

# REPORT Card

ND TEACHERS' FUND FOR RETIREMENT

JANUARY 2014

## TFFR Funding Level Drops, Future Improvement Expected

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 identifies emerging trends.

The July 1, 2013 report was recently delivered to the TFFR Board by the plan's actuarial consultant.

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Chief Retirement Officer  
Shelly Schumacher, Editor

### ND Retirement and Investment Office

1930 Burnt Boat Drive, P.O. Box 7100  
Bismarck, ND 58507-7100  
701-328-9885  
Toll free: 1-800-952-2970  
www.nd.gov/rio

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.

### Membership

As of July 1, 2013, the TFFR plan included 10,138 active members, which is an increase of 124 active members. There were 7,489 retirees and beneficiaries, which is an increase of 338 retired members.

### Financial

Member and employer contributions in FY 2013 totaled \$116 million compared to \$89 million last year which reflects the increased contribution rates that took effect in July 2012. Total distributions, including benefit payments, refunds, and administrative expenses, was \$151 million compared to \$139 million last year.

### Assets

The market value of assets increased from \$1.65 billion to

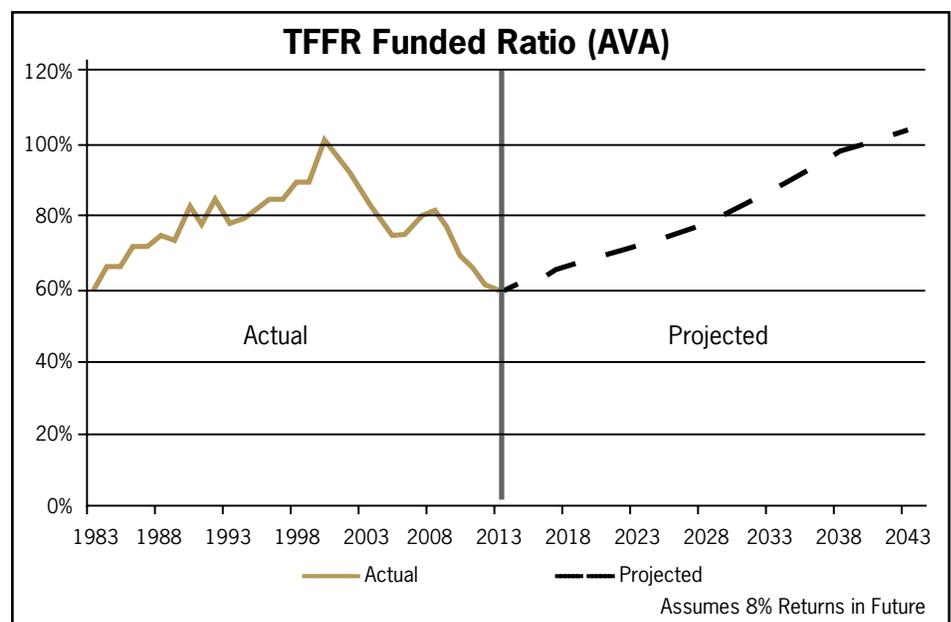
\$1.84 billion as of June 30, 2013. However, actuarial calculations are based on the actuarial value of assets which averages investment gains and losses over five years. The actuarial value of assets increased from \$1.75 billion to \$1.76 billion in 2013.

### Actuarial Results

TFFR's actuarial accrued liability (AAL) increased from \$ 2.87 billion to \$3.0 billion. The unfunded portion of the actuarial accrued liability (UAAL) increased from \$1.1 billion to \$1.2 billion, as the remainder of 2008-09 investment losses are recognized.

As of July 1, 2013, TFFR's funded ratio (comparison of assets to liabilities) on an actuarial basis

*Continued on page 5*



# Memo to Members

## Celebrations

Putting away the holiday decorations is a big job, and it always makes me a little nostalgic. The annual ritual of taking down the festive Christmas wreaths and boxing up special ornaments causes me to pause and reflect on family traditions and joyous celebrations. My thoughts also drift to the future as I think about more celebrations in the years ahead. "Celebrations," a theme I borrowed from my sister after re-reading her Christmas letter this year.

