

Retirement TODAY

ND Teachers' Fund for Retirement

JULY 2012

Proposals Submitted for Interim Legislative Study

The interim Legislative Employee Benefits Programs Committee received the following bill drafts relating to TFFR. The bills have been sent to TFFR's actuarial consultant for technical and actuarial analysis. Public hearings on the bills will be scheduled for later this summer. The bills are available on the TFFR website at www.nd.gov/rio/TFFR.

Bill No. 99

The TFFR Board submitted Bill No. 99 which includes technical corrections and administrative updates to the TFFR plan.

- Updates the definition of actuarial equivalent to more clearly describe its use in pension calculations.
- Defines normal retirement age as the age a member becomes eligible for monthly lifetime unreduced retirement benefits as currently described in state statutes.
- Clarifies vesting provisions for compliance with federal statutes or rules.
- Incorporates other federal tax law changes to maintain compliance with federal statutes or rules.

- Adds savings clause which allows TFFR Board to adopt terminology to comply with federal statutes or rules subject to approval of the legislative employee benefits programs committee.

Bill No. 43

Another bill submitted for interim study is Bill No. 43, sponsored by Rep. Louser:

- Maintains the higher TFFR member and employer contribution rates approved by the 2011 Legislature until the Fund reaches 100% funded ratio (not 90% as provided in current law). Once full funding is achieved, contribution rates would be reduced to 7.75% for members and 7.75% for employers.

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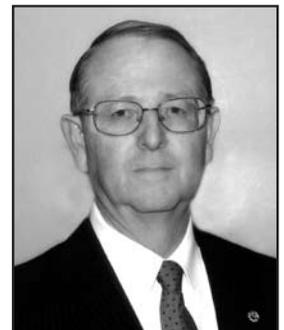
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Articles are for general information only and are not intended to provide specific advice or recommendation. Other forms of this newsletter are available on request.

Corneil Re-Appointed To Board

Governor Dalrymple has re-appointed Clarence Corneil to another five-year term on the TFFR Board. Mr. Corneil retired from Dickinson Public Schools after 38 years of service. He has been a TFFR trustee since 2002 and represents retired teachers on the Board. Mr. Corneil also serves on the State Investment Board. We appreciate his commitment to serve North Dakota educators as a TFFR Board trustee.



Memo to Members

We Are Not Alone

NDTFFR is not alone. The financial market meltdown in the past decade negatively impacted funding levels of pension plans, not just here in North Dakota, but all over the country. To offset investment losses, the NDTFFR Board recommended, and the 2011 Legislature approved, significant increases in member and employer contributions and benefit changes for non grandfathered employees. These changes were designed to improve funding levels over the long term. This is not “news” to members who have been reading TFFR newsletters, monitoring the website, and attending retirement presentations.

What you may not realize, however, is that public pension plans in other states, counties, and cities are addressing similar funding challenges in similar ways. Some plans have approved increased contributions – employee, employer, and/or state. Others have modified benefit structures, raised retirement eligibility ages, lowered benefits, and eliminated retiree cost of living adjustments. While there are a few plans that have yet to do so, the vast majority of states have enacted changes in their retirement plans designed to ensure their long-term sustainability. In doing so, plans recognize that time and patience will be needed to restore previously strong pension funding levels.

Yes...Patience. Unfortunately, one of the most common traits of our world today is just the opposite... Impatience. Technology has advanced to such a degree that the word “instant” is applied to almost everything from soup to suntans. Eating meals is identified in terms of “fast food,” with express breakfasts, quick lunches, and dinners-to-go. “Snail mail” and print publications are becoming obsolete, with individuals and businesses



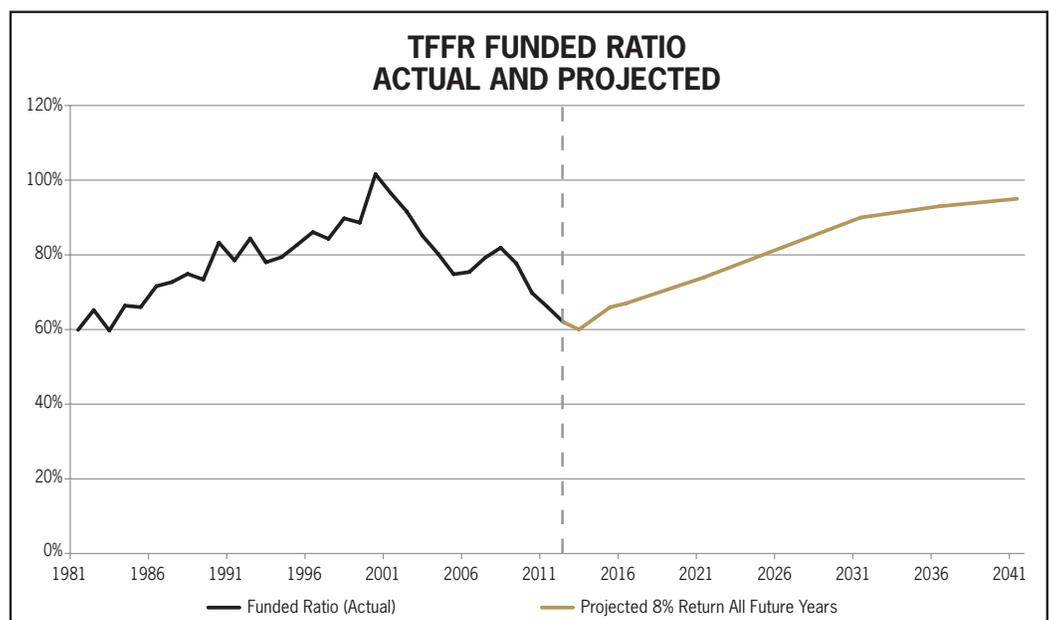
Fay Kopp
Interim Executive Director –
Chief Retirement Officer

