

# **TFFR Retirement Education Workshop**

ON THE RIGHT

TRACK



# TEACHERS' FUND FOR RETIREMENT (TFFR)

## RETIREMENT AND INVESTMENT OFFICE (RIO)



1930 Burnt Boat Drive  
PO Box 7100  
Bismarck ND 58507-7100



|                   |                |
|-------------------|----------------|
| <b>Telephone:</b> | 701-328-9885   |
| <b>Toll free:</b> | 800-952-2970   |
| <b>Fax:</b>       | 701-328-9897   |
| <b>E-mail:</b>    | rio@nd.gov     |
| <b>Website:</b>   | www.nd.gov/rio |

July 2016



# Governing Boards



## TFFR Board of Trustees

**Mike Gessner, President**  
Represents Active Teachers

**Rob Lech**  
Represents School Administrators

**Toni Gumeringer**  
Represents Active Teachers

**Melvin Olson**  
Represents Retired Members

**Mike Burton**  
Represents Retired Members

**Kelly Schmidt**  
State Treasurer

**Kirsten Baesler**  
State Superintendent

## State Investment Board

**Drew Wrigley, Lt. Governor, Chair**

**Melvin Olson, TFFR Board**

**Rob Lech, TFFR Board**

**Mike Gessner, TFFR Board**

**Kelly Schmidt, State Treasurer**

**Cindy Ternes, Workforce Safety & Ins**

**Lance Gaebe, Board of Univ & School Lands**

**Adam Hamm, State Insurance Dept**

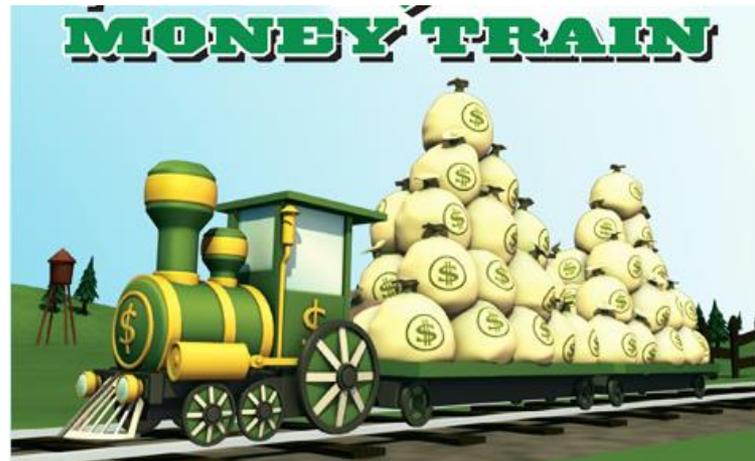
**Yvonne Smith, PERS Board**

**Mike Sandal, PERS Board, Vice Chair**

**Tom Trenbeath, PERS Board**

# TFFR Mission

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



# Type of Plan

TFFR is a qualified defined benefit public pension plan covered under Section 401(a) of the Internal Revenue Code (IRC). In simpler terms, TFFR is a tax-exempt pension plan where benefits are defined by state law.