As TFFR ends its 2013 centennial year, and we put away the pictures and mementos from our 100-year anniversary celebration, it too causes me to reflect on the many reasons to celebrate the TFFR plan. While it may seem odd to celebrate when TFFR's funding level has been declining, I still believe there is much to be thankful for.

- Over TFFR's 100-year history, many thousands of ND public school teachers and administrators have paid into and received benefits from the TFFR plan allowing them financial independence in retirement.
- New and current ND teachers and administrators continue to have access to a defined benefit plan which will provide them with lifetime financial security.
- Recognition of 2008-09 investment losses in actuarial calculations is now complete, and recent investment performance is positive.



Fay Kopp  
NDTFFR Chief Retirement Officer  
NDRIO Deputy Executive Director

- Phasing in of 2011 legislative changes to offset investment losses is also nearly complete.
- Actuarial projections show TFFR funding levels should improve in the years ahead. While it will take time, long term funding recovery is expected.

TFFR's anniversary celebration was a series of simple events recognizing our 100-year history. As we begin TFFR's 101<sup>st</sup> year, our focus is on the future. For TFFR trustees, this means analyzing retirement trends and information, so that sound funding, investment, and benefits policies can be developed and implemented. For teachers, administrators, and school districts, it

means smaller salary raises and less take home pay now, so that retirement benefit payments can be made later. For retirement staff, it means administering an accurate, prompt, and efficient pension benefits program, and delivering high quality, friendly service.

There are many reasons to celebrate – birthdays, holidays, graduations, weddings, and anniversaries – to name just a few. The best celebrations aren't always big, flashy affairs, but are simple events that happen every day. Each day at TFFR, we celebrate ND educators - active and retired - and we are committed to making your TFFR experience a positive one.

## TFFR Celebrates 100 Years

Many thanks to the active and retired members who helped celebrate TFFR's 100-year milestone. Special thanks to the North Dakota Retired Teachers' Association, North Dakota United, and the North Dakota Council of Educational Leaders for hosting and honoring TFFR during their 2013 annual conventions. We appreciate your support.



## NDPERS Health Insurance Change

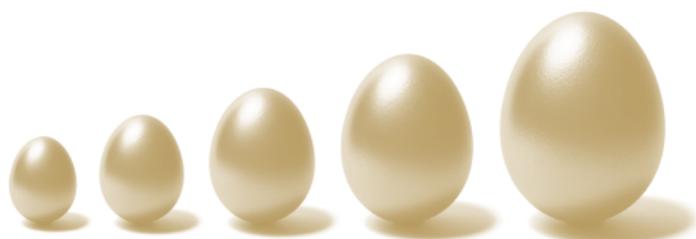
HB 1058 passed in the 2013 legislative session. The law change closed the NDPERS pre-Medicare health insurance plan to retirees with a retirement effective date of July 1, 2015 or later. There will not be a change in health insurance eligibility for individuals who retire prior to July 1, 2015. Further details will be provided as the implementation date of this law becomes closer. If you have questions regarding this change, please contact NDPERS at (800) 803-7377 or (701) 328-3900.



## Save Time & Go Online

For your convenience, most TFFR forms can be found on our website. Simply visit [www.nd.gov/rio](http://www.nd.gov/rio). Here are a few of the forms you can access.

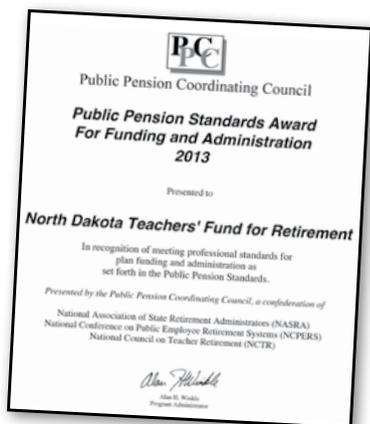
- **Address Change** – update your mailing address so important TFFR information finds you.
- **Designation of Beneficiary** – update your primary and contingent beneficiaries.
- **Release of Information** – this form allows you to authorize TFFR to release confidential pension information to a specific person (spouse, child, attorney, etc).
- **Refund Request** – if you have terminated TFFR employment and want to refund your account value, complete this form to request tax information and a refund application.
- **Retirement Request** – this form should be completed at least 90 days before you wish to begin TFFR monthly pension benefits.



