

RETIREMENT TODAY

TEACHERS' FUND FOR RETIREMENT

MAY 2001

Legislature Improves Retirement Benefits



Photo by Garry Rehnman, NDDOT

Representatives from the TFFR Board, RIO staff, NDEA and NDRTA witness Governor Hoeven signing House Bill 1102.



NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

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The 57th Legislative Assembly passed House Bill 1102 in almost its original format, although many amendments were considered. For future retirees, approval of the bill means an increase in the retirement multiplier from 1.88% to 2.0% for members retiring on July 1, 2001 or after.

For current retirees, passage means an increase in retiree benefits on July 1, 2001. The formula for calculating the benefit improvement is

\$2 multiplied by the retiree's years of service, plus \$1 multiplied by the number of years since the member's retirement. In addition, retirees will receive a conditional annual benefit adjustment (CABA) of 0.75% times a retiree's current monthly benefit, payable on July 1, 2001 and July 1, 2002. On average, this benefit adjustment will increase the average retired teacher's benefit to about \$1,071 per month – an increase of \$78, or 7.8%.

EXAMPLE:

Member retired in 1987 with 28 years of service credit and current benefit is \$994 per month.

2001 retiree increase
 $(0.75\% \times \$994 = \$7.46) + (\$2 \times 28 \text{ years} + \$1 \times 14 \text{ years} = \$70) = \$77.46$
New Benefit on July 1, 2001 = \$1,071.46

2002 retiree increase $(0.75\% \times \$1,071.46) = \8.04
New Benefit on July 1, 2002 = \$1,079.50

Team TFFR

I've been watching a lot of soccer again this spring. As I hunker down in my portable "quad" chair on these cold spring nights wrapped up in a heavy patchwork quilt, I find my mind occasionally drifting off to thoughts not related to soccer. OK. I'll admit it. I've actually thought about how the changes made by the 57th Legislative Assembly will affect active and retired teachers.

Maybe that's why this legislative-soccer idea got stuck in my head. I mean just look at all the people on Team T.F.F.R. that were responsible for the legislative changes. We saw Coaches, Team Captains, and Players represented by Legislative Leaders, Committee Chairpersons, and individual Legislators. We also heard the strong voices of NDEA, NDCEL, and NDRTA leading the Crowd of active and retired teachers in rousing cheers. Referees and Line Judges – or was it the TFFR Board and its actuarial consultant – followed the players up and down the field as they tried to maintain actuarial balance and stay within boundaries that kept moving.

Like any good soccer game, intensity was high. To participate, everyone involved needed actuarial shin guards, investment jerseys, and pension administration goalie gloves. Signals got crossed once in a while and a few minor scuffles broke out. But there were some awesome goals scored, and even a few opportunities to make the "winning" one. Each time, the ball was deflected by a strong goalie. The team worked hard to accomplish their goals and win the game.

So, what happened and who won?

You may recall that the original TFFR benefit increase bill was approved by the TFFR Board and the interim Legislative Employee Benefits Programs Committee last year. The bill (HB1102) increased the benefit multiplier to 2.00% and provided for



Fay Kopp
Deputy Executive Director

a monthly benefit increase to all retired members and beneficiaries. The retiree increase was equal to \$2 per year of service plus \$1 per number of years retired for current retirees, plus a 0.75% guaranteed annual benefit adjustment for all current and future retirees.

During the course of the game, many amendments were considered. In the first half of the legislative session, the House made the 0.75% annual retiree benefit adjustment conditioned on an actuarial test. In the second half, the Senate turned the conditional annual benefit adjustment (CABA) into an ad hoc adjustment by approving the 0.75% CABA for July 1, 2001 and 2002 only. Future retiree benefit adjustments must continue to be brought before each Legislature for approval. The final version uses about half of the available actuarial margin now, and saves the remainder for future benefit improvements.

When the final whistle blew on April 5, 2001, Governor Hoeven signed HB1102 authorizing significant benefit improvements for active and retired teachers. The two biggest goals scored were increasing the multiplier to 2.00% for future retirees and raising the average benefit for current retirees to nearly \$1,100 per month.

Even though the game ended in a virtual tie, all TFFR members have something to celebrate. Way to go Team T.F.F.R.!