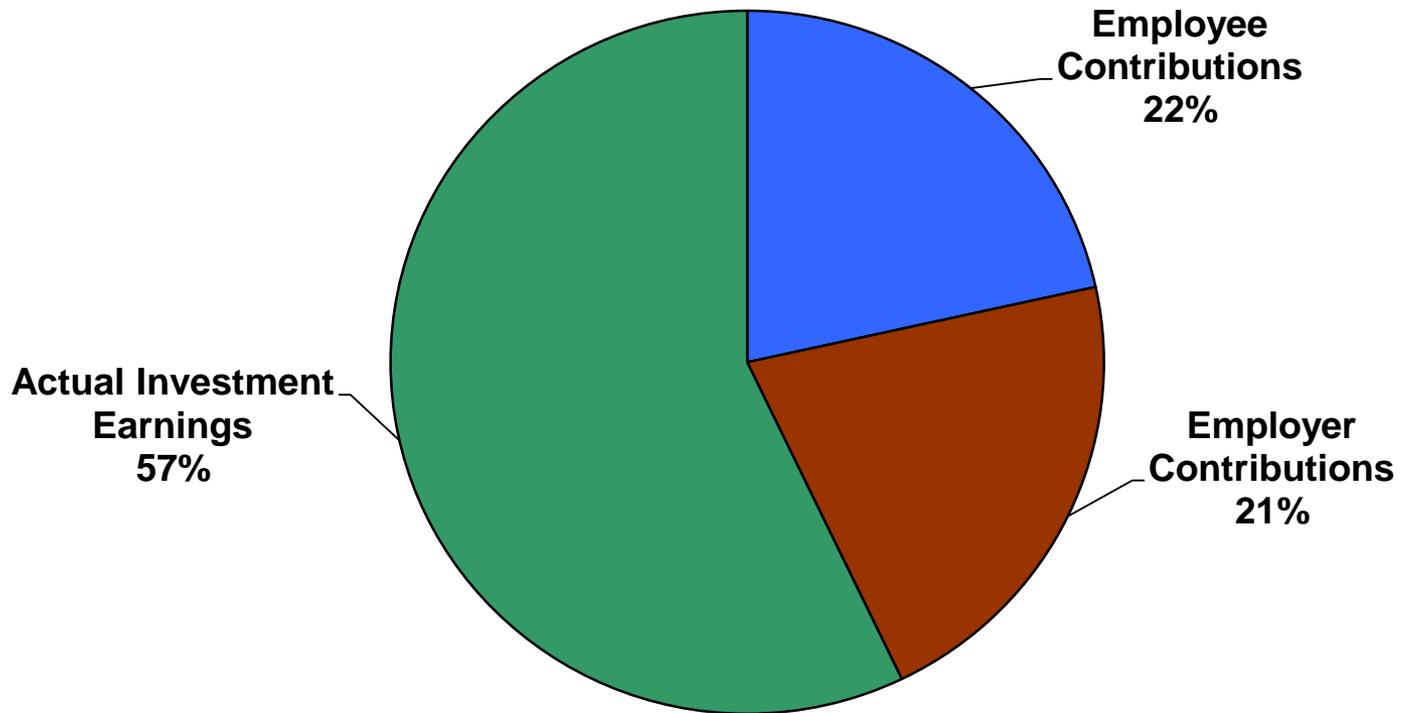
North Dakota Century Code (NDCC) Chapter 15-39.1 contains the actual language governing the Fund, along with Title 82 of the North Dakota Administrative Code (NDAC).

The TFFR plan is funded on an actuarial reserve basis. That is, money is invested for future retirement benefits while members are actively teaching. Benefit funding comes from three sources:

- Employee contributions –11.75% of salary
- Employer contributions – 12.75% of salary
- Investment earnings



# Sources of TFFR Revenue FY 1990-2015



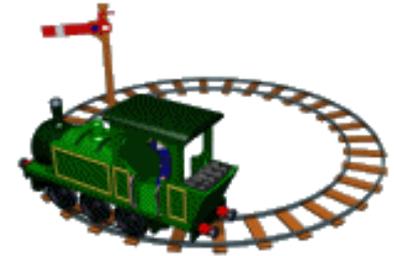
# MEMBERSHIP



# Membership

## Individual Membership

- Certified to teach
- Under contract
- Tier 1 Grandfathered – All members that had TFFR credit on July 1, 2008, and who are within 10 years away from normal retirement as of June 30, 2013.
- Tier 1 Non-grandfathered – All members that had TFFR credit on July 1, 2008, and who are more than 10 years away from normal retirement as of June 30, 2013.
- Tier 2 – All new and returning refunded members on or after July 1, 2008.



## Dual Membership

- You may qualify as a dual member if you have service credit in TFFR and the Public Employees Retirement System (PERS) or Highway Patrol Retirement System (HPRS).



# TFFR ACCOUNT COPY

First Name: **Jane**  
Last Name: **Teacher**  
Address: **1930 Burnt Boat Dr**  
**Bismarck, ND 58507-7100**

Person ID: **999999**  
Plan Status: **Active**  
Employment Status: **Active employee**  
Date of Hire: **July 01, 1972**  
Max Day Worked: **June 05, 2015**

