

REPORT Card

DECEMBER 2010

ND TEACHERS' FUND FOR RETIREMENT

Legislative Proposal Enhances TFFR's Long Term Financial Health

In response to the effect the global recession has had on TFFR's assets, the TFFR Board submitted three bills to the interim Legislative Employee Benefits Programs Committee (LEBPC) for study during the 2010 interim. Please see TFFR website for bill drafts, actuarial analysis, and May 2010 special edition newsletter which describes each bill in more detail.

The LEBPC has now completed its study of TFFR pension related proposals shown on the Legislative Summary on page 2. Bills 54 and 56 were given a favorable recommendation, Bill 55 an unfavorable recommendation, and

Bills 2, 40, and 217 were given no recommendation.

After consideration of the actuarial analysis of each bill and the interim legislative committee's recommendations, the TFFR Board has decided to file Bill 54 and Bill 56 with the 2011 Legislature.

Bill 54 is designed to stabilize and sustain TFFR's long term funding health. The bill adjusts both the system's funding and benefit policies. As you can see from the chart on page 3, without benefit or contribution changes, TFFR's funded level is projected to decline to zero within 30 years even if TFFR earns

8% each year in the future. With Bill 54 changes, plus 8% returns in the future, TFFR's funded level is projected to reach about 80% in 30 years.

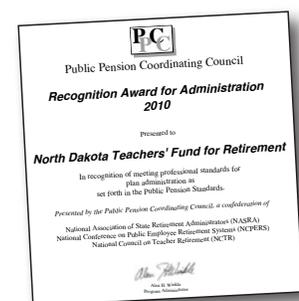
Because final action must be taken by the ND Legislature, you may wish to check the TFFR website at www.nd.gov/rio/TFFR/legislation or the ND Legislative Council website at www.legis.nd.gov/assembly to track TFFR proposals, as well as other legislative proposals that may be considered during the 2011 legislative session. Please note that study bills will be given new bill numbers which will be available on the websites.

TFFR Board

The TFFR Board is dedicated to ensuring a financially secure pension fund for the benefit of North Dakota's active and retired educators.



Front row, from left: Clarence Corneil, Mike Gessner, president; Lowell Latimer, vice-president. Back row: State Treasurer Kelly Schmidt, Bob Toso, State Superintendent Wayne Sanstead, Kim Franz.



Achievement Award

The ND Teachers' Fund for Retirement has received the 2010 Public Pension Coordinating Council Recognition Award for Administration. This award is designed to recognize and commend public employee retirement systems that meet professional standards for pension plan administration.

Legislative Summary

Study Bill 54 (TFFR) Favorable Recommendation

Summary: Increases employee and employer contributions 4% each. On 7/1/12 the employee rate increases to 9.75% and employer rate to 10.75%. Then 7/1/14 the employee rate increases to 11.75% and employer rate to 12.75%. Both rates return to 7.75% when TFFR reaches 90% funded level. Requires employee contributions on salary earned by re-employed retirees. Tightens disability benefits. Increases age for eligibility for unreduced retirement benefits to Age 60 with the Rule of 90 for non-grandfathered employees who are more than 10 years away from retirement (Age 55 or Rule of 65 at 6/30/13). Increases reduction factor to 8% per year for reduced retirement benefits for non-grandfathered employees.

Study Bill 55 (TFFR) Unfavorable Recommendation

Summary: Includes same provisions as Bill 54, plus requests \$75 million from State General Fund to further reduce TFFR's unfunded liability.

Study Bill 56 (TFFR) Favorable Recommendation

Summary: Makes administrative and technical changes relating to definition of beneficiary, eligible retirement salary, death benefits, and federal tax law changes.

Study Bill 39 (Rep. Drovdal) Bill Withdrawn

Summary: Changes eligibility for unreduced retirement to age 65 for new employees (Tier 3).

Study Bill 40 (Rep. Drovdal) No Recommendation

Summary: Changes benefit formula to 1.88% for new employees (Tier 3).

Study Bill 2 (Rep. Wald) No Recommendation

Summary: Closes existing defined benefit plan and creates a defined contribution plan for new employees (Tier 3).

