

REPORT Card

ND TEACHERS' FUND FOR RETIREMENT

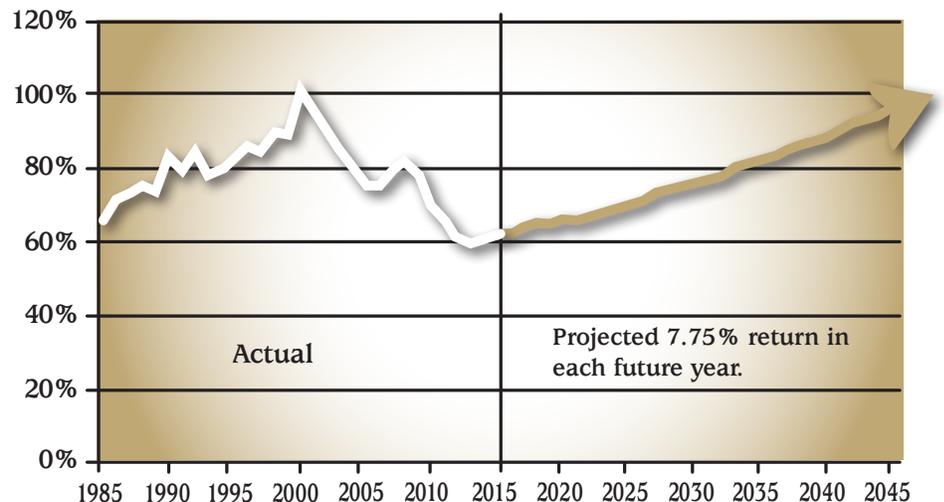
JANUARY 2016

2015 Valuation Shows Little Change in Funding Level

NDTFFR's annual valuation, which measures its overall financial health, was recently completed by the plan's actuarial consultant, Segal Company. A very important measure of TFFR's financial health is the amount of money available (assets) to pay all promised pension benefits for current and future retirees (liabilities).

The annual actuarial report provides a financial "snapshot" status of the TFFR plan, and shows the plan's funded ratio decreased slightly from 61.8% last year to 61.6% as of

TFFR Funded Ratio



July 1, 2015. This slight reduction was due primarily to the actuarial assumption changes made as a result of TFFR's Actuarial Experience Study conducted earlier this year. The most significant assumption changes include: 1) Updated mortality tables to reflect mortality improvements; and 2) Reduction in the plan's long term investment return assumption from 8.0% to 7.75%. (See July 2015 member newsletter for details of Experience Study changes and impact.) Although the TFFR plan remains under funded, we are optimistic that funding improvement will occur gradually over time.

Membership

As of July 1, 2015, the TFFR plan included 10,514 active members, which is an increase of 209 (2%) active members over last year. There were 8,025 retirees and

beneficiaries which is an increase of 278 (3.5%). There were also 2,267 inactive members in the plan. Total membership increased from 20,222 to 20,806 (2.9%).

Financial

Member and employer contributions in FY 2015 totaled \$152.5 million compared to \$121.0 million last year. Total distributions, including benefit payments, refunds, and administrative expenses, was \$174.2 million compared to \$163.8 million last year.

Assets

The market value of assets increased from \$2.09 billion to \$2.14 billion as of June 30, 2015. 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 \$1.94 billion to \$2.13 billion in 2015.

(Continued on page 5)

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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



Fay Kopp
NDTFFR Chief Retirement Officer
NDRIO Deputy Executive Director

Getting Retirement Right

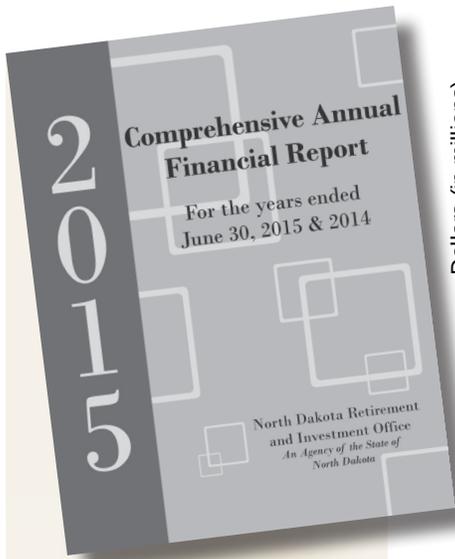
Most of the time when I write this newsletter article, I am compelled (in the interests of complete transparency) to tell you about the financial challenges facing your retirement plan, and what is being done to address them. In this edition, I would also like to focus on the many positive aspects of your NDTFFR retirement plan, and how it will help you “Get Retirement Right.”



