

RETIREMENT TODAY

TEACHERS' FUND FOR RETIREMENT

MAY 1999

*TFFR
Legislation
Passes!
Retirement
Benefits
Improved*

See related articles inside...



TFFR Board of Trustees

Mark Sanford, *President*

Barb Evanson Paul Lofthus
Norman Stuhlmiller Harley McLain
Kathi Gilmore Wayne Sanstead

RIO Administrative Office

Scott Engmann, *Executive Director*
Steve Cochrane, *Investment Director*
Fay Kopp, *Retirement Officer/Editor*

ND Retirement and Investment Office

1930 Burnt Boat Drive, P.O. Box 7100
Bismarck, ND 58507-7100
701-328-9885, ND toll free: 1-800-952-2970
Relay ND: 1-800-366-6888

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.

Scott Engmann receives NDEA's Adrian R. Dunn Friend of Education Award. Pictured left to right: Luella Dunn, Scott Engmann and Joe Westby, NDEA Executive Director.



Executive Director Announces Retirement

After 36 years of public service in North Dakota, Scott Engmann has announced plans to retire on June 30, 1999. Scott has been the Executive Director of RIO/TFFR since 1981. Prior to that time, he served in various administrative positions with the ND Division of Vocational Rehabilitation for 11 years and taught for six years in Harvey, Mohall, and Minot.

Under Scott's leadership:

- Major improvements to the TFFR plan were initiated and implemented.
- Newsletters and educational programs for TFFR members were designed.
- State-of-the-art computer systems were developed to efficiently administer the plan.
- Quantitative investment performance measurement was introduced.
- Investment portfolio optimization strategies were implemented.
- TFFR and SIB offices were successfully merged to create the Retirement and Investment Office (RIO).

- The "Carver" model of board governance was instituted with the SIB and TFFR Boards.

On a national level, he served as President of the National Council on Teacher Retirement (NCTR) in 1996, and Chairman of the Public Pension Coordinating Council (PPCC) in 1998. He has served as an officer on numerous committees and organizations dealing with public pension plan administration.

Scott was recently selected by the North Dakota Education Association to receive the Adrian R. Dunn Friend of Education Award. This award is given to individuals, who through their leadership, acts and support, have proven to be true friends of education, educators, and students.

During his lengthy and distinguished career, Scott was a tireless advocate for all TFFR members. He dedicated himself to the service of the citizens of North Dakota and participants of the retirement system. We thank Scott for his service, and wish him well in his new career... retirement.

Over the Rainbow

I just got back from a trip. A trip to the Land of Oz, that is. Or so it felt during these three and one half months of the 1999 Legislature. To be honest, there were times when we wanted to click our heels and go home. But, I think we found that brains, courage, and heart all have a place – both in getting to Emerald City and in getting a benefit increase passed for TFFR members. And when working together as a team – like Dorothy, Scarecrow, Lion, and Tin Man – much can be accomplished. I left Emerald City with a much better understanding of the legislative process, and how it works “over the rainbow.” It was exciting, a bit scary, yet a wonderful experience.

My trip to the Land of Oz was taken with a great leader of your retirement plan – Executive Director Scott Engmann. He’s taken this trip many times, and as he was showing me the ropes, I’ll admit that I felt an awful lot like “Toto” following along on his heels.

During the 1999 Legislative Assembly, I was proud to represent the TFFR Board and work with not just one, but a whole team of wizards – intelligent, courageous, and caring people – whose combined efforts serve to improve teachers’ retirement benefits. Representatives from NDEA, NDCEL, and NDRTA all played an important



Fay Kopp
Retirement Officer

role in assuring the legislators that the bills affecting your retirement plan were good ones. Active and retired members did your part by contacting legislators and voicing your support. It worked and SB2069 passed!

But, I must be honest. There really is “no place like home.” For it’s back at home where retirement legislation passed becomes reality to the many TFFR members who depend on our biennial trip to improve retirement plan benefits. Back at home, (on this side of the rainbow) the RIO staff is developing computer programs, updating publications, forms and procedures, and responding to the many questions from members and employers about the legislative changes.

It will take us some time to unpack from this trip. Please be patient.



Steve Cochrane
Investment Director

Management Changes Made

The State Investment Board (SIB) has selected Steve Cochrane to succeed Scott Engmann as Executive Director – Investment Director. Steve joined the RIO staff as Investment Director in 1997. He received his BSBA and MBA degrees from the University of Florida, is a Chartered Financial Analyst (CFA), and has been active in the public pension investment arena for over 20 years. In addition to assuming the Executive Director duties, he will continue to assist the SIB in implementing the pension and insurance trust investment programs.

