

Retirement TODAY

ND Teachers' Fund for Retirement

FEBRUARY 2015

NDTFFR Annual Valuation Shows Funding Improvement

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 increased from 59% last year to 62% as of July 1, 2014. This is an encouraging sign, and tells us that plan changes made over the past few years combined with better market conditions have put us back on track after experiencing funding level declines in the past decade. TFFR's deficit has been reduced since the previous valuation, and although the plan remains under funded, we are optimistic that funding improvement will occur.

7,747 retirees and beneficiaries, which is an increase of 258 retired members.

Financial

Member and employer contributions in FY 2014 totaled \$121.0 million compared to \$115.8 million last year. Total distributions, including benefit payments, refunds, and administrative expenses, was \$163.8 million compared to \$150.6 million last year.

Assets

The market value of assets increased from \$1.84 billion to \$2.09 billion as of June 30, 2014.

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TFFR Board of Trustees

Mike Gessner, President, Active Trustee
 Kim Franz, Active Trustee
 Rob Lech, Active Trustee
 Mike Burton, Retired Trustee
 Mel Olson, Retired Trustee
 Kirsten Baesler, State Superintendent
 Kelly Schmidt, State Treasurer

RIO Administrative Office

David Hunter,
 Executive Director/CIO
 Fay Kopp,
 Deputy Director/
 Chief Retirement Officer
 Shelly Schumacher, Editor

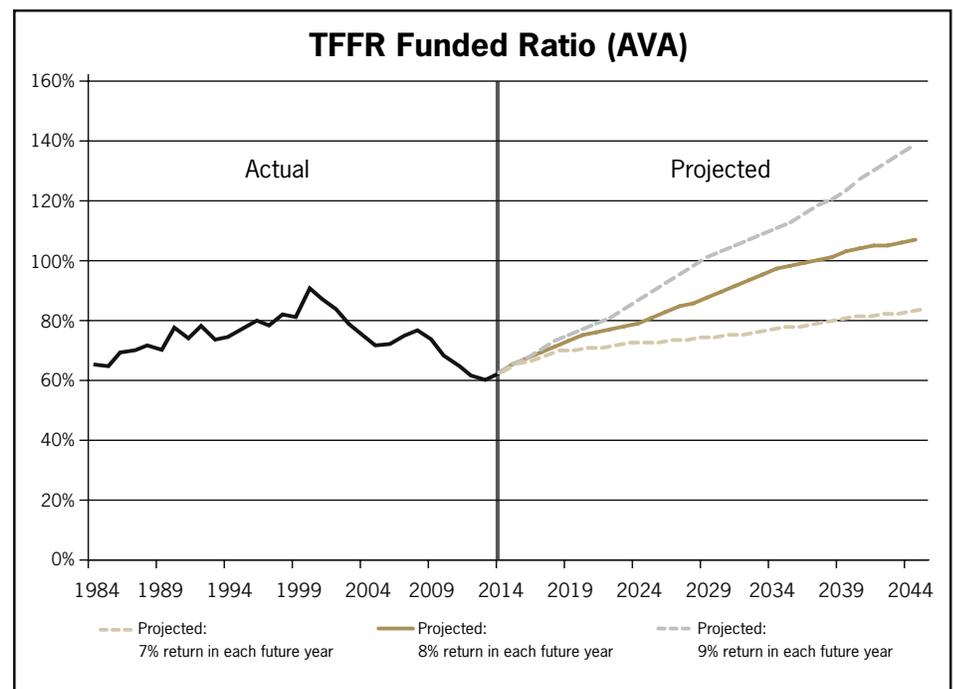
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Articles are for general information only and are not intended to provide specific advice or recommendation. Other forms of this newsletter are available on request.

Membership

As of July 1, 2014, the TFFR plan included 10,305 active members, which is an increase of 167 active members over last year. There were



Memo to Members

Stuck in the middle

I'm a middle child, and guess what? I like it! I'm only 5 years younger than my oldest sister, and just 8 years older than my youngest brother. While being the oldest or youngest may have had its perks over the years, so does being the fifth of ten children in my big family. We middle children have the advantage of being able to view certain situations from more than one perspective which may help us address challenges and keep us out of (serious) trouble. Well most of the time, anyway.

Being a middle kid was good training ground for me. The past decade of working with teachers, administrators, and school boards to address TFFR pension funding concerns has certainly required the ability for all of us to evaluate a difficult situation from various points of view. How will contribution increases and benefit changes affect the new, young teacher just beginning a career in education? What about the midcareer educator faithfully saving and planning for retirement? How about the teacher just ending a 30 or 40 year career educating ND kids? And of course we are also concerned about retired members – whether retirement was just last year, or 30 years ago, TFFR pension funding and retirement security matters.

