

# **NDTFFR Overview**

## **Legislative Management Employee Benefits Programs Committee**

**October 27, 2015**

Fay Kopp, Chief Retirement Officer – Deputy Executive Director  
ND Teachers' Fund for Retirement (TFFR) - Retirement & Investment Office (RIO)

# TFFR Background



# TFFR Plan

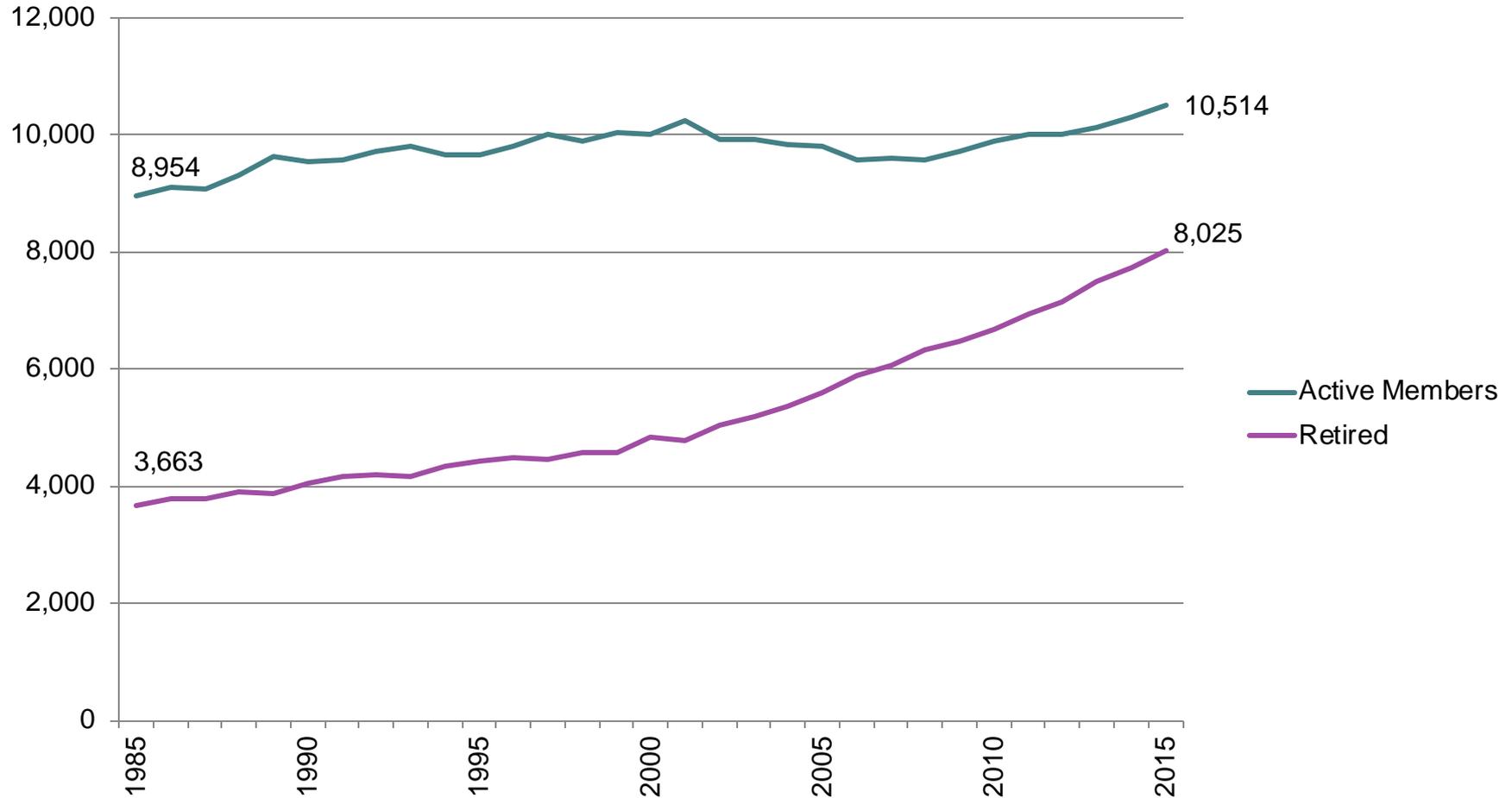
- TFFR is a defined benefit pension plan designed to provide lifetime retirement, disability, and death benefits for ND public school educators and certain state teachers. The plan is also important in the recruitment and retention of high quality teachers.
- TFFR was originally created in 1913. Governing laws: NDCC 15-39.1 and NDAC Title 82.
- Plan is funded by member (teacher) and employer (school district) contributions, and investment earnings.

