

RETIREMENT TODAY

ND TEACHERS' FUND FOR RETIREMENT

JULY 2008

Legislative Study Bills Filed

Two bills have been filed with the interim Legislative Employee Benefits Programs Committee for study during the 2007-08 interim. The bills are explained below and are also available on the TFFR website under the Legislation link.

Comprehensive review by this interim committee is very important and helps to ensure that proposals considered by the Legislative Assembly have been carefully studied.

- **Bill No. 100 – Submitted by the TFFR Board.**

This bill includes technical and administrative changes to the TFFR program. The proposed changes have no financial impact on the Fund. Most of the amendments are needed to incorporate federal tax law changes as they relate to qualified governmental plans. Other changes include clarification that non-contracted substitute teaching does not apply to the annual hour limit for re-employed retirees. In addition, confidentiality provisions are modified to allow disclosure of retirement information in certain limited situations outlined in the bill.

- **Bill No. 109 – Submitted by Senator O'Connell on behalf of the ND Retired Teachers Association.**

This bill would provide a one time supplemental benefit payment to all TFFR retirees and beneficiaries receiving an annuity on June 30, 2009. The supplemental payment is equal to an amount determined by taking \$4 per year of service credit, plus \$3 per number of years since the member's retirement, with the sum multiplied by 12. If approved, the supplemental payment would be made in December 2009, and only one payment would be made on each retiree's account. The bill includes an \$11 million general fund appropriation.

Example: Retiree with 28 years of service credit who has been retired since 1997.

$\$4 \times 28$ (service credit)	=	112
$\$3 \times 12$ (years retired)	=	+ 36
Supplemental Payment Amount		$148 \times 12 = \$1,776$

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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.



Latimer Re-Appointed to Board

Governor Hoeven recently re-appointed Lowell Latimer of Minot to another five-year term on the TFFR Board. Latimer has been a trustee since 2004 and represents retired members on the Board. We appreciate his commitment to serve North Dakota educators as a TFFR Board trustee.

Memo to Members

How Safe Are Your Retirement Records?

With all of the personalized data TFFR members and employers send and receive, information security is top priority at our agency. We are very concerned about protecting your personal information regardless of whether it is in print or electronic format.

As you know, under state law, your retirement account information is confidential. This means all records relating to your TFFR account are confidential and are not public records. Your TFFR information may only be disclosed in writing to you; a person to whom you have given written consent; a person legally representing you; a person authorized by a court order; your participating employer (limited to service credit, age, contributions, and salary); and various other state and federal agencies as outlined in state statutes. While TFFR has submitted Bill No. 100 to review possible extension of these confidentiality provisions in certain limited circumstances, we are very careful about disclosing sensitive information.

TFFR takes numerous precautions to ensure that no one can accidentally or fraudulently obtain or use your personal retirement information. Here are a few examples:

- TFFR will provide personal information either in person, or in writing to you at your home address on file. Personal



Fay Kopp

Deputy Executive Director/Retirement Officer

retirement information is not released over the phone or via email.

- Requests to change name, address, or other retirement account information must be in writing.
- Social security numbers (SSNs) are no longer displayed on TFFR correspondence, forms, reports, or checks (unless required by state or federal law for tax reporting purposes.) Instead, Person IDs (TFFR generated personal identification numbers) have replaced SSNs for most purposes. Please provide your Person ID number when



contacting our office. You will find it on your annual member statement.

- TFFR's computer systems utilize industry standard practices to block unauthorized access and protect your retirement data, such as firewalls and encrypted connections, where applicable.
- TFFR member information is occasionally taken out of the office on portable computers for outreach programs. This information is protected in two ways:

1. The data files are encrypted. If a portable computer is lost or stolen, anyone who wants to view the information would have to break the algorithm used to encrypt the data.

2. An authorized fingerprint is required to log in to the computer. This prevents use of one of the available password cracker programs to log in.

- In the near future, online web services will become available to allow members and employers to access account information. Additional security precautions will be in place utilizing member specific logins and passwords.

As new security methods become available, TFFR will continue to investigate their potential for future use.

TFFR strives to provide you with safe and easy access to your retirement account information. We will continue to monitor and update our practices to assure our members receive the service and security they expect.

Retiree Statistics - Did You Know?

We took a look at our 6,077 retired members and beneficiaries (as of 7/1/07) and found some interesting statistics. Here's what we learned:

Average current benefit	\$1,434 month
Average current age	70.8 years
Average service credit	27.7 years
Average final average salary	\$32,450 year
Preferred retirement option	Single life annuity

Of course, an "average" is just that, an "average." By digging a little deeper into the various factors used to determine benefit amounts like service credit, salary, retirement formula, and benefit option, a wide range of "average" benefit amounts comes to light.

Chart 1 shows Retired Members by Year of Retirement. As you can see, retirees who retired under older formulas, also had lower salary. Therefore, their monthly benefit is lower, even though retiree benefit increases were geared towards those longest retired. On the other hand, retirees who retired under newer formulas, had a higher salary. Consequently, their monthly benefit is higher.

Chart 2 illustrates Retired Members by Monthly Benefit Amount. For retirees who taught less than 20 years, their average benefit is under \$600 per month. For retirees with service of 20 – 30 years, their benefit amount ranges from \$600 to \$1,400. For those with 30 or more years of service, average benefits exceed \$1,400 per month.

