
AGENCY OVERVIEW**Date:** 12/23/2014**190 Retirement and Investment Office****Time:** 11:59:00

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 for North Dakota public school teachers and administrators. Benefit funding comes from member and employer contributions and investment earnings. 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 \$9.20 billion in assets for seven pension funds and 16 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. Received the GFOA Certificate of Achievement for Financial Reporting for its annual financial report for the fiscal year ended June 30, 2013. This was the sixteenth time RIO received this award.
2. Received the 2013 Public Pension Standards Award for Funding and Administration from the Public Pension Coordinating Council. TFFR has received a PPCC Award since 1992.
3. Received a favorable plan determination letter from the IRS in 2012 confirming plan documents comply with IRS requirements.

Future Critical Issues

1. Earn sufficient 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. Changing demographics of TFFR plan (i.e. increases in number of active and retired members, active member salaries, and life expectancy of members).
4. Implementation of new Governmental Accounting Standards Board (GASB) pension accounting and financial reporting standards.
5. Impact of federal legislation and Internal Revenue Code requirements.
6. Enhance and maintain adequate technology levels for accurate and efficient pension administration and services to members and employers.
7. Maintain a low level of staff turnover.

REQUEST SUMMARY

190 Retirement and Investment Office
Biennium: 2015-2017

Bill#: SB2022

Date: 12/23/2014

Time: 11:59:00

Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
By Major Program					
Teachers Fund for Retirement	2,466,186	2,761,336	171,620	2,932,956	0
Investment Program	1,268,544	2,138,033	126,268	2,264,301	0
Total Major Program	3,734,730	4,899,369	297,888	5,197,257	0
By Line Item					
Salaries and Wages	2,804,244	3,772,504	351,879	4,124,383	0
Accrued Leave Payments	0	71,541	(71,541)	0	0
Operating Expenses	882,398	973,324	17,550	990,874	0
Contingency	48,088	82,000	0	82,000	0
Total Line Items	3,734,730	4,899,369	297,888	5,197,257	0
By Funding Source					
General Fund					
Federal Funds					
Special Funds	3,734,730	4,899,369	297,888	5,197,257	0
Total Funding Source	3,734,730	4,899,369	297,888	5,197,257	0
Total FTE	18.00	19.00	0.00	19.00	0.00

REQUEST DETAIL190 Retirement and Investment Office
Biennium: 2015-2017

Bill#: SB2022

Date: 12/23/2014

Time: 11:59:00

Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
Salaries and Wages					
Salaries - Permanent	2,102,490	2,771,755	257,993	3,029,748	0
Salaries - Other	0	0	50,000	50,000	0
Temporary Salaries	0	8,000	0	8,000	0
Fringe Benefits	701,754	992,749	43,886	1,036,635	0
Total	2,804,244	3,772,504	351,879	4,124,383	0
Salaries and Wages					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	2,804,244	3,772,504	351,879	4,124,383	0
Total	2,804,244	3,772,504	351,879	4,124,383	0
Accrued Leave Payments					
Salaries - Permanent	0	71,541	(71,541)	0	0
Total	0	71,541	(71,541)	0	0
Accrued Leave Payments					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	71,541	(71,541)	0	0
Total	0	71,541	(71,541)	0	0
Operating Expenses					
Travel	53,224	130,111	7,062	137,173	0
Supplies - IT Software	645	10,770	(4,245)	6,525	0
Supply/Material-Professional	4,289	4,000	(1,000)	3,000	0
Miscellaneous Supplies	2,673	4,810	50	4,860	0
Office Supplies	4,307	8,905	(1,445)	7,460	0
Postage	73,591	93,138	3,882	97,020	0
Printing	31,545	25,975	3,695	29,670	0
IT Equip Under \$5,000	4,543	34,720	6,570	41,290	0
Other Equip Under \$5,000	3,207	5,950	1,250	7,200	0
Insurance	2,076	1,379	84	1,463	0
Rentals/Leases - Bldg/Land	155,931	159,636	4,140	163,776	0
Repairs	1,074	1,000	0	1,000	0
IT - Data Processing	141,185	173,687	2,381	176,068	0
IT - Communications	23,915	24,720	(4,680)	20,040	0
IT Contractual Svcs and Rprs	277,957	194,005	(13,003)	181,002	0

REQUEST DETAIL190 Retirement and Investment Office
Biennium: 2015-2017

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
Professional Development	27,984	44,660	10,800	55,460	0
Operating Fees and Services	53,162	31,888	1,509	33,397	0
Fees - Professional Services	21,090	23,970	500	24,470	0
Total	882,398	973,324	17,550	990,874	0
Operating Expenses					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	882,398	973,324	17,550	990,874	0
Total	882,398	973,324	17,550	990,874	0
Contingency					
Fees - Professional Services	48,088	82,000	0	82,000	0
Total	48,088	82,000	0	82,000	0
Contingency					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	48,088	82,000	0	82,000	0
Total	48,088	82,000	0	82,000	0
Funding Sources					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	3,734,730	4,899,369	297,888	5,197,257	0
Total Funding Sources	3,734,730	4,899,369	297,888	5,197,257	0

