be paid.
3. Maintain intergenerational equity so that the cost of employee benefits is paid by the generation of taxpayers who receives services.
4. Make employer costs a consistent percentage of payroll.
5. Require clear reporting to show how and when pension plans will be fully funded.

A sound pension funding policy should address at least the following three core elements of pension funding in a manner consistent with the policy objectives:

- Actuarial cost method;
- Asset smoothing method; and
- Amortization policy.

These core elements should be consistent with the parameters established by GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, with which most governmental entities currently comply. Such parameters specify an actuarially determined ARC that should comply with applicable Actuarial Standards of Practice (ASOP No. 4), be based on an estimated long-term investment yield for the plan, and should amortize unfunded liabilities over no more than 30 years. The actuarially determined ARC, the parameters for determining the ARC, and the percentage of the ARC the employer actually paid should be disclosed and reassessed periodically to be sure that they remain effective. To that end, the Task Force recommends that state and local governments not only stay within the ARC calculation parameters established in GASB 27, but also consider the following policy objectives when reviewing each core element of their funding policy:

Actuarial Cost Method: the method used to allocate the pension costs (and contributions) over an employee's working career.

<u>Policy Objectives:</u>

1. Each participant's benefit should be fully funded under a reasonable allocation method by the expected retirement date.
2. The benefit costs should be determined as a level percentage of member compensation and include expected income adjustments.

The Entry Age Normal (level percentage of payroll) actuarial cost method is especially well-suited to meeting these policy objectives.

Asset Smoothing Method: the method used to recognize gains or losses in pension assets over some period of time to reduce the effects of market volatility and provide stability to contributions.

<u>Policy Objectives:</u>

1. The funding policy should specify all components of asset smoothing, such as the amount of return subject to smoothing and the time period(s) used for smoothing a specific gain or loss.
2. The asset smoothing method should be the same for both gains and losses and should not be reset or biased toward high or low investment returns.

The use of a five-year period for "smoothing" investment experience is especially well-suited to meeting these policy objectives.

Amortization Policy: the policy that determines the length of time and structure of payments required to systematically fund accrued employee benefits not covered by the actuarial value of assets.

<u>Policy Objectives:</u>

1. The adjustments to contributions should be made over periods that appropriately balance intergenerational equity against the goal of keeping contributions level as a percentage of payroll over time.
2. The amortization policy should reflect explicit consideration of (a) gains and losses actually experienced by a plan, (b) any changes in assumptions and methods, and (c) benefit or plan changes.
3. The amortization of surplus requires special consideration consistent with the goal of stable costs and intergenerational equity.

Amortizing the various components of the unfunded actuarial accrued liability over periods that focus on matching participant demographics but also, except for plan amendments, consider managing contribution volatility, is especially well-suited to meeting these policy objectives.

Conclusion

The most important step for local and state governments to take is to base their pension funding policy on an actuarially determined contribution (ADC). The ADC should be obtained on an annual or biannual basis. The pension policy should promote fiscal discipline and intergenerational equity, and clearly report when and how pension plans will be fully funded.

Other issues to address in the policy are periodic audits and outside reviews. The ultimate goal is to ensure that pension promises can be paid, employer costs can be managed, and the plan to fund pensions is clear to everyone.

Resources

1. GFOA best practice, *Guidelines for Funding Defined Benefit Pension Plans*, at: www.gfoa.org
2. GASB Statements No. 67 and 68 at: www.GASB.org
3. GASB Statement 27: http://www.gasb.org/cs/ContentServer?site=GASB&c=Document_C&pagename=GASB%2FDocument_C%2FGASBDocumentPage&cid=1176160029312
4. Moody's Request for Comments: Adjustments to US State and Local Government Reported Pension Data at: http://www.wikipension.com/wiki/Moodys_Request_For_Comments
5. National Conference of State Legislatures, changes to state pension plans at: http://www.ncsl.org/documents/employ/2012-LEGISLATION-FINAL-Aug-31-2012.pdf
6. The National Association of State Retirement Administrators for examples of state funding policies at: www.NASRA.org
7. Center for State and Local Government Excellence for examples of changes to state and local government pension plans at: http://slge.org
8. California Actuarial Advisory Panel at: http://www.sco.ca.gov/caap.html
9. Conference of Consulting Actuaries at: http://www.ccactuaries.org/index.cfm

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A Third Way for Public Pensions: Adjustable Pension Plans

Defined-benefit plans put all the risk on states and localities; defined-contribution plans put it all on employees. Now there's a new approach to risk sharing.
BY: Penelope Lemov | May 16, 2013

For employees, there's nothing like it. A defined-benefit (DB) plan guarantees them their prescribed stipend no matter how much it rains or shines on the pension portfolio's investments. For states and localities, on the other hand, a defined-contribution (DC) plan places the burden of investment risk on the employee -- not on them.

No matter what side you're on, it is no wonder that the current trend in state and local government is to switch new employees to DC plans. That trend, however, has its problems for employers: They may not provide their employees with an adequate retirement, forcing the government to step in down the road, and they also may create two tiers of employees earning vastly different benefits for the same job and salary.

This is where a new approach -- an adjustable pension plan (APP) -- comes in to play. An APP is a defined-benefit plan with a key difference: The benefit received each year is adjusted from an original multiplier based on the previous year's investment performance. In this way, investment risk between employees and employers is shared. There's also a floor to the plan -- a minimum guarantee of income.

In the last two years, APPs have started making headway in the private sector. A multi-employer plan, the Greater Boston Hospitality Employers Local 26 Trust Funds, moved from a 401(k) plan to an APP in January 2012. The Consumers Union in Yonkers, N.Y., adopted it to replace a DB plan as did The New York Times Company for its employees in the newspaper guild.

Three adoptions does not a trend make, but it does raise a question: Would an APP be a viable alternative for a state or local pension plan? That's what Maine wants to find out. I talked to Sandy Matheson, executive director of the Maine Public Employees Retirement System, about why her state is looking into APPs and more. Here's an edited version of our conversation.

Why is Maine looking into APPs?

Maine is in a minority situation. We are a non-Social Security state, which means our current pension plan is a qualified replacement plan under the IRS. Two years ago, the legislature requested that a [task force made up of] employers, members and the executive director of the pension plan look at moving into Social Security and design a supplemental plan to go along with that. The legislature had a set of criteria for that. In addition to [what employers would pay] for Social Security, the legislature wanted to limit long-term costs for employers to an average of 2 percent of payroll. We were also tasked with creating a plan that would help with recruitment or retention of employees. The task force also set down a set of principles for themselves that any plan or program would have to meet. One of the more critical principles was that the plan create retirement income security versus wealth accumulation. That is, we wanted the plan to offer lifetime retirement income security and to be equivalent to old benefits so workers side by side would have an equivalent benefit.

We started looking at designs and were intrigued with the APP because of the risk-limiting aspect. We were trying to balance a benefit that could be counted on but that had risk limitation and risk sharing with employee and employer.

What did you end up recommending?

The recommended plan has a 1 percent contribution from the employer toward the APP, 1 percent toward a defined-contribution plan and an employee contribution of 4.6 percent to the APP. Between the three elements, the task force plan created a benefit that was the equivalent to the current plan that we have. From the legislature's perspective, it accomplished what we were charged with doing. The plan was based on Social Security, it improved portability and limited risk. It also met the task force's criteria of a predictable income stream [for retirees].

The APP is not a one-for-one trade with a defined-benefit plan, but it is generally equivalent. The defined-benefit is replaced by Social Security plus the APP plus the 1 percent employer contribution to a 401(a) plan. The 401(a) defined-contribution plan is designed to encourage employees to annuitize. We also added a 457 deferred compensation plan for optional or lifestyle savings you might want in retirement. We felt that it met everyone's needs and was a good recruitment and retention tool. It gave some retention and some flexibility for turnover. The DC plan is good for portability and the APP is good for retention.

Where does the task force's recommendation stand now?

[It is with the legislature now, so they can] discuss it formally. It doesn't look like it will happen this session, but it's in the queue.

I should add something to be clear: When we turned in the original report for this, we had two employee groups and two employer groups on the task force. It was a unanimous decision, but we were careful to indicate that we selected this plan based on criteria the legislature set out and the principles the group set out. Each of the individual groups have retained the right to have an opinion on it. So when it actually comes up for discussion, they may be for it [or they] may not be.

You've said that Maine's situation is somewhat unique. Would other states find an APP a possible solution to pension plan problems?

If people are looking for new ideas, this is a great one to explore. It shares risk and provides a predicable income stream for employees.

