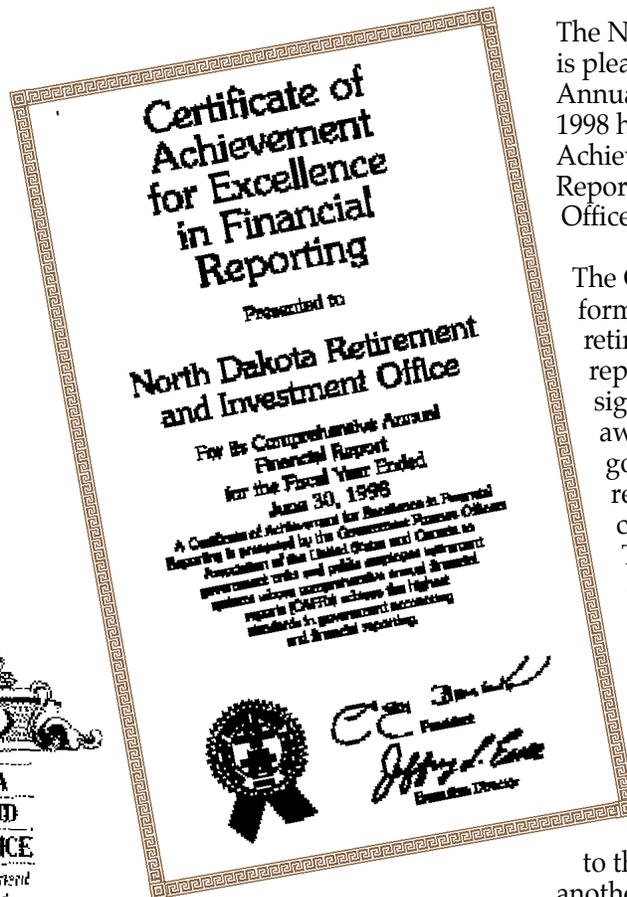




RIO Receives Achievement Award



The ND Retirement and Investment Office (RIO) is pleased to announce that its Comprehensive Annual Financial Report (CAFR) for June 30, 1998 has qualified for a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA).

The Certificate of Achievement is the highest form of recognition in public employee retirement system accounting and financial reporting, and its attainment represents a significant accomplishment. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



**NORTH DAKOTA
RETIREMENT AND
INVESTMENT OFFICE**

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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.

Evanson Re-appointed to Board

Governor Schafer recently re-appointed Barb Evanson to the TFFR Board of Trustees for a five-year term. Barb has been a TFFR board member since 1996 and represents active teachers. She will also be a member of the TFFR Benefits/Services Committee.

Thank you Barb, for your continued service to all TFFR members – both active and retired.



Barb Evanson

Target Practice

A retired member recently asked me what the average benefit is for TFFR annuitants. It sounds like such a simple question, but in reality, the answer changes daily. Now, I'm no hunter, but I've come to realize that hitting the exact "average benefit" mark is like trying to hit a moving target. Why?

Each month, TFFR makes retirement payments to retired members and surviving beneficiaries. However, much activity takes place during the month which has an impact on the numbers. To illustrate this point, let's trace the changes over the past 16 months (see charts below).

What happened? There are a number of factors that affected the "average" during this time.