# TFFR Board of Trustees

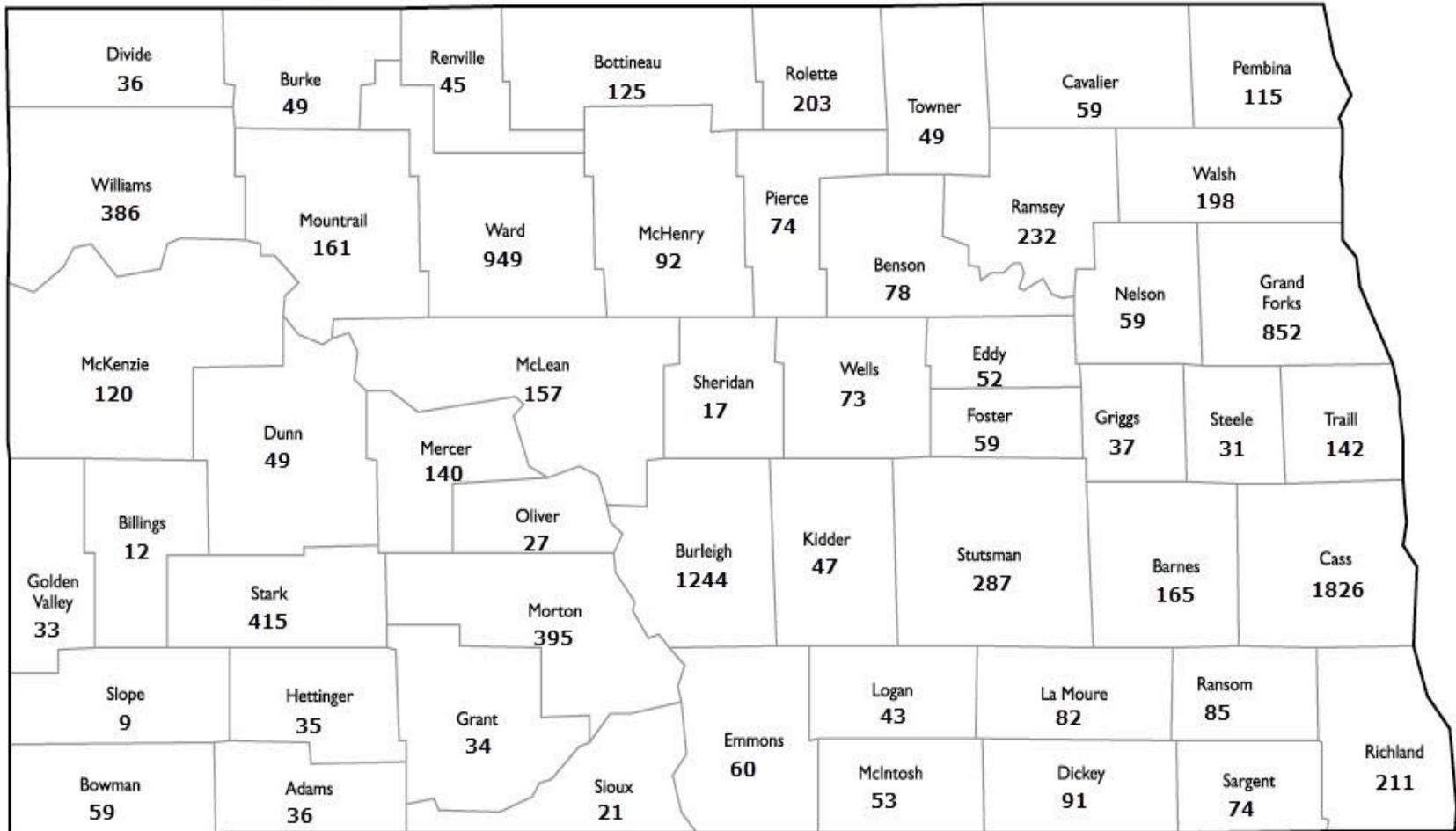
**TFFR benefits program is managed by a 7-member board of trustees who have a fiduciary responsibility to the fund's beneficiaries. The Board consists of 5 active and retired members appointed by the Governor and 2 elected state officials.**

- ▣ **Active School Teachers**
  - Mike Gessner, Minot, President
  - Kim Franz, Mandan
- ▣ **Active School Administrator**
  - Rob Lech, Jamestown, Vice President
- ▣ **Retired Members**
  - Mel Olson, Fargo
  - Mike Burton, Fargo
- ▣ **State Officials**
  - Kelly Schmidt, State Treasurer
  - Kirsten Baesler, State Superintendent