EFI president develops new DB plan model

By: Kevin Olsen

Published: May 29, 2013

A new defined benefit pension plan design is being touted as not only a substitute for defined contribution plans, but as an opportunity to improve on the amount of benefits received in traditional DB plans.

The Double DB Pension model was developed by Ed Friend, president of EFI, and is designed to replicate the same contribution funding of DC plans, but in a pension plan. The plan has two tiers, with all assets managed in a single trust — the first tier being a "regular DB" and the second a "partner DB." The regular DB plan is designed to be 100% funded every year, with the partner plan fluctuating based on prior performance, Mr. Friend said in an interview.

The same funding percentage will be contributed by employers and employees to the overall plan every year, similar to DC plans with employer contributions. In the first year, the contribution will be evenly split between the two plans. After that, the split will depend on the previous year's performance. If returns are lower than expected, the contribution split protects the actuarial funding of the regular DB component. The contribution to the partner plan would then be reduced and vice versa in years of outperformance. Changing mortality rates are also part of the calculations that determine the split.

"It's taking advantage of the fact that the DC system, which this is intended to replace, requires a contribution every year," Mr. Friend said in a telephone interview. It would prevent companies or public entities from taking funding holidays as well as having to make large contributions some years to close funding gaps, he added.

Mr. Friend said the plan design has been extensively back-tested and actually provides a better overall benefit than traditional existing DB plans.

"It's more advantageous for this (plan) than a regular DB plan because it's getting funded every year," Mr. Friend said. "I expect the private sector to convert back to this from where they're at with DC plans."

The design has not been adopted yet, but Mr. Friend said there is quite a bit of interest in plans trying to get more information on the design.

More information and examples can be seen on the Double DB website created to promote the plan.

Neb. lawmakers override veto on retirement bill
MAY 14, 2013 9:02 PM • ASSOCIATED PRESS

Nebraska lawmakers on Tuesday overrode Gov. Dave Heineman's veto of a public-employee retirement bill, holding in place a deal that was struck to shore up the retirement plans of teachers, judges and state patrol troopers.

The 32-1 vote came one day after Heineman, a Republican, criticized the measure as an unfair increase for state taxpayers. Supporters of the bill argued that failing to pass it would only postpone tough decisions on the state's unfunded, $2.2 billion pension liability.

The bill holds a nearly 10 percent contribution rate for teachers, reduces benefits for new hires, and increases the state's contribution from 1 to 2 percent.

In his veto message, Heineman criticized the proposal to increase the state's contribution. He said the increase would cost the state an estimated $20 million a year _ an amount that would grow over time _ in addition to the roughly $20 million that the state already pays.

Heineman also took issue with assumptions that the investments would see 8 percent annual returns, saying those estimates were unrealistic. He called for a study so lawmakers and the public can better understand the system's liabilities, and make changes next year.

Heineman's budget recommendations did not include a solution to the projected shortfalls in the school, judges' and troopers' retirement plans. The bill's sponsor, Sen. Jeremy Nordquist of Omaha, said past governors have worked to address state-pension shortfalls.

Nordquist said the bill was an attempt to move forward with the state's 30-year pension obligation. Nordquist said the state would end up paying more in future years if lawmakers failed to take action.

"It's time for us to step up and address this in a comprehensive manner," he said.

Heineman has said he supports a short-term fix within the legislation, which would change employee contributions from a specific dollar amount to a percentage of their overall pay. As employee salaries increase, the amount contributed to retirement would increase in tandem.

Sen. Greg Adams of York, a retired teacher who receives a pension, said the bill is a "double-edged sword" for the state. Adams said he was concerned about whether the system was sustainable over the long term.

"I don't want school boards and taxpayers to constantly be in a bind over this," Adams said. But "it's here, like it or not, and we have obligations."

Sen. John Harms of Scottsbluff, a member of the budget-writing Appropriations Committee, said failure to advance the bill would force lawmakers to fulfill their immediate obligation by tapping the state's general fund or rainy-day account. Such a move would require lawmakers to pull $98 million for the next two-year budget, wiping out all other bills that cost money.

"We need to fund this," Harms said. "Then, if you want to study other ways we might try to deal with this, then fine."

Sen. Bob Krist of Omaha introduced a resolution Tuesday to study all state retirement plans, including those for the state, counties, schools, the state patrol and judges.

LEGISLATURE: Key Teachers Retirement System reform bill passes

Community report | Posted: Friday, May 17, 2013 6:38 pm

After three and half months of gaining and losing ground in a hard-fought battle for pension reform, Chairman Bill Callegari passed the Teachers Retirement System (TRS) reform bill today on the floor of the House with a vote of 139-0 in favor.

Senate Bill 1458 has passed both Chambers of the Texas Legislature, thanks to the efforts of Representative Callegari and Senator Robert Duncan. Senator Duncan has worked to improve the state's pension systems for close to a decade, and both legislators believe SB 1458 is the most practical solution to a difficult policy change that draws emotional reactions from both sides of the aisle. The engrossed version of the bill was developed to satisfy the needs of both retired and active educators who participate in TRS.

Through increased contribution rates from the state, school districts, and participants, and minor changes to benefits, the bill will accomplish three goals: incentivize the state to maintain a reasonable contribution rate, stabilize the TRS-Care fund, and provide a much needed, long-awaited cost-of-living adjustment (COLA) for educational retirees. Before today's floor debate, the bill would have provided a COLA to those participants who have been retired for 15 years or more, helping approximately 102,000 retirees. The amendment Callegari introduced today expanded the recipients to include those who have been retired for 10 years or more, allowing the adjustment to benefit approximately 200,000 retirees - all the while placing TRS in actuarial and financial soundness for the first time since 2001.

Officials ponder plans for pension reform
Intelligencer Journal, Lancaster New Era
Originally Published May 29, 2013 19:38
By CHIP SMEDLEY

HARRISBURG — One senator accused Gov. Tom Corbett's administration of attempting to "demonize" state employees and teachers.

Another senator suggested to representatives of the Pennsylvania State Education Association and the American Federation of State, County and Municipal Employees that their organizations were spreading misinformation.

Those two opposing viewpoints voiced at a hearing before the Senate Finance Committee on Wednesday are indicative of the depth of emotional responses to Corbett's calls to reform the state's underfunded pension system.
In the middle of the debate sat state Sen. Mike Brubaker, who chairs the Finance Committee and who led the hearing.

Earlier this month, the Republican legislator unveiled a comprehensive pension reform bill — arguably the first significant development on the issue in the Legislature. Wednesday's hearing was designed to debate the merits of his proposal and provide unbiased information about his plan.

The financial pressures from the state's pension system have loomed over state finances for more than a decade. While the issue was being discussed in Harrisburg, the liability grew to $47 billion.

The legislation would tackle escalating costs by reducing the annual amount the state is required to contribute to its two retirement systems — one for state employees and lawmakers, the other for teachers and staff — and by trimming pension benefits for current employees by changing the way those benefits are calculated.

Brubaker's plan mirrors Corbett's proposal in that, starting Jan. 1, 2015, all new hires would be enrolled in a defined-contribution pension plan, in which the state's school districts would contribute a fixed amount yearly to each plan.

The current pensions are defined-benefit plans in which retirees get a specific monthly payment. The pension crisis was caused by what Corbett spokesman Jay Pagni called after the hearing a "perfect storm" of benefit increases awarded when the fund was healthy, the subsequent collapse of the stock market and, in the wake of that, intentional underfunding by previous administrations. That, said Ted Kennedy, assistant general counsel of state relations for American International Group, is a common problem in states across the nation.

And Luke Martel, senior policy specialist of the National Conference of State Legislatures, reported that from 2009-13 eight states "made fundamental changes to their pension plans" and, during that same time, 27 states increased employee contributions to the plans.
Testimony provided by state budget secretary Charles Zogby —\!q who was accused of the "demonization" tactics by Sen. Rob Teplitz, a Democrat who represents portions of Dauphin and York counties — differed greatly from testimony presented by David Fillman, executive director of AFSCME Council 13; W. Gerard Oleksiak, vice president of the PSEA; and Sen. John

Eichelberger, a Republican whose 30th District encompasses Bedford, Huntingdon, Blair, Fulton and part of Mifflin counties, who asked if misinformation campaigns were attempting to scare their organization members and convince them to spread the information to others.
However, the rest of the hearing's participants were thanked by committee members for the copious information and insight they provided.

All in all, Brubaker was pleased with the results of the hearing, he said.
"This committee is bipartisan in that we are interested in facts and are not interested in political posturing," he said. "I was delighted that it was not one-sided. What was helpful to me was that we heard both sides of each and every issue."

He said emotions run high because of a pension "differential which is causing friction. Government people have defined benefits, public sector workers don't, and I believe the public sector is losing patience."