- **Lifetime Financial Protection.** TFFR members are provided a lifetime defined benefit (DB) that can't be outlived. This means retired teachers shouldn't have to face the possibility of slipping into poverty and having to turn to taxpayer-funded public assistance, Medicaid, or social services. Your TFFR benefits provide a stable retirement income designed to replace about 60% of pre-retirement wages for a career teacher with 30 or more years of service. Coupled with Social Security benefits, a retired teacher should receive 80-90% of preretirement income.
- **Stable Source of Revenue for ND's Local Economies.** In 2015, NDTFFR paid about \$168 million in pension benefits, and about 84% of those benefits are paid to ND residents. Much of these payments are spent in ND, supporting jobs throughout the state. Plan payments also help to support the services provided by local, state and federal governments through the taxes paid on these pensions.
- **Employer-Employee Shared Responsibility.** The TFFR plan requires both members and school districts to share responsibility for the cost of pension benefits which provides valuable incentives for both to adequately fund the plan.
- **Professionally Managed and Pooled Assets.** Research shows that professionally managed and pooled assets earn greater returns and reduce investment risk through highly diversified portfolios. For the 5 and 30 year periods ended June 2015, your NDTFFR pension fund generated strong net investment returns of 10.9% and 8.4% respectively, exceeding investment benchmarks. Pooling of pension assets reduces investment fees and administrative costs which make your retirement plan efficient and economical.
- **Lower Costs.** TFFR prefunds its pension liabilities to lower overall retirement costs. As of July 1, 2015, about 62% of TFFR's liabilities are prefunded. The majority of pension benefits are paid from investment earnings because pension assets are pooled, professionally invested, and coupled with employee and employer contributions. Since 1990, TFFR investment earnings comprised 57% of total revenues.
- **High Quality Member and Employer Services.** Experienced and caring retirement program staff members work with members and employers to explain, process, and pay claims in a cost effective and timely manner. Customer service ratings reflect high satisfaction and scored 3.8 (4.0 scale).
- **Recruit and Retain Quality Educators.** A reliable and well-funded pension plan is the foundation for a stable retirement. NDTFFR's pension plan helps ND public schools recruit and retain quality educators.

A secure and stable retirement matters to ND's dedicated teachers and administrators. This is possible due to TFFR's plan design, professional plan management, strong investment performance, and outstanding customer service. We'll continue to do our best to help you “Get Retirement Right.”