# Active and Retired TFFR Members 1985 - 2015



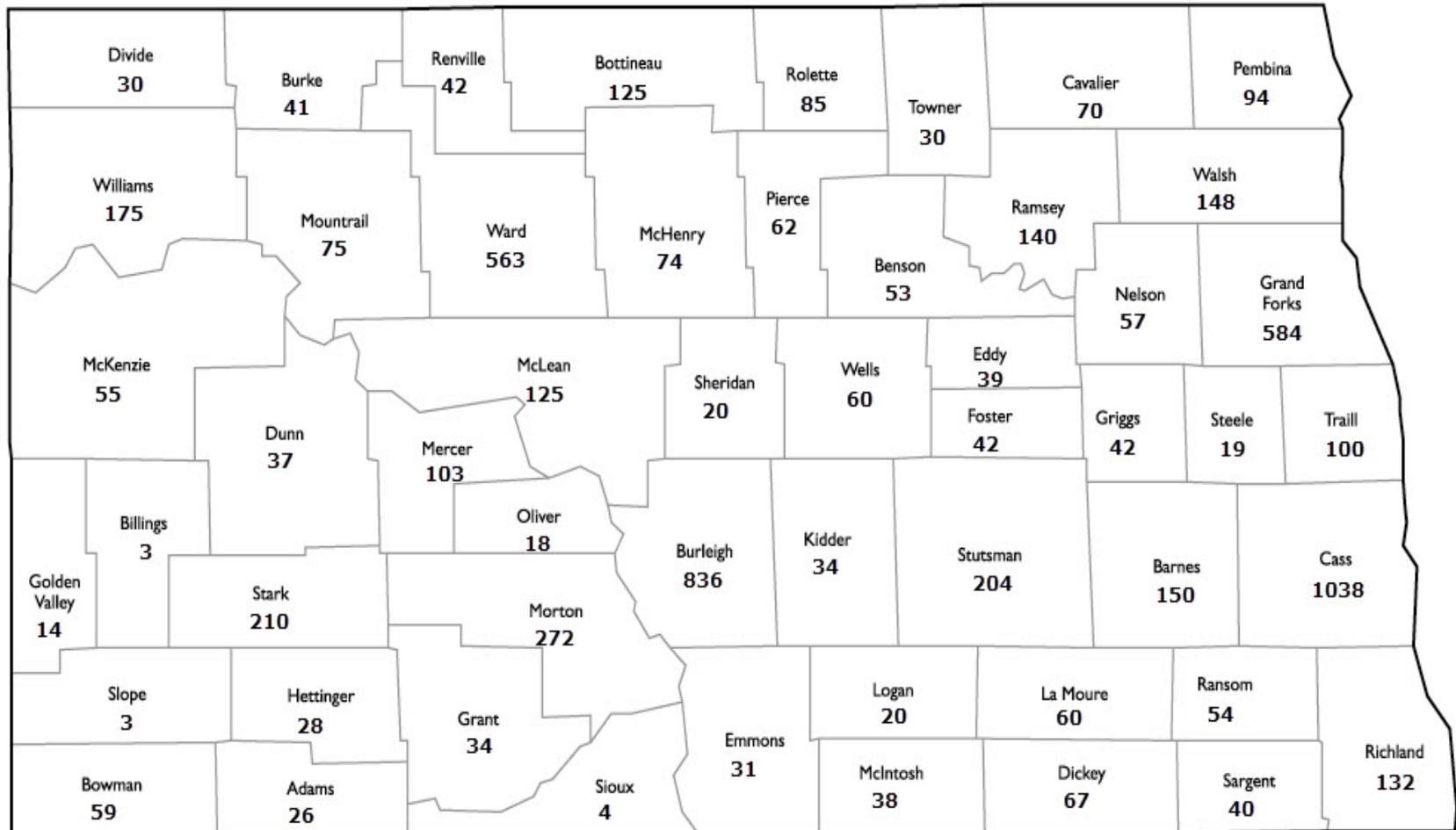
# TFFR Active Members



In-state	9,983
Out-of-state	<u>531</u>
Total	10,514

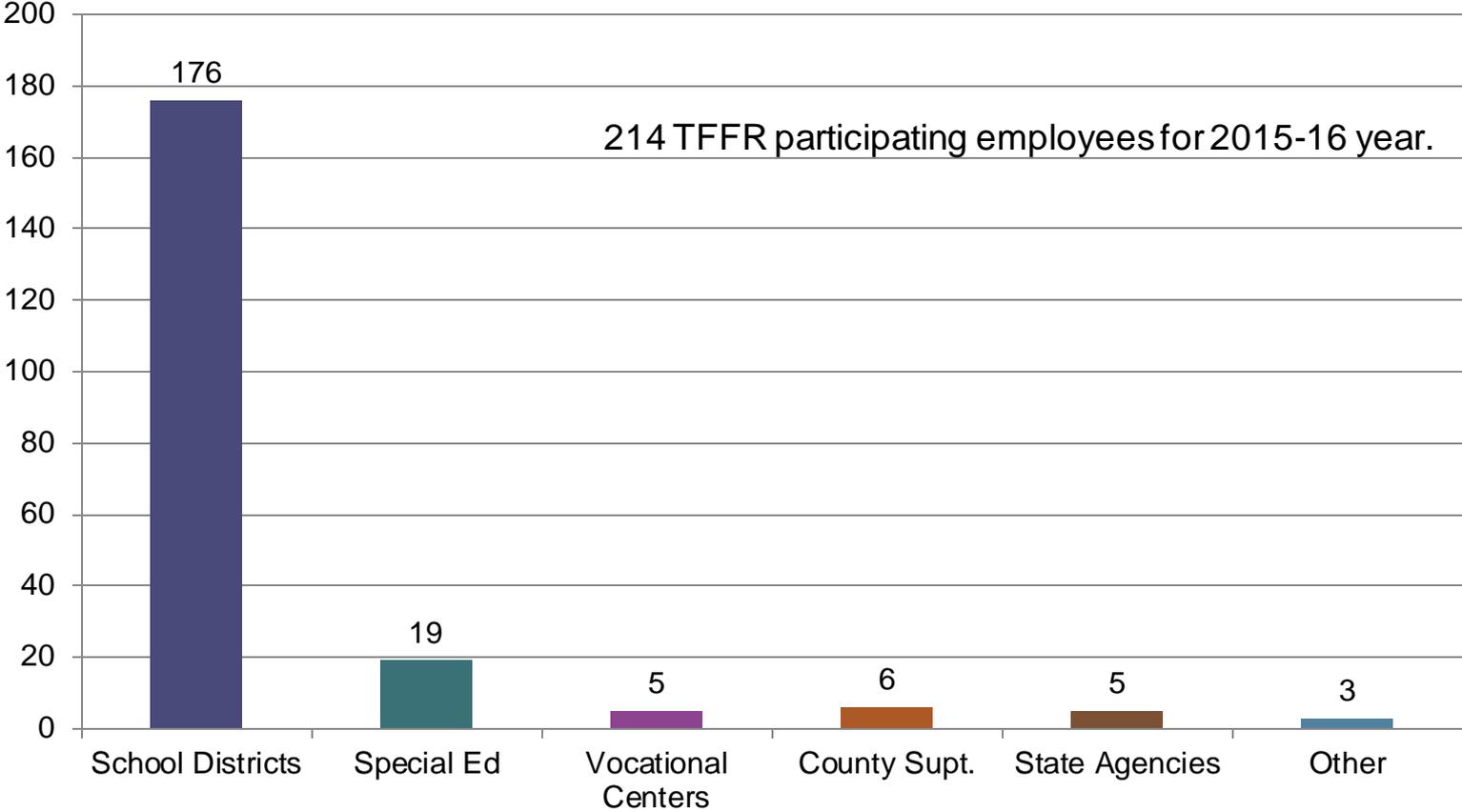
Tier 1G	2,869
Tier 1NG	3,312
Tier 2	<u>4,333</u>
Total	10,514

# TFFR Retired Members



In-state 6,449  
 Out-of-state 1,576  
 Total 8,025

# TFFR Employers



# TFFR Plan Benefits



# 2015 Legislation

- No legislation passed which will affect TFFR plan benefits, contributions, or retiree payments.
- TFFR technical corrections bill was approved which updates plan provisions relating to compliance with Internal Revenue Code requirements.