Fay Kopp, currently RIO’s Retirement Officer, will become Deputy Executive Director – Retirement Officer. A graduate of Valley City State College, Fay is a former public school teacher. She joined TFFR as a Benefits Counselor in 1989, and has supervised retirement program activities for the past eight years. Besides assisting the Executive Director, she will continue to work with the TFFR Board in administering the retirement program for teachers.

According to Steve Cochrane, “Scott’s retirement provides us with an opportunity to reorganize the RIO management structure. With Fay Kopp defining the role of Deputy Executive Director and the addition of a Supervisor of Retirement Services, our office will be well-equipped to meet the needs of both active and retired TFFR members in the new millennium.”



Retirement System Receives Award

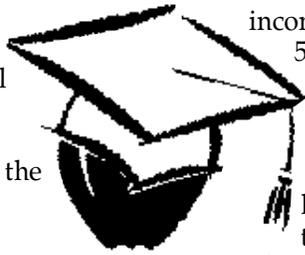
Once again, the ND Retirement and Investment Office received the prestigious Public Pension Principles Achievement Award from the Public Pension Coordinating Council (PPCC).

This Achievement Award is designed to recognize and commend public employee retirement systems that adhere to high professional standards.

Qualification for the award is based on compliance with 19 specific principles judged to underlie exemplary retirement system achievements in the areas of benefits, actuarial valuations, financial reporting, audits, investments, and disclosures to plan members and the public.

You can be proud that your retirement system is among this elite group of award recipients.

Normally, if a retired member wants to return to work for a public school or other TFFR employer, he/she must wait until 60 calendar days elapse from the TFFR retirement date. The retiree can then return to covered employment for a maximum of 90 working days and continue to receive a monthly TFFR benefit.



income taxation under Section 501(c)(3) of the Internal Revenue Code.

This change will not become effective until the TFFR Board receives a letter ruling from the IRS that states it does not jeopardize the qualified status of TFFR. We do not anticipate that this will be until mid-2000. In addition, if the bill does become effective, there will be a "two year sunset" on the legislation. Because of the potential for increased costs, this will give the Board and its actuary time to determine how many members are utilizing the provision, and if the actuarial cost will be substantial to the fund.

The approval of Senate Bill 2282 modifies these provisions so that a retired member can return to teaching for up to one year without having his/her retirement benefits suspended, if the retired member elects to have at least 50 percent of his/her earnings paid to an educational foundation. A school district's educational foundation must be a nonprofit or charitable organization exempt from federal

During the upcoming year, the TFFR Board will also be undertaking a complete study of all return to teach provisions.

Retiree Health Insurance Bill Withdrawn

Senate Bill 2392 created a teachers' retiree health fund to be administered by the Public Employees Retirement System (NDPERS). It was designed to help retired TFFR members pay for their health insurance by providing them with a monthly credit toward health insurance premiums for the group insurance program administered by NDPERS.

Funding for the bill was an ongoing State General Fund appropriation of approximately \$3,879,200 for the biennium. Due to concerns over the funding mechanism and worries that financing this bill would instead come out of the TFFR fund's actuarial margin (thereby affecting the benefit increase bill), this bill was withdrawn.

Check Your Tax Withholding

Don't forget to review your tax withholding option periodically. Why? Because the benefit payments you receive from TFFR are subject to taxation. If your tax withholding is inadequate, you may have to pay estimated taxes during the year or a tax penalty at year end.

Your options are as follows:

- Elect no withholding.
- Specify withholding based on marital status and allowances.
- Specify withholding PLUS an additional amount.

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

NOTE: The amount of your withholding may increase or decrease when the federal tax rates are adjusted each year (January 1 check or direct deposit). Your withholding may also change if your benefit amount changes, for example, legislative approval of a benefit increase. Watch your July 1 check for tax changes!

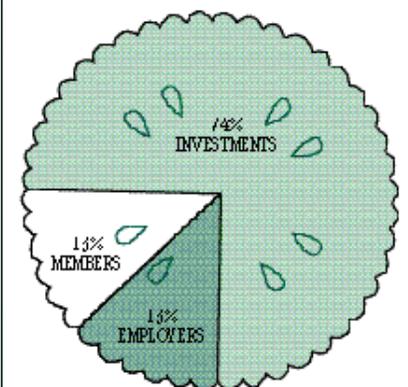


TFFR continues to be in sound financial condition. The financial, investment and membership information provided illustrates our success. Prudent investment management and excellence in benefit administration ensure that your benefits are safeguarded and will be delivered as promised.