Date of Birth: **February 14, 1950**

Credited Service: **32.000**

Calculation Date: **June 13, 2016**

Vested Service: **32.000**

Current Age: **66.330**

Purchase in Progress: **No**

Taxed Contributions: **\$1,487.28**

Tax Deferred Contributions: **\$117,591.73**

Interest as of 06/13/2016 **\$137,373.55**

Account Value: **\$256,452.56**

## STATUS & FLAGS

### Status or Flag Type

### DATE

### Status

Member Plan Flag

June 30, 2013

Tier 1:Grandfathered

## ACTIVE & CONTINGENT BENEFICIARIES

### Name

### Percent

### Date of Birth

### Relationship

Joe Teacher

100.00

04-12-1950

Spouse

Last Name/First Name: **Teacher/Jane**

| <b>L/R Date</b> | <b>Type</b>                | <b>Employer</b> | <b>Service</b> | <b>Taxed</b> | <b>Tax Deferred</b> | <b>Salary</b> |
|-----------------|----------------------------|-----------------|----------------|--------------|---------------------|---------------|
| 06/01/1973      | 01                         | 45-004          | 1.000          | \$270.04     | \$0.00              | \$6,751.00    |
| 06/01/1974      | 01                         | 45-004          | 1.000          | \$279.52     | \$0.00              | \$6,988.00    |
| 07/08/1974      | Payment to Member          |                 | (2.000)        | (\$549.56)   | (\$14.99)           |               |
| 05/01/1986      | 01                         | 08-001          | 1.000          | \$0.00       | \$681.14            | \$10,898.24   |
| 05/01/1987      | 01                         | 08-001          | 1.000          | \$0.00       | \$1,213.06          | \$19,408.96   |
| 05/01/1988      | 01                         | 08-001          | 1.000          | \$0.00       | \$1,323.74          | \$21,179.84   |
| 05/01/1989      | 01                         | 08-001          | 1.000          | \$0.00       | \$1,450.56          | \$23,208.96   |
| 05/01/1990      | 01                         | 08-001          | 1.000          | \$0.00       | \$1,659.93          | \$24,591.53   |
| 05/01/1991      | 01                         | 08-001          | 1.000          | \$0.00       | \$1,731.23          | \$25,647.83   |
| 06/17/1991      | P Refunded TFFR Service Cr |                 | 2.000          | \$1,487.28   | \$0.00              |               |
| 05/01/1992      | 01                         | 08-001          | 1.000          | \$0.00       | \$2,218.50          | \$32,866.65   |
| 05/01/1993      | 01                         | 08-001          | 1.000          | \$0.00       | \$1,941.96          | \$28,769.76   |
| 05/01/1994      | 01                         | 08-001          | 1.000          | \$0.00       | \$2,091.24          | \$30,981.31   |
| 05/01/1995      | 01                         | 08-001          | 1.000          | \$0.00       | \$2,197.78          | \$32,559.68   |
| 05/01/1996      | 01                         | 08-001          | 1.000          | \$0.00       | \$2,389.11          | \$35,394.20   |
| 05/01/1997      | 01                         | 08-001          | 1.000          | \$0.00       | \$2,482.81          | \$36,782.31   |
| 05/01/1998      | 01                         | 08-001          | 1.000          | \$0.00       | \$2,910.08          | \$37,549.81   |
| 05/01/1999      | 01                         | 08-001          | 1.000          | \$0.00       | \$3,068.49          | \$39,593.31   |
| 05/01/2000      | 01                         | 08-001          | 1.000          | \$0.00       | \$3,260.63          | \$42,072.81   |
| 05/01/2001      | 01                         | 08-001          | 1.000          | \$0.00       | \$3,428.34          | \$44,236.81   |
| 05/01/2002      | 01                         | 08-001          | 1.000          | \$0.00       | \$3,622.77          | \$46,745.50   |
| 05/01/2003      | 01                         | 08-001          | 1.000          | \$0.00       | \$3,779.45          | \$48,767.04   |
| 05/01/2004      | 01                         | 08-001          | 1.000          | \$0.00       | \$4,119.43          | \$53,154.00   |
| 05/01/2005      | 01                         | 08-001          | 1.000          | \$0.00       | \$4,275.52          | \$55,167.67   |
| 05/01/2006      | 01                         | 08-001          | 1.000          | \$0.00       | \$4,815.48          | \$62,135.01   |
| 05/01/2007      | 01                         | 08-001          | 1.000          | \$0.00       | \$4,612.16          | \$59,512.17   |
| 05/01/2008      | 01                         | 08-001          | 1.000          | \$0.00       | \$4,823.80          | \$62,242.52   |
| 05/01/2009      | 01                         | 08-001          | 1.000          | \$0.00       | \$4,990.22          | \$64,390.00   |
| 05/01/2010      | 01                         | 08-001          | 1.000          | \$0.00       | \$5,151.46          | \$66,470.67   |
| 05/01/2011      | 01                         | 08-001          | 1.000          | \$0.00       | \$5,315.07          | \$68,581.68   |
| 05/01/2012      | 01                         | 08-001          | 1.000          | \$0.00       | \$5,470.01          | \$70,581.01   |
| 05/01/2013      | 01                         | 08-001          | 1.000          | \$0.00       | \$7,097.30          | \$72,793.01   |
| 05/01/2014      | 01                         | 08-001          | 1.000          | \$0.00       | \$7,370.82          | \$75,598.00   |
| 06/01/2015      | 01                         | 08-001          | 1.000          | \$0.00       | \$9,477.75          | \$80,661.66   |
| 99/99/9999      | 01                         | 08-001          | 0.000          | \$0.00       | \$8,621.89          | \$73,377.56   |