Asked if he believes public opinion works to his advantage as he pushes his bill, Brubaker said, "Yes, it does."Acknowledging he is getting pushback from members of the Legislature on his reform bill, Brubaker said, "I know it's a tough vote for a lot of members."

Yet he vowed to continue the fight.
"I'm the chairman of the Finance Committee and I have a huge appetite for this topic," he said. "The No. 1 question is, Is the pension system economically viable and sustainable? Some people believe it is. I, personally, do not."I firmly believe we need to make pension changes in Pennsylvania."

Retired teachers' double-dipping rules tightened again
Associated Press , May 29, 2013

The Wisconsin Legislature's budget-writing committee has toughened the requirements affecting teachers and university faculty who retire and then want to go back to work.

Last week the Joint Finance Committee voted to prohibit public employees who retire but then accept another government job from being able to collect their pension if they work more than 1,392 hours in the job.

On Wednesday, the committee created a new, lower threshold for teachers at 1,044 hours. It also applies to school district administrative staff as well as university faculty, staff and administrators.

Committee co-chair Rep. John Nygren said the change was needed in order to be consistent from one class of employee to another given that teachers typically work nine months out of the year.

A Legislative Audit Bureau report from December found that only 26 of the nearly 2,800 rehires on the state level chose to suspend their retirement benefits during their return stints.

The audit also found that the University of Wisconsin System and state agencies rehired 2,783 annuitants from the beginning of 2007 through early 2012. More than 1,000 school districts and local governments reported hiring 2,599 annuitants between January 2011 and

March 2012. The vast majority of the rehires worked fewer hours for a year or less.

In one high-profile case from 2011, UW-Green Bay vice chancellor for finance and business Tom Maki negotiated a new contract shortly before he retired. He was rehired to the same position three weeks later, enabling him to collect retirement benefits estimated at up to $70,000 as well as his $131,000 annual salary. An investigation concluded the re-hire didn't conform to state policy and Maki resigned.

GOP scales back demand for Ore. pension cuts

By Jonathan J. Cooper on May 31, 2013

Oregon Republican leaders hoping to keep alive their demands for tougher cuts in pensions for retired government workers unveiled their latest proposal Thursday, scaling back their earlier demands but still pushing to go farther than majority Democrats say they're willing to go.

Leaders of both parties have been talking in fits and starts for months about a compromise that would give Republicans the pension cuts they seek and Democrats the new tax revenue they'd like.

The latest GOP proposal would save state and local governments about $1.4 billion in contributions to the Public Employees Retirement System over the next two years through steeper cuts to inflation adjustments and a variety of other changes. Some Republicans had initially fought for as much as $2 billion in cuts.

"The status quo is killing schools and local governments," said state Sen. Ted Ferrioli of John Day, the Senate Republican leader. "These entities can't sustain their basic programs in the face of PERS premium increases. Those cost increases are literally gobbling up programs and services."

Republicans pitched their plan as a compromise that makes concessions to Democrats, although it would still affect current state workers, who Democratic House Speaker Tina Kotek has said should be protected from further pension cuts.

"This is not a compromise plan," Kotek said. "This is far outside the middle ground the governor proposed and Democrats agreed to in order to make an historic investment in education."

Democrats earlier this year enacted about $460 million worth of pension cuts, primarily by scaling back inflation adjustments on a graduated scale for retirees earning at least $20,000 a year. GOP lawmakers objected, saying the savings were paltry and wouldn't address the long-term cost of retirement benefits.

Democratic Gov. John Kitzhaber this month proposed pension cuts that would save up to $900 million when combined with the earlier pension cuts. It would eliminate or scale back one particularly costly method of calculating pension payments known as the "money match." Kitzhaber's proposal would affect only inactive members of the pension system, who have left their government job but not yet started collecting their pension.

"The bad news is we're still far apart. The good news is we're still talking," Kitzhaber said in a statement. "It's time to get this done for Oregonians."

The latest GOP proposal would cut cost-of-living adjustments much steeper than the bill Democrats enacted, virtually eliminating inflation increases for all but the first $20,000 of a retiree's annual income. Republicans also propose making it harder for workers nearing retirement to boost their final salary for a higher pension payout.

Billings' share of state pension deficit: $53 million

JUNE 01, 2013 12:00 AM • BY ED KEMMICK, Billings Gazette

The director of finance for the city of Billings recently presented a sobering statistic to the City Council.

At a work session on the budget for the coming fiscal year, Pat Weber told the council that the city's share of the projected deficit in the state's main pension fund has been pegged at $53 million.

"They all perked up when I said $53 million," Weber said.

As alarming as the figure might sound, there's not much the city can do about it, Weber said. Retired city employees take their pensions from the state Public Employees Retirement System, and any changes to the system have to come from the state.

The 2013 Legislature did enact some changes that are designed to make the PERS actuarially sound in 2014, meaning at that point the state will be able to pay the unfunded liability within 15.2 years.

The only immediate concern for the city is what effect, if any, the city's share of the unfunded liability will have on its ability to finance bonds.

"I don't know what this is going to do with credit-rating agencies -- what they're going to do when we go to sell bonds," Weber said.

An estimate of the city's unfunded liability was worked up in response to new rules established by the Governmental Accounting Standards Board. The federal board decreed that starting in 2015, local governments will have to include estimates of unfunded liability in their annual financial statements.

At a recent accounting conference he attended, Weber said, a Bozeman accountant who has done work for the city of Billings came up with an estimate of the city's unfunded liabilities for the current year, arriving at the $53 million figure.

The estimate won't be formally included in financial reports for another two years, Weber said, but at least city officials and City Council members now know what they're dealing with.

The state of Montana has eight public pension funds, including the PERS, which had a combined potential shortfall of $4.4 billion as of mid-2012.

It remains to be seen whether the pension changes adopted by the Legislature will survive a threatened court challenge. An association of retired public employees has vowed to challenge the constitutionality of one provision of the pension fix, which would reduce the cost-of-living adjustment for retirees from 3 to 1.5 percent.

City Administrator Tina Volek said it would be a shame if the new reporting requirement affected the city's bond rating, given that city officials have successfully raised that rating in recent years.

In the past couple of years, she said, the city took advantage of its higher rating to refinance several outstanding bonds, saving millions of dollars in the process.

"Of course we'd be disappointed if anything happened to that rating," she said.

PERS board considers expensive changes
Written by Hannah Hoffman Statesman Journal, Jun. 1, 2013

The one bill passed this year designed to lower the cost of Oregon's public pension system might end up having little effect if the Public Employees Retirement System board stays on its current path.

The board appeared poised to reduce its "assumed return rate" on investments at its Friday meeting. The vote will be in July, and if the board accepts its actuaries' recommendation, the savings from Democrat-backed Senate Bill 822 will be wiped out.

The cost of PERS was set to increase significantly July 1, and again in 2015.

Senate Bill 822 cuts benefits enough to let employer rates come down by 2.5 percentage points. The legislature added a budget note that asked the board to defer another 1.9 percent of the scheduled rate increase to 2015. It adopted that Friday.

However, that bill coincided with a long-term push to lower the assumed investment rate on the PERS fund from 8 percent 7.5 percent.

The problem is that planning for lower investment returns means employers — school districts, counties, cities and the state — will have to pay a higher percentage of their payroll to offset the lower returns. Actuaries said an assumed rate of 7.5 percent would mean an increase of 2.9 percentage points for employers — wiping out the savings from SB 822 and then some.

It looked likely Friday that the board would adopt a lower assumed rate in July. If not 7.5 percent, it likely will be 7.75 percent. "If this board chooses to do nothing, I think it's going to be subject to a lot of criticism," board chairman John Thomas said. "It would be really difficult for this board to stay at 8 percent because there's no evidence to support that."

Most board members seemed to agree with him, but member Pat West repeatedly said that the PERS fund has earned about 10 percent on average during the past 20 years, much higher than 8 percent. Even so, the general consensus pointed toward a lower rate.

To top it off, two city officials testified in opposition to the 1.9 percentage point rate deferral the board adopted at the legislature's request. It will save money for two years but will cause rates to increase significantly in 2015, as it will add on to the increase already scheduled in that year. If combined with a lower investment rate, it could make the increase quite significant.

Nancy Brewer, financial manager for the City of Corvallis, said she didn't want the short-term savings from the Democrats' plan. "I wish you had not done that because it's just going to come back and bite us in two years," she said. "We won't have more money in two years."

Lance Colley, city manager for Roseburg, agreed. "It was an arbitrary request by the legislature because they wanted to spend it on something else," he said.