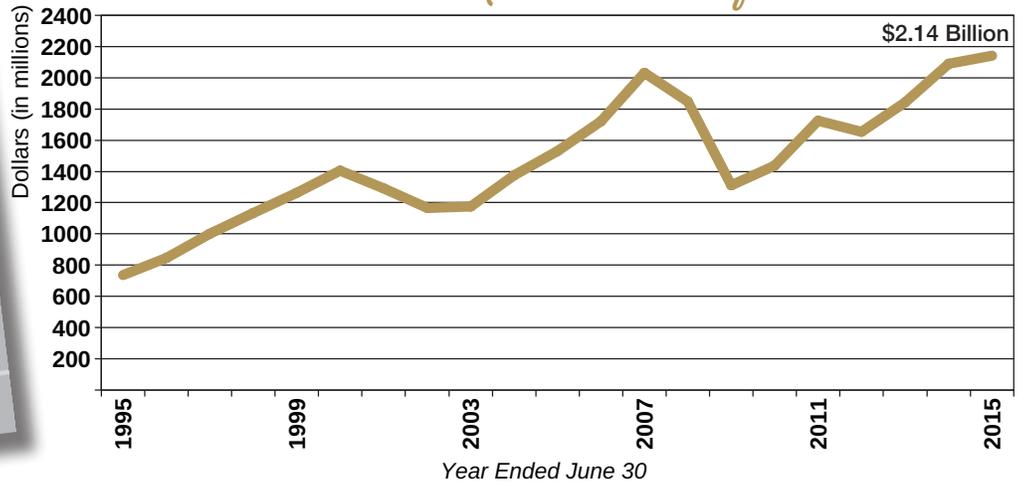
2015 Annual Report Summary



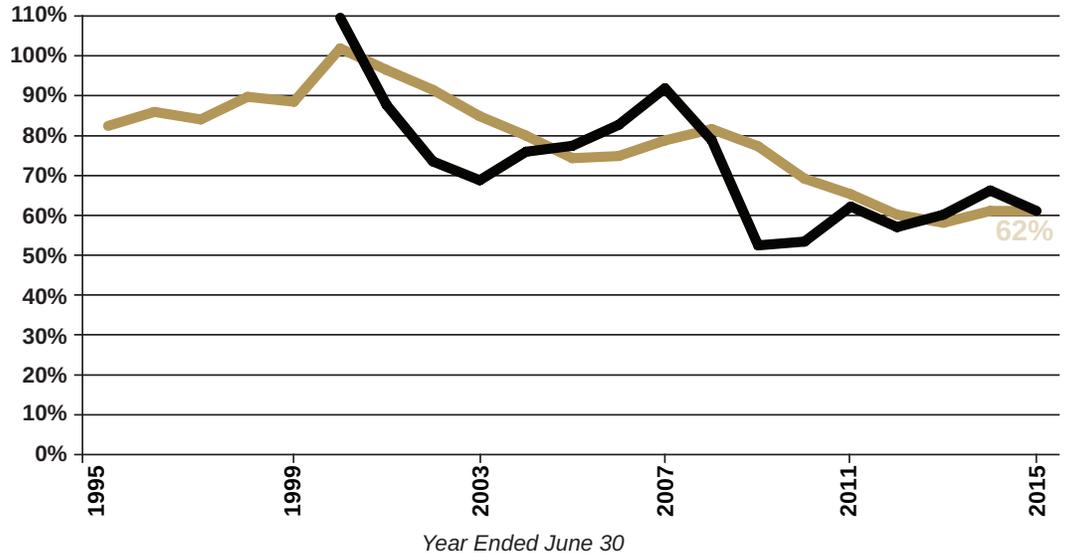
NDRIO's annual Comprehensive Annual Financial Report (CAFR) has been published for fiscal year July 1, 2014 – June 30, 2015.

The report provides a detailed look at investment, financial, actuarial, and statistical information. The 2015 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.

Market Value of TFFR Assets

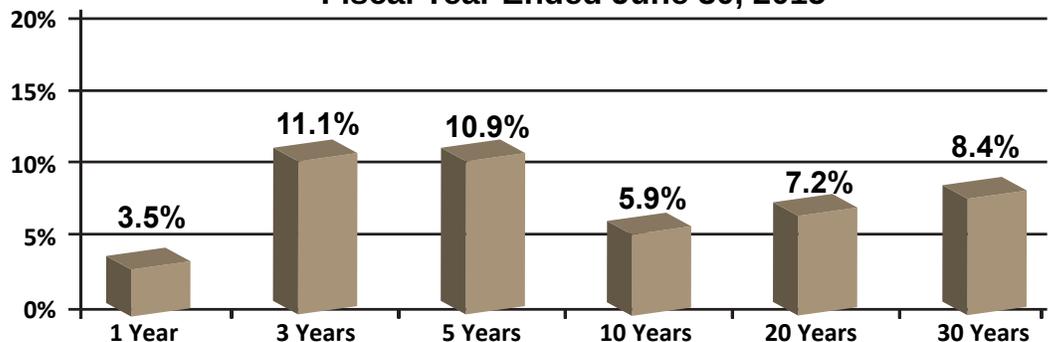


TFFR Funded Ratio - Market vs Actuarial



TFFR Net Investment Performance

Fiscal Year Ended June 30, 2015



Statement of Net Position as of June 30, 2015

| Assets | |
|---------------------------------------|------------------------|
| Equities | \$1,114,412,547 |
| Fixed Income | 480,175,754 |
| Real Assets | 389,351,436 |
| Private Equity | 81,662,078 |
| Invested Cash | 29,631,182 |
| Receivables | 32,186,131 |
| Other Assets | 18,964,788 |
| Total Assets | \$2,146,383,916 |
| Deferred Outflows Related to Pensions | \$76,002 |

| Liabilities | |
|--------------------------------------|--------------------|
| Accounts Payable | \$3,244,085 |
| Accrued Expenses | 1,193,136 |
| Other Liabilities | 8,722 |
| Total Liabilities | \$4,445,943 |
| Deferred Inflows Related to Pensions | \$93,175 |

