

# REPORT Card

JULY 2009

ND TEACHERS' FUND FOR RETIREMENT

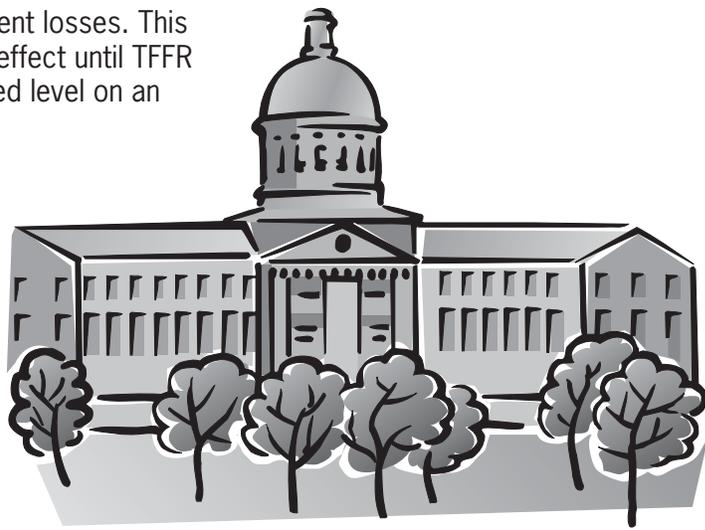
## Legislature Approves Employer Rate Increase

After much discussion relating to the TFFR program, the 2009 Legislative Assembly made changes late in the legislative session that came as a surprise to many.

**HB 1022** includes the budget authority and continuing appropriations for the ND Retirement and Investment Office (NDRIO) administrative expenses. As amended by Conference Committee, HB 1022 also includes a TFFR employer/school district retirement contribution increase of 0.5% (from 8.25% to 8.75%) effective July 1, 2010. The 0.5% TFFR employer contribution increase is intended to offset the cost of a one-time TFFR retiree supplemental benefit payment (outlined in SB 2277) and to improve TFFR funding levels which have declined due to

significant investment losses. This increase will be in effect until TFFR reaches 90% funded level on an actuarial basis.

TFFR members and school boards/participating employers should be aware of this change as 2009-11 contracts are negotiated.



During the 2009-10 legislative interim, the TFFR Board plans to continue working with member and employer interest groups and the Legislative Employee Benefits Programs Committee to explore various funding alternatives and consider whether future contribution and/or benefit changes will be needed to protect the retirement security of current and future TFFR members.

### Other Bills Approved

**SB 2277** provides a one-time supplemental retiree benefit payment to all TFFR retirees and beneficiaries based on a formula using years of service and years of retirement. The supplemental payment will be made in December 2009 and will be paid from the TFFR trust fund.

**HB 1080** includes technical and administrative changes to the TFFR

program. The changes have no financial impact on the Fund. Most of the amendments 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.

**HB 1360** clarifies TFFR statutes by including licensed and contracted employees of Regional Education Associations (REAs) in the definition of "teacher" for TFFR participation and benefit eligibility purposes. This clarification does not change current TFFR practices.

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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.*

# Memo to Members

## I Think WE Can ...

One of my favorite children's books is "The Little Engine that Could." The popular story has been told and retold in various versions throughout history. The underlying theme, however, has remained the same – a stranded train is unable to find an engine willing to pull it over a high mountain. Only the little blue engine is willing to try. With the encouragement of his friends, and while repeating the motto "I think I can, I think I can," he finally overcomes a seemingly impossible task.

Which brings me to another seemingly impossible task – that of improving TFFR funding levels. It is no surprise that 2008-09 has been a difficult time period for investors. During the past year, the world's financial markets have declined to unprecedented levels, and economic conditions continue to be challenging. While final TFFR performance numbers are not yet reconciled, preliminary investment returns are estimated at -25% for the fiscal year ending June 30, 2009. This is predicted to reduce TFFR funding levels significantly in the next few years. Final audited information on the value of TFFR investments and the 2009 actuarial valuation report will be completed later this fall and published in future TFFR newsletters.

At this time, we are closely monitoring the changing economic environment and evaluating



Fay Kopp,  
Deputy Executive Director -  
Chief Retirement Officer

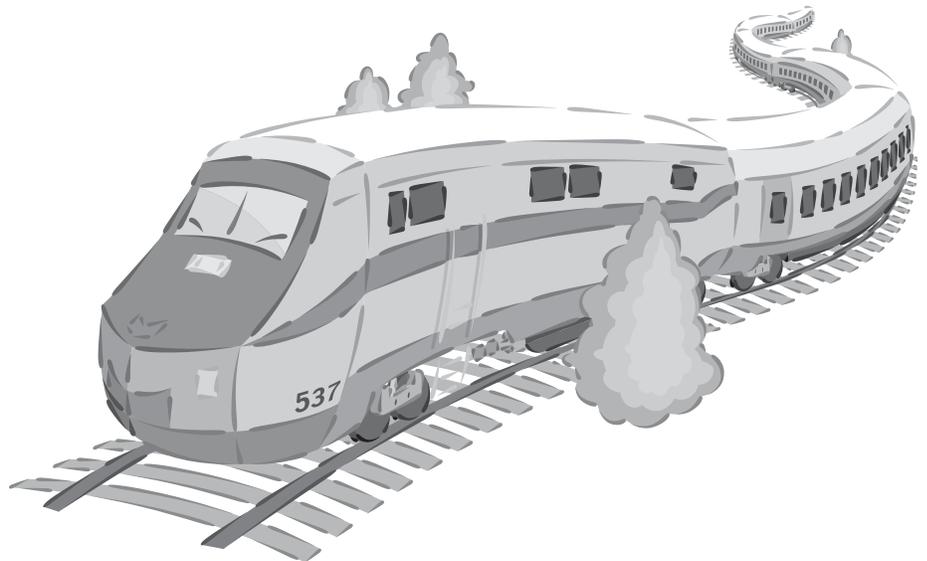
options to address the impact of the global market decline on the TFFR portfolio. How to improve the financial well being of the TFFR trust fund is our #1 priority. The TFFR Board believes it is prudent to propose a funding improvement plan during the 2011 legislative session that will address the situation in a comprehensive and effective manner. Such legislation is likely to include contribution increases, and possible benefit changes for new hires.