# Salary



Earnings in eligible employment for:

- Teaching
- Supervisory
- Administrative
- Extracurricular services during a school year
- Any **salary reduction** or **salary deferral** amounts under **26 U.S.C. 125, 132(f), 401(k), 403(b), 414(h), or 457**



# “Salary” Does NOT Include:

- ❑ Fringe benefit or side, non-wage benefits which accompany or are in addition to your employment, including insurance programs; annuities; transportation, housing, and expense allowances; meals; lodging; or other benefits provided by your employer
- ❑ Insurance programs including medical, dental, vision, disability, life, long-term care, workers compensation, or other insurance premiums or benefits
- ❑ Payments for unused sick, personal, vacation, or other unused leave
- ❑ Early retirement incentive or severance pay, or other payments conditioned on or made in anticipation of retirement or termination
- ❑ Teacher’s aide, referee, bus driver, ticket taking or janitorial pay
- ❑ Amounts received by you in lieu of previously employer-provided benefits or payments that are made on an individual selection basis
- ❑ Bonuses
- ❑ Other benefits or payments not defined above that the Board determines to be ineligible TFFR salary

# BENEFICIARY



- ❑ If married, spouse
- ❑ If not, or if you have written spousal consent, you can name any person(s), organization, church, charity, or estate
- ❑ If more than one beneficiary, they are not eligible for a lifetime monthly annuity
- ❑ You may list contingent beneficiaries

# Divorce and Your TFFR Benefits

- ❑ TFFR benefits are generally considered a marital asset and subject to valuation and division in a divorce.
- ❑ Division of TFFR benefits can only occur if a court order called a Qualified Domestic Relations Order (QDRO) is approved by the TFFR Board before signed by the judge.
- ❑ QDRO model has been established by TFFR and specific language must be used in preparing the order.
- ❑ Former spouse (alternate payee) may only receive a lump sum payment from TFFR if you elect a refund upon termination of employment.
- ❑ Alternate payee can elect to receive a monthly benefit for life based on the accrued benefits at the time of divorce.

# Divorce and Your TFFR Benefits

(continued)

- ❑ Monthly benefit to the alternate payee can begin when:
  - You reach normal retirement;
  - You reach early retirement (age 55);
  - The alternate payee reaches a certain date (must be after you reach age 55); or
  - You retire.
- ❑ Alternate payee can begin benefits and you can continue working.
- ❑ The actuarial value of the alternate payee's current and future benefits will reduce your benefit.
- ❑ If TFFR is not to be divided, the divorce decree should state that you retain sole ownership of the retirement account.

# SERVICE



# Service Credit



## Earned Service Credit

- 700 compensated hours = 1 year
- If compensated for less than 700 hours, service credit is granted in proportion to 700 hours

Example:  $650 \text{ hours} / 700 = .929 \text{ year}$

## Vesting

- Tier 1 - 3 years of TFFR service
- Tier 2 - 5 years of TFFR service
- Entitled to lifetime benefit when eligible
- Public employment included for vesting and eligibility

# Purchase of Service Credit

Active members may purchase eligible service credit for:

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



**\*\*** TFFR may accept tax deferred money by direct rollover from eligible retirement plans for the purchase of service credit. Eligible retirement plans include IRAs (not Roth IRA), qualified 401(a) and 401(k) plans, 403(b) tax-sheltered annuity plans, and 457 governmental plans.