MEMBERSHIP SNAPSHOT

Active Members	9,896
Average annual salary	\$30,156
Average age	43.5
Average service	14 years
Retired Members and Beneficiaries	4,585
Average monthly benefit	\$810
Average age	74
Average service	28 years

WHERE THE MONEY CAME FROM



Income

1998 ANNUAL REPORT SUMMARY

1998 Annual Financial Report is available to members and employers upon request.

STATEMENT OF ASSETS AVAILABLE FOR BENEFITS AS OF JUNE 30, 1998

ASSETS

Equities	\$ 679,737,854
Fixed Income	335,756,679
Real Estate	67,925,847
Venture Capital	6,112,738
Invested Cash	31,033,091
Invested Securities Lending	96,816,244
Receivables	9,504,381
Other Assets	<u>4,457,889</u>
Total Assets	\$ 1,231,344,723

LIABILITIES

Accounts Payable	\$ 961,190
Accrued Expenses	88,643
Securities Lending	96,816,244
Other Liabilities	<u>9,402</u>
Total Liabilities	<u>97,875,479</u>

NET ASSETS ON JUNE 30, 1998 **\$ 1,133,469,244**

STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR BENEFITS DURING FISCAL YEAR 1998

CASH POSITION

Net Assets on June 30, 1997 \$ 1,001,037,886

ADDITIONS

Member Assessments	23,326,328
Employer Contributions	23,326,328
Purchased Service Credit	759,105
Investment Income	<u>132,187,852</u>
Total Additions	\$ 179,599,613

DEDUCTIONS

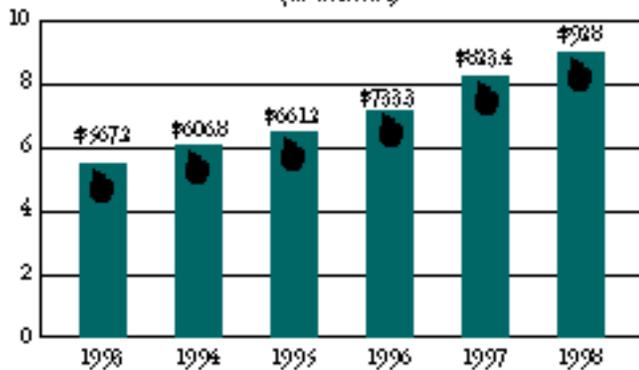
Benefits Paid	43,706,492
Refunds	2,671,933
Administrative Expenses	<u>789,830</u>
Total Deductions	47,168,255

NET INCREASE **\$ 132,431,358**

NET ASSETS ON JUNE 30, 1998 **\$ 1,133,469,244**

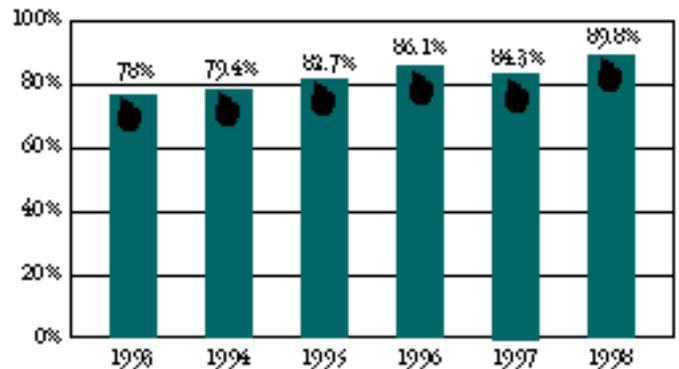
FUNDING PROGRESS

Actuarial Value of Plan Assets
(in million \$)

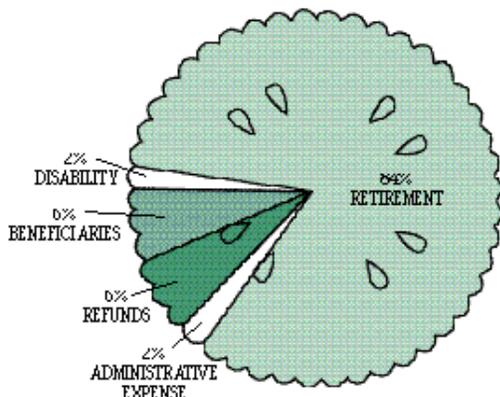


FUNDING PROGRESS

Funded Ratio

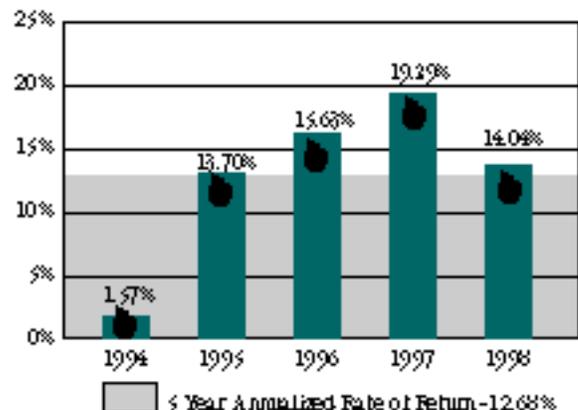


WHERE THE MONEY WENT



INVESTMENT PERFORMANCE

Rates of Return For Fiscal Year Ended June 30, 1998



Expenses



Representatives from the TFFR Board, RIO staff, NDEA and NDRTA witness Governor Schafer signing SB2069.

