

Retirement TODAY

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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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

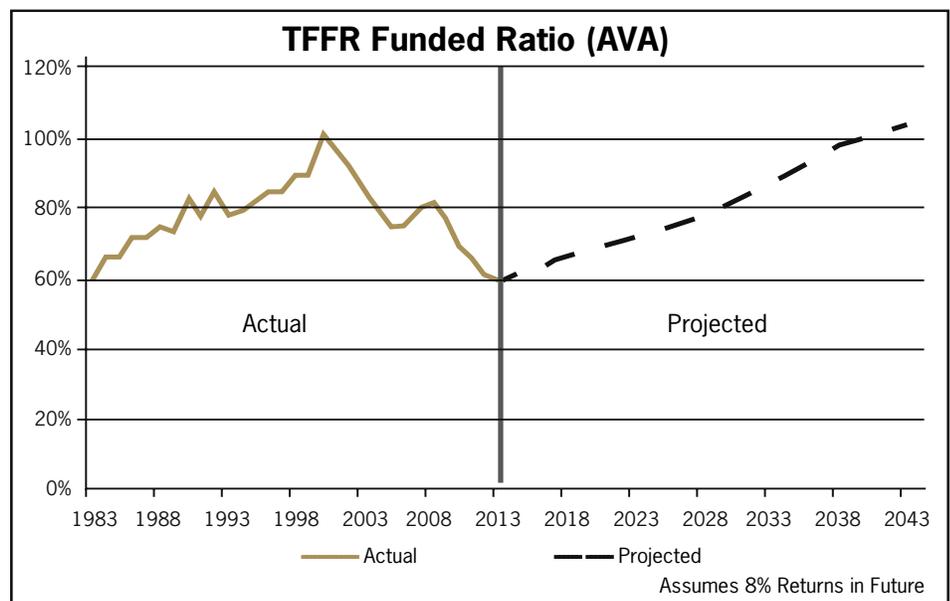
\$1.84 billion as of June 30, 2013. However, actuarial calculations are based on the actuarial value of assets which averages investment gains and losses over five years. The actuarial value of assets increased from \$1.75 billion to \$1.76 billion in 2013.

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.



Fay Kopp
ND TFFR Chief Retirement Officer
NDRIO Deputy Executive Director

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.

- 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 101st 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 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.



Direct Deposit is Fast, Safe, & Secure

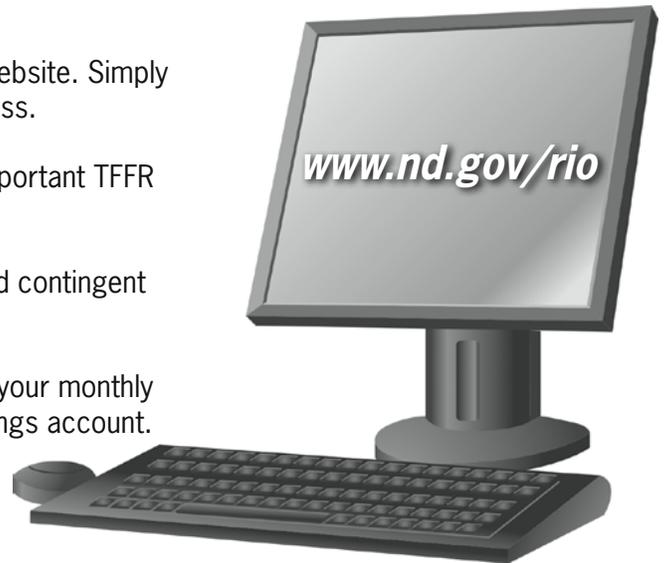
Did you know that 99% of TFFR retirees receive their monthly pension benefits electronically? Are you part of the 1%?? Paper checks sent in the mail can be delayed, lost, or stolen. The process to replace a lost or stolen pension check takes time and could create a financial burden for you. If you are still getting a paper check each month, we strongly recommend having your TFFR pension

benefit electronically deposited into your checking or savings account. This service is free, fast, dependable, and very secure. Your funds will be in your account the first business day of each month. To sign up for direct deposit, complete a TFFR direct deposit authorization form. You can obtain this form from our website or by calling the TFFR office.