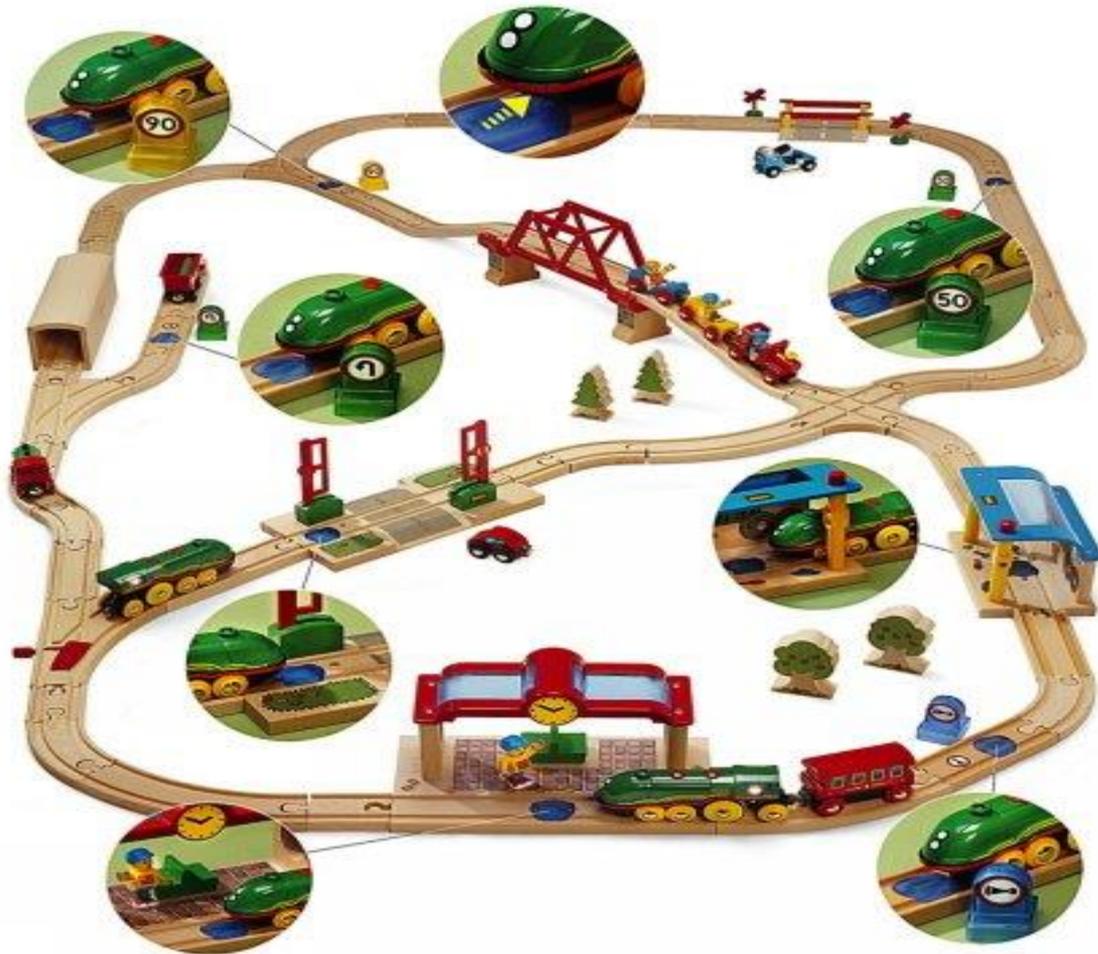


# COST TO PURCHASE



- ❑ 6% Cost for TFFR Refunds Within 5 Years
- ❑ ACTUARIAL EQUIVALENT CALCULATION
  - Current Final Average Salary
  - Current and Retirement Age
  - Number of Years to Normal Retirement
  - Increase in Benefits Resulting From Purchase
  - Loss of Contributions from Earlier Retirement Eligibility.