We've got a big job ahead of us... a big mountain to climb. But...

- I think WE can... develop a plan to improve TFFR funding levels.
- I think WE can... ask the difficult questions.
- I think WE can... make the tough choices.
- I think WE can... preserve the financial integrity of the TFFR retirement plan.
- I think WE can... if WE all work together.

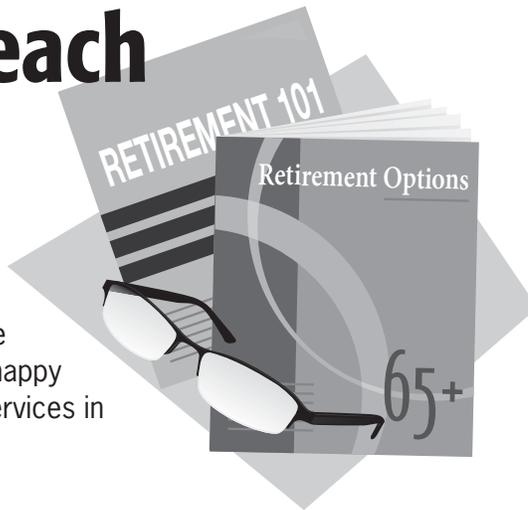
"We" are the TFFR Board, State Investment Board, member and employer interest groups, actuarial and investment consultants, and system staff. "We" are the 10,000 active and 6,500 retired members. "We" are the 235 ND school districts and other participating employers. "We" are the 47 senators and 94 representatives who will make the final legislative decision on how to fund current and future pension obligations.

By working together, "I think WE can" provide long term financial security for North Dakota educators.



# 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, please contact us immediately. We are happy to offer the following outreach services in 2009-10.



## 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.

Divide County  
Stanley  
Williston  
Grand Forks  
New Rockford  
Wahpeton  
West Fargo  
Hettinger  
Valley City  
Jamestown  
Cavalier  
Rugby  
Fargo  
Devils Lake  
Turtle Lake/Mercer  
Dickinson  
Minot  
Bismarck  
Bismarck

August 18, 2009  
August 19, 2009  
September 2, 2009  
September 16-17, 2009  
September 23, 2009  
September 29, 2009  
September 30, 2009  
September 30, 2009  
October 1, 2009  
October 6, 2009  
October 7, 2009  
October 8, 2009  
November 2-3, 2009  
November 16, 2009  
November 17, 2009  
November 18, 2009  
December 2-3, 2009  
December 7, 2009  
December 9, 2009

## Pre-Retirement Seminars

Our statewide one day pre-retirement seminars are held each summer in July. 2009 seminars were held in Bismarck and Grand Forks. Look for dates for the July 2010 seminars in Fargo and Minot 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.



## Franz Re-Appointed To Board

Governor Hoeven has re-appointed Kim Franz to another five-year term on the TFFR Board. Franz, an elementary teacher from Mandan, has been a trustee since 2006 and represents active teachers on the Board. We appreciate her commitment to serve North Dakota educators as a TFFR Board trustee.

## 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.



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

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## Study Finds Pensions Provide Substantial Economic Impact

An economic impact analysis recently released finds that the benefits provided by North Dakota's public pension plans (TFFR, PERS, etc.) have a sizable impact that ripples across the state and touches every industry. The new report, "Pensionomics: Measuring the Economic Impact of State and Local Pension Plans" conducted by the National Institute on Retirement Security (NIRS), finds that expenditures made from North Dakota's public pension benefits for fiscal year 2005-06:

- Had an economic impact of more than \$203.8 million
- Supported more than 1,584 jobs that paid more than \$71.4 million in total compensation to North Dakota's workers.
- Supported more than \$27.0 million in annual federal, state, local tax revenue.
- Paid \$164.2 million in pension benefits to 13,017 retirees and beneficiaries.
- Had large multiplier effects. Each taxpayer dollar invested in North Dakota's public pensions supported \$9.33 in total economic activity, while each dollar paid out in benefits supported \$1.24 in economic activity.
- Impacted every industry in the state.

The Pensionomics study measures the magnitude of the "multiplier effect" of North Dakota's public pensions

across the state's economy. The multiplier effect occurs because one retiree's spending in North Dakota becomes another person's income. For example, a retired North Dakota teacher may spend his or her pension check to pay the gas bill, buy a car, or make purchases at the local pharmacy, grocery store, or movie theatre. As a result of the retiree's spending, businesses see an increase in their income, which then enables businesses to spend and create jobs. Each successive round of spending ripples through the North Dakota economy to generate an economic impact that is much larger than the initial spending by the retiree.

Economists have long known that the steady monthly income provided by pensions can act as an "automatic stabilizer." That is, retirees with a stable monthly pension income can continue to spend on basic needs, even during an economic downturn, while retirees relying on plummeting 401(k) plans or individual retirement accounts likely are forced to retreat from spending precisely at the time when the economy most needs stimulus.

Public pension plans do more than provide a critical source of reliable income for retired teachers and public employees. They also support jobs and economic activity.

The full report is available at [www.nirsonline.org](http://www.nirsonline.org).