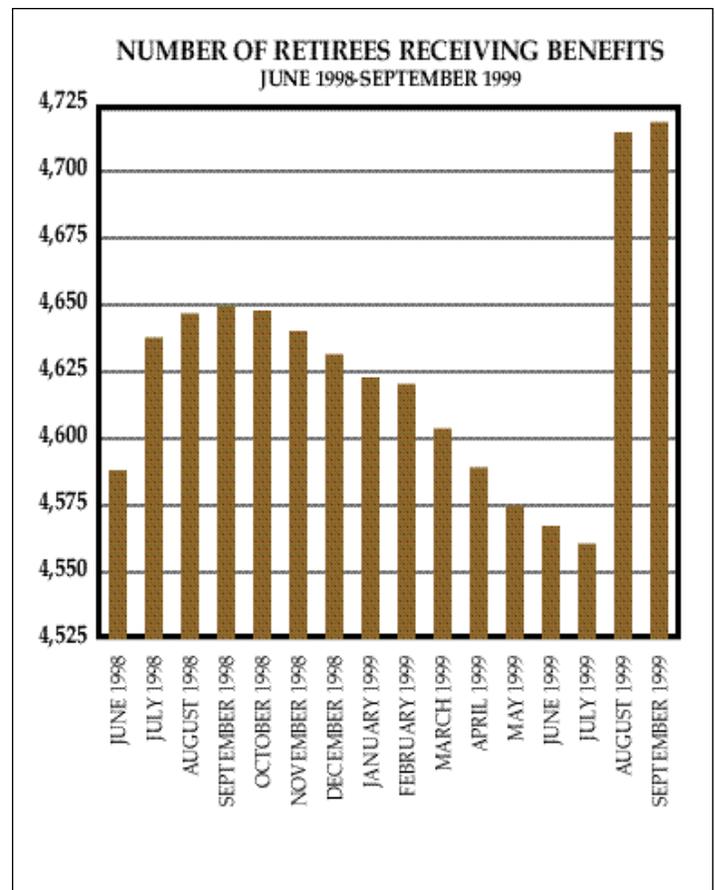
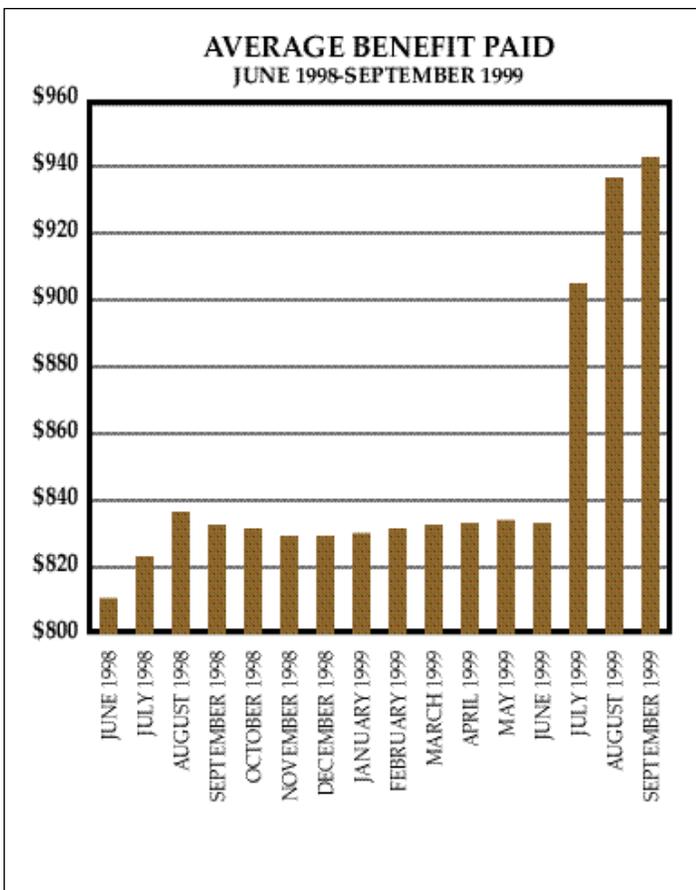
Fay Kopp
Retirement Officer

1. On an ongoing basis, new retirees typically receiving higher benefits replace deceased retirees with lower benefits. This happens naturally, with no specific legislative activity.
2. The 1999 Legislature passed a benefit improvement for retirees of about \$70 for those drawing a benefit in June 1999. Notice the \$70 jump from June to July 1999.

3. The Legislature also approved a benefit multiplier of 1.88 percent for active members who retired after June 30, 1999. Notice the jump in average benefit amount and in the number receiving benefits from July to August 1999.

Oh what a difference a month makes! As you can see, average benefits change each month. During the summer months when most of our members retire and benefit increases are granted, the ups and downs are much greater than during the fall, winter and spring months.