# BENEFITS



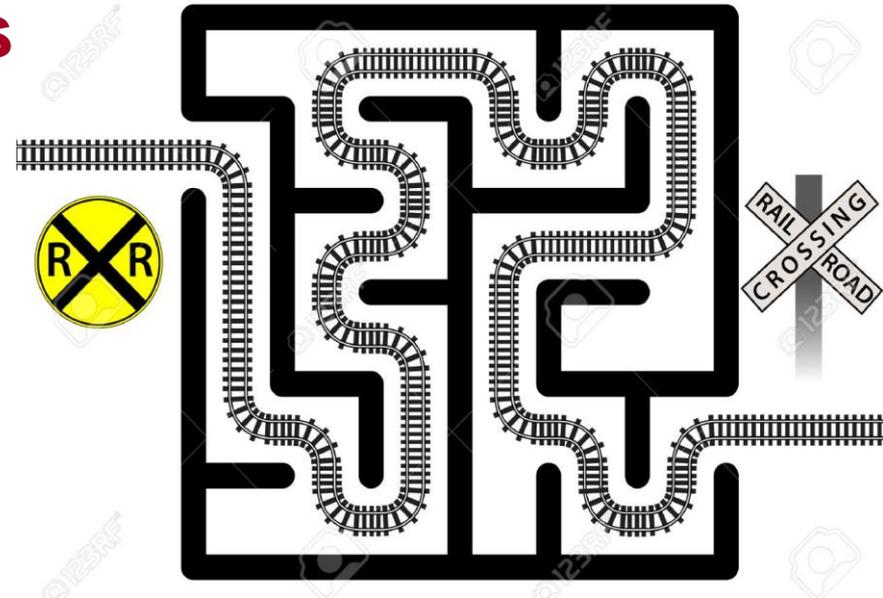
# Service Retirement Benefits

## Eligibility

- Vested member
- Cease covered employment

## Retirement Classifications

- Unreduced retirement
- Reduced retirement
- Deferred retirement



# Benefit Formula

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

**What percent of your Final Average Salary (FAS) will you receive under the 2.0% multiplier?**

| <b>Years of Service</b> | <b>Percent of FAS</b> |
|-------------------------|-----------------------|
| 10                      | 20%                   |
| 15                      | 30%                   |
| 20                      | 40%                   |
| 25                      | 50%                   |
| 30                      | 60%                   |
| 31                      | 62%                   |
| 32                      | 64%                   |
| 35                      | 70%                   |
| 40                      | 80%                   |

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

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

# Benefit Options

- Refund of Account Value
- Single Life Annuity
- 100% Joint and Survivor
- 50% Joint and Survivor
- 10 Year Certain and Life
- 20 Year Certain and Life
- Level Income Option
- Partial Lump Sum Option



### Level Income Example:

Calculation of Level Income Supplement/TFFR Retirement Age 55

Estimated Social Security Benefit = \$1,000 at age 62;  $\$1,000 \times 52\% = \$520$

### Calculation of Single Life Annuity:

|  |               |
|--|---------------|
| Single Life Annuity Non-Level Income             | \$2,100       |
| Level Income Supplement                          | <u>+ 520</u>  |
| Level Income Single Life Annuity (before age 62) | \$2,620       |
| At age 62 TFFR annuity is reduced by             | <u>-1,000</u> |
| Level Income Single Life Annuity (after age 62)  | \$1,620       |

### Partial Lump Sum Option (PLSO) Example:

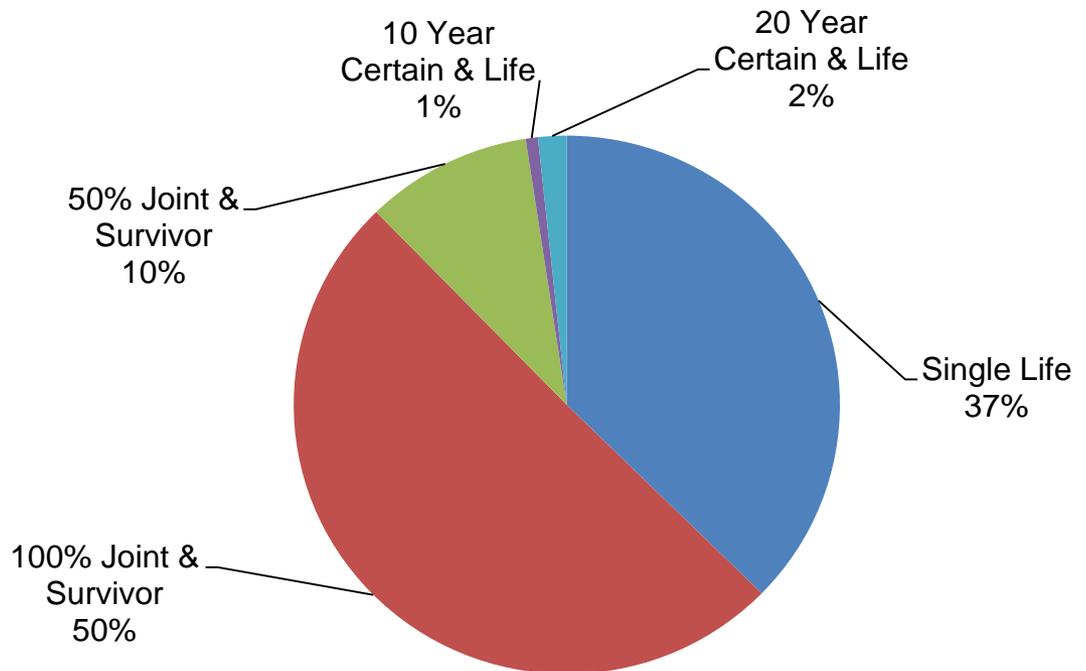
Jane retires on June 1, 2014, under normal retirement. Her Single Life Annuity benefit is \$2,700/month. She may elect the regular retirement option and receive \$2,700/month for life or receive a PLSO distribution of \$32,400 ( $\$2,700 \times 12$ ) and a lifetime benefit of \$2,430/month. Generally, the actuarial reduction for a PLSO is approximately 10%.