Lawmakers again fail to reform state's pension system

MAY 31, 2013 8:44 PM • KURT ERICKSON, LEE SPRINGFIELD BUREAU

SPRINGFIELD – Illinois lawmakers exited the Capitol Friday evening without resolving what has been described as their No. 1 challenge: Reforming the state's underfunded pension systems.

If the hasty retreat seemed familiar, it was because members of the General Assembly have done it before.

"I feel like I'm hearing the same speeches tonight that I heard a year ago. It is mindboggling to me," said House Minority Leader Tom Cross, R-Oswego.

Even though the House and Senate and the governor's office are controlled by Democrats, the majority party could not piece together a solution to a problem that is considered the worst in the nation.

Not only is the $97 billion pension shortfall squeezing money from other parts of the state budget, but it also could negatively affect Illinois' lowest-in-the-nation bond rating.

Moody's, Standard and Poor's Ratings Services and Fitch Rating all have said the state faces further downgrades if the system isn't overhauled.

"The failure of the Democrats to accomplish pension reform eclipses everything accomplished this session. It is a massive failure despite their substantial majorities," said Senate Minority Leader Christine Radogno, R-Lemont. "The failure of pension reform will have a devastating effect on the state and will almost surely result in a yet another credit rating downgrade. The further Illinois sinks, the harder it will be to recover."

For now, however, employees and retirees who were looking at the possibility of working longer, paying more toward their retirements and health insurance and seeing reduced cost-of-living increases are safe from any changes.

The 2013 death knell of pension reform came on Thursday, when the Senate dumped a comprehensive pension reform package that had come over from the House. Hours later, the House allowed a Senate-backed plan to die a parliamentary death.

House Speaker Michael Madigan, D-Chicago, signaled that lawmakers may be back to work on pensions before the fall veto session starts in October.

"I don't think we should take our lack of success today as a reason to give up," Madigan said.

"I am committed to staying at the table until a comprehensive solution is passed into law," said Senate President John Cullerton, D-Chicago, who argued that a Madigan-backed plan would have been ruled unconstitutional.

Gov. Pat Quinn lashed out at the two leaders.

"This is wrong. I will not stop fighting until pension reform is the law of the land," he said in a prepared statement.

Rank-and-file lawmakers hope top leaders can find some common ground.

"I hope they don't call us back until they have something they think will pass," said state Rep. Pat Verschoore, D-Milan. "It's something that has to be done or there won't be pensions there for the people who are in the system now or in the future."

State Rep. Brad Halbrook, a freshman Republican from Charleston, said Quinn didn't appear to be engaged for much of the legislative session.

Asked if he'd been lobbied by the governor this spring, Halbrook said, "I've never met him."

"It would go a long way if the governor was around. I think it would make a difference," Halbrook said.

Even a smaller scale change failed to win approval. After the House narrowly approved a plan that would shift the cost of pensions to colleges and universities, the measure fell nine votes short of passage in the Senate.

Under the cost shift plan, the state would have gradually phased itself out of providing money to public universities and community colleges to pay for their employee retirement packages.

Universities and colleges had agreed to take on the costs in exchange for a loosening of some state oversight on purchasing and inventory.

Lawmakers acknowledged their failure wouldn't be popular back home.

"I know the taxpayers are going to be disgusted with us," said state Rep. Jack Franks, D-Marengo.

"The Democrats control this place and they can't get any results. They just can't govern," said state Rep. Bill Mitchell, R-Forsyth. "They are having a hard time."

"I understand the public's frustration because I share that frustration," said state Rep. Dan Brady, R-Bloomington. "It's the noose around the neck of state government."

The cost shift legislation is Senate Bill 1687.

Pennsylvania's public pension gap grows to $47 billion

Wed, Jun 5 2013, By Hilary Russ

The unfunded liability of Pennsylvania's two major public pension funds grew in 2012 to $47.1 billion, according to a report on Wednesday - a development likely to be watched closely by credit rating agencies that have downgraded the state over the looming pension problem.

One pension that covers most state workers besides teachers saw its unfunded liability grow by $3.09 billion to $17.75 billion. Most of the increase - $2.54 billion - stemmed from the final year of a five-year plan to smooth investment losses the fund incurred in 2008 during the recession, according to the actuarial report on Pennsylvania's retirement system for state employees. The fund's fiscal year ended on Dec. 31.

Recognition of the loss also pushed down the plan's funded ratio, to 58.8 percent from 65.3 percent, the report found. While a funded ratio of 80 percent is considered healthy, there are other states whose public pension systems are in worse condition.

The state's other big pension fund, for teachers, has an unfunded liability of about $29.53 billion. That brings the state's total unfunded liability - the shortfall between how much money the funds will have to pay for future benefits - to $47.1 billion for the two funds.

To cope with the looming pension problem, Pennsylvania Governor Tom Corbett proposed changes to the state's pension system in February in conjunction with his $28.4 billion budget plan.

Among other proposals, his plan would ease financial pressure on municipalities by allowing them to defer increases in their pension contributions into the state system. The state already implemented such limits under reforms passed in 2010, but Corbett's proposal would push them back further.

On its own, such a move would widen that $47 million future shortfall by another $5 billion. To offset the reduced contributions, Corbett also suggested cutting future benefits for current employees and moving new hires to a 401(k)-style defined contribution plan.

Hay Group, the actuary for the state employee's pension fund, said in its report on Wednesday that it is "essential" for the state to adhere to contribution limits already in place in 2010.

While it would be preferable to fully fund the system, the existing limits do "represent an important and necessary funding deferral mechanism for a temporary period" at a time of "extraordinary funding challenges" that Pennsylvania is facing in the coming years, the actuary said.

Corbett was pushing for passage of his pension plan in conjunction with the fiscal 2014 budget, which lawmakers must approve by June 30.

So far, the state legislature has focused instead on the privatization of Pennsylvania's state-run liquor stores and a $2.5 billion transportation funding proposal.

Lawmakers to consider retirement savings fund for all workers in Oregon

By Hannah Hoffman, Statesman Journal

Never is the contrast between the public sector and the private sector more pronounced than in discussing retirement programs. Public employees in Oregon have a system dedicated to making sure they have a real pension and real retirement savings, but half of all working Oregonians don't have access to any pension program at all through their employer.

The legislature has started taking steps this year to end this disparity, but the steps so far are small. It's working on House Bill 3436, which would ask for a study of possible ways to create a state-run (but not state-funded) investment pool for Oregonians to save for retirement, much like the Oregon College Savings Plan. The bill would originally have created the program but has been scaled back to commission a study first.

The idea was aired out on May 28 at a forum that brought together lawmakers, industry experts and state Treasurer Ted Wheeler.

The discussion centered around a plan that would create an automatic IRA account for all Oregon workers. They would be enrolled through their work, and a state investment board made up of private-sector experts would invest the money on the workers' behalf. It would cost the employer nothing, and workers would be able to opt out or modify their plans.

David John, an analyst with the AARP who has worked for both the Heritage Foundation and the Brookings Institution, said he has studied and helped create a plan like this.

He said the plan has been very popular where it has been tried. Most stayed in the program and like that it was automatic but allowed individual input in the investments. And he said participants preferred this model to investing through a bank, which many people didn't trust.

"This is a problem we can solve," John said.

Everyone at the forum agreed that a lack of retirement security for Oregonians is, in fact, a big problem.

Nari Rhee, a researcher for the National Institute on Retirement Security, said the average middle class worker needs about $500,000 in savings to retire comfortably. However, 80 percent of American households don't have even one year's income in savings. They should have about 10 times their income saved for retirement, she said.

Minorities and women are less likely to have any savings, Rhee said. And New School economist Theresa Ghilarducci said about 36 percent of the middle class will be poor or close to it in retirement. Only 7 percent of people with "defined benefit" pensions — the kind provided by the Public Employees Retirement System — will be poor.

Wheeler and the lawmakers present, Sen. Lee Beyer, D-Springfield, and Rep. Jules Bailey, D-Portland, agreed that it's a serious problem. Beyer and Bailey are sponsoring HB 3436, and they said they want it to open the door to all Oregonians having retirement savings in the bank. Too many people are relying on Social Security as their only source of income, they said.

Oregon isn't the only state considering this. California recently passed legislation to create the California Secure Choice Retirement Savings Plan, an automatic IRA like the one to be discussed in HB 3436.

Beyer said he's concerned Oregon could be looking at a repeat of the 1920s and 1930s, when poverty rates among the elderly were quite high. And in fact, about 11 percent of Oregon seniors live in poverty now, according to the U.S. Census Bureau.

"Americans are not doing very well managing their own money," Beyer said. The hope is the plans like HB 3436 can help them do better, he said.

