

PROGRAM NARRATIVE**190 Retirement and Investment Office****Date:** 12/07/2012**Time:** 14:12:25**Program:** Teachers Fund for Retirement**Reporting level:** 00-190-100-00-00-00-00000000**Program Performance Measures**

No performance measures have been created.

Program Statistical Data

The Teachers' Fund for Retirement (TFFR) has over 10,000 active, 1,800 inactive and 7,000 retired members. The 7,000 retired members receive monthly retirement, disability and survivor benefits from TFFR totaling over \$125 million annually. Of this amount, 85% or about \$106 million stays in North Dakota. The Fund also distributes approximately 230 refund and rollover checks per year totaling approximately \$2.7 million.

There are 222 employers (school districts, counties and other state entities) that report retirement contributions to TFFR on a monthly basis. The Fund deposits the daily collections in the Bank of North Dakota. The member and employer contributions average \$7.1 million per month or \$85 million per year.

TFFR processes an average of 350 new retirements, 750 new membership enrollments, and 190 deceased member accounts per year. Individual benefits counseling sessions are held in the office daily, across the state in larger school districts annually, and in smaller districts on a rotating basis. The schedule includes approximately 20 sites per year. Group presentations are offered as a part of the benefits counseling sessions and upon request for larger groups. Approximately 4 preretirement and/or Retirement 101 seminars are also held each year. Annually, more than 1,600 teachers participate in TFFR outreach programs and educational sessions. Staff members also attend many conventions, workshops, and meetings to provide retirement program information to members and employers.

Four newsletters per year are prepared by the staff and mailed to all retired and non-retired members. Annual statements of account are sent to non-retired members (12,200) and retired members (6,800). About 6,900 1099R tax forms are prepared and distributed by TFFR to the annuitants and members who withdraw their account balance. Member handbooks and related brochures are updated each biennium. An annual financial report is prepared each year. TFFR also provides a website containing retirement information, publications and forms.

Explanation of Program Costs

This request is all special funds:

1. Salary represents 12.25 FTE's responsible for administering the retirement program.
2. The operating funds are to administer the retirement program. There are no new programs in the budget. Significant object code expenditures are data processing, IT contracts, rent, postage and staff and board travel.
3. The contingency funds are needed in case of unexpected budget shortfall.

PROGRAM NARRATIVE**190 Retirement and Investment Office****Date:** 12/07/2012**Time:** 14:12:25**Program:** Teachers Fund for Retirement**Reporting level:** 00-190-100-00-00-00-00000000**Program Goals and Objectives**

1. Safeguard membership data and collect retirement contributions from TFFR-covered employers on a monthly basis.
2. Pay accurate claims for retirement, disability, survivor and refund benefits in a timely manner.
3. Provide high quality service and public information to TFFR members and employers in a cost effective manner.
4. Ensure the actuarial and financial soundness of TFFR.

REQUEST DETAIL BY PROGRAM190 Retirement and Investment Office
Biennium: 2013-2015

Bill#: HB1022

Date: 12/07/2012

Time: 14:12:25

Program: Teachers Fund for Retirement **Reporting Level:** 00-190-100-00-00-00-00000000

Description	Expenditures 2009-2011 Biennium	Present Budget 2011-2013	Budget Request Change	Requested Budget 2013-2015 Biennium	Optional Request 2013-2015
Salaries and Wages					
Salaries - Permanent	1,181,439	1,257,339	69,903	1,327,242	0
Temporary Salaries	0	4,000	0	4,000	0
Fringe Benefits	411,213	493,039	21,195	514,234	0
Total	1,592,652	1,754,378	91,098	1,845,476	0
Salaries and Wages					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	1,592,652	1,754,378	91,098	1,845,476	0
Total	1,592,652	1,754,378	91,098	1,845,476	0
Operating Expenses					
Travel	44,191	80,840	(2,679)	78,161	0
Supplies - IT Software	2,955	3,285	3,732	7,017	0
Supply/Material-Professional	939	2,044	(354)	1,690	0
Miscellaneous Supplies	3,364	3,775	(457)	3,318	0
Office Supplies	3,368	6,351	(1,010)	5,341	0
Postage	82,491	84,248	2,230	86,478	0
Printing	34,135	24,818	(1,930)	22,888	0
IT Equip Under \$5,000	11,058	1,168	23,192	24,360	0
Other Equip Under \$5,000	0	700	0	700	0
Insurance	1,269	1,772	(820)	952	0
Rentals/Leases - Bldg/Land	110,164	112,389	(1,775)	110,614	0
Repairs	68	730	(40)	690	0
IT - Data Processing	133,779	173,280	(22,415)	150,865	0
IT - Communications	17,168	18,000	(480)	17,520	0
IT Contractual Svcs and Rprs	213,481	195,361	(4,048)	191,313	0
Professional Development	17,872	33,195	(1,240)	31,955	0
Operating Fees and Services	15,676	19,799	1,730	21,529	0
Fees - Professional Services	16,013	17,257	1,150	18,407	0
Total	707,991	779,012	(5,214)	773,798	0
Operating Expenses					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	707,991	779,012	(5,214)	773,798	0
Total	707,991	779,012	(5,214)	773,798	0