Net Position on June 30, 2015 **\$2,141,920,800**

Changes in Net Position During Fiscal Year 2015

Cash Position
 Net Position on June 30, 2014 **\$2,090,415,057**
(Restated due to implementation of GASB 68)

| -Additions- | |
|--------------------------|----------------------|
| Member Contributions | \$72,268,451 |
| Employer Contributions | 78,422,098 |
| Other Additions | 1,773,213 |
| Investment Income (Loss) | 73,204,806 |
| Total Additions | \$225,668,568 |

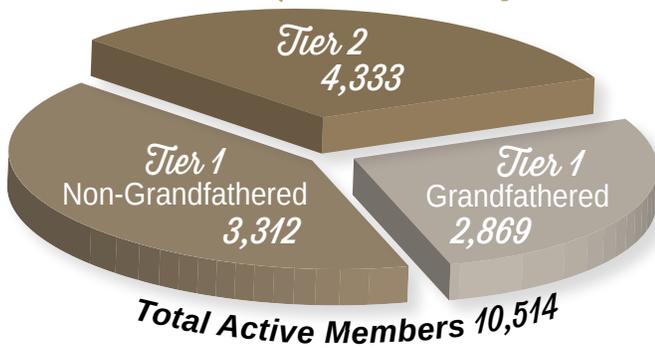
| -Deductions- | |
|-------------------------|----------------------|
| Benefits Paid | \$168,349,762 |
| Refunds | 3,889,671 |
| Administrative Expenses | 1,923,392 |
| Total Deductions | \$174,162,825 |

Total Change in Net Position **\$ 51,505,743**

Net Position on June 30, 2015 **\$2,141,920,800**

Membership Statistics – June 30, 2015

Tier Membership



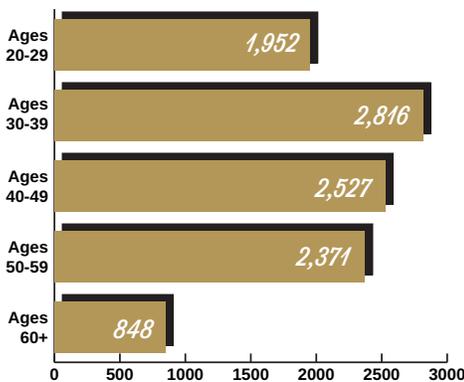
Active Members

Avg Annual Salary \$56,095
 Avg Age Age 43
 Avg Service 12 yrs
 Oldest Active Member Age 79
 Most Service 48 yrs

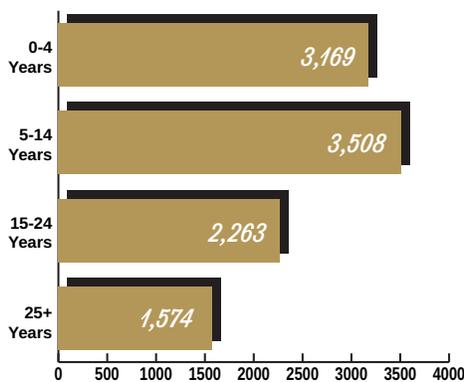
Retired Members

Avg Annual Pension \$22,104
 Avg Current Age Age 71
 Avg Service 27 yrs
 Oldest Retiree Age 108
 Most Service 57.5 yrs

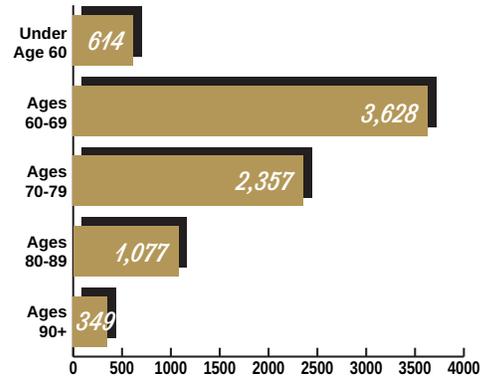
Active Members by Age



Active Members by Service



Retired Members by Age



Actuarial Results

As of July 1, 2015, TFFR's actuarial accrued liability (AAL) increased from \$3.14 billion to \$3.45 billion. The unfunded portion of the actuarial accrued liability (UAAL) increased from \$1.20 billion to \$1.32 billion. Therefore, TFFR's funded ratio (comparison of assets to liabilities) on an actuarial basis decreased slightly from 61.8% to 61.6%. This means TFFR currently has about 62 cents for every one dollar it needs to pay present and future benefits earned by members. TFFR's funding level reflects modified actuarial assumptions which were approved by the Board after an Actuarial Experience Study was conducted. Had these actuarial assumption changes not been made, TFFR's funded level would have increased.