But it's not just about the members. School districts and other participating employers have a huge stake in



Fay Kopp
NDTFFR Chief Retirement Officer
NDRIO Deputy Executive Director

what happens at TFFR since the dollars paid in to TFFR reduce the amount that can be paid out to teachers in the form of salary or other benefits. Pensions have long been known to play an important role in attracting and retaining talented educators, so that impacts discussions about TFFR as well.

A few years ago, the TFFR Board and the groups representing active and retired teachers, administrators, and school boards generally agreed that a TFFR pension is a valued benefit and should be maintained so ND educators can retire with long term retirement security. It was also recognized that pension sustainability comes with a

price tag in the form of increased pension contributions from members and employers, and certain benefit modifications to reduce future liabilities. Compromise and shared sacrifice were key to finding the middle ground that could be supported by the various stakeholders.

As I sit back and reflect on all that has been accomplished in the past few years and all that is yet to be done in the future, I am very proud of the members and employers for their strong support of TFFR. I am privileged to be “stuck in the middle” with you, and will strive to do my best on your behalf. Please feel free to call me with questions and concerns.

Corneil Leaves Board

The TFFR Board and staff wish to thank Mr. Clarence Corneil for twelve years of dedicated service to ND educators. Mr Corneil represented retired teachers on the Board and resigned effective November 21, 2014.



Mike Burton Appointed to Board

Governor Dalrymple has appointed Mike Burton to the TFFR Board to complete the term of Clarence Corneil. Mike is a retired teacher from Fargo and his term on the Board will expire June 30, 2017.





2015 Legislative Proposals

The 64th Legislative Assembly began on January 6, 2015. As of this writing, there have been no bills filed that will affect TFFR plan benefits, contributions, or funding. The TFFR Board did file a technical corrections bill described below.

- **HB 1064** (interim study bill no. 140) updates certain dates to stay current with federal Internal Revenue tax law changes to maintain TFFR's status as a qualified governmental pension plan. The changes are not expected to have an actuarial effect on the plan, and were not submitted for funding improvement purposes.

Although we are monitoring various other pension and investment related legislative proposals, we are not aware of any other specific proposals that appear to have TFFR pension implications at this time.

Legislative information is available on state websites.

ND TFFR: http://www.nd.gov/rio/TFFR/Legislation/default_2015.htm

ND Legislature: <http://www.legis.nd.gov/assembly/64-2015/regular>

TFFR Annual Valuation

From page 1

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 \$1.76 billion to \$1.94 billion in 2014.

Actuarial Results

As of July 1, 2014, TFFR's actuarial accrued liability (AAL) increased from \$ 3.0 billion to \$3.14 billion. The unfunded portion of the actuarial accrued liability (UAAL) decreased from \$1.23 billion to \$1.20 billion. Therefore, TFFR's funded ratio (comparison of assets to liabilities) on an actuarial basis increased from 59% to 62%. This means TFFR currently has about 62 cents for every one dollar it needs to pay present and future benefits earned by members. On a market value basis, TFFR's funded level increased from 61% to 67%.

Funding Projections

The actuary has determined that the legislative changes approved by the 2011 Legislature are expected to continue improving TFFR's funding status over the long term, if actuarial assumptions are met. 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 8% investment returns in the future, the plan's funded level should reach 100% in about 20 years. Member and employer contribution rates will be reduced to 7.75% each when 100% funding is achieved. If long term returns are greater than 8%, funding progress will be reflected sooner. However, if returns are less than 8%, funding improvement will take longer.

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.

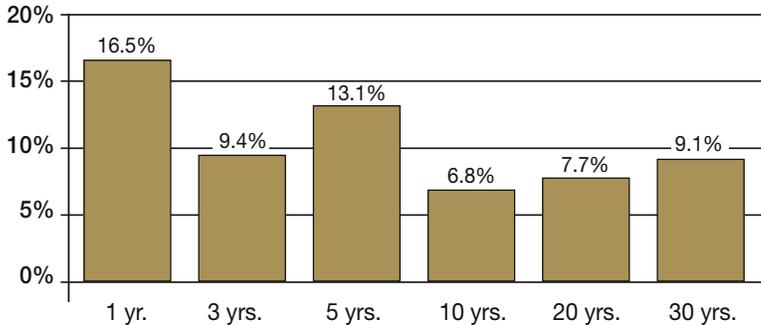
The complete 2014 actuarial report is available on the TFFR website at www.nd.gov/rio/tffr/publications or by request to our office.



