

Special Message to TFFR Employers

Enclosed is the NDTFFR "Report Card" newsletter which was sent to all active TFFR members earlier this month. Please take time to read the information contained in this newsletter and share with school administrators, board members, and other interested personnel. Pay special attention to the following articles about how the 2009 financial market downturn has affected TFFR plan funding levels.

- NDTFFR Funding Challenges: What does the Future Hold?
- Memo to Members: All We Really Need to Know
- 2009 Annual Report Summary

School business managers, administrators, teachers, and board members should closely monitor 2011 legislative proposals for potential impact. Publications, presentations, and legislative information are available on the NDRIO website (www.nd.gov/rio). An update will be sent this spring with more detailed information about legislative proposals under consideration. Please call (1-800-952-2970) or email (rio@nd.gov) our office to discuss questions or concerns.

Employer Contribution Rate Increasing July 1, 2010

Legislation effective July 1, 2010 will increase the employer contribution rate to 8.75% of retirement salary. This increase in employer contributions applies to the retirement salary earned by all active members and re-employed retirees.

Member contribution rate remains at 7.75%, so the employer contribution increase will not impact employer payment models and the factors used to calculate retirement salary under Models 2 and 3.

Tax Treatment of TFFR Contributions

Employers often question if TFFR contributions need to be reported on the W-2 form. TFFR is a 401(a) defined benefit plan and its contributions are mandatory, not elective. Under all models, the amount of TFFR contributions withheld or paid by the district is not required on the W-2 form. However, if the district wishes to place this information on the W-2, it belongs in Box 14.

2009 Annual Financial Report Available

The Retirement and Investment Office 2009 Comprehensive Annual Financial Report (CAFR) may be viewed from our website, www.nd.gov/rio. This report is a complete review of the financial, investment, and actuarial conditions of the State Investment Board and the Teachers' Fund for Retirement.

Employer Payment Plan Models

NDCC 15-39.1-09 covers membership in TFFR and the payment of retirement contributions. The information below is to help employers understand the employer payment plan models used by TFFR. For in-depth examples of each model, please see pages 14 thru 21 of the TFFR Employer Guide at www.nd.gov/rio. All employers must follow one of the payment models. However, TFFR does not have a preference in which model a school district chooses to adopt.

Taxed Member Contributions: The member contributions (all or a portion) are deducted from a member's check after taxes have been calculated under No Model, Model 2 (partial), and Model 3. These contributions do not affect the member's retirement salary and will be non-taxable in retirement or if refunded.

Tax-Deferred Member Contributions: The member contributions (all or a portion) are deferred until retirement or withdrawal. The employer can pay tax-deferred member contributions in one of two ways:

The employer elects to pay the member contributions through a salary reduction plan (Model 1). Therefore, the contributions are deducted from the member's pay before taxes are figured. These contributions do not affect the member's retirement salary, but result in a tax deferral for IRS/W-2 purposes.

Or

The employer pays the contribution in lieu of a salary increase and does not include the amount paid in the member's income to the IRS/W-2 (Models 2 and 3). These contributions increase the member's salary for TFFR retirement purposes.

Employer Contributions: Contributions are paid by the employer on the member's retirement salary in the fiscal year the salary is earned.

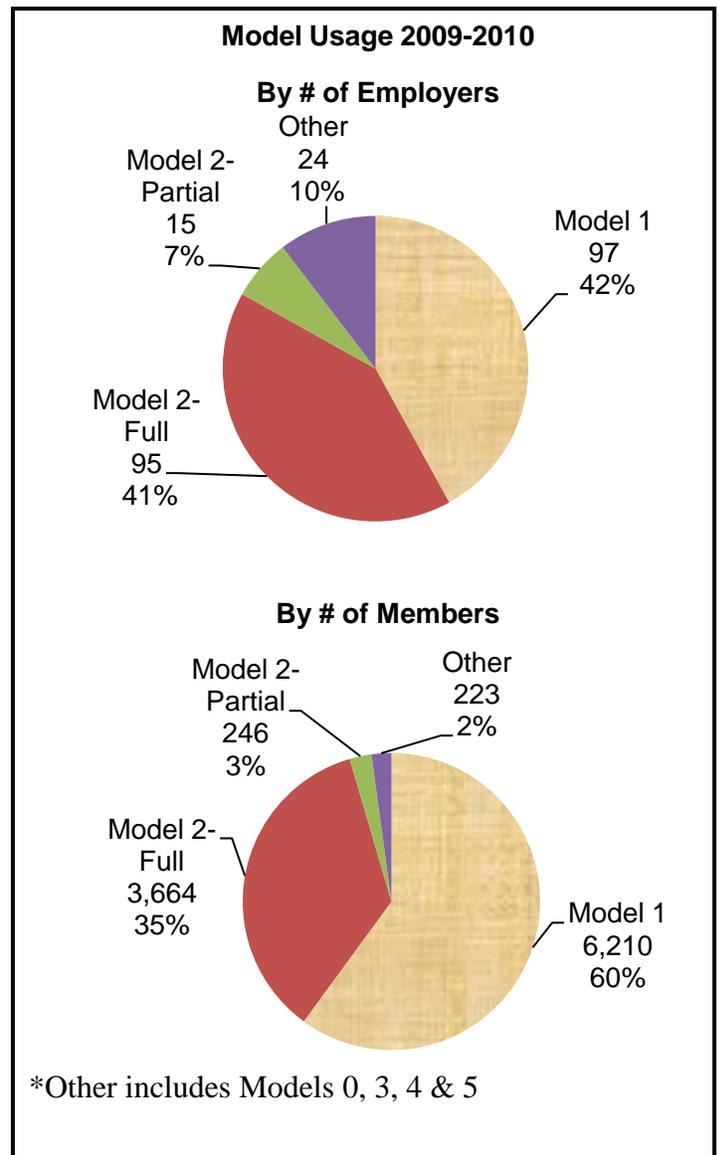
All TFFR members covered under the employer payment plan model adopted by the employer must be treated equally. The administrators and teachers of a school district must follow the same model. Full and part-time teachers must follow the same model. There can be no variation of the adopted model for different groups of members in an employer unit.

To help employers make an informed decision, TFFR representatives are available to answer questions concerning the methods an employer may use to pay member retirement contributions. We can also provide examples of how changing models could impact your district and teachers.

Since an employer payment plan must begin as of July 1 (retroactive to July 1 if negotiations are settled at a later date), it is important to receive and discuss the model analysis examples in a timely fashion.

Match the Terms & Definitions:

- _____ Employer Contrib. Effective July 1, 2010
- _____ Referee
- _____ 15th of the Month
- _____ Dual Member
- _____ Retired Member Employment Notification
- _____ Teacher's Aide



- A. All officials including umpires, line judges, score/time keepers, ticket takers, music/speech judges not reportable to TFFR.
 - B. 8.75% of retirement salary.
 - C. Employed in positions covered by TFFR & NDPERS. Report TFFR work to TFFR and NDPERS work to NDPERS.
 - D. Teacher assistant, not reportable to TFFR.
 - E. Form required each year if employing a TFFR retiree.
 - F. Date monthly employer reports are due.
- (See front for answers).