Trustees to dictate pension cushion
June 07, 2013|By Bob Mercer, American News Correspondent

PIERRE — In the past five years, the trustees for the South Dakota Retirement System changed bookkeeping practices several times, so that unfunded long-term liabilities would be spread over 30 years.

The longer amortization period, which was brought to the trustees by the SDRS administrators and their outside consultants, allowed the public pension system to seem financially healthier than when those liabilities were on a 10- or 20-year schedule to be paid off.

Now the administrators and consultants are asking the trustees to reconsider.

The SDRS investment portfolio picked up 19.8 percent in market value during the first 11 months of fiscal 2013 and, as of May 31, stood at a historic high of $9.1 billion.

That windfall means the system has a cushion in the neighborhood of about $1 billion.

The question posed last week for the trustees to start to ponder is whether to use a large portion of that windfall to cover all of the unfunded long-term liabilities, which total more than $600 million.

SDRS got in financial difficulties during the past decade through a series of optimistic decisions and roller-coaster markets unlike anything before experienced by the State Investment Office.

The investments plunged in value in 2008 and 2009, and then gained quite a bit back in 2010 and 2011. But investments fell short in 2012, gaining about 2.9 percent, far below the 7.25 percent average annual return on which the system is premised.

The system has about 75,000 current members and is open to public employees of state government and state universities in South Dakota, as well as more than 400 participating units of local government such as school districts, counties, cities and others.

If the 2013 fiscal year ends June 30 with a total return of 17.5 percent, the system would have a cushion of $832 million, said actuary Doug Fiddler of Buck Consultants.

Paying off the unfunded liabilities would leave a cushion of $197 million, Fiddler said.

That would mean SDRS would stand fully funded for the first time in years.

But if the expected windfall is kept entirely instead as cushion for some future use, SDRS would be only 93 percent funded in actuarial terms — but 102.5 percent funded when market value is used.

Paying off the unfunded liabilities made sense to trustee Eric Stroeder of Glenham.

"This seems simpler to me," he said during the discussion Thursday.

The different approach would be a fundamental shift away from saving cushion for future benefit improvements, trustee Steve Zinter of Pierre said.

Paul Schrader of Buck Consultants said benefit improvements would still be possible if enough money eventually accumulates as cushion.

"We're a long way away from benefit improvements, no matter how great this year is," Schrader said.

The board's chairman, Elmer Brinkman of Watertown, asked for a show of hands from trustees interested in looking further at paying off the unfunded liabilities.

Not all of the trustees appeared to raise hands in the informal vote, but none appeared to vote against.

"It looks to me like the preponderance would favor paying off the debt if we're able to," Brinkman said.

SDRS administrator Rob Wylie said the system had "a great run in the marketplace" especially during the late 1990s, when the trustees improved benefits five times in six years.

That was then. Now Wylie, Brinkman and the consultants seem focused most on managing risks to SDRS.

"It will be very difficult to do fixed improvement from now on," Wylie said.

Pension overhaul looks to be GOP priority in 2014

By Sean Murphy, Associated Press, June 9, 2013

OKLAHOMA CITY — With an unfunded liability among Oklahoma's seven major pension systems exceeding $11 billion, several Republican leaders have said changing from a traditional pension to a 401(k)-style retirement account for new state workers will be a top priority during the 2014 legislative session.

The unfunded liability, which is the amount owed to pensioners beyond what the system currently afford to pay, has become a growing concern for Gov. Mary Fallin and other state leaders, who say it hinders the state's effort to improve its bond rating.

"It's not the Legislature that has to go to New York to defend our credit rating and our balance sheet to the rating agencies," said Oklahoma Treasurer Ken Miller. "It's the governor and myself, and we have a balance sheet problem because of pension debt, and we have to fix that."

Newly hired state workers would no longer enjoy a traditional pension system under a proposal endorsed by Miller and Fallin that is expected to be well-received by the Republican-controlled Legislature. Last session, both the House and Senate easily passed a bill that would have given newly hired state workers the option of enrolling in a new defined contribution, 401(k)-style retirement system, but Fallin vetoed the bill saying it didn't go far enough.

"I am ready and willing to tackle this issue," Fallin said in her veto message. "I look forward to working with the Legislature during the interim to create true pension reform for the state of Oklahoma."

In a statement last week, Fallin said she wants to make clear that she does not support changing the pension system for current state workers, but that changes must be made to shore up the system to protect that system moving forward.

"I am committed, however, to working in the interim with all parties to come up with a pension reform proposal that can be introduced at the beginning of the 2014 legislative session," Fallin said. "That proposal will offer meaningful improvements to state pension systems, ensure the long term sustainability of our pension plans, and offer savings to the state.

"All of this is necessary to guarantee the state of Oklahoma can keep the promise it has made to public employees and retirees."

Jess Callahan, a 30-year-old social worker for the Department of Human Services, said he believes state workers can support the idea of shifting to a 401(k)-style retirement system where the state matches employee contributions up to a certain amount if the savings are used to shore up the existing pension systems or on other benefits for state workers, like pay raises.

"We know pension reform is happening, and we're OK with that, as long as we have a seat at the table, and that the savings that are realized are rolled back in and benefit state workers," Callahan said.

Treasurer Miller, who has worked with Fallin on pension issues over the last year, said one of the issues that must be determined in the interim is what kind of defined contribution plan to develop.

"Should it be a hybrid, which is referred to as the cash-balance plan, which has a guaranteed return, and is certainly more political viable if you're talking to the various interest groups that represent pensioners or state employees, or is it the traditional 401(k) account?" Miller said.

Miller said he and the governor also will continue to pursue a separate proposal to consolidate the administration of all of the state's seven different retirement systems. That plan, which came together late in the 2013 legislative session, was fiercely resisted by groups representing firefighters and teachers, but Miller said the savings to the pension systems could be as high as $50 million annually.

"The largest amount of cost savings comes from a reduction in fees from consultants and managers," Miller said.

Montana's new pension law details take some lawmakers by surprise

JUNE 14, 2013 10:00 PM • BY CHARLES S. JOHNSON, The Missoulan

HELENA – Some legislators were surprised to learn that a new pension-fix law increases contributions by workers and government agencies for only six months, but keeps in place lower cost-of-living pension adjustments for retirees possibly into the next decade.

At issue is a late and multi-faceted amendment that Senate Minority Leader Jon Sesso, D-Butte, made in a Senate committee to change House Bill 454, by Rep. Bill McChesney, D-Miles City. The 2013 Legislature passed the amended bill late in the session.

Gov. Steve Bullock received the bill after the Legislature adjourned and signed it into law. It was too late to make an amendatory veto to fix it.

The complicated law is intended to fix the troubled finances of the Public Employees Retirement System, or PERS. It relies on a three-pronged approach to improve the finances of the pension fund, which lost about one-fourth of the value of its investments during the recession in 2008. It takes effect July 1.

First, the bill increases the payroll contribution rates for government workers and employers by 1 percent apiece.

Second, it permanently lowers the Guaranteed Annual Benefit Adjustment (GABA) – the cost of living increase that retirees receive annually on their pensions – from 3 percent to 1.5 percent, with potential to drop further in certain cases, or even to zero, depending on the system's "funding ratio."

Groups of retired public employees and unions have already pledged to challenge the GABA reduction in court as unconstitutional.

Finally, it pumps in millions of dollars in coal severance tax collections and coal tax permanent trust fund money into the pension fund each year.

Members of the Legislative Finance Committee, meeting earlier this week, said they had not been aware until recently that the higher employee/employer contribution rates will end in January 2014, while the lower GABA rates continue. However, a final fiscal note on the bill, issued April 19, pointed out it would do just that.

They learned that the Public Employees Retirement Board had filed for temporary, emergency rules to take effect July 1 so its actuary can analyze the system for fiscal year 2013 to determine valuations, projections of amortization periods and funding level percentages. Those in turn help determine the contribution rates and GABA rates. He would start the evaluation July 1 after rules implementing the new law are in place.

"Wasn't it intended that there would be a hierarchy of measures used to reform the system?" Sesso asked. "And we started with the 1 percent (contribution increase) solution and then we got to second base, and in order to score the run, we had to do something with the GABA. We never meant the GABA to take precedence over the 1 percent."

Other legislators agreed that was what the Legislature had intended.

However, both a Legislative Services Division lawyer and the chief attorney for the Public Employees Retirement Administration said in response to their questions that what the law actually says takes precedence over legislative intent.

"Legislative intent is looked at when a statute's ambiguous, and the issue here is it's not ambiguous," said legislative attorney Julie Johnson. She added that "it's pretty clear in the bill as passed and approved that GABA is going to be decreased and that those employer contributions are going to go away first and pretty quickly."