RETIREE EMPLOYMENT PROVISIONS EXPANDED

Approval of House Bill 1101, Senate Bill 2180, and receipt of a favorable IRS determination letter which made 1999 retiree employment provisions effective, have expanded the options given retirees to return to TFFR covered employment. Because of the impact returning to work could have on your TFFR retirement benefits, we strongly encourage retirees who are considering employment to contact our office to discuss all of your options.

After you retire, you may return to TFFR covered employment under certain employment limitations. The limits apply to TFFR covered employment which includes teaching, supervisory, administrative, or extra-curricular services in a ND public school or state institution covered by TFFR.

The retiree employment limits DO NOT apply to:

- Substitute teaching (non-contracted)
- Teaching in public colleges and universities
- Teaching in private schools
- Employment outside of education
- Employment outside of ND

To help you determine which return to work option best suits your needs, you should consider the following questions:

- How long have I been retired?
- How long do I plan to work?
- Do I plan to work full or part time?

Please also keep in mind that in order to retire and receive monthly TFFR retirement benefits, you must resign from your position and complete the necessary TFFR paperwork. Then, after the applicable waiting period (if any), should you decide to return to work, both you and your employer must notify TFFR by completing an "Employment of a Retired Member" form.

GENERAL RULE – 700 HOUR LIMIT

After 30 days elapse from your retirement date, you may return to TFFR covered employment for a maximum of 700 hours in a fiscal year (July 1 – June 30). You will continue to receive your monthly retirement benefits; employer and employee contributions will not be paid to TFFR; and your monthly TFFR benefit amount will not be affected.

Example: Jane Teacher retires July 1, 2001 and begins collecting monthly TFFR retirement benefits. On August 1, she signs a contract with a ND school district to work for 700 hours during the school year (4 hours/day for 175 days). With the exception of substitute teaching, all compensated hours count toward the 700-hour limit. Jane receives salary from the school district for the part time employment, but no retirement contributions are paid to TFFR. Jane continues to receive her monthly TFFR retirement benefit while teaching part time.

EXCEPTION A – CRITICAL SHORTAGE AREA

You may return to TFFR covered employment in an approved critical shortage area and exceed the 700-hour limitation without losing your retirement benefits. If you retired on or prior to January 1, 2001, no waiting period is required. However, if your retirement date is after January 1, 2001, a one-year waiting period is required before you can consider this option. You may perform non-contracted substitute teaching during the one-year waiting period. Critical shortage areas will be determined by the Education Standards and Practices Board (ESPB) by rule. Each year, you must re-apply for this exception and receive verification that it remains a critical shortage area. Like the General Rule, you will continue to receive your monthly retirement benefits, employer and employee contributions will not be paid to TFFR, and your monthly TFFR benefit amount will not be affected. This option expires on July 31, 2005.

EXCEPTION B – EDUCATIONAL FOUNDATION DONATION

You may also return to TFFR covered employment with no waiting period for one year only and exceed the 700-hour limitation without losing your retirement benefits. Under this option, you may immediately return to work, earn an additional salary from the school district, and donate at least one half of your salary to an educational foundation (nonprofit or charitable organization under Section 501(c)(3) of the Internal Revenue Code). Your employer must pay both the employer and employee contributions to TFFR on your full salary (including the amount you donated to an educational foundation). This option expires on July 31, 2005.

Because of the tax implications involved in donating one-half of your salary to an educational foundation, you should also contact your tax advisor for assistance.



Because of the impact returning to work could have on your TFFR retirement benefits, we strongly encourage retirees who are considering employment to contact our office to discuss all of your options.

EXCEPTION C – BENEFIT SUSPENSION AND RECALCULATION

After 30 days elapse from your retirement date, you may return to TFFR covered employment and exceed the 700-hour limitation. Under this option, your TFFR benefits will be suspended the first of the month following the month you reach the 700-hour limit. At that time, employer and employee contributions must be paid on any salary earned after the 700 hours based on your employer's TFFR payment model. Upon your re-retirement, your benefits may be recalculated. If you re-retire with:

- Less than 2 years of additional earned service credit – receive discontinued benefit plus benefit increases granted during the benefit suspension and a refund of any additional employee contributions paid plus interest
- 2-5 years – greater of the discontinued annuity, plus additional years at the new multiplier, plus benefit increases granted during the suspension OR all the years recalculated at the new multiplier, less an actuarial offset for the amount of benefits already paid
- 5 or more years – greater of the calculation above or the retirement benefit recalculated using all the years at the new multiplier with no actuarial offset.