Study Bill 217 (Rep. Wald) No Recommendation

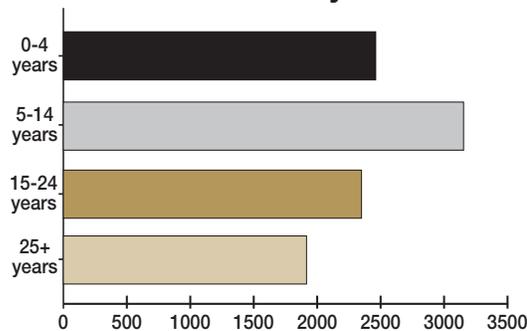
Summary: Changes final average salary calculation for certain administrators who do not work as administrators for 8 years or more.

Membership Statistics - June 30, 2010

ACTIVE MEMBERS

Avg Annual Salary	\$46,937
Avg Age	Age 44
Avg Service	14 yrs
Oldest Active Member	Age 83
Most Service	45.6 yrs

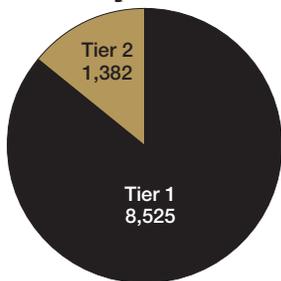
Active Members by Service



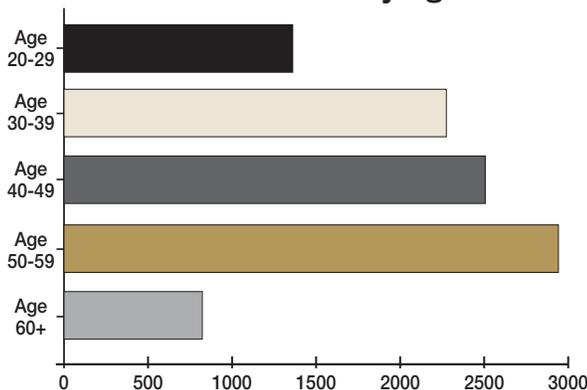
RETIRED MEMBERS

Avg Monthly Pension	\$1,564
Avg Current Age	Age 71
Avg Age at Retirement	Age 59
Avg Service	28 yrs
Oldest Retiree	Age 105
Most Service	57.5 yrs

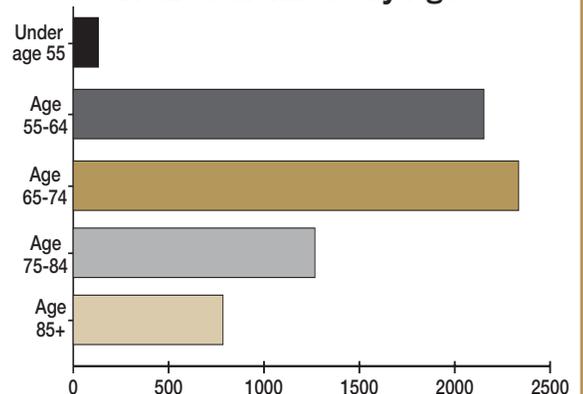
Active Members by Tier



Active Members by Age



Retired Members by Age



Memo to Members

1 Picture = 1,000 Words?

For more than a year, the TFFR Board, member and employer interest group representatives, staff, and actuary have been analyzing financial results, investment performance, actuarial projections, and “what if” scenarios. The Board was encouraged and aided by the feedback received from stakeholder groups helping to shape legislative recommendations.

Even with the recent recovery in the investment markets, we knew that the losses experienced in 2008 and 2009 would jeopardize the system’s long term fiscal outlook. We expected funding projections would be grim, and tough decisions would need to be made. In fact, we have been communicating TFFR’s funding challenge to members, employers, and legislators through personal and website presentations, newsletter articles, meetings, conventions, seminars, and other available opportunities.

There is an awful lot to say about TFFR’s funding outlook, and I know I’ve gone way over my 1,000 word allotment in the past. So in my article today I will instead ask you to focus on just one picture that I hope will convey what would otherwise take many words to express.

Take a look at the “Comparison of Projected Funded Ratios” chart on this page. As you can see, without any changes, TFFR funding levels will deteriorate over time and fund assets could be exhausted within 30 years (bottom black line). That line needs to change.