Melanie Symons, chief counsel for the Public Employee Retirement Administration, said in response to another legislator's question: "We don't see anything in HB454 that would allow contributions to increase again. There's no trigger that would reinstate the contributions."

The issue arose when the Public Employees' Retirement Board recently adopted temporary emergency rules taking effect July 1.

The Legislative Finance Committee disagreed. It formally asked the board to repeal these rules and to have its actuary conduct his evaluation based only on the current law in effect June 30 – not the new law that takes effect July 1.

Symons said Thursday the rules can't be withdrawn but could be repealed as of July 12. The Public Employees' Retirement Board will meet Wednesday to discuss the legislative committee request.

The Association of Montana Retired Public Employees already has voted to file a lawsuit challenging the reduction in GABA, with public employee unions likely to join. They contend that the reduction in GABA is an illegal impairment of a contract that public employees had with the state.

The Bullock administration agrees with the concerns of the association and unions and expects the GABA reduction to be ruled unconstitutional in court.

"From a purely financial position, GABA litigation being successful maintains the 1 percent additional (employer and employee) contribution," said Bullock's budget director, Dan Villa. "It keeps the system more solvent longer. So yes, that litigation being successful is good for the actuarial soundness of the system. It fixes a lot of problems."

However, Sen. Ed Walker, R-Billings, said, "This just really confirms our fears that we brought up during the session that this is a taxpayer bailout if the GABA decrease goes down."

Traditional Pension Plans Can Still Work. Really.

By David Crane - Jun 24, 2013

Some hedge-fund managers recently came under pressure from the American Federation of Teachers to quit the boards of certain organizations, such as Students Firstand the Manhattan Institute for Policy Research, that favor the elimination of public-sector defined-benefit pension plans.

Those organizations should reconsider their view. Defined-benefit plans aren't to blame for the crushing costs of pension liabilities in the U.S.

Defined-benefit plans are a type of pension in which an employer promises its employees a specified monthly benefit on retirement. With these plans, workers can count on future income and needn't worry about investment risk.

These traditional retirement benefits have been disappearing in the private sector, generally replaced by 401(k)-type plans that provide investment capital to employees but don't guarantee specified future benefits. Yet defined-benefit plans remain the dominant form of pension for state- and local-government employees, including public-school teachers.

As exploding pension costs divert money from classrooms and other public services, some free-market and school-reform organizations have argued that education funding would be better protected if governments moved to 401(k) plans. That would be throwing the baby out with the bath water. Properly managed,defined-benefit plans can work just fine.

The key is setting aside enough money when the promise is made so that, with reasonably expected investment earnings on those set-asides, there's enough money when the promise has to be met. The level of those set-asides, or contributions, is based on investment-return assumptions.

Protecting Returns

Let's say your employer makes a promise to pay you $100 in 20 years. To meet the obligation, it contributes money to a company pension fund that invests that money with the goal of having $100 on hand when payment to you is due. If your employer assumes the pension fund will earn 8 percent per annum, the amount it must contribute upfront is $21.45.

Everything works out fine if the actual return equals the expected return. But if the pension fund earns less than that, a deficiency is created. Because of compounding, the deficiencies are multiples of the upfront contributions. For example, if your employer assumed 8 percent but earned 6.6 percent per annum, then there will be only $77.03 in the fund when payment is due. The employer must dig into its pocket for $22.97 to make up the difference. In total, your employer will have spent $44.42 ($21.45 plus $22.97) to generate a $100 benefit for you.

If your employer had assumed 6.6 percent at the outset, however, it would have contributed $27.85 upfront -- and nothing more. In other words, had your employer contributed an additional 6.4 percent from the start, its total costs would have been 37.30 percent less.

Public plans get into trouble when politicians manipulate investment-return assumptions to minimize upfront contributions at the expense of creating large deficiencies down the road. This allows elected officials to make promises without consequences until they are long gone.

There are models of well-managed defined-benefit plans. For example, several subsidiaries of Berkshire Hathaway Inc. (BRK/A) offer their employees benefits funded through assets held in pension-plan trusts. According to Berkshire's annual report, these assets are "generally invested with the long-term objective of earning amounts sufficient to cover expected benefit obligations, while assuming a prudent level of risk."Consistent with that objective, Berkshire assumes a 6.6 percent rate of return -- a fraction of that assumed by most public-sector defined-benefit systems.

Unlike most politicians, evidently Berkshire's management is willing to suffer pain now to avoid more pain later, even though those longer-term consequences would probably take place after today's managers have departed.

Retirement security is a huge issue in the U.S. People need more, not fewer, options for supporting themselves after they stop working. But self-serving management of public-pension plans by short-term elected officials is threatening to remove defined-benefit plans from the mix. For that to change, citizens need to see that these politicians are little better than thieves, stealing from future generations.

Public pension costs swamp revenues of 10 U.S. states -Moody's

Thu, Jun 27 2013

* Illinois has the largest pension liability

* Big pension liabilities reflect long-term underfunding

* Nebraska has smallest pension burden

WASHINGTON, June 27 (Reuters) - Ten U.S. states have public pension liabilities that are at least as big as their annual revenues, according to a Moody's Investors Service report released on Thursday that found the Illinois pension bill was equal to 241 percent of its revenues.

The rating agency took a new approach to determining the health of public retirement systems by weighing each plan's net pension liability - the difference between the projected benefit payments and the assets set aside to cover those payments - against state revenue.

The typical discussion about how much money public pensions have is incomplete, said the author of the Moody's report, senior analyst Marcia Van Wagner. By comparing those amounts to states' revenues, though, the rating agency can get a better sense of states' abilities to pay for the obligations, she said.

For many of the states that ability is very limited. In nearly half, the pension liability is equal to half the state's annual revenue.

After Illinois, Connecticut had the highest pension burden in the country, with a pension liability equal to 189.7 percent of revenues. That was followed by Kentucky, at 140.9 percent; New Jersey, 137.2 percent; Hawaii, 132.5 percent; and Louisiana, s 130.2 percent. Colorado's net pension liability was slightly more than revenues at 117.5 percent and Maryland's slightly less at 99.5 percent.

"The states that have the largest relative pension liabilities have at least one thing in common: a history of contributing less to their pension plans than the actuarially required contributions (ARC)," Moody's said in the report, which looked at data for fiscal 2011.

On the other hand, states with pension liabilities that represented just a sliver of revenues, such as Wisconsin, "have little in common outside of a commitment to making full...payments to their pension plans."

Moody's said Nebraska is an exception, because the state pays low pension benefits that offset its history of underfunding. Its pension liability represent only 6.8 percent of revenue, the lowest in the country.

States and cities contributed less to their pensions than their actuaries suggested before the financial crisis. When their revenues crumbled during the 2007-2009 recession they cut back even more. In most states actuaries calculate how much the employing governments need to provide to make them whole.

"The importance of the funding history comes across in this analysis," said Van Wagner, adding that turmoil in the financial markets exacerbated the low funding levels. "It was easy to start out a little bit behind, and then fall far behind, and making it up is going to be challenging for states."

Investment returns provide the lion's share of public pension revenues.

For the report Moody's analyzed data from fiscal 2011, which ended on June 30, 2012 for most places. Illinois is notorious for both its underfunded retirement system and the political battles over how to fix it. In March, the state settled Securities and Exchange Commission fraud charges for allegedly misrepresenting the depth of its pension problems.

According to Moody's, Illinois has the largest net pension liability in the country, $133 billion, equal to $10,340 per person in the state. The liability is equal to 19.8 percent of the state's gross domestic product.

Only Alaska had a higher ratio of net pension liability to GDP, at 20.6 percent. Alaska, however, is awash with oil-related taxes. and its much smaller liability of $10.61 million is equal to 55.2 percent of its revenues.

California had the second highest pension liability, $120 billion, but that is only $3,206 per capita in the state, which ranks as the country's most populous.

State pension funds paying higher fees don't get better performance, study finds

By: Kevin Olsen

Published: July 2, 2013

State pension systems that pay the most money management fees often have some of the worst investment returns, according to a study conducted by the Maryland Public Policy Institute and the Maryland Tax Education Foundation.

The study looked at management fees for 46 states during fiscal year 2012 and compared investment results for the 35 pension systems with the fiscal year ending June 30. Hawaii, Nebraska, Rhode Island and West Virginia were not part of the study.

The 10 states with the highest fees had a median rate of 0.61% of total assets, compared with 0.22% for the bottom 10 states. However, the states paying the highest fees had an annualized five-year return of just 1.34%, compared with 2.38% for the lowest fee-paying states.

