

2013 Legislative Proposals

Two legislative proposals were submitted to the interim Legislative Employee Benefits Programs Committee (LEBPC) relating to TFFR. Committee meetings regarding these bills are scheduled for September 25 and October 30, 2012. The bills are available on the TFFR website at www.nd.gov/rio/TFFR.

Bill No. 99

The TFFR Board submitted Bill No. 99 which includes technical corrections and administrative updates to the TFFR plan, summarized below:

- Updates the definition of actuarial equivalent.
- Defines normal retirement age.
- Clarifies vesting provisions for compliance with federal statutes or rules.
- Incorporates other federal tax law changes to maintain compliance with federal statutes or rules.
- Adds savings clause which allows TFFR Board to adopt terminology to comply with federal statutes or rules subject to approval of the LEBPC.

Bill No. 43

Another bill submitted for interim study is Bill No. 43, sponsored by Rep. Louser:

- Maintains the higher TFFR member and employer contribution rates approved by the 2011 Legislature until the Fund reaches 100% funded ratio (not 90% as provided in current law). Once full funding is achieved, contribution rates would be reduced to 7.75% for members and 7.75% for employers.

Pension Note Requirements (GASB #25)

TFFR receives requests at the end of each fiscal year from various accounting firms requiring the

dollar amount of contributions reported and paid by a school district. The information is located on the final fiscal year-end employer summary report provided to school districts each August. On the final page of the summary report (employer totals section), the dollar amount of the contributions reported and paid are documented.

Since this documentation is provided to the school district on a fiscal year basis, the requests will be referred to the individual school district(s).

Your 2011-12 Employer Summary Report and a copy of the Governmental Accounting and Standards Board (GASB) #25 Disclosure Statement were recently sent to every TFFR employer. **Please review the Employer Summary Report to make sure the correct salary was reported for each teacher.**

Upcoming GASB Changes

GASB recently approved two new standards that will change the accounting and financial reporting of public employee pensions by state and local governments. Statement No. 67, *Financial Reporting for Pension Plans*, replaces current Statement No. 25 and addresses financial reporting for state and local government pension plans. Statement No. 68, *Accounting and Financial Reporting for Pensions*, replaces current Statement No. 27 and establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The new Statements also replace the requirements of Statement No. 50, *Pension Disclosures*.

The guidance contained in these new Statements will change how governments calculate and report the costs and obligations associated with pensions.

The provisions of Statement 67 are effective for financial statements for periods beginning after June 15, 2013, and the provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014.

TFFR is working with our actuarial consultant to understand how the GASB changes will impact TFFR and TFFR employers. Additional information can be found at the GASB website, www.gasb.org.

School Districts should also visit with accounting and legal specialists for assistance in understanding and implementing the new standards.

Administrative Rule Changes

To assist TFFR in determining if certain special payments or salary structures are reportable to TFFR, administrative rules recently went into effect that define “bonus” and “performance/merit pay.” The rules also outline the criteria and documentation required to determine whether certain benefits or payments are included in eligible retirement salary. The following explains each in more detail.

- **"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.
- b. Retention, experience, or service-related payments.
- c. Early retirement incentive payments, severance payments, or other payments conditioned on or made in anticipation of retirement or termination.
- d. Payments made to recognize or reward a member’s accomplishments or service.
- e. Other special or irregular payments which the TFFR board determines to be bonuses using criteria and documentation described in NDAC 82-04-02-01.