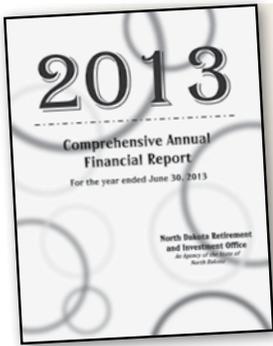
## TFFR Contributions Increasing

Member and employer contributions will each increase 2% effective July 1, 2014. Member contributions will increase to 11.75% and employer contributions to 12.75%. This increase was approved by the 2011 Legislative Assembly as part of a comprehensive TFFR funding improvement plan. These higher contribution rates will be in effect until TFFR reaches a 100% funded ratio; then rates will reduce to 7.75% each.

## TFFR Receives Award



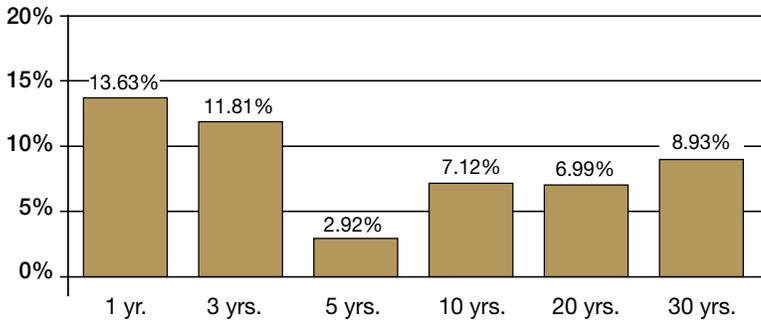
The ND Teachers' Fund for Retirement has received the 2013 Public Pension Coordinating Council Recognition Award. This award is designed to recognize and commend public employee retirement systems that meet professional standards for both pension plan administration and funding.



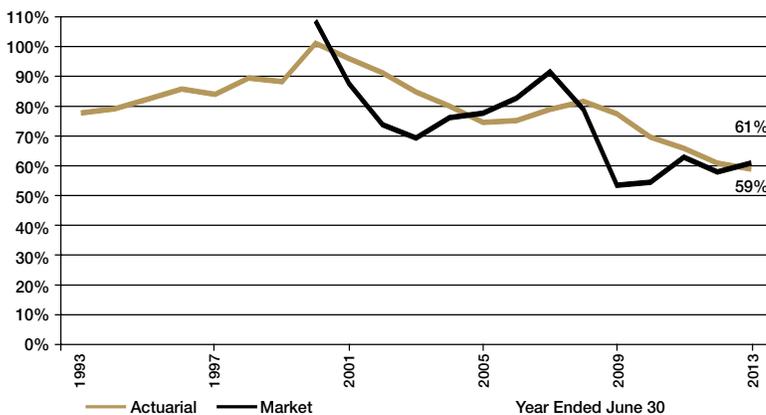
# 2013 Annual Report Summary

NDRIO's annual Comprehensive Annual Financial Report (CAFR) has been published for fiscal year July 1, 2012 – June 30, 2013. The report provides a detailed look at investment, financial, actuarial, and statistical information. The 2013 CAFR, actuarial report, and audit report are posted on the NDRIO website at [www.nd.gov/rio/TFFR/Publications](http://www.nd.gov/rio/TFFR/Publications) or by request to our office.