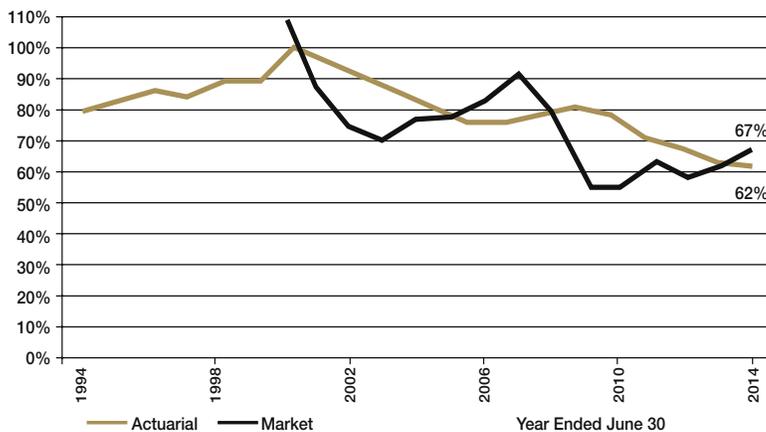
2014 Annual Report Summary

NDRIO's annual Comprehensive Annual Financial Report (CAFR) has been published for fiscal year July 1, 2013 – June 30, 2014. The report provides a detailed look at investment, financial, actuarial, and statistical information. The 2014 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.

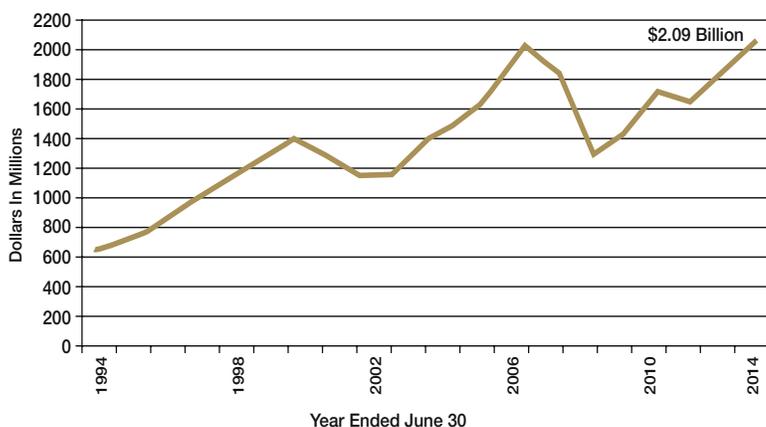
TFFR Net Investment Performance - Average Fiscal Year Ended June 30, 2014



TFFR Funded Ratio - Market vs. Actuarial



Market Value of TFFR Assets



Statement of Net Position as of June 30, 2014

ASSETS

Equities	\$1,089,067,377
Fixed Income	478,677,486
Real Assets	369,078,739
Private Equity	97,357,862
Invested Cash	20,045,640
Receivables	23,696,022
Other Assets	17,012,740
Total Assets	\$2,094,935,866

LIABILITIES

Accounts Payable	\$3,320,810
Accrued Expenses	631,740
Other Liabilities	6,260
Total Liabilities	\$3,958,810

Net Position on June 30, 2014 \$2,090,977,056

Changes in Net Position During Fiscal Year 2014

CASH POSITION

Net Position on June 30, 2013 \$1,839,583,960

-ADDITIONS-

Member Contributions	\$56,554,767
Employer Contributions	62,355,146
Other Additions	2,082,055
Investment Income (Loss)	294,246,449
Total Additions	\$415,238,417

-DEDUCTIONS-

Benefits Paid	\$158,350,355
Refunds	3,908,921
Administrative Expenses	1,586,045
Total Deductions	\$163,845,321

Total Change in Net Position \$251,393,096

Net Position on June 30, 2014 \$2,090,977,056

Membership Statistics - June 30, 2014

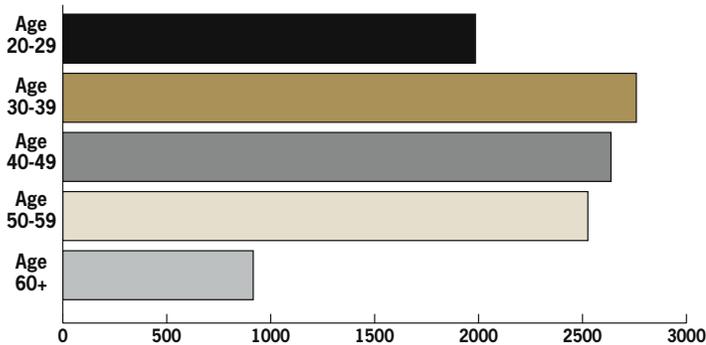
ACTIVE MEMBERS

Avg Annual Salary	\$54,073
Avg Age	Age 43
Avg Service	13 yrs
Oldest Active Member	Age 78
Most Service	47 yrs