Fay Kopp
Deputy Executive Director -
Chief Retirement Officer

With the benefit and contribution changes proposed in Bill 54, TFFR funding levels are projected to return to about 80% in 30 years (top gold line) assuming 8% investment returns in the future. This is a much better picture. While 100% funding is optimal, it will take time to reach

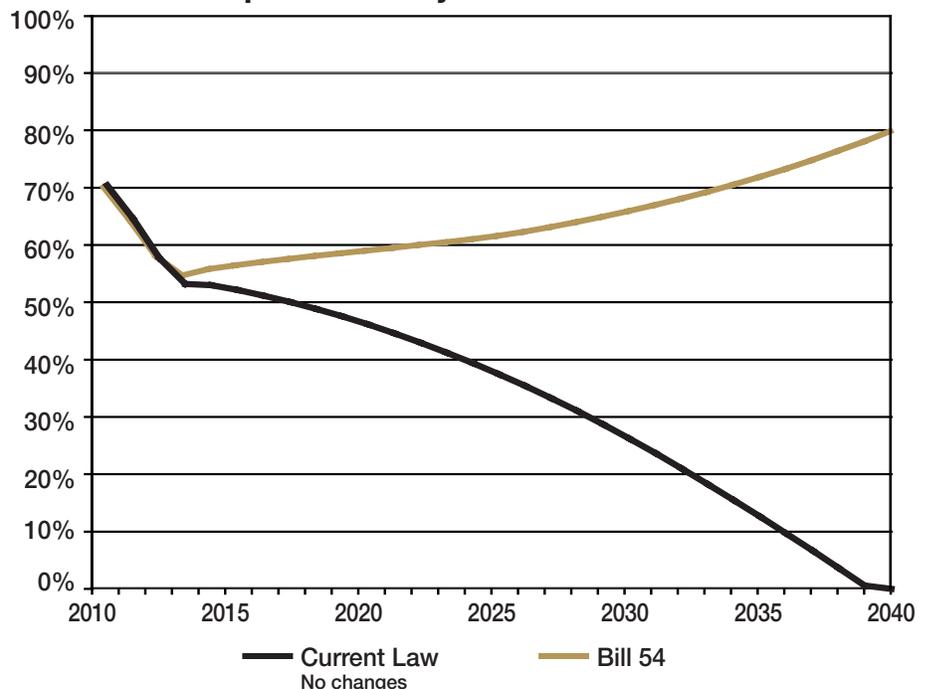
that goal. Also keep in mind that future investment returns of greater or less than 8% will change the timing and look of this picture.

That is why the TFFR Board is recommending adjustments now to bring the system back into balance and ensure its ability to pay promised benefits for decades to come.

Maintaining a well – funded defined benefit plan and preserving lifetime financial security for our members is the Board’s highest priority. In order to rebuild a stable and sustainable retirement fund, support of TFFR’s legislative proposal is needed.

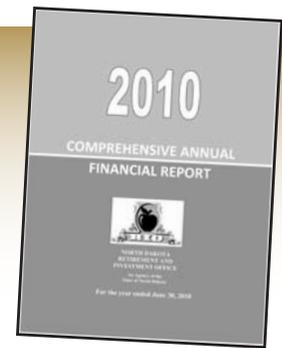
Enough said for now (358 words...not bad). More on TFFR’s funding picture in the next newsletter after the close of the 2011 legislative session!