Retirees using the PLSO may also select a Joint & Survivor Option or Term Certain Option to provide a continuing benefit to a beneficiary. These options would require another actuarial reduction to the \$2,430.

# Teachers' Fund for Retirement Service Retirement Options

**2014-15**

| Retirement Option      | Number     |
|------------------------|------------|
| Single Life            | 155        |
| 100% Joint & Survivor  | 209        |
| 50% Joint & Survivor   | 41         |
| 10 Year Certain & Life | 3          |
| 20 Year Certain & Life | 7          |
| <b>Total</b>           | <b>415</b> |



**Note:** Of total, 1 members (<1%) selected level income option.  
Of total, 20 members (5%) selected partial lump sum option.

# Employment After Retirement

- ❑ 30 calendar days must elapse from retirement date
- ❑ Return to covered employment for maximum number of hours based on length of contract:



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



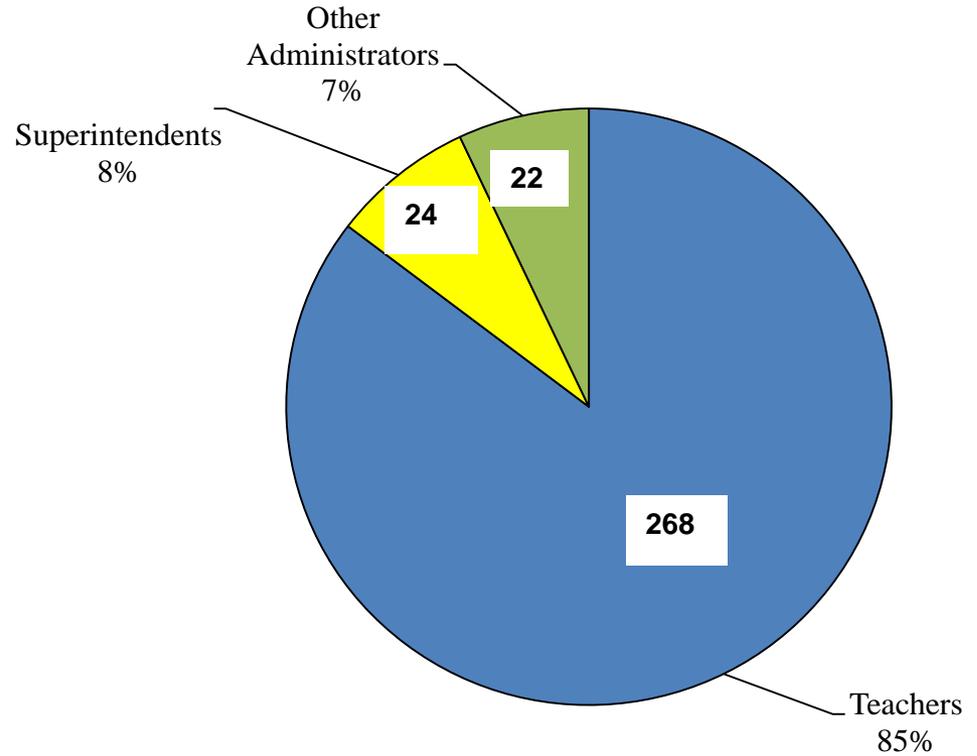
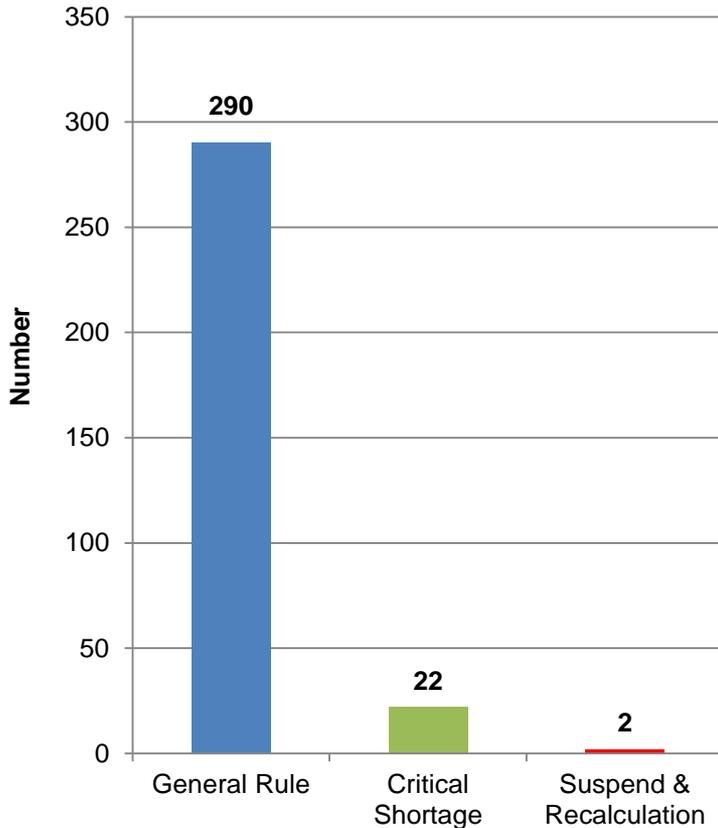
- ❑ Non-contracted substitute teaching is unlimited
- ❑ Extracurricular duties and professional development do not count toward the limit.