The 1999 Legislative Assembly passed legislation to improve retirement benefits for TFFR retirees and beneficiaries. The approval of Senate Bill 2069 provides a benefit increase for all annuitants receiving a benefit on June 30, 1999. The increase is equal to an amount calculated by taking two dollars per month multiplied by the member's number of years of service credit plus one dollar per month multiplied by the number of years since the member's retirement.

Example:

Retired member had 30 years of service credit and retired in 1989.

Calculation 60 (2 X 30)
 +10 (1 X 10)

Benefit Increase \$ 70 per month

This is approximately an 8.5 percent average increase in retirement benefits based on an average benefit of \$821 per month (as of January 1999). On an annual basis, benefits paid will increase from \$45.5 million to \$49.4 million (an increase of \$3.9 million per year).

The cost for this benefit improvement is being paid from actuarial reserves in the Trust Fund incurred because of higher than assumed investment returns.

Retirement Benefits Improve!

All annuitants will receive a "Retiree Benefit Increase Statement" in June. This will indicate the amount of your benefit increase using the above formula. The increase will be reflected on your July 1 check or direct deposit.

A Quick Glimpse... 1999 Legislation Affecting TFFR Members

PASSED – SB2069

- Increases the benefit multiplier from 1.75 percent to 1.88 percent for all future retirees.
- Provides a postretirement benefit increase for all annuitants and beneficiaries receiving a benefit equal to an amount calculated by taking \$2 per month multiplied by the member's number of years of service credit plus \$1 per month multiplied by the number of years since the member's retirement.

PASSED – SB2204

Allows certified new employees of the Department of Public Instruction (hired after January 2001) to make an irrevocable election to participate in TFFR or NDPERS.

PASSED – SB2282

Allows a retired member to return to teaching, for up to one year, without losing any benefits if at least 50 percent of the salary earned by that person is placed in an educational foundation.

PASSED – SB2070

- Names member's spouse as primary beneficiary unless written consent from the spouse to name an alternate beneficiary and requires spousal consent to member's choice of benefit option.
- No longer recognizes the conversion of fringe benefits to salary.
- Reduces vesting and eligibility for benefits from five to three years.
- Changes early retirement reduction from age 65 to the earlier of age 65 or Rule of 85.
- Removes availability of partial service retirement.
- Modifies purchase of service credit provisions and allows purchase of "air time."

WITHDRAWN – SB2392

Provides retired TFFR members with a monthly credit toward health insurance premiums for the State Health Plan administered by NDPERS.

It's Been Fun!

A letter from Scott Engmann...

Dear TFFR Members:

These past 19-plus years have been so much fun that it is hard to believe they have gone by. I have been very fortunate to have met and worked with so many wonderful people. So many, that I am not going to attempt to name them for fear of forgetting someone. Over this period of time, the retirement plan has changed a great deal – all for the better. The improvements came because of the hard work by the TFFR Board, State Investment Board, various organizations that represent the members, and of course, the Legislature.

It is now time to pass the torch to a younger generation with new ideas and energy. As announced

elsewhere in this newsletter, I am retiring on June 30, 1999. I will miss many aspects of working here at the Retirement and Investment Office – mostly the people. I appreciate your kind words and support I have received over the years. I think we can all be proud of what we have accomplished. I am sure that Steve and Fay will continue to work with the membership to make the goals of your retirement plan a reality.

Thanks for letting me be a part of your life.



Web Site Coming

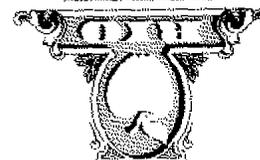
RIO is currently in the process of developing a web site. The site will include information about our agency, the TFFR Board, legislation, investments, membership and employer information, plan benefits, publications, forms and much more. We hope to be up and running in the next month or two, so watch for our new online address!

We've got lots of information in store for you, but it may not be available all at once. Keep checking back!

We are proud to recognize nine TFFR annuitants that are 100 years of age or more (as of May 31, 1999).

Inga Jacobson	100
Agnes Schultz	100
Josephine Barkus	101
Edith Horne	101
Hazel Patton	101
Gertrude Pickett	102
Gertrude Malin	103
Helen Knudson	104
Marion Pulver	104

NORTH DAKOTA
 RETIREMENT AND
 INVESTMENT OFFICE
 State Investment Board
 Pacific Power Fund for Retirement
 1930 BURNT BOAT DRIVE
 P.O. BOX 7100
 BISMARCK, ND 58507-7100



BULK RATE
 US POSTAGE
 PAID
 PERMIT NO. 325
 BISMARCK, ND
 58501