The five states paying the highest fees are, in order, South Carolina, Missouri, Pennsylvania, North Carolina and Maryland. South Carolina had a 1.31% rate, with Missouri at distant second at 0.94%.

The 46 pension systems had combined assets of more than $2 trillion and together paid more than $9 billion in management fees in 2012. The study said by indexing most of the investment portfolios, states could save $6 billion in fees annually without sacrificing returns.

"There is simply no correlation between high money management fees and high investment returns," said John J. Walters, co-author and visiting fellow at the Maryland Public Policy Institute, in a news release. "Retired state employees and taxpayers across the country are not getting their money's worth. They deserve a simpler, more effective investment strategy for their retirement savings."

The median five-year annualized return for plans with a June 30 fiscal year was 1.5% compared with 2.19% for an indexed portfolio. The index portfolio mimics the state pension asset allocation vs actual median performance.

The study recommends moving to indexed portfolios to achieve lower fees with similar, or better, returns. According to the study, for the five years ended Dec. 31, 69% of domestic equity funds failed to top the S&P 500 benchmark, and 13 of 14 fixed-income benchmark indexes outperformed actively managed fixed-income funds during the same period.

New rules would show public pensions in bad shape –report

Tue, Jul 2 2013 (Reuters) - U.S. state and local public pensions would have been a paltry 60 percent funded in 2012 if measured by new accounting rules set to begin taking effect next year, according to a report on Tuesday.

That compares with the 73 percent aggregate funded level as actually reported for 2012, according to a sample of funds studied in a report by the Center for Retirement Research at Boston College.

Under new Governmental Accounting Standard Board rules set to take effect over the next two years, state and local governments will report their net pension liability on their financial statements.

The changes - which do not affect what assets pension funds own but which may dramatically alter the accounting value of liabilities - will mean that some states and municipalities will have to acknowledge that pensions for police, firefighters, teachers or other municipal workers are woefully underfunded.

Under the new rules, pension funds judged to have insufficient assets to cover their obligations will have to project lower rates of return on their investments, closer to the yield on tax-exempt 20-year, AA-or-higher rated municipal bonds.

On Tuesday that yield was at 3.87 percent, according to Municipal Market Data, and it compares with the 7 percent to 8 percent projected rate of return used by major public pension systems. The higher the rate of return used, the lower future liabilities are.

If many plans end up using that lower rate of return under the new rules and the stock market remains healthy, the overall funding rate of U.S. public pensions would be about 72 percent in 2016, the report said.

If many plans don't end up using the lower rate, the aggregate funded ratio would be 83 percent under the new rules, compared with 81 percent under the current rules, the report also said.

A pension's funded ratio measures the amount of money a retirement system has on hand against its liabilities. A ratio of 80 percent is considered healthy.

Regardless of how the plans are measured, their funding levels should improve in 2013 and following years if the stock market remains healthy, the report said.

If the stock market remains upbeat in 2016, public pensions would be at least 81 percent funded on aggregate, using either current accounting methods or new GASB rules that call for valuing assets at a market rate.

"While the shift in GASB standards will make monitoring funding more difficult, the public pension landscape should improve over the next few years if financial markets do not collapse again," the report said.

Hatch Offers Pension Reform Bill; Experts Say It Wouldn't Work

by: Lynn Hume, The Bond Buyer, July 15, 2013

Warning of a growing public pension debt crisis, Sen. Orrin Hatch introduced reform legislation on Tuesday that would allow state and local governments to invest in annuity contracts with private life insurance companies for employee retirement benefits. But a number of pension experts questioned whether the proposal would work and at least one charged it is an effort to allow private insurance companies to raid public assets.

The senator from Utah, the top Republican on the Senate Finance Committee, introduced The Secure Annuities for Employee (SAFE) Retirement Act of 2013 in a speech before the Senate, warning, "America cannot continue sleepwalking into the financial disaster that awaits us if we do not get the public pension debt crisis under control."

Hatch said two years ago he warned that state and local pensions had a shortfall of as much as a $4.4 trillion in their collective public pension systems, "more than the total amount of municipal bond debt nationwide."

"Despite numerous legislative initiatives enacted at the state and local level, the public pension debt crisis has gotten worse, not better," he told fellow lawmakers. "As usual, governments have been slow to innovate, slow to adapt, and, when they have acted, their actions have been too limited to solve the problem."

He pointed to the financial crises of Vallejo, San Jose, Stockton, and San Bernardino, Calif., as well as Central Falls, R.I. and Detroit, Mich, saying, "Does anyone doubt that a state could be next? How many times does the credit rating of Illinois have to be downgraded before we act?"

Hatch said his bill would solve these problems by allowing governments to purchase annuity contracts for each worker every year during their career.

"With a SAFE Retirement Plan, employees receive a secure pension at retirement for life that is 100% vested, fully portable and cannot be underfunded," he said. "Employers and taxpayers receive stable, predictable and affordable pension costs. Underfunding is not possible. The life insurance industry pays the pensions and bears all of the investment risk."

SAFE plans "will be protected by a robust and multi-faceted state insurance regulatory system built to ensure financial strength and solvency, and backed up by a state-law based consumer safety net," Hatch added.

But Hank Kim, executive director of the National Conference on Public Employees Retirement Systems, was left scratching his head. "Public pension plans are already self-annuitized," he said. "To say the private sector would do it more efficiently, I just don't understand that rationale."

"At first blush, our feeling is this is a bill looking for a problem, he said, rejecting the claim that public pension systems have gotten worse. "No pension plan has ever gone bankrupt, but there are a slew of private insurance companies that have gone bankrupt," he said.

Earl Pomeroy, senior counsel at Alston & Bird here, a former congressman from North Dakota and North Dakota Insurance Commissioner, said, "This bill fundamentally doesn't work."

With current public pension systems, governments take the risk and "you have permanent entities with which to deal with," he said, noting 46 states have adopted pension reforms in recent years. But private insurance companies can fail and have failed, he said.

Pomeroy pointed to First Executive Life Insurance Company, the largest insurance company in California, which went bust in April 1991, shocking its policyholders and the financial world, after investing in junk bonds. "There have been a lot more insolvencies of insurance companies over the years," he said. A 1991 report by the then-General Accounting Office found life insurance company failures hurt many pension plans and retirees.

"I can't get past my suspicions that this really is about private sector interests in billions of dollars of assets held by public pension funds," Pomeroy said.

Hatch claimed his bill is not a gift to the life insurance industry, but is rather an opportunity for the industry to help solve a serious problem. He released several letters from groups and companies that he said support his legislation, including the National Association of Insurance Commissioners. A NAIC spokesperson said the group has no position on the bill and simply offered to work with Hatch on it. The bill was lauded by the U.S. Chamber of Commerce and life insurance companies and groups.

Dustin McDonald, director of the Government Finance Officers Association's federal liaison center, said GFOA will look closely at the bill and other tax reform ideas and how they will affect state and local governments. "While we have not fully evaluated Sen. Hatch's legislation, an obvious concern may be how governments could lose control over the funds and the important policymaking decisions made by the plans and participating governments and ensuring that defined benefit plans continue in this sector," he said.

William "Flick" Fornia, president of Denver-based Pension Trustee Advisors, an actuarial consultant to state and local pension plans, said the bill is unworkable. "I don't think it's going to work because the capital requirements for insurance companies are much more stringent that the requirements that the states put on themselves for their pension funds. Public pension fund earnings tend to be higher than insurance companies' [earnings] would be because of their investment flexibility and therefore the costs would go up quite a bit to try to have public employees insured."

California State Treasurer Bill Lockyer declined to comment on the bill, his press secretary Bill Ainsworth said.

Jeannine Markoe-Raymond, director of federal relations, for the National Association of State Retirement Administrators, said she and other NASRA staff plan to meet with Hatch's staff later this week and would rather not comment on the bill until after that meeting.

Nevada PERS investments improve

By SEAN WHALEY LAS VEGAS REVIEW-JOURNAL CAPITAL BUREAUJuly 16, 2013 - 3:24pm

The Nevada's Public Employees Retirement System saw a 12.4 percent increase in value in the fiscal year that ended June 30, beating its 8 percent goal and bringing the total assets to $28.7 billion, an official with the agency said Tuesday.

The double-digit return on investment, after fees are paid to fund managers, increased the retirement fund assets by $2.9 billion in fiscal year 2013, said PERS Executive Officer Dana Bilyeu.

The fund is invested primarily in stocks and bonds but has other investments including real estate.

The 2013 return followed a 2.9 percent gain in 2012, a record 21 percent gain in 2011 and a 10.8 percent return in 2010.

The annualized return for the fund for the past 29 years, including 2013, is now at 9.3 percent, above the 8 percent target, she said.

