

# Report Card

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 study bills are explained below and are also available on the TFFR website under the Legislation link.

- **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 retiree benefit payment to all TFFR retirees and beneficiaries receiving an annuity on June 30, 2009. The

*Continued on last page*



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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



Fay Kopp

Deputy Executive Director/Retirement Officer

home address on file. Personal 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.

# Filling the Income Gap

Your TFFR retirement plan will provide a career teacher with a sizeable lifetime monthly retirement benefit. In fact, a teacher with 30 years of service will receive 60% of final average salary from TFFR. If you retire with more or less service, the percentage changes as shown in Chart 1. In addition, most of you will also draw a Social Security benefit at age 62 or older. But will these two sources of retirement income be enough? Unfortunately, most people underestimate the total amount of income needed to retire.

How will you fill the income gap on Chart 2 and deal with the future effects of inflation?

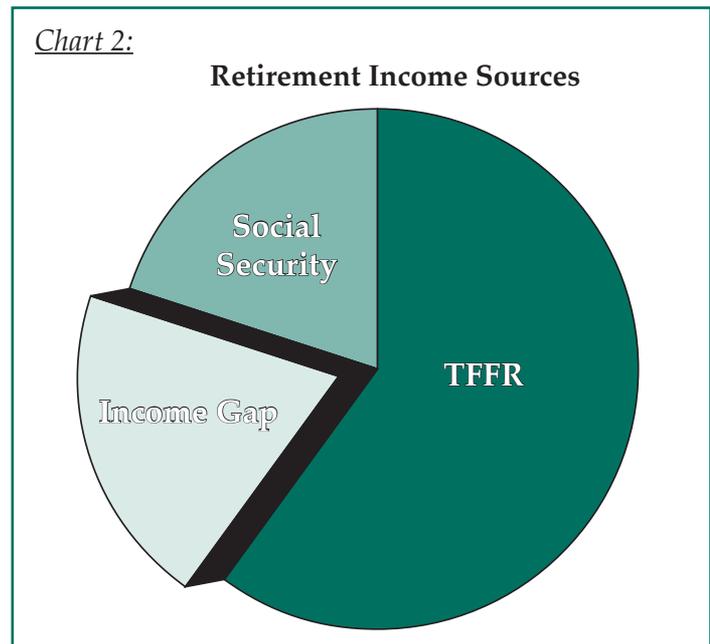
- Personal savings and investments
- IRAs, tax deferred annuities
- Part-time employment
- Inheritance
- Other????

Your retirement could last 30-40 years, so it is very important to plan. The financial planning process can be complicated, but there are many reputable financial planners available to help you. If your financial planner has TFFR questions, please direct them to our website at [www.nd.gov/rio](http://www.nd.gov/rio) or contact TFFR staff directly.

*Chart 1:*

Years of Service	Percent of Final Average Salary Replaced by TFFR
10.....	20%
15.....	30%
20.....	40%
25.....	50%
30.....	60%
35.....	70%
40.....	80%

*Chart 2:*



## New Benefit Provisions and Employer Contribution Rates Take Effect

The TFFR funding improvement bill (SB 2046) approved last legislative session created a second tier of benefits for new TFFR members employed on or after July 1, 2008.

Tier 1 members include all current active, inactive, and retired members who have TFFR service credit on July 1, 2008. Tier 1

members who do not refund their service credit would maintain the current TFFR benefit structure including Rule of 85, 3-year vesting, and 3-year final average salary calculation.

Tier 2 members include all new members and returning refunded members who are employed on or after July 1, 2008. Tier 2 members

would have the following benefit changes: Rule of 90, 5-year vesting, and 5-year final average salary calculation.

Additionally, employer contribution rates increase from 7.75% to 8.25% effective July 1, 2008. Member contribution rates for both Tier 1 and Tier 2 members remain at 7.75%.

## TFFR Outreach Programs

The Outreach Programs offered by TFFR are more popular than ever. Programs fill up fast so if you would like to attend contact us immediately. We are happy to offer the following outreach services in 2008-09.

### Pre-Retirement Seminars

Our statewide one day pre-retirement seminars are held each summer in July. Look for 2009 seminar dates in Bismarck and Grand Forks in an upcoming newsletter.

Topics include: TFFR retirement benefits, financial planning, estate planning, Social Security benefits, health insurance, and adjusting to retirement.

### Retirement 101 Program

This program is geared to new North Dakota teachers. Retirement 101 is a 90-minute presentation covering TFFR basics and provides teachers the opportunity to ask questions about the retirement program.

If your employer would like to host a Retirement 101 program as part of a teacher mentoring program or during an in-service, please contact TFFR for additional information.

### Teachers in Transition Program

This specialized counseling program and group presentation is available to TFFR members whose school is facing closing or consolidation. It is designed to provide information about the retirement options available to members leaving TFFR covered employment.



### Benefits Counseling Program

Individual 30-minute benefits counseling appointments are available to all members to discuss TFFR benefits and other retirement concerns. Call 701-328-9886 or 800-952-2970 to schedule an appointment today.