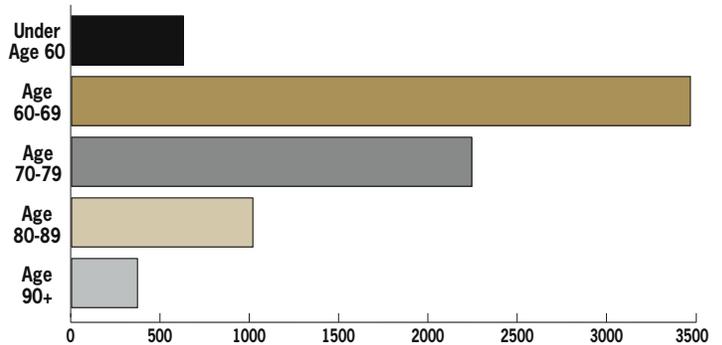
RETIRED MEMBERS

Avg Annual Pension	\$21,396
Avg Current Age	Age 71
Avg Service	27 yrs
Oldest Retiree	Age 107
Most Service	57.5 yrs

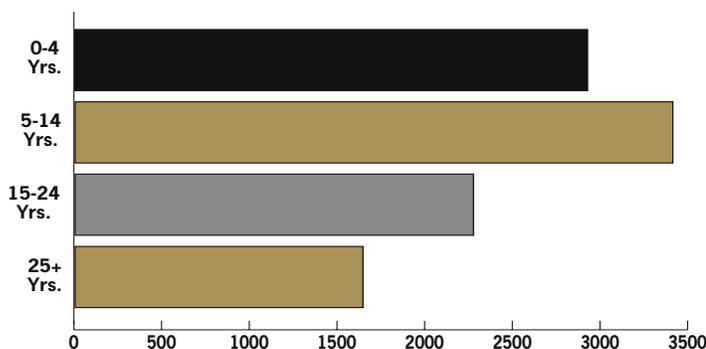
Active Members by Age



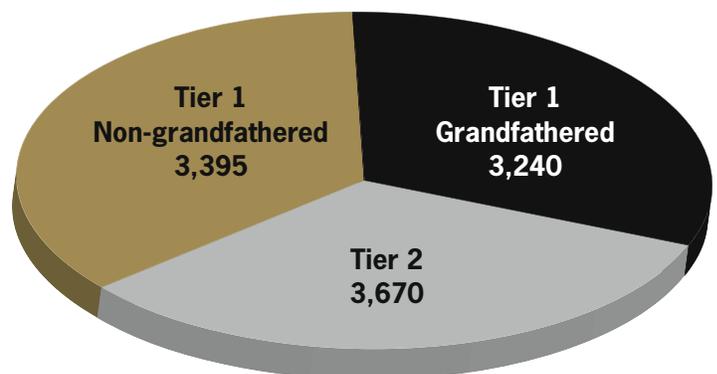
Retired Members by Age



Active Members by Service

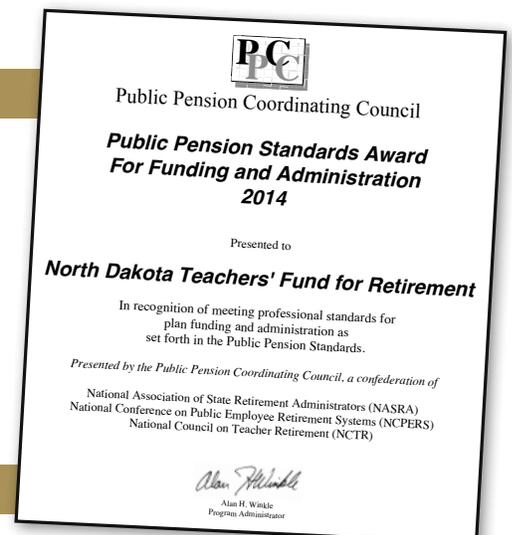


Active Members by Tier



TFFR Receives Award

The ND Teachers' Fund for Retirement has received the 2014 Public Pension Coordinating Council Recognition Award. This award is designed to recognize and commend public employee retirement systems that meet professional standards for both pension plan administration and funding.





**NORTH DAKOTA
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INVESTMENT OFFICE**
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State Investment Board*

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Tax Withholding Reminder

You have the option to withhold federal and North Dakota state income tax from your TFFR retirement benefit. This is to remind you that you may change your tax withholding election at any time. Since your TFFR benefits are subject to federal and state taxes; 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 do not withhold taxes for another state.

Your current withholding election will remain in effect until you file a new tax withholding form with TFFR. If you wish to adjust your tax withholding, you may obtain a W-4P tax withholding form by contacting the TFFR office, or downloading a form from the RIO website at www.nd.gov/rio. If you believe your tax withholding is sufficient, no action is necessary.

Your decision on tax withholding is an important one. You may wish to discuss it with a qualified tax advisor.