**North Dakota Teachers’ Fund for Retirement
Comparison of Projected Funded Ratios**

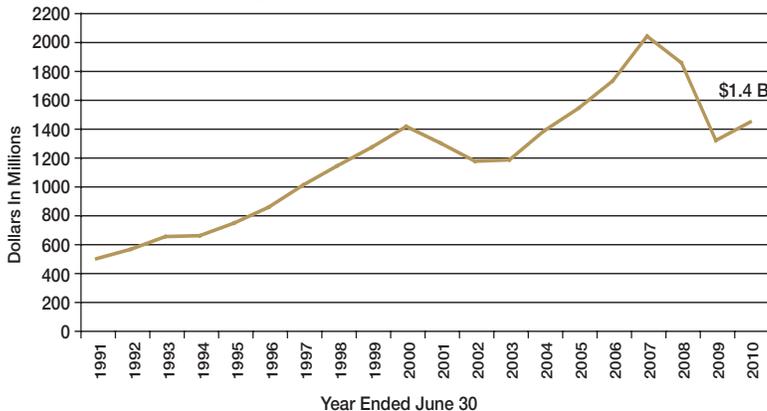


2010 Annual Report Summary

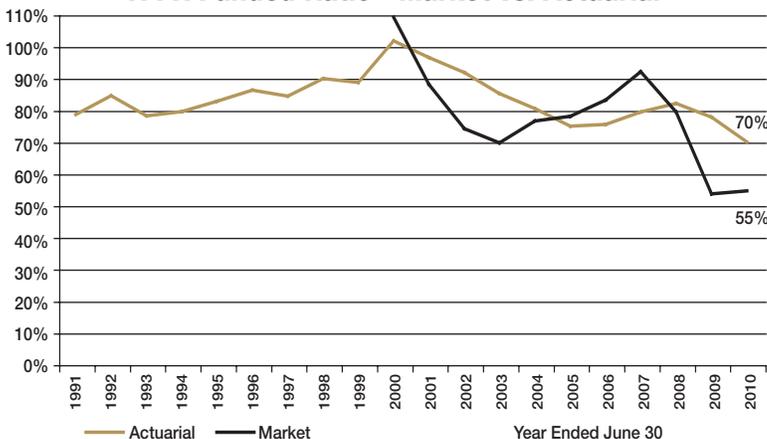
NDRIO's annual Comprehensive Annual Financial Report (CAFR) has been published and provides a detailed look at investment, financial, actuarial, and statistical information. We have included a number of charts and graphs from this year's CAFR which covers July 1, 2009 – June 30, 2010. The 2010 CAFR, actuarial report, and audit report are posted on the NDRIO website at www.nd.gov/rio/TFFR/Publications or by request to our office.



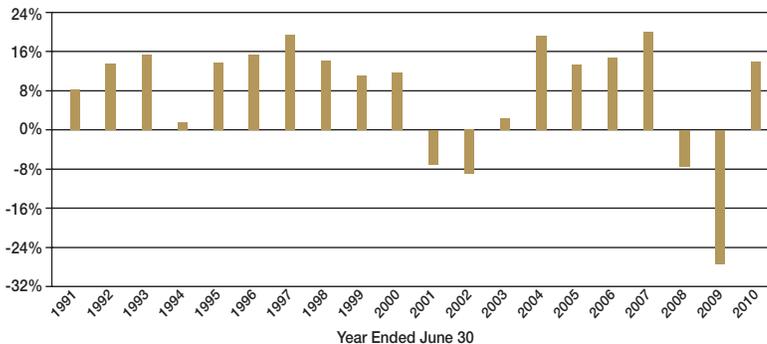
Market Value of TFFR Assets



TFFR Funded Ratio - Market vs. Actuarial



TFFR Investment Performance



Statement of Assets as of June 30, 2010

ASSETS	
Equities	\$796,430,612
Fixed Income	384,369,567
Real Estate	135,503,973
Alternative Investments	63,465,615
Invested Cash	31,908,804
Invested Securities Lending	7,710,609
Receivables	16,535,631
Other Assets	12,095,164
Total Assets	\$1,448,019,975

LIABILITIES	
Accounts Payable	\$1,777,844
Accrued Expenses	573,782
Securities Lending	7,710,609
Other Liabilities	7,897
Total Liabilities	10,070,132
Net Assets on 6-30-10	\$1,437,949,843

Changes in Assets During Fiscal Year 2010

CASH POSITION	
Net Assets on 6-30-09	\$1,309,716,730
-ADDITIONS-	
Member Contributions	\$36,848,481
Employer Contributions	39,836,646
Other Additions	1,420,703
Investment Income	179,059,473
Total Additions	\$257,165,303
-DEDUCTIONS-	
Benefits Paid	\$124,472,154
Refunds	2,557,240
Administrative Expenses	1,902,796
Total Deductions	\$128,932,190
Net Increase	128,233,113
Net Assets on 6-30-10	\$1,437,949,843

Actuary Delivers 2010 Report

Each year, TFFR has an actuarial valuation performed to determine if the contributions paid by members and employers, along with investment earnings, are adequate to pay the retirement benefits for current and future retirees. The annual valuation tracks changes over time and warns of possible future problems and issues. The July 1, 2010 report provides the following information:

• Membership

The TFFR plan represents 18,382 active, inactive, and retired members. There were 9,907 active members, an increase of 200 members from last year. There were 6,672 retirees and beneficiaries, an increase of 206 retirees over last year. There are 1.5 active members for each annuitant. The plan also has 1,803 inactive members. See Membership Statistics on page 2 for more details.