Save Time & Go Online

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

- **Address Change** – update your mailing address so important TFFR benefit and tax information finds you.
- **Designation of Beneficiary** – update your primary and contingent beneficiaries.
- **Direct Deposit Authorization** – complete if you want your monthly TFFR benefit deposited into a different checking or savings account.
- **Tax Withholding** – complete to begin or change your federal and ND state income tax withholding election.
- **Retired Member Employment Notification** – if you are re-employed with a TFFR employer, this form must be completed each year of your re-employment.



Tax Withholding Reminder

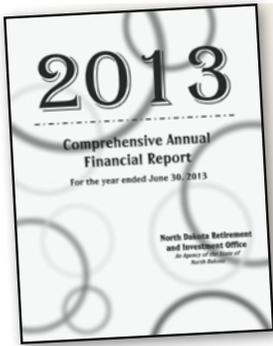
You have the option to withhold federal and North Dakota state income tax from your TFFR retirement benefit. This notice is to remind you that you may change your tax withholding election at any time. Since your TFFR benefits are subject to federal and state taxes, don't forget to periodically review 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 TFFR does not withhold taxes for another state.

Your current withholding election will remain in effect until you file a new tax withholding form with TFFR. If you wish to adjust your tax withholding, you may obtain a W-4P tax withholding form by contacting the TFFR office, or downloading a form from the RIO website. If you believe your tax withholding is sufficient, no action is necessary.

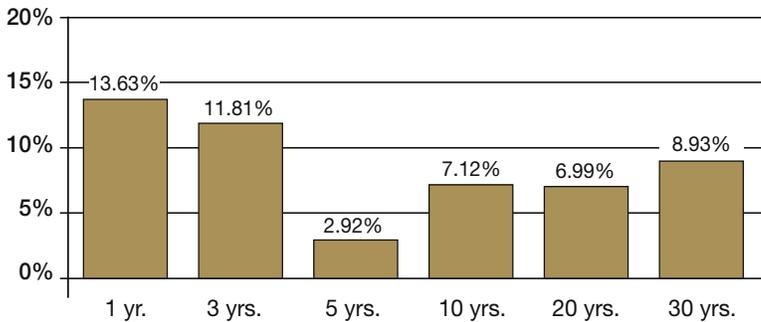
Your decision on tax withholding is an important one. You may wish to discuss it with a qualified tax advisor.



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 or by request to our office.

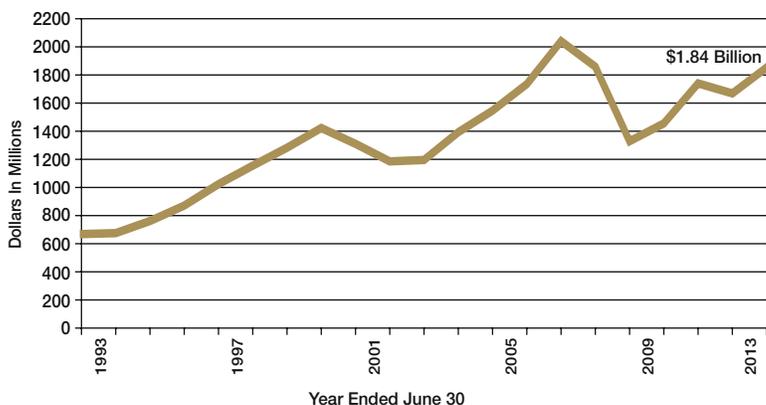
TFFR Investment Performance - Average Fiscal Year Ended June 30, 2013



TFFR Funded Ratio - Market vs. Actuarial



Market Value of TFFR Assets



Statement of Net Position as of June 30, 2013

ASSETS	
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
Total Assets	\$1,842,433,308