utilizing faster and more efficient means of communication like e-mail, e-news, and other web-based technologies. Social media? Try Facebook, Twitter, and YouTube. Instant messaging. Instant alerts. Instant results.

But not “instant pension funding improvement.” Unfortunately, quick pension fixes are not available at fast food drive up windows in ND or anywhere else. With the legislative changes approved in 2011, funding recovery is expected to occur gradually over time – after the 2008-09 investment losses are smoothed into actuarial calculations and after increased retirement contributions

begin to flow into the system. The chart below shows actual TFFR funding levels from 1981-2011. It also shows estimated funding levels in the future. As you can see, it will likely take 20-30 years before TFFR reaches 80%-100% funding levels, if the plan meets all actuarial assumptions, including the 8% investment return assumption.

The slow economic recovery and ongoing global market volatility make a long-term focus particularly important for pension plans, here in ND and elsewhere. NDTFFR is not alone in needing time for the changes made to show positive results.



FAQ

1. Can I change my address over the phone?

No. To protect your privacy, records relating to TFFR are confidential and all address changes must be done in writing.

2. How do I make changes to my tax withholding election or change the bank account where my pension benefit is directly deposited?

The forms needed to make these changes are on the TFFR website at www.nd.gov/rio. Print, complete, and return the form to TFFR. All change requests must be received five working days before month end to take place on the following month's check.

3. I have appointed my daughter as Power of Attorney for financial matters. Does TFFR need this information?

Yes. You may wish to send a copy of the Power of Attorney documents to TFFR. The documents will be kept in your file and referenced, if necessary.

4. After I retire, can I return to TFFR covered employment?

Yes, with limitations. Under the General Rule, after a 30-day waiting period from your TFFR retirement date, you may return to TFFR covered employment for a maximum number of hours in a fiscal year (July 1-June 30) and continue to receive your TFFR retirement benefit. Employer and member contributions will be paid on all retirement salary paid to you. The member contributions will be added to your TFFR retiree account value but your monthly TFFR retirement benefit will not increase. The annual hour limit is based on the length of the employment arrangement.

9 months = 700 hours
10 months = 800 hours
11 months = 900 hours
12 months = 1000 hours



Please contact administrative office for exceptions to the General Rule. Also note that a retiree can do unlimited non-contracted substitute teaching.

5. I retired from teaching at age 59 and will be turning 62 in a few months. Should I contact Social Security?

Yes. Even though you are receiving a benefit from TFFR, you must make a separate application to receive any eligible Social Security benefits. Please visit www.ssa.gov to access information and make application to receive Social Security benefits.

Administrative Rule Changes Approved

Administrative rules changes to Title 82 of the N.D. Administrative Code relating to NDTFFR definitions, veterans' rights, contributions, retirement benefits, and disability benefits were recently approved and are effective July 1, 2012. A summary of the rule changes is available on the NDTFFR website.

Employee Contributions Required On Re-Employed Retirees

Effective July 1, 2012, the 9.75% employee contribution will be required on all salary earned by re-employed retirees performing TFFR covered employment. The pension benefit paid to a re-employed retiree will not increase as a result of the additional contributions paid (unless the retiree's benefit was suspended because the annual hour limit was exceeded.) However, the retiree contributions will be included in the retiree's guaranteed account value.



**NORTH DAKOTA
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INVESTMENT OFFICE**

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Interim Appointments Made

Effective June 1, 2012, the State Investment Board (SIB) appointed Fay Kopp as Interim Executive Director and Darren Schulz as Interim Chief Investment Officer (CIO) of the Retirement and Investment Office (RIO). RIO staff administers both the pension program for ND educators and the investment program for various ND pension and insurance trust funds. The Executive Director/CIO position was previously held by John Geissinger, who resigned effective May 31 so he and his wife could relocate closer to family in Connecticut.

The SIB also established a Committee to lead the search for a permanent replacement. The Committee includes representation from the various SIB client groups and includes Lt. Governor Drew Wrigley, Chair; State Treasurer Kelly Schmidt; State Land Commissioner Lance Gaebe; TFFR trustee Bob Toso; and PERS trustee Mike Sandal.

Please be assured the funds entrusted to the SIB are well positioned and are in good hands with a very qualified and experienced staff, board, investment managers, and consultants working together to prudently invest trust fund assets.