
AGENCY OVERVIEW**190 Retirement and Investment Office**

Date: 12/07/2012**Time:** 13:42:48**Statutory Authority**

ND Constitution Article IV, Section 13; North Dakota Century Code Chapters, 15-39.1, 21-10 and 54-52.

Agency Description

The Retirement and Investment Office (RIO) is an agency of the State of North Dakota. The agency was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of two important long-standing state programs - the retirement program of the Teachers' Fund for Retirement (TFFR) and the investment program of the State Investment Board (SIB). TFFR is a qualified defined benefit public pension plan. The plan covers North Dakota public school teachers and administrators. Benefit funding comes from member and employer contributions and investment earnings. TFFR serves over 10,000 teachers from 226 employer groups and pays benefits to approximately 7,000 retirees and beneficiaries. High quality member services and outreach programs are offered to members and employers as part of the continuing effort to keep them informed about the retirement program. The SIB is responsible for setting policies and procedures guiding the investment of over \$5.00 billion in assets for eight pension funds and 15 other insurance-type funds.

Agency Mission Statement

The Retirement and Investment Office (RIO) exists in order that:

1. State Investment Board (SIB) clients receive cost-effective investment services directed at meeting their written financial goals under the Prudent Investor Rule.
2. SIB clients receive investment returns consistent with their written investment policies and market variables.
3. Potential SIB clients have access to information regarding the investment services provided by the SIB.
4. Teachers' Fund for Retirement (TFFR) benefit recipients receive their retirement benefits in a cost effective and timely manner.
5. TFFR members have access to information which will allow them to become knowledgeable about the issues and process of retirement.
6. SIB clients and TFFR benefit recipients receive satisfactory services from the boards and staff of the office.

Agency Performance Measures

No performance measures have been created.

Major Accomplishments

1. RIO received the GFOA Certificate of Achievement for Financial Reporting for its annual financial report for the fiscal year ended June 30, 2011. This was the fourteenth time RIO received this award.
2. TFFR received the 2011 Public Pension Standards Award for Funding and Administration from the Public Pension Coordinating Council. TFFR has received a PPCC Award since 1992.
3. TFFR received a favorable plan determination letter from the IRS in 2012 confirming plan documents comply with IRS requirements.

Future Critical Issues

1. Restore investment returns over the long term to meet pension and insurance trust fund client investment objectives in a risk controlled manner.
2. Restore the financial health of TFFR plan and adequately fund promised benefits for ND educators.
3. Implementation of 2011 legislative changes regarding increases to member and employer contributions, and modification of plan benefits for non grandfathered employees.
4. Changing demographics of TFFR plan (i.e. number of active and retired members is increasing; active member salaries are increasing; life expectancy of members is increasing).
5. Impact of new Governmental Accounting Standards Board (GASB) pension accounting and financial reporting standards.
6. Impact of federal legislation and Internal Revenue Code requirements.
7. Enhance and maintain adequate technology levels for accurate and efficient pension administration and services to members and employers.
8. Maintain a low level of staff turnover.

REQUEST SUMMARY

190 Retirement and Investment Office
 Biennium: 2013-2015

Bill#: HB1022

Date: 12/07/2012

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Description	Expenditures 2009-2011 Biennium	Present Budget 2011-2013	Budget Request Change	Requested Budget 2013-2015 Biennium	Optional Budget Request
By Major Program					
Teachers Fund for Retirement	2,300,643	2,574,390	85,884	2,660,274	0
Investment Program	1,214,164	1,658,564	64,325	1,722,889	0
Total Major Program	3,514,807	4,232,954	150,209	4,383,163	0
By Line Item					
Salaries and Wages	2,578,622	3,203,114	142,882	3,345,996	0
Operating Expenses	854,185	947,840	7,327	955,167	0
Contingency	82,000	82,000	0	82,000	0
Total Line Items	3,514,807	4,232,954	150,209	4,383,163	0
By Funding Source					
General Fund					
Federal Funds					
Special Funds	3,514,807	4,232,954	150,209	4,383,163	0
Total Funding Source	3,514,807	4,232,954	150,209	4,383,163	0
Total FTE	17.00	18.00	0.00	18.00	0.00