As to how the return has affected the long-term unfunded liability of the retirement plan, that won't be known until November when the valuation process is completed and reported to the PERS board.

The long-term unfunded liability improved slightly in the previous fiscal year, up to 71 percent fully funded in 2012 from 70.2 percent in 2011.

But Gov. Brian Sandoval, members of the state Legislature and the taxpaying public, which is a big contributor to the defined benefit pension plan, will get some new data to digest in September.

That is when the PERS board is expected to get a report comparing the plan to the 126 largest public pension funds in the country.

The PERS board hired the national firm of Aon Hewitt at a cost of $50,000 to perform the assessment, which Bilyeu said will include a review of the funding policy established by the board.

Sandoval supported the study instead of seeking potential changes to the retirement system in the 2013 legislative session.

At its high point in 2000, Nevada's public employee retirement plan was 85 percent funded.

The long-term unfunded liabilities of the PERS plan, and of public employee pension plans nationwide, are generating concern from some policymakers, although Nevada's plan is considered to be well managed and in better fiscal shape than many others around the country.

The new study should shed more light on the PERS pension fund, which covers about 100,000 active state and local government workers and more than 40,000 retirees.

Sandoval has in the past advocated shifting the retirement plan for future workers from a defined-benefit pension to some form of a 401(k)-style defined contribution plan, which would eliminate future financial liabilities for states and taxpayers. But even with such a change, Nevada would still have to cover the $11.2 billion in unfunded liabilities identified as of June 30, 2012.

In January, Gerald Gardner, Sandoval's chief of staff, said the governor has no predetermined position on whether wholesale changes to the plan are needed.

The California Public Employees' Retirement System saw a 12.5 percent return on investments in the fiscal year ended June 30.

Mark Anderson, Staff Writer- *Sacramento Business Journal*

The California Public Employees' Retirement System saw a 12.5 percent return on investments in the fiscal year ended June 30.

Public equities led the fund's gains with 19 percent returns in the year. Fixed income — which is mostly bonds — had the weakest performance with a loss of 1.6 percent on the year.

Private equities investments were the second most profitable class, with a 13.6 percent return, and real estate, which garnered returns of 11.2 percent, was the third most-profitable class.

The performance for the year exceeded by 1.5 percent the benchmark for the fund. Sacramento-based CalPERS has assets of $257.8 billion.

"When things got rough we didn't panic," Joe Dear, CalPERS chief investment officer, said in a news release. "We stuck with our exposure to growth assets and applied the lessons we learned from the past. The numbers show us that our approach is working."

Are Pensions Relevant?

by Ady Dewey

"Pensions are just not relevant anymore...

In today's world, pensions are relics."

Steve Pavlick, benefit specialist at the law firm McDermott Will & Emory

Given perceived issues of risk, of fairness, or, in the private sector, of regulations, which is the context of Mr. Pavlick's above quote, some would say that there are many reasons why defined benefit pensions are more fitting to a bygone era than to the 21st century.

The purported solution is to switch public employees—and the few remaining private corporate workers—to 401(k)-type plans.

Yet that solution is not proving as simple as some might wish or even desirable, as, according to a recent survey by the National Institute on Retirement Security, 84 percent of respondents—not just public employees—indicate that all working Americans should have access to a pension to be self-sufficient in retirement.

In part, this may be due to the continuing concern of outliving retirement savings, as Barry Marks writes in a column asking if it is time for a defined benefit (DB) comeback primarily for the "stream of annuity payments for a participant's lifetime."

The financial strength of pensions also remains evident. As columnist Linda Stern, reporting on a study by Towers Watson writes, Pension funds, which invest for large groups of people, can use economies of scale several ways. They can buy investments cheaper and can take bigger and different risks because not everyone in the pool will retire at the same time.

[Dave Suchsland, a senior consulting actuary with Towers Watson,] says he believes some employers who switched to defined-contribution plans in the past few decades may switch back because of pension efficiencies and "workforce issues."

Few would claim that the three-legged stool—pensions, personal savings, and Social Security—is stable; Mary Beth Franklin called it a "pogo stick" referring to Social Security as the only likely leg Americans will try to stay balanced on.

A discussion of pensions does not have to be an advocacy for the status quo. There are varying types of retirement plans in the states, including cash balance and mixtures of defined benefit and defined contribution.

Maine is exploring an adjustable pension plan (APP). As Sandy Matheson, executive director of the Maine Public Employees Retirement System, describes in a recent interview:

We started looking at designs and were intrigued with the APP because of the risk-limiting aspect. We were trying to balance a benefit that could be counted on but that had risk limitation and risk sharing with employee and employer.

This highlights one of the primary reasons pensions remain relevant to all workers in every segment of the economy: that is the five essential elements of public plan design which are mandatory participation, shared financing, benefit adequacy, pooled investment and longevity risks, and lifetime benefit payouts. Including these retirement plan design elements can satisfy the objectives of all retirement plan stakeholders, whatever those objectives might be.

The Ongoing Debate about MVL

by Ady Dewey

MVL – market value of liabilities – is the source of a long-standing disagreement between financial economists and many professionals in the pension community. Assets and liabilities rise and fall, yet the debate goes on. Why does it matter?

A recent forum hosted by American Enterprise Institute lays out the arguments for and against. This exchange is worth both reading the papers prepared for the forum and watching the exchange between Paul Angelo, senior vice president and actuary for The Segal Company, and Kent Smetters, Wharton School of the University of Pennsylvania (his co-author of the paper is Andrew Biggs, a resident scholar at AEI).

At its core, MVL essentially is the calculation of financial obligations using interest rates whose default risk is commensurate with the risk of having to fulfill the financial obligation. In the context of pensions, because of the legal protections they enjoy, public pension benefits generally are considered to be certain to be paid, or nearly so. As a result, MVL dictates that they be discounted at a risk-free (i.e., default-free) interest rate. In the U.S., risk-free interest rates are typically associated with U.S. Treasury bills.

On the other hand, public pensions predominantly discount their obligations using their expected long-term investment return, an approach permitted by the Governmental Accounting Standards Board (GASB) – and that will continue to be permitted under incoming GASB standards as long as the pension fund is expected to have assets.

The average public pension expected investment return is 7.8 percent, with 8.0 percent being the assumption that is used the most. By contrast, the current yield on 30-year U.S. Treasury bills is approximately 3.5 percent. The difference in a pension plan's funding condition between the long-term expected investment return and 3.5 percent is substantial.

The method for calculating public pension liabilities used by most of the public pension community results in a combined unfunded liability of approximately $1 trillion. By contrast, the MVL method results in a combined unfunded liability of some $4 trillion. Clearly, this is no trivial matter.

As mentioned above, GASB recently considered having public plans adopt MVL calculations, but its members voted three to four not to do so. Some economists continue to decry the decision. As Mr. Biggs writes:

GASB rules cause U.S. public pensions both to vastly understate their true liabilities and to take excessive investment risk, putting in danger both government budgets and the economy as a whole.

Does it?

Mr. Angelo puts it this way:

Decision makers must be concerned not only with the here and now, but also with anticipating future developments. Because the [actuarial accrued liability (AAL)] qualitatively and quantitatively incorporates more information than MVL measurements—information about future increases in the plan's benefit obligations (by incorporating future service and salary increases) and about expected long-term earnings on plan assets—it more accurately measures the likely financial burden of the plan on an employer. As a result, the AAL provides useful information to an employer seeking to understand how the plan fits in with the employer's overall financial position, or to trustees seeking to ensure the long-term viability of the plan.

MVL essentially seeks to identify a spot price on the basis of current economic conditions, namely, interest rates. This "price" would be more relevant were public pensions to settle up, or pay out, all their obligations today.

But public pension obligations aren't all due today; rather, they extend years into the future. Also, the entities that sponsor public pensions—states, cities, school districts, etc.—aren't going away; they'll be here to continue to fund their benefit obligations. MVL opponents contend that these practical realities (i.e., policymakers' need for information about the cost to fund the plan), and the fact that these plans and their sponsors will be here to fund their promised benefits, trump the value of current pricing information.

There does not appear to be a happy medium in this debate, so it no doubt will continue as neither side is likely to agree to disagree.

One problem with having different calculations of public pensions is that they can cause confusion among various users of this information. Confusion can lead to poor policymaking. Multiple calculations also can result in selective use, in which pension calculations are used to promote a particular policy.

No longer is there a single set of pension calculations, a la GASB, around which a consensus exists about a pension plan's funding condition. We're into new and uncharted waters with different numbers being calculated by different groups for different purposes. Consumers of public pension calculations need to understand the purpose and intention behind each of the different calculations.