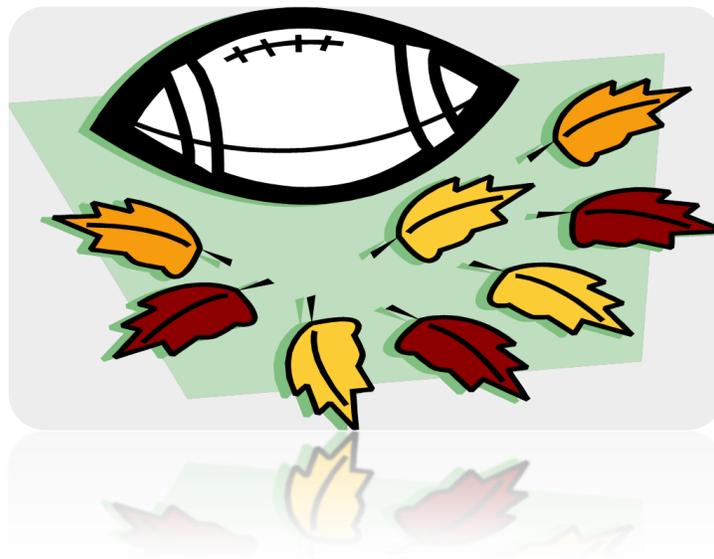
- **"Performance or merit pay"** means an amount paid to a member pursuant to a written compensation plan or policy that links a member’s compensation to attainment of specific performance goals and duties. The specific goals, duties, and performance measures under which performance pay is expected to 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 TFFR board determines the payments are ineligible salary using criteria and documentation described in NDAC 82-04-02-01.

- **Criteria for eligible salary determinations.** The TFFR Board will consider the following criteria and documentation to determine whether benefits or payments made to a TFFR member are eligible retirement salary:

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.

Please keep in mind that TFFR eligible salary determinations are for TFFR purposes only. They do not impact the ability of a school district to pay bonuses or special payments. If you would like to discuss whether or not certain payments or salary structures are reportable to TFFR, please contact Shelly or Fay at the TFFR office.



Report Card Highlights

The July 2012 [Report Card Newsletter](#) was recently published and can be viewed on the TFFR website. The newsletter contains updates regarding the following:

- **Benefit and Contribution Changes from 2011 Legislation**
Details regarding changes to member benefits and contribution increases approved by the 2011 Legislature that go into effect over the next couple of years.
- **Benefits Counseling Sessions**
Please help us market this program by encouraging your teachers to attend a

benefits counseling session to discuss TFFR benefits and other retirement concerns.

- **RIO Interim Appointments Made**
Following John Geissinger's resignation, the State Investment Board appointed Fay Kopp as Interim Executive Director and Darren Schulz as Interim Chief Investment Officer.



TFFR Reports and Payments Due the 15th

The monthly report and payment of member and employer contributions must be mailed to TFFR by the 15th of each month following the month in which the members' salary was earned. If the 15th falls on a weekend or holiday, the report and payment are due the next business day.

State law requires TFFR to take action if an employer fails to remit the monthly report and payment by the due date. Employers that fail to remit the monthly report and/or payment by the due date, will be assessed a penalty of \$250 plus interest of one percent per month for each month the report or payment is late.

A written request from the Superintendent for a waiver of the \$250 penalty may be approved under limited circumstances, but the interest must be paid. TFFR may also notify the Department of Public Instruction to withhold state foundation payments until reports, payments, penalties, and interest are paid.

New Employer Guide Available

The TFFR [Employer Guide](#) has been updated on the TFFR website with the significant changes approved by the 2011 Legislature. We hope this document is helpful as a training tool and as a resource when questions arise.



Reminders

- ☺ Please submit a [Notification of School District Change form](#) if there are any changes in contact (i.e. superintendent/business manager) or demographic information.
- ☺ If you are employing a new teacher or have teachers with a change in their name or address, TFFR will need a new [Member Action form](#).
- ☺ If you have employed a TFFR retiree, please make sure to complete the TFFR [Retired Member Employment Notification form](#). This form must be completed each year a retiree is employed and submitted to TFFR no later than 30 days after employment begins.
- ☺ When reporting a re-employed retiree, both employee and employer contributions need to be paid, according to your model.
- ☺ For updated forms, please visit our website: <http://www.nd.gov/rio> or contact our office. Please discard outdated forms.