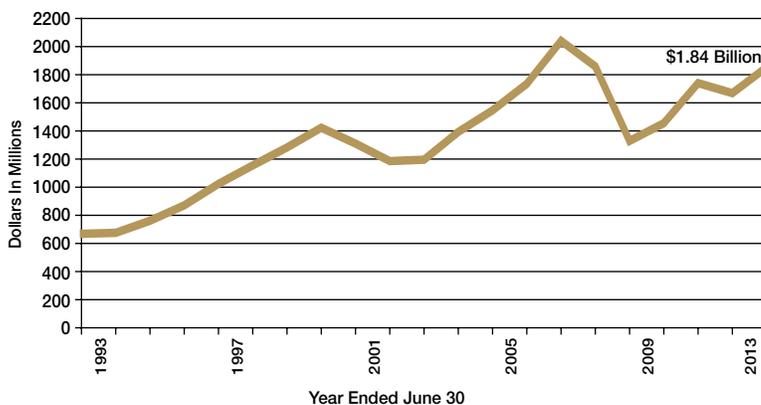
## TFFR Investment Performance - Average Fiscal Year Ended June 30, 2013



## TFFR Funded Ratio - Market vs. Actuarial



## Market Value of TFFR Assets



## Statement of Net Position as of June 30, 2013

<b>ASSETS</b>	
Equities	\$951,272,867
Fixed Income	392,807,091
Real Assets	340,442,941
Private Equity	94,185,760
Invested Cash	24,369,601
Receivables	23,310,387
Other Assets	16,044,661
<b>Total Assets</b>	<b>\$1,842,433,308</b>

<b>LIABILITIES</b>	
Accounts Payable	\$2,183,134
Accrued Expenses	658,494
Other Liabilities	7,720
<b>Total Liabilities</b>	<b>2,849,348</b>

**Net Position on June 30, 2013 \$1,839,583,960**

## Changes in Net Position During Fiscal Year 2013

<b>CASH POSITION</b>	
<b>Net Position on June 30, 2012</b>	<b>\$1,654,149,659</b>
<b>-ADDITIONS-</b>	
Member Contributions	\$53,824,557
Employer Contributions	59,352,860
Other Additions	2,671,931
Investment Income(Loss)	220,205,309
<b>Total Additions</b>	<b>\$336,054,657</b>
<b>-DEDUCTIONS-</b>	
Benefits Paid	\$145,943,323
Refunds	3,053,395
Administrative Expenses	1,623,638
<b>Total Deductions</b>	<b>\$150,620,356</b>

**Total Change in Net Position 185,434,301**

**Net Position on June 30, 2013 \$1,839,583,960**

# Membership Statistics - June 30, 2013

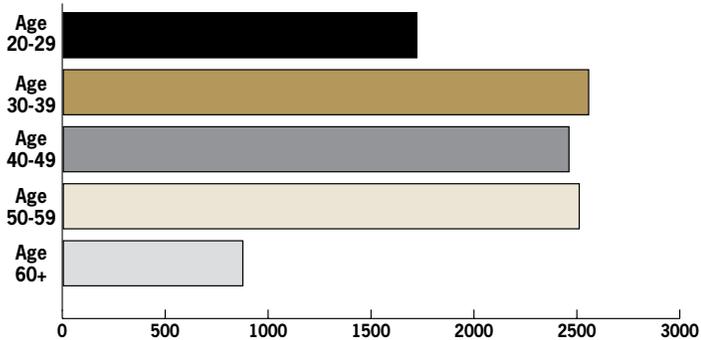
## ACTIVE MEMBERS

Avg Annual Salary	\$51,953
Avg Age	Age 43
Avg Service	13 yrs
Oldest Active Member	Age 81
Most Service	46 yrs

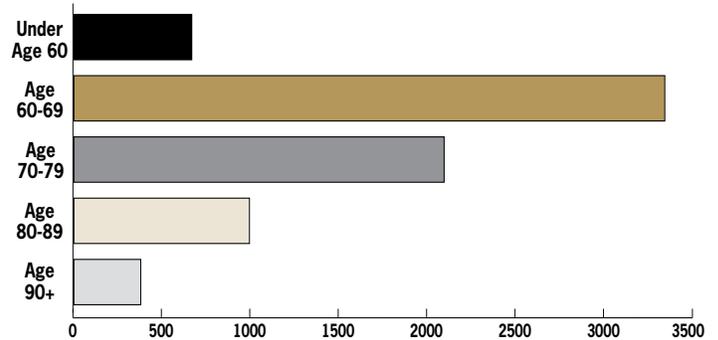
## RETIRED MEMBERS

Avg Annual Pension	\$20,664
Avg Current Age	Age 71
Avg Service	27 yrs
Oldest Retiree	Age 108
Most Service	57.5 yrs