<i>Langdon</i>	<i>August 27, 2008</i>
<i>Devils Lake</i>	<i>August 28, 2008</i>
<i>Bottineau</i>	<i>August 27, 2008</i>
<i>Harvey</i>	<i>August 28, 2008</i>
<i>Grand Forks</i>	<i>September 10-11, 2008</i>
<i>Wahpeton</i>	<i>September 24, 2008</i>
<i>West Fargo</i>	<i>September 25, 2008</i>
<i>Williston</i>	<i>October 1, 2008</i>
<i>Carrington</i>	<i>October 1, 2008</i>
<i>Watford City</i>	<i>October 2, 2008</i>
<i>Valley City</i>	<i>October 8, 2008</i>
<i>Jamestown</i>	<i>October 9, 2008</i>
<i>Minot</i>	<i>November 4-5, 2008</i>
<i>Hazen</i>	<i>November 18, 2008</i>
<i>Fargo</i>	<i>December 3-4, 2008</i>
<i>Bowman</i>	<i>December 10, 2008</i>
<i>Dickinson</i>	<i>December 11, 2008</i>
<i>Bismarck</i>	<i>January 14-15, 2009</i>

# Planning to Take a Refund?

If you terminate TFFR covered Employment, you are eligible for a refund (lump sum distribution) of your account value. The refundable amount includes all employee contributions (including purchases) plus 6% interest. The refundable amount does not include employer contributions.

A refund closes your account and all service credit earned to that point is forfeited. By selecting a refund, you waive all rights to a lifetime retirement benefit. If you are a Tier 1 member, you will lose this status when you take a

refund. If you later return to TFFR employment, you will become a Tier 2 member. (See article on page 3.) All refunded members who return to covered employment can repurchase refunded service credit.

There is a 120-day waiting period from your last month of TFFR employment before a refund will be issued. The waiting period can be waived and the refund issued once all the paperwork is filed and the employer has submitted all retirement contributions. You can not take a refund if you have only ceased teaching for the summer or

are on a leave of absence.

Most, if not all, of your refund will be taxable income to you. To avoid any tax liability and penalty, you can directly roll over the taxable portion of your refund to an IRA or another qualified plan. If the refund is paid to you, TFFR is required to withhold 20% of the taxable portion for federal tax. North Dakota state tax withholding is optional.

You may wish to visit with a tax professional and/or a financial planner for advice.

## Keep Beneficiary Designation Current

All TFFR members should designate a primary beneficiary for the purpose of directing payment of a claim due to a member's death. A member may also designate a contingent beneficiary.

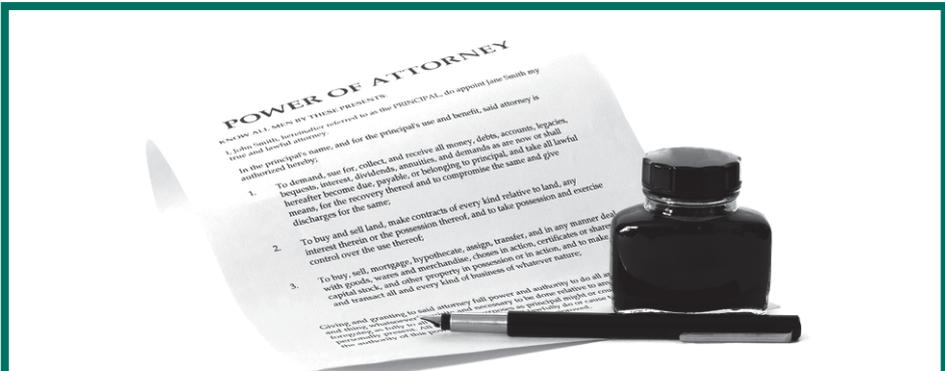
If you are married, you must name your spouse as beneficiary or provide written spousal approval to name an alternate beneficiary. If you are not married, or if you have written spousal consent, you can name any person/persons, organization, church, charity, or your estate as beneficiary of your retirement account. However, if more than one beneficiary is named, they are not eligible to receive a monthly annuity for life.

If you do not designate a beneficiary, death benefits (if any) will be paid to the following:

- your surviving spouse; if none,
- your surviving children; if none,
- your estate.

Keeping your beneficiary designation up to date is very important because it is not automatically updated in the event of a birth, death, or

change in marital status. It is your responsibility to keep your beneficiary designation current. Beneficiary change forms are available on the TFFR website.



**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.

# Legislative Study From page one

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 to fund the supplemental payment.

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

$$\begin{array}{r} \$4 \times 28 \text{ (service credit)} = 112 \\ \$3 \times 12 \text{ (years retired)} = \underline{+ 36} \\ \text{Supplemental Payment Amount } 148 \times 12 = \$1,776 \end{array}$$

The Legislative Employee Benefits Programs Committee will hold public meetings this summer to receive testimony from interested persons, consider the actuarial impact, and discuss the bills. The Committee will then make a recommendation on each bill and file their report with the Legislative Council in November. This report will be attached to each bill introduced to the 2009 Legislative Assembly.

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

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