• Asset levels

Last year's net investment return on market was 13.9%, compared to -27.4% the previous year. Actuarial calculations are based on the actuarial value of assets, not market value. Actuarial value reflects an asset smoothing approach which averages investment gains and losses over 5 years. Actuarial value of assets decreased from \$1.9 billion to \$1.8 billion, while market value of assets increased from \$1.3 billion to \$1.4 billion on 6/30/10.

• Actuarial Results

According to the 2010 actuarial report, TFFR's unfunded actuarial accrued liability (UAAL) increased from \$545 million to \$795 million.

TFFR's negative contribution margin (shortfall) declined from -2.53% to -4.04%, which means additional contributions are needed. The funding period based on the current 8.75% employer rate is infinite.

The funded ratio (ratio of actuarial value of assets to actuarial accrued liability) decreased from about 78% to 70%. This means TFFR currently has 70 cents for every dollar it needs to pay present and future benefits earned by members. However, the funded ratio using market value and reflecting all past investment gains and losses is about 55%.

The actuary projects TFFR's funded level will continue deteriorating in the future, assuming investment returns of 8%, and no changes in benefits or contributions. However, the TFFR Board is proposing legislation to improve long-term TFFR funding levels. See related article on page 1.

The complete July 1, 2010 actuarial valuation report is available on the TFFR website at www.nd.gov/rio/TFFR/Publications or by request to our office.

Annual Statewide Pre-Retirement Seminars

As all TFFR members study the proposed legislation outlined in this newsletter and continue to monitor the impact the recent economic conditions have on personal and retirement savings, one truth still holds true – the decision to retire should only be made after adequate consideration of the many financial and nonfinancial factors affecting retirement.

To help ND educators in their planning, TFFR hosts statewide pre-retirement seminars. All teachers are invited to attend. The full day pre-retirement planning seminar covers TFFR benefits, financial planning, estate planning, Social Security benefits, PERS health insurance, and adjusting to retirement.

The 2011 seminars will be held in July in Bismarck, Grand Forks and Dickinson. The seminars begin at 8 am and conclude at 4:30 pm. Each site will be limited to 100 participants, so register early. To register, call 1-800-952-2970 or 328-9886 or complete and return the attached registration form.

STATEWIDE PRE-RETIREMENT SEMINAR REGISTRATION FORM

July 26, 2011 - Bismarck July 12, 2011 - Grand Forks
 July 13, 2011 - Dickinson

Name _____

Address _____

City _____ State _____ Zip _____

TFFR Person ID _____

Home Telephone _____ Work Telephone _____

E-mail _____

Will your spouse/guest also be attending? ___ Yes ___ No

Name of spouse/guest _____

Is your spouse/guest also a teacher? ___ Yes ___ No

TFFR Person ID _____

Return to: **ND Retirement and Investment Office**
PO Box 7100, Bismarck, ND 58507-7100
or e-mail information to: rio@nd.gov



**NORTH DAKOTA
RETIREMENT AND
INVESTMENT OFFICE**
*Teachers' Fund for Retirement
State Investment Board*

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Board Acts On Experience Study Recommendations

Earlier this year, the TFFR Board received the results of the Actuarial Experience Study conducted by the plan's actuary. The purpose of the 5-year study is to compare actual

experience to assumed plan experience. The Board reviewed demographic assumptions (retirement, disability, termination, and mortality rates) as well as economic assumptions (investment return and inflation rates).

As a result of the study, the Board approved changes to mortality rates and salary increase rates to better reflect actual experience. These changes increased TFFR's liability by an additional \$65 million which is reflected in the annual actuarial valuation report. Most other assumptions remained valid, or needed only minor adjustments.

The most significant findings were that retirees are living longer and salary increases for active members have been greater than assumed.

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Articles are for general information only and are not intended to provide specific advice or recommendation. Other forms of this newsletter are available on request.

Toso Re-Appointed to Board

Governor Hoeven re-appointed Bob Toso, Superintendent of Jamestown Public Schools, to a five-year term on the TFFR Board beginning July 1, 2010. Toso has been a TFFR trustee since 2007 and represents school administrators. He also serves as a TFFR representative on the State Investment Board. We appreciate his leadership and dedication.