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

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

Changes in Net Position During Fiscal Year 2013

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

Total Change in Net Position 185,434,301

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

Membership Statistics - June 30, 2013

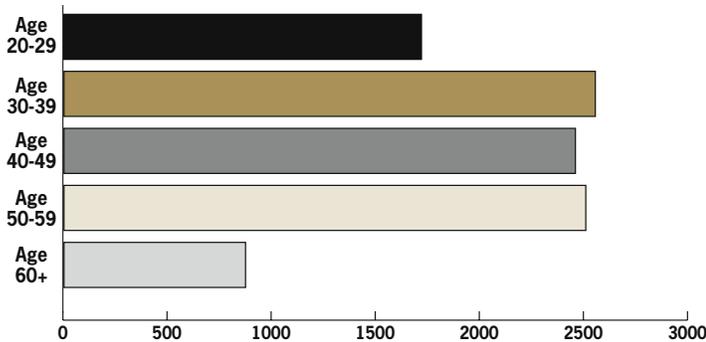
ACTIVE MEMBERS

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

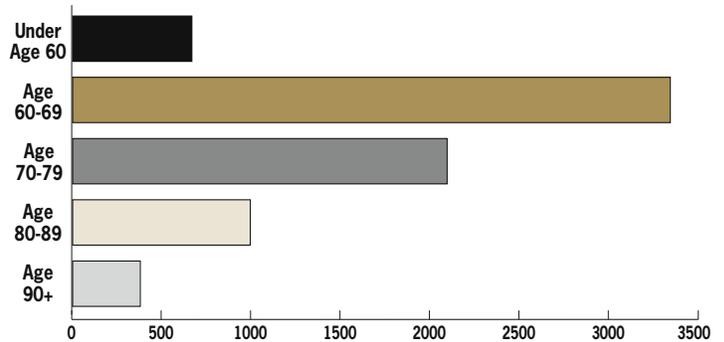
RETIRED MEMBERS

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

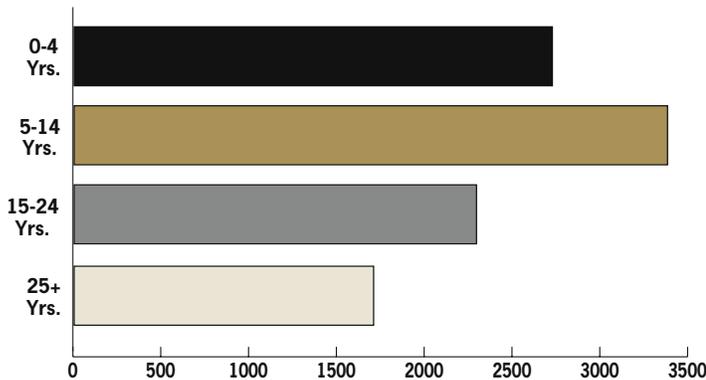
Active Members by Age



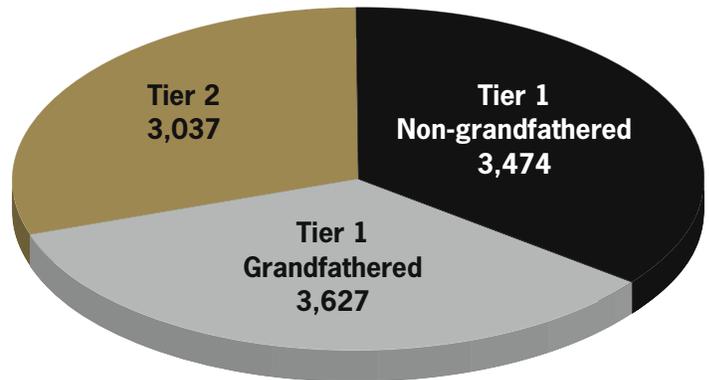
Retired Members by Age



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*

1930 BURNT BOAT DRIVE
P.O. BOX 7100
BISMARCK, ND 58507-7100

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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.