Failure to notify TFFR in writing that you have exceeded the 700-hour limit will result in the loss of one month's annuity benefit.

TFFR APPROVED LEGISLATION AT A GLANCE



SB2180

Allows retired members who have been receiving a retirement benefit for at least one year to return to TFFR covered employment without loss of their TFFR benefits in critical shortage areas as determined by the Education Standards and Practices Board.

HB1101

- Clarifies the definition of "contract" and "teacher."
- Allows limited disclosure of certain retirement information to a member's employer, state and federal agencies, and member interest groups approved by the TFFR Board (limited to information concerning a member's death).
- Modifies retiree return to teach provisions.

HB1102

- Increases the benefit multiplier from 1.88% to 2.0% for future retirees.
- Provides a post-retirement benefit increase for current retirees including:
 - Conditional annual benefit adjustment (CABA) of 0.75% times the retiree's current monthly benefit (payable on 7-1-2001 and 7-1-2002); and
 - \$2 multiplied by the retiree's years of service plus \$1 multiplied by the number of years since the member's retirement (payable 7-1-01).

TAX WITHHOLDING REMINDER

Since your TFFR benefits are subject to federal and state taxation, don't forget to periodically review your tax withholding election. If your tax withholding is not adequate, you may have to pay estimated taxes during the year or a tax penalty at year end.

You may elect no withholding, specify withholding based on marital status and allowances, or specify withholding plus an additional amount. You may also have North Dakota state taxes withheld from your retirement benefit. Keep in mind we can not withhold taxes for another state.

The amount of your withholding may change on January 1 when the tax rates are adjusted. You may also see a change to your withholding on July 1 when the retiree benefit increase approved by the Legislature is paid.

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

CONFIDENTIAL RECORDS

What you should know...

Some retirees have telephoned the TFFR office and have been surprised to learn that making an address change or attaining your monthly benefit can not be handled over the telephone.

To protect your privacy, records relating to your TFFR retirement benefits are confidential and are not public records. Although approval of House Bill 1101 expanded access, release of confidential member information is still very limited. Your retirement information and records may only be disclosed to:

- A person to whom you have given written consent.
- A person legally representing you.
- A person authorized by the court.
- A member's participating employer, limited to information concerning your years of service credit, age, employer and employee contributions, and salary. Any information provided to your employer must remain confidential.
- Staff of the Public Employees Retirement System to determine membership and benefits.
- State and federal agencies to validate your eligibility or an employer's compliance with state and federal law.
- Member interest groups approved by the TFFR Board, limited to information concerning a member's death.



Public Pension Coordinating Council
**Public Pension Principles
 2000 Achievement Award**

Presented to

North Dakota Retirement & Investment Office

In recognition of instituting professional standards for public employee retirement systems as established by the Public Pension Principles.

Presented by the Public Pension Coordinating Council, a confederation of
 Government Finance Officers Association (GFOA)
 National Association of State Retirement Administrators (NASRA)
 National Conference on Public Employee Retirement Systems (NCPERS)
 National Council on Teacher Retirement (NCTR)

Michael L. Mory
 Michael L. Mory
 Chairman

NATIONAL PENSION REFORM

Retirement savings and pension reform legislation has once again been introduced in Congress. This bipartisan legislation increases retirement savings opportunities, expands portability, and eliminates cumbersome pension rules. The TFFR Board supports this legislation.

PassPensionReform.org is preparing a national petition that will be submitted to Congress and the President demonstrating that increasing retirement savings is a critical priority for working Americans. Supporters may visit (www.passpensionreform.org) to learn more about pension reform and sign the electronic petition. Once signed, your name will be forwarded to North Dakota's congressional delegation.

Please join the grassroots effort to urge Congress to pass pension reform legislation this year.

TFFR RECEIVES AWARD

For the fifth time, the ND Teachers' Fund for Retirement has received the prestigious Public Pension Principles Achievement Award. This award is designed to recognize and commend public employee retirement systems that adhere to high professional standards.