Retired Members by Benefit Option is shown in Chart 3. The most common benefit option selected was the single life annuity option. However, a large number of retirees elected to reduce their benefit

to provide for a spouse or other beneficiary. This decision impacts the retiree's monthly benefit amount.

In summary, your monthly retirement benefit is based on the formula in effect at the time of your retirement. In most cases, service credit and salary were also factors. Many of you chose the single life annuity plan, or chose to reduce your monthly benefit to provide survivor benefit protection. Finally, for most of you, ad hoc post retirement benefit increases approved by the Legislature may have increased your monthly benefit amount. Retiree benefit increases have historically been based on various formulas, and so consequently, have impacted all retirees differently.

Chart 2

Retired Members by Monthly Benefit Amount

Monthly Benefit	No. of Retirees	Average Service
Less than \$199	177	6.8
\$200 - \$399	461	13.4
\$400 - \$599	552	20.0
\$600 - \$799	527	25.4
\$800 - \$999	420	26.6
\$1,000 - \$1,199	540	28.7
\$1,200 - \$1,399	493	30.2
\$1,400 - \$1,599	519	31.3
\$1,600 - \$1,799	483	31.5
\$1,800 - \$1,999	474	32.1
\$2,000 - \$2,199	338	32.1
\$2,200 - \$2,399	287	33.2
\$2,400 - \$2,599	228	33.6
\$2,600 - \$2,799	160	34.0
\$2,800 - \$2,999	126	34.2
\$3,000 & Over	292	35.0
Total/Average	6,077	27.7

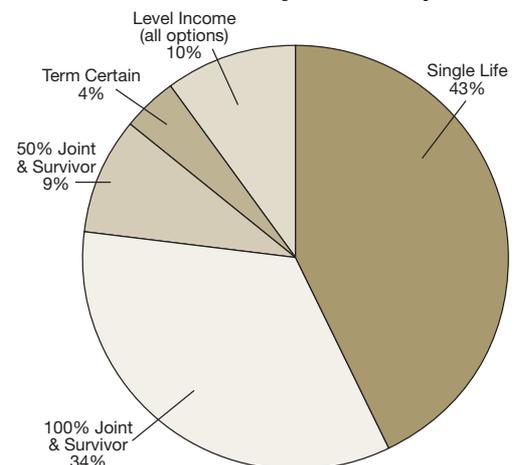
Chart 1

Retired Members by Fiscal Year of Retirement

Fiscal Year of Retirement	Formula	Number of Retirees	Current Mo. Benefit	Current Age	Service Credit	Avg. Final Annual Salary
1957-79	Misc.	499	\$537	89.3	24.2	\$7,805
1980-81	1.00%	143	\$665	87.5	27.8	\$14,447
1982-83	1.00%	115	\$645	85.3	25.2	\$16,429
1984-85	1.05%	197	\$891	85.2	30.9	\$21,236
1986-87	1.15%	209	\$1,018	83.3	31.0	\$24,876
1988-89	1.22%	222	\$1,033	80.2	28.7	\$25,584
1990-91	1.275%	419	\$1,079	76.9	28.5	\$27,142
1992-93	1.39%	288	\$1,240	74.3	28.7	\$31,222
1994-95	1.55%	525	\$1,278	72.5	28.1	\$31,928
1996-97	1.55%	257	\$1,127	69.8	24.9	\$30,922
1998-99	1.75%	442	\$1,414	68.0	27.2	\$34,029
2000-01	1.88%	522	\$1,635	66.0	27.9	\$37,633
2002-07	2.00%	2,239	\$1,970	61.3	27.8	\$42,220
Total/Average		6,077	\$1,434	70.8	27.7	\$32,450

Chart 3

Retired Members by Benefit Option

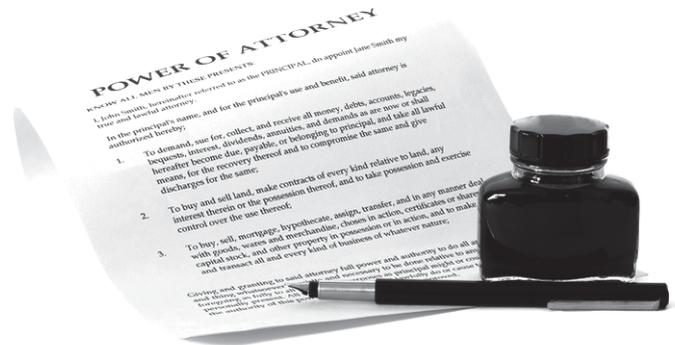


Tax Withholding Reminder

You are not required to withhold federal or state income tax from your TFFR retirement benefit. However, since your TFFR benefits are subject to federal and state taxes, don't forget to periodically review your tax withholding election. If your tax withholding is not adequate, you may have to pay estimated taxes during the year or a tax penalty at year end.

You may elect no withholding, specify withholding based on marital status and allowances, or specify withholding plus an additional amount. You may also have North Dakota state taxes withheld from your retirement benefit. Keep in mind we can not withhold taxes for another state.

If you would like to start, change, or stop tax withholding, contact our office for a tax withholding form.



File POA Paperwork

If you have authorized another person to act on your behalf through a power of attorney (POA), please provide a copy to TFFR or make sure the person you have named has a copy of this paperwork. Once on file with TFFR, your POA can sign retirement forms and receive confidential information about your retirement account. Having a valid power of attorney document is very important if at some point you are not able to handle your own business affairs.

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