REQUEST DETAIL BY PROGRAM

190 Retirement and Investment Office

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Program: Teachers Fund for Retirement		Reporting Level: 00-190-100-00-00-00-00000000			
Description	Expenditures 2009-2011 Biennium	Present Budget 2011-2013	Budget Request Change	Requested Budget 2013-2015 Biennium	Optional Request 2013-2015
Contingency					
Operating Fees and Services	0	41,000	0	41,000	0
Total	0	41,000	0	41,000	0
Contingency					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	41,000	0	41,000	0
Total	0	41,000	0	41,000	0
Total Expenditures	2,300,643	2,574,390	85,884	2,660,274	0
Funding Sources					
Special Funds					
207 Retirement and Investment Fund 207	2,300,643	2,574,390	85,884	2,660,274	0
Total	2,300,643	2,574,390	85,884	2,660,274	0
Total Funding Sources	2,300,643	2,574,390	85,884	2,660,274	0
FTE Employees	12.35	12.35	(0.10)	12.25	0.00

CHANGE PACKAGE DETAIL

190 Retirement and Investment Office

Biennium: 2013-2015

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Program: Teachers Fund for Retirement				Reporting Level: 00-190-100-00-00-00-00000000			
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Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds
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Base Budget Changes

Ongoing Budget Changes

A-A 1 Operating		0.00	0	0	(5,214)	(5,214)
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Base Payroll Change		(0.10)	0	0	91,098	91,098
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Total Ongoing Budget Changes		(0.10)	0	0	85,884	85,884
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Total Base Budget Changes		(0.10)	0	0	85,884	85,884
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PROGRAM NARRATIVE**Date:** 12/07/2012**190 Retirement and Investment Office****Time:** 14:12:25**Program:** Investment Program**Reporting level:** 00-190-200-00-00-00-00000000**Program Performance Measures**

No performance measures have been created.

Program Statistical Data

Investment and financial reporting services are provided for \$5.6 billion in assets for thirteen statutory funds and \$356 million for twelve funds currently under contract.

Monthly financial statements and performance reports are prepared and distributed for each of the 23 funds. This involves monitoring and reporting activities on 38 outside money manager organizations and a total of 83 investment accounts at the SIB's master custodian bank.

Total gross costs, including administrative, money manager, custodian and consultant fees, for the year ended June 30, 2011, were \$36.3 million. All investment program costs are paid out of assets of the funds participating in the SIB's program.

Explanation of Program Costs

This request is all special funds:

1. Salary represents 5.75 FTE's which provide all the accounting, financial, administrative support and investment performance services for the funds under management. At the time this budget was submitted, the Executive Director/CIO position was vacant. An executive search firm will be hired to assist in finding a permanent replacement. Discussion on an appropriate salary for filling this position has been discussed and included in this request, however, the process of filling the position is in very early stages and so the final salary is not known.
2. The operating funds are needed to administer the investment program. There are no new programs in the budget. Significant expenditures are office rent, staff and board travel, data processing and educational/professional development costs.
3. The contingency funds are needed in case of unexpected budget shortfall.

Program Goals and Objectives

1. Prudently investing the assets entrusted to the State Investment Board (SIB) (for the funds specified in North Dakota Century Code 21-10-06), in the best financial interest of the funds' beneficiaries. Generally, this means maximizing the total rate of return on these assets, over the long-term, within prudent risk parameters and appropriate liquidity constraints.