REQUEST DETAIL190 Retirement and Investment Office
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Description	Expenditures 2009-2011 Biennium	Present Budget 2011-2013	Budget Request Change	Requested Budget 2013-2015 Biennium	Optional Budget Request
Salaries and Wages					
Salaries - Permanent	1,840,773	2,395,202	101,662	2,496,864	0
Temporary Salaries	128,513	8,000	0	8,000	0
Fringe Benefits	609,336	799,912	41,220	841,132	0
Total	2,578,622	3,203,114	142,882	3,345,996	0
Salaries and Wages					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	2,578,622	3,203,114	142,882	3,345,996	0
Total	2,578,622	3,203,114	142,882	3,345,996	0
Operating Expenses					
Travel	79,920	127,239	(1,128)	126,111	0
Supplies - IT Software	4,225	4,500	5,670	10,170	0
Supply/Material-Professional	3,246	4,200	1,000	5,200	0
Miscellaneous Supplies	5,385	3,972	(361)	3,611	0
Office Supplies	5,039	8,759	(705)	8,054	0
Postage	87,880	90,710	2,428	93,138	0
Printing	38,772	27,303	(1,328)	25,975	0
IT Equip Under \$5,000	13,248	4,100	27,970	32,070	0
Other Equip Under \$5,000	0	4,200	(3,500)	700	0
Insurance	1,739	2,427	(1,048)	1,379	0
Rentals/Leases - Bldg/Land	152,336	155,636	4,000	159,636	0
Repairs	93	1,300	0	1,300	0
IT - Data Processing	150,072	192,724	(21,584)	171,140	0
IT - Communications	22,629	25,520	(1,760)	23,760	0
IT Contractual Srvcs and Rprs	217,566	199,265	(5,260)	194,005	0
Professional Development	21,860	46,020	(2,360)	43,660	0
Operating Fees and Services	23,347	28,305	3,283	31,588	0
Fees - Professional Services	26,828	21,660	2,010	23,670	0
Total	854,185	947,840	7,327	955,167	0
Operating Expenses					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	854,185	947,840	7,327	955,167	0
Total	854,185	947,840	7,327	955,167	0

REQUEST DETAIL

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Description	Expenditures 2009-2011 Biennium	Present Budget 2011-2013	Budget Request Change	Requested Budget 2013-2015 Biennium	Optional Budget Request
Contingency					
Operating Fees and Services	0	82,000	0	82,000	0
Fees - Professional Services	82,000	0	0	0	0
Total	82,000	82,000	0	82,000	0
Contingency					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	82,000	82,000	0	82,000	0
Total	82,000	82,000	0	82,000	0
Funding Sources					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	3,514,807	4,232,954	150,209	4,383,163	0
Total Funding Sources	3,514,807	4,232,954	150,209	4,383,163	0

CHANGE PACKAGE SUMMARY

190 Retirement and Investment Office

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Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds
Base Budget Changes						
Ongoing Budget Changes						
A-A 1 Operating		0.00	0	0	7,327	7,327
Base Payroll Change		0.00	0	0	142,882	142,882
Total Ongoing Budget Changes		0.00	0	0	150,209	150,209
Total Base Budget Changes		0.00	0	0	150,209	150,209

BUDGET CHANGES NARRATIVE**190 Retirement and Investment Office****Bill#: HB1022****Date:** 12/07/2012**Time:** 13:42:48

Change Group: A	Change Type: A	Change No: 1	Priority: 1
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Operating

The special funds budget request for the Retirement and Investment Office (RIO) is comprised of two main categories; salaries and operating expenses. It was the goal of RIO management to comply with the Governor's request to General Fund agencies to submit a hold-even budget for the 2013-15 biennium. Management reviewed all current program costs, and made adjustments wherever possible. It was determined that current staffing/FTEs was appropriate. After careful review, it was determined that we would not be able to reduce operating expenses but the increase is only \$7,327 or 0.8% over the previous biennium operating line budget. Some of the more significant changes by line are detailed below.

IT Data Processing - decreased by \$21,584 or 11.2%: Approximately 75% of this decrease is due to a decrease in ITD rates for disk storage. Additionally, we have found less need for analyst and consulting services from ITD since moving to our external software provider for our retirement program administration.

IT Equipment < \$5,000 - increased by \$27,970: Our PC replacement schedule recommends replacing PCs and laptops every four years. We last replaced them in 2009, however, we believe our current PCs will be adequate until mid-2015. Therefore, we will plan to replace one-half of the PCs at the end of FY2015 and the other half the beginning of FY2016. This will only require us to request funding for one-half this biennium and the remaining in the 2015-17 biennium. This request also includes funding for a multi-function copier/printer to replace the one purchased in 2010.

IT Software and Supplies - increased by \$5,670 or 126%: This increase is due to our need to upgrade our current versions of Microsoft Windows and Office when PCs are replaced.

Operating Fees and Services - increased by \$3,283 or 11.6%: This increase is due entirely to an increase in the central service cost allocation charged by OMB.

Change Group: R	Change Type: A	Change No: 100	Priority:
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Executive Compensation Package Adjustment

This budget change provides funding for recommended 2013-15 compensation adjustments. Compensation adjustments for each agency were calculated following the recommendations of the Hay Group developed through the 2011 study of the state's classified employee compensation system. Pursuant to those recommendations, compensation adjustments were calculated to provide funding to allow for both performance-based salary adjustments and market-based salary adjustments. This funding allows for increases of 2% to 4% for employees in the first quartile of the pay range and 1% to 2% for those in the second quartile of the range. For employees in the third and fourth quartiles, which are above the market policy position, no market policy increase is funded. Performance-based increases are assumed to be 3% for employees meeting performance standards and up to 5% for employees exceeding performance standards. No performance-based increases are provided for employees that fail to meet performance standards.