CHANGE PACKAGE SUMMARY

190 Retirement and Investment Office

Biennium: 2015-2017

Bill#: SB2022

Date: 12/23/2014

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Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds
Base Budget Changes						
Ongoing Budget Changes						
A-A 1 Base Budget		0.00	0	0	67,550	67,550
Base Payroll Change		0.00	0	0	230,338	230,338
Total Ongoing Budget Changes		0.00	0	0	297,888	297,888
Total Base Budget Changes		0.00	0	0	297,888	297,888

BUDGET CHANGES NARRATIVE

190 Retirement and Investment Office

Bill#: SB2022

Date: 12/23/2014

Time: 11:59:00

Change Group: A	Change Type: A	Change No: 1	Priority: 1
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Base Budget

The special funds budget request for the Retirement and Investment Office (RIO) is comprised of two main categories: salaries and operating expenses. Management reviewed all current program costs, and made adjustments wherever possible. Some of the more significant changes in **Operating Costs** by line are detailed below.

Decreases:

- The IT-Communications line is decreasing by 18.9% or \$4,680 due to a decrease in rates from ITD and a decrease in long distance usage likely due to more electronic communications.
- The IT Software and Supplies line is decreasing by 39.4% or \$4,245. Microsoft Office and Windows upgrades were budgeted in the 2013-15 biennium, therefore only miscellaneous supplies and software are being requested.
- The Office Supplies line is decreasing by 16.2% or \$1,445 based on actual usage.
- The Professional Supplies line is decreasing by 25% or \$1,000 based on actual usage.

Increases:

- The Professional Development line is increasing by 24.2% or \$10,800. This increase is reflective of having three investment professionals on staff requiring new/continuing education and membership in national organizations to ensure the SIB is kept current on investment best-practices. Past budget requests generally only applied to one or two investment professionals. Additionally, we are currently advertising to fill the Investment Analyst position. One of the requirements for the position is to hold the CFA designation or to obtain the designation if hired. Therefore we have included \$3,300 to cover the cost of the multi-level testing to accomplish this.
- The Printing line is increasing by 14.2% or \$3,695. Half of this increase is due to a calculation error in the previous budget request. The other half is for retirement benefits counseling materials. We had an adequate supply of these materials in the previous budget cycle and did not need to request funds for them but will now need to replenish them.
- The Miscellaneous Supplies line is increasing by 21.8% or \$1,050 based on the need to replace small office items such as chairs and ergonomic items.
- Technology/Ergonomics Initiative (IT Hardware < \$5,000, IT Software and Supplies, and Other Equipment < \$5,000): Over the previous 4 biennia, RIO has averaged overall increases in operating expense requests of 0.3% per biennium. In order to keep operating expenses down, new initiatives had to be kept to a minimum in order to maintain base operating needs. With technology becoming a main focus in society, we are now finding that we have fallen slightly behind in keeping up with the technology expectations of our boards, members and employees. It is our desire to provide these groups with the necessary tools to efficiently meet their goals in today's technology-driven world. Therefore, our base budget request includes just under \$31,000 or a 0.63% increase over our 2013-15 base budget, to begin a technology and ergonomic-related initiative for the agency. This initiative will allow us to pursue options for video conferencing for TFFR and SIB board meetings and one-on-one member benefits counseling sessions, with the hope that we may be able to reduce the amount of funds requested for travel reimbursement in the future as well as increase productivity of staff who may not need to be away from the office as much as they currently are. It will also provide board and staff members with the option to use personal technology (such as tablets and laptops) to accomplish their required tasks while away from the office or in board meetings. We have also included funds in this request to professionally update our website, which we have not requested funding for in over 15 years. All updates since the initial launch of our current website have been done internally and have been minimal. It is our desire to create a more user friendly site, incorporating current information with newly designed interfaces for TFFR members and employers. And finally, we have included funds in this request to purchase ergonomic sit/stand workstations for our staff. Due to the nature of their job duties, the majority of our staff are required to sit at their workstations for most, if not all of their 40 hour work weeks. Studies have suggested that this amount of sedentary activity contributes to many physical ailments including back and neck pain and weight gain, which in turn results in lost work hours and workers compensation claims. It is our hope that this initiative can begin in the 2015-17 biennium and continue on in future biennia, resulting in increased productivity and ideally decreased expenses in other related areas over time.

BUDGET CHANGES NARRATIVE

190 Retirement and Investment Office

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Salaries:

An internal analysis of current classified RIO staff was conducted. RIO currently has 16 approved classified FTEs. Excluding the two positions that were just filled in October/November 2014, the average years of service is 15.5 years and nine of those have more than 15 years of service. In this analysis we utilized data from HRMS identifying the average salary and years of service of each pay grade at the state level. We then compared that salary to the minimum of each pay grade and came up with an average increase per year of service. We then used that data to calculate where each RIO classified staff person's salary should be, based on their actual years of service. And finally, we compared each RIO classified staff person's current salary against this "comparison salary" to see how they stack up against the state average. We capped the maximum increase per employee at 7%. The total cost of these increases is approximately \$50,000 and would move the average "comp ratio" for the agency from 94.6% to 97.0%, which we believe is a reasonable position based on the longevity of our staff.

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 2015-17 compensation adjustments.