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> 2. Pooling trust assets with like objectives, whenever practical, to provide cost-effective investment opportunities.

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- > 3. Leveraging the SIB's knowledge of investment techniques and contact network for the benefit of other state agencies.
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- > Investment services currently provided to twelve statutory funds and eleven contracted funds are:
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- > 1. Developing investment policies, including investment objectives and asset allocations, for the prudent investment of all trust assets under the Board's oversight, as requested by the governing boards of the various trust funds.
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- > 2. Developing and recommending short and long-term investment strategies in line with the investment objectives and liquidity requirements of the various funds.
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- > 3. Monitoring, auditing and evaluating the performance of money managers, master custodian, and other agents, and recommending changes as needed to best meet the investment objectives of the various trust funds.
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- > 4. Providing monthly financial statements and performance reports.
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- > 5. Auditing/reviewing manager data to ensure consistency with master custodian reports.
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- > 6. Semiannual newsletter to over 53,000 PERS and TFFR members.
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Program: Investment Program	Reporting Level: 00-190-200-00-00-00-00000000
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Description	Expenditures 2009-2011 Biennium	Present Budget 2011-2013	Budget Request Change	Requested Budget 2013-2015 Biennium	Optional Request 2013-2015
Salaries and Wages					
Salaries - Permanent	659,334	1,137,863	31,759	1,169,622	0
Temporary Salaries	128,513	4,000	0	4,000	0
Fringe Benefits	198,123	306,873	20,025	326,898	0
Total	985,970	1,448,736	51,784	1,500,520	0
Salaries and Wages					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	985,970	1,448,736	51,784	1,500,520	0
Total	985,970	1,448,736	51,784	1,500,520	0
Operating Expenses					
Travel	35,729	46,399	1,551	47,950	0
Supplies - IT Software	1,270	1,215	1,938	3,153	0
Supply/Material-Professional	2,307	2,156	1,354	3,510	0
Miscellaneous Supplies	2,021	197	96	293	0
Office Supplies	1,671	2,408	305	2,713	0
Postage	5,389	6,462	198	6,660	0
Printing	4,637	2,485	602	3,087	0
IT Equip Under \$5,000	2,190	2,932	4,778	7,710	0
Other Equip Under \$5,000	0	3,500	(3,500)	0	0
Insurance	470	655	(228)	427	0
Rentals/Leases - Bldg/Land	42,172	43,247	5,775	49,022	0
Repairs	25	570	40	610	0
IT - Data Processing	16,293	19,444	831	20,275	0
IT - Communications	5,461	7,520	(1,280)	6,240	0
IT Contractual Svcs and Rprs	4,085	3,904	(1,212)	2,692	0
Professional Development	3,988	12,825	(1,120)	11,705	0
Operating Fees and Services	7,671	8,506	1,553	10,059	0
Fees - Professional Services	10,815	4,403	860	5,263	0
Total	146,194	168,828	12,541	181,369	0
Operating Expenses					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	146,194	168,828	12,541	181,369	0
Total	146,194	168,828	12,541	181,369	0

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Contingency					
Operating Fees and Services	0	41,000	0	41,000	0
Fees - Professional Services	82,000	0	0	0	0
Total	82,000	41,000	0	41,000	0
Contingency					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	82,000	41,000	0	41,000	0
Total	82,000	41,000	0	41,000	0
Total Expenditures	1,214,164	1,658,564	64,325	1,722,889	0
Funding Sources					
Special Funds					
207 Retirement and Investment Fund 207	1,214,164	1,658,564	64,325	1,722,889	0
Total	1,214,164	1,658,564	64,325	1,722,889	0
Total Funding Sources	1,214,164	1,658,564	64,325	1,722,889	0
FTE Employees	4.65	5.65	0.10	5.75	0.00

CHANGE PACKAGE DETAIL
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Program: Investment Program			Reporting Level: 00-190-200-00-00-00-00-00000000			
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	12,541	12,541
Base Payroll Change		0.10	0	0	51,784	51,784
Total Ongoing Budget Changes		0.10	0	0	64,325	64,325
Total Base Budget Changes		0.10	0	0	64,325	64,325