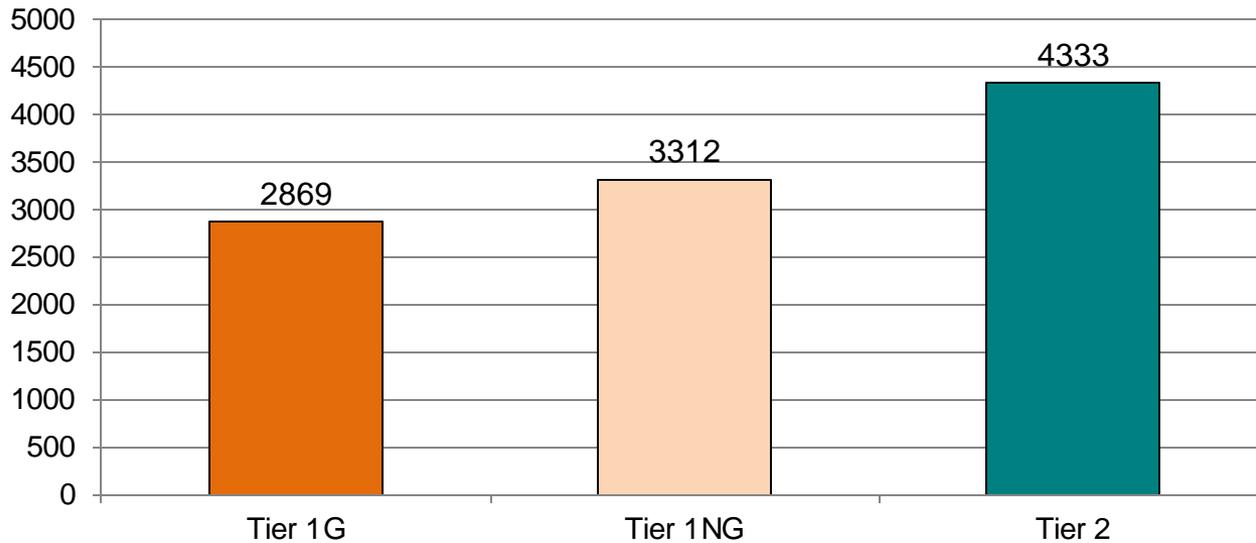
# Membership

TFFR participation is mandatory for employees who are:

- ▣ Licensed by Education Standards and Practices Board (ESPB)
- ▣ Contracted with participating employer to provide teaching, supervisory, administrative, or extracurricular services
- ▣ Other members defined in state law

# TFFR Membership Tiers

- **Tier 1- Members who have service credit prior to 7/1/08**
  - ▣ Grandfathered – Members who on 6/30/13 were within 10 years of retirement eligibility (age 55+ or Rule of 65+)
  - ▣ Non-grandfathered – Members who on 6/30/13 were more than 10 years away from retirement eligibility (less than Rule of 65).
- **Tier 2 – Members employed on or after 7/1/08**



2015

# Summary of TFFR Pension Benefits for Membership Tiers

	Tier 1 Grandfathered	Tier 1 Non-Grandfathered	Tier 2 All
Vesting Period	3 years	3 years	5 years
Unreduced Retirement Eligibility			
Minimum Age	No	60	60
<b>AND</b> Rule	Rule of 85	Rule of 90	Rule of 90
<b>OR</b> Normal Retirement Age	65	65	65
Reduced Retirement Eligibility			
Minimum Age	55	55	55
Reduction Factor	6%	8%	8%
Retirement Formula Multiplier	2%	2%	2%
x Final average salary (high salaries of career)	3 year FAS	3 year FAS	5 year FAS
x Service Credit	Total Years	Total Years	Total Years
Disability Retirement	Yes	Yes	Yes
Retirement formula multiplier (2%) X FAS X total years			
Death/Survivor Benefits	Yes	Yes	Yes
Refund of account value or Life Annuity to survivor based on member's vesting status.			

# Retirement Benefit Formula Example

- Employee has 30 years of service credit and career high annual salaries of:

\$42,000

44,000

46,000

48,000

50,000

- Tier 1 (FAS 3 years) SLA Benefit Calculation

$$48,000 \times 2\% \times 30 \text{ yrs} = \$28,800 \text{ (60\% FAS)}$$

- Tier 2 (FAS 5 years) SLA Benefit Calculation

$$46,000 \times 2\% \times 30 \text{ yrs} = \$27,600 \text{ (60\% FAS)}$$

- Benefit Options: single life annuity, 100% and 50% joint and survivor, 10 and 20 year term certain, level income with Social Security, and partial lump sum option.

# Contribution Rates

RATES %	Employer	Member	Total	Increase
1997 – 2008	7.75%	7.75%	15.5%	--
7/1/08	8.25%	7.75%	16.0%	+0.5%
7/1/10	8.75%	7.75%	16.5%	+0.5%
7/1/12	10.75%	9.75%	20.5%	+4.0%
7/1/14	12.75%	11.75%	24.5%	+4.0%

Note: Recent legislation increased contribution rates to improve TFFR funding. Increased rates will be in effect until TFFR reaches 100% funded ratio, then rates will be reduced to 7.75% each.