The annual hour limitation applies to ND public schools and state institutions covered by TFFR. It does not apply to ND public colleges and universities, private schools, employment outside of education, or out-of-state employment.

Employer and employee contributions are paid on all salary earned by the retiree.

**Exceptions:** Critical Shortage Area and Benefit Suspension and Recalculation

# Return to Teach Statistics for 2014-15



**Total Retirees: 314**

**Average Age: 63**

**Average Salary: \$25,600**

**Employers: 135**

# Disability Benefits



## Eligibility

- ❑ Five years service credit
- ❑ Active member of TFFR when disability occurs
- ❑ Application filed within 36 months from last date of employment
- ❑ Disability must result in the inability to perform the duties of a teacher
- ❑ Certified eligible by Board of Trustees

## Disability Formula

- ❑  $FAS \text{ (final average salary)} \times \text{service credit (actual years)} \times 2.0\% =$   
Disability Single Life Annuity
- ❑ No age reduction
- ❑ Benefit options available

# Survivor Benefits

## Eligible Survivors

- Designated beneficiary; if none,
- Surviving spouse; if none,
- Estate

## Death Prior to Retirement

- Nonvested member
  - Refund of account value
- Vested member
  - Refund of account value
  - Monthly benefit for life (if one beneficiary designated)

## Death After Retirement

- Benefits paid based on the plan selected at retirement



# MEMBER SERVICES



# 2016-2017 Outreach Services

**Group Benefits Counseling** is a new program. During the group session, you will receive personalized TFFR information, and the different benefit options and the process and paperwork to begin TFFR benefits will be explained. The 4 pm session is for host school district teachers only, and will also include health insurance options available at retirement from the host school district. The 6 pm session is open to any TFFR member.

**Individual 30 minute benefits counseling sessions** are available to all members to discuss TFFR benefits and other personal retirement concerns by appointment in our Bismarck office.

| <b><u>GROUP COUNSELING SESSIONS</u></b> |                |             |                |
|---|----------------|-------------|----------------|
|   |                | Grand Forks | Sept. 28, 2016 |
| Watford City                            | Sept. 15, 2016 | Minot       | Oct. 3, 2016   |
| West Fargo                              | Sept. 19, 2016 | Jamestown   | Oct. 11, 2016  |
| Devils Lake                             | Sept. 20, 2016 | Dickinson   | Oct. 13, 2016  |
| Valley City                             | Sept. 27, 2016 | Bismarck    | Dec. 6, 2016   |

**To register, call the Administrative Office at 800-952-2970 or 701-328-9886.**

# Retirement Education Workshop

Topics include: TFFR benefits, financial planning, estate planning, Social Security benefits and health insurance.

**Minot**

**July 13, 2016**

**West Fargo**

**July 14, 2016**

## Conferences and Conventions

Career & Tech Ed Conference

Bismarck

Aug 8-10, 2016

NDRTA Convention

Bismarck

Sep 13-14, 2016

NDCEL Fall Conference

Bismarck

Oct 19-21, 2016



THE END