2008-09 investment losses have been completely smoothed into actuarial valuations, and increased member and employer contributions are beginning to flow into the system. Therefore, long term funding progress is expected.

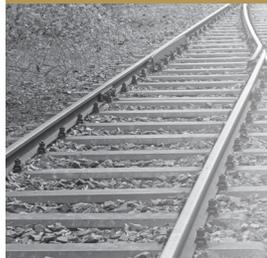
As you can see from the chart on page 1, if TFFR earns 7.75% investment returns in the future, the plan should be nearly fully funded in about 30 years, if all actuarial assumptions are met. Member and employer contribution rates will be reduced to 7.75% each when 100% funding is achieved. If long term returns are greater than 7.75%, funding progress will be reflected sooner. However, if returns are less than 7.75%, funding improvement will take longer.

Funding Projections

Benefit and contribution changes approved in 2011 are expected to improve TFFR's funding status, if actuarial assumptions are met over the long term.

A long term focus is important in financing pensions. Due to legislative action, TFFR's long term funding outlook is positive, and benefits are secure for past, present, and future ND educators.

The complete 2015 Actuarial Valuation and Experience Study reports are available on the TFFR website at www.nd.gov/rio/tffr/publications or by request to our office.



Annual Statewide Retirement Education Workshops

ON THE RIGHT TRACK

Get on the right track and attend a Retirement Education Workshop. The retirement education train will be stopping in Minot on July 13, 2016, and in West Fargo on July 14, 2016. The workshops begin at 8 am and conclude at 4:30 pm. Each site will have limited attendance, so register early. To register, call 1-800-952-2970 or 328-9886 or complete and return the attached registration form.

To help ND educators better understand and prepare for retirement, TFFR hosts statewide retirement education workshops. The full day workshop covers TFFR benefits, financial planning, estate planning, Social Security benefits, retiree health insurance options, and adjusting to retirement.

All members and spouses are invited to attend. The workshop provides a wealth of retirement information provided by experienced professionals at no charge to you. Don't miss this opportunity, call now.

2016 Retirement Education Workshop REGISTRATION FORM

July 13 – Minot July 14 – West 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**
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 or e-mail information to: rio@nd.gov



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New Financial Reporting Standards

The Governmental Accounting Standards Board (GASB) has approved new rules that will change the way public retirement systems (i.e. NDTFFR) and employers (i.e. school districts, cities, counties, and the state) will account for and disclose pension information beginning with employer's June 30, 2015 financial statements.

Here are some key points regarding these new financial reporting requirements.

- GASB changes were designed to increase transparency, consistency, and comparability of pension information.
- New GASB requirements do not affect TFFR's funded ratio, or statutory contribution requirements. New requirements do not change the actual pension liability – only where and how pension costs are accounted for in financial statements.
- GASB 68 requires the entities that are actually making the pension contributions (i.e. school districts) to report their proportionate share of the collective net pension liability, regardless of whether the entities are legally required to fund the plan. The ND Legislature has the legal authority to set member and employer contribution rates, and employers are liable for paying those contributions.
- TFFR is providing most of the required GASB 68 information needed by school districts including actuarial and financial calculations, template footnote disclosures, and audited schedules.
- The presence of a large number on the employer/school district balance sheet which represents unfunded pension costs could give the incorrect impression that school districts have a large debt that must be paid immediately. That is not the case. Pension costs are paid off over long periods through regular contributions to the retirement plan.
- Steps are being taken to reduce TFFR's net pension liability. Increased member and employer contributions, benefit changes, and solid investment performance is expected to show positive funding results.



NDTFFR partnered with NDPERS, the State Auditor's Office, plan actuaries, and plan auditors to help employers understand and implement the new GASB reporting requirements. Additional information about the new GASB standards is available on the TFFR website at www.nd.gov/rio/tffr/employers.