The next time you are wondering about the average benefit paid to annuitants, remember that the TFFR target is constantly moving. Your benefit, based on salary, service credit and benefit formula, may be higher or lower than the average of all retirees.



Year-End Actuarial Report Favorable

The TFFR plan remains in a strong actuarial position, according to the annual valuation report prepared by the plan's actuary, Watson Wyatt Worldwide. The annual actuarial valuation is a mathematical means of determining if the contributions paid by the employee and employer, along with investment earnings, are adequate to pay the retirement benefits of current and future retirees. If the valuation determines that the fund has performed better than expected based upon the actuarial value of assets, there is a gain to the system. This is commonly referred to as a positive margin. In the past, positive margins have been used to fund improvements in the retirement plan.

The July 1, 1999 actuarial report indicated that the new benefit legislation adopted in the 1999 legislative session was expected to use up the entire 2.97 percent margin that existed at July 1, 1998. Instead, mainly because of the outstanding investment performance, TFFR still has a 1.66 percent margin as of this valuation.

The actuarial value of assets on July 1, 1999 was \$1,053.1 million. The market value of assets on that date was \$1,262.6 million. The reason for the difference between the market and actuarial values is that TFFR only recognizes 20 percent of any gain or loss in investments in any one year of a five-year period in determining actuarial value. This approach is known as "smoothing." It helps to protect the system from market fluctuations and ensures a conservative method for planning benefit changes.

TFFR's funded ratio is 88.6 percent. However, because of the 1999 legislation, the unfunded actuarial accrued liability (UAAL) increased from \$105.1 million to \$135.3 million. If the funded position were measured using the market value of assets, rather than the 5-year smoothed value, TFFR would have assets in excess of its actuarial accrued liability.

TFFR Retired Board Members in Action

Right: H.L. "Curly" McLain works with another retiree on a special project.

Below: Norm Stuhlmiller gives a TFFR report to retired teachers.



What deductions are made from your TFFR annuity check?

As of June 30, 1999, TFFR had 4,570 retired members and beneficiaries. Of the total payments made each month, 84 percent are deposited via electronic

funds transfer to a retiree's savings or checking account. We also make the following payroll deductions for the membership:

NDTRA Annual Dues (July 1 only)	1,857 members	41%
Federal tax withholding	1,988 members	44%
ND state tax withholding	1,549 members	34%
NDPERS health insurance	467 members	10%
NDPERS dental insurance	320 members	7%
NDPERS life insurance	99 members	2%

Please contact our office for information about how to authorize a payroll deduction from your TFFR benefit check.

Administrative Rule Changes

A public hearing will be held on January 27, 2000 to address proposed amendments to N.D. Administrative Code Title 82. The purpose of the proposed amendments is to implement state statutes and to comply with Federal law.

The proposed rules address the Teachers' Fund for Retirement definitions; teachers' withdrawal

from the fund; purchase of benefit service credit; veterans' rights; application for benefits; designation of beneficiary; optional forms of benefit payments; level income option; actuarial factors; and procedure for determining disability.

A copy of the proposed rules may be requested by writing or calling the Retirement and Investment Office.

Web Site At Work

We're almost there! Development of a RIO Web Site is in its final stages and will soon be available to you. Our web site will provide you with easy access to information about our agency, the TFFR Board, legislation, investments, member and employer information, plan benefits, publications, forms and lots more! You'll love the "link" to LIFEPLAN which offers valuable information and easy-to-use financial planning tools for people of all ages.

We hope to be up and running in January 2000. Watch for our on-line address!

Y2K Compliance UPDATE

In 1997, the RIO Year 2000 Project Team identified several areas of possible vulnerability. RIO has now completed corrective measures in all areas or received letters of compliance from outside vendors.

Although RIO cannot ensure the Year 2000 compliance of any outside entity, we have every confidence that our systems will function properly through the transition from 1999 to 2000 and in the years beyond. We are, however, finalizing a contingency plan in order to maintain the business functions of RIO in the event of a Year 2000-related system failure.



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