TFFR qualified for this achievement award based on compliance with specific principles in the areas of benefits, actuarial valuations, financial reporting, audits, investments, and disclosure to plan members and the public.

BENEFIT INCREASE STATEMENTS MAILED IN JUNE

Check your mail in early June for your benefit increase statement. The statement will include the amount of your monthly benefit increase, your new PERS health insurance premium, and your net benefit amount for July 1, 2001. Also take the time to review your beneficiary designation. If your beneficiary has passed away, please contact the administrative office.

**NORTH DAKOTA RETIREMENT & INVESTMENT OFFICE
 TEACHERS' FUND FOR RETIREMENT
 RETIREMENT BENEFIT INCREASE STATEMENT
 AS OF JULY 1, 2001**

1930 Burr Ebat Drive
 Bismarck, ND 58507-7100
 Telephone 701-328-0885
 Toll Free 1-800-932-2970
 www.dicsswood.com/ndrfo

PREPARED FOR
 Jane R. Teacher
 1234 W 42 Ave
 Bismarck, ND 58501-2345

RETIREMENT DATA
 Retirement Date: 06-01-1991
 Retirement Option: Option 1 - 100% Joint and Survivor - This plan provides you a monthly benefit for life. At your death, your designated beneficiary (named at retirement) will receive 100% of your monthly benefit for life. Should your beneficiary predecease you in death, this plan converts to a single life annuity. Contact the administrative office if your designated beneficiary has passed away.
 Service Credit: 30.00

BENEFICIARY(IES)
 John Q. Teacher

RETIREMENT BENEFIT SUMMARY - 2001 BENEFIT INCREASE
 The 2001 Legislature passed HB1102 which provides a postretirement benefit increase for all annuitants receiving a monthly benefit on June 30, 2001. Your monthly annuity increase of \$77.15 was calculated as follows: 0.75% multiplied by current monthly benefit of \$952.83, plus \$2 multiplied by years of service credit plus \$1 multiplied by the number of years retired.
 Monthly Benefit as of 7/1/01: (Nontaxable amount of benefit \$23.00) \$ 1030.00

Deductions:		
Federal Tax Withheld	\$	45.00
ND State Tax Withheld	\$	8.00
Health Insurance Premium	\$	250.00
RTA and MEA-Retired Dues	\$	37.00
Dental Insurance Premium	\$	00.00
PERS Life Insurance Premium	\$	00.00
Net Monthly Benefit:		
Account Value at the Time of Retirement:	\$	690.00
Total Amount Received Life-To-Date:	\$	42,000.00
OTHER		\$105,000.00

Please review the information on this benefit statement. If you wish to change your name, address, or beneficiary, please contact the administrative office.
 This document can be made available in alternate formats.

Understanding Survivor Benefits

Based on the retirement plan you selected at retirement, your designated beneficiary may be eligible to receive survivor benefits from your account:

- Single Life Annuity – balance of account value, if any.
- 100% Joint & Survivor Annuity – monthly benefits of the same amount will continue for the remainder of your beneficiary's life.
- 50% Joint & Survivor Annuity – one half of the monthly benefit amount will continue for the remainder of your beneficiary's life.
- 5 Year Term Certain and Life – remainder of the 60 months of payment, if any.
- 10 Year Term Certain and Life – remainder of the 120 months of payment, if any.

Under the joint and survivor options, a pop-up provision is available if your beneficiary predeceases you in death or a divorce grants you sole ownership of your retirement benefits. Your annuity will convert to the higher single life annuity plan.

Upon remarriage, you can re-elect a joint and survivor option. Under the single life annuity, five and ten year term certain and life options, if a retiree marries, the retiree may also elect to change to a joint and survivor option. The retiree must provide proof of their good health and proof of age for the new beneficiary. The monthly benefit will also be actuarially adjusted based on the new beneficiary's age.

TFFR RECEIVES FAVORABLE IRS DETERMINATION LETTER

On January 29, 2001, TFFR received a favorable determination letter from the IRS regarding its qualified status. Although governmental retirement plans like TFFR are not required to do so, receiving a favorable determination letter from the IRS is an added measure of assurance that plan provisions conform to IRS requirements so TFFR can continue receiving favorable tax treatment.

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