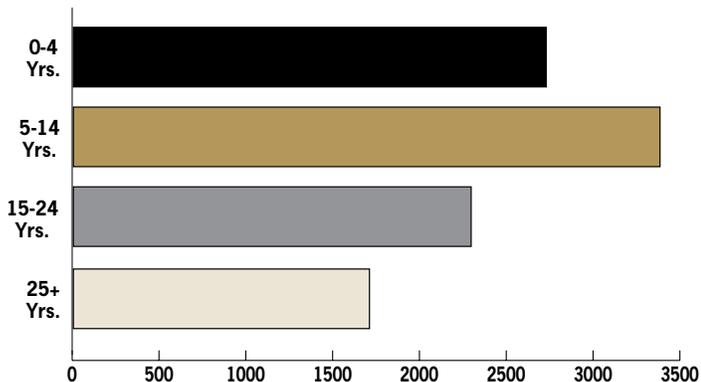
### Active Members by Age



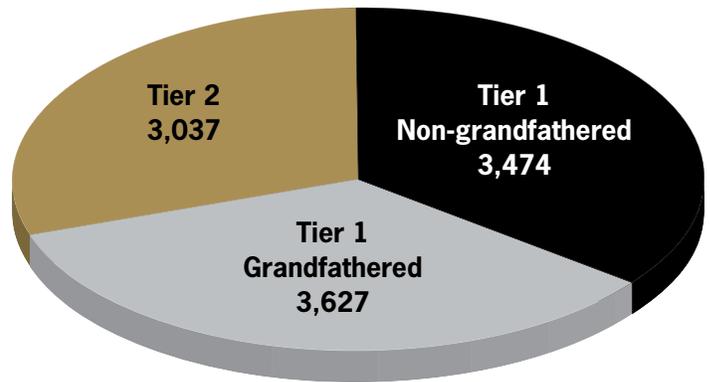
### Retired Members by Age



### Active Members by Service



### Active Members by Tier



## TFFR Funding Levels

From page 1

decreased from 61% to 59%. This means TFFR currently has about 61 cents for every one dollar it needs to pay present and future benefits earned by members. However, on a market value basis, TFFR's funded level increased from 58% to 61%.

### Funding Projections

The actuary has determined that the legislative changes approved by the 2011 Legislature are expected to improve TFFR's funding status over the long term, if actuarial assumptions are met. While the 2013 actuarial results reflect a funding level decline, this is projected to begin improving now that all 2008-09 investment

losses have been completely smoothed into actuarial valuations, and increased member and employer contributions are beginning to flow into the system.

As you can see from the chart on page one, if TFFR earns 8% investment returns in the future, the plan's funded level should reach 100% within 30 years. If long term returns are greater than 8%, funding progress will be reflected sooner. However, if returns are less than 8%, funding improvement will take longer.

The complete 2013 actuarial report is available on the TFFR website or by request to our office.



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

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**STATEWIDE PRE-RETIREMENT SEMINAR  
REGISTRATION FORM**

July 9 - Minot       July 23 - Fargo

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 of spouse/guest \_\_\_\_\_

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

**Annual Statewide  
Pre-Retirement Seminars**

To help ND educators prepare for retirement, TFFR hosts statewide pre-retirement seminars. The full day pre-retirement planning seminar covers TFFR benefits, financial planning, estate planning, Social Security benefits, health insurance, and adjusting to retirement.

All members and spouses are invited to attend. However, the seminars are geared to plan members who are within five years of retirement. The program provides in-depth retirement information and the tasks you will need to complete in the final months before retirement.

The 2014 seminars will be held in Minot on July 9, 2014, and in Fargo on July 23, 2014. The seminars begin at 8 am and conclude at 4:30 pm. Space is limited, so register early. To register, call 1-800-952-2970 or 328-9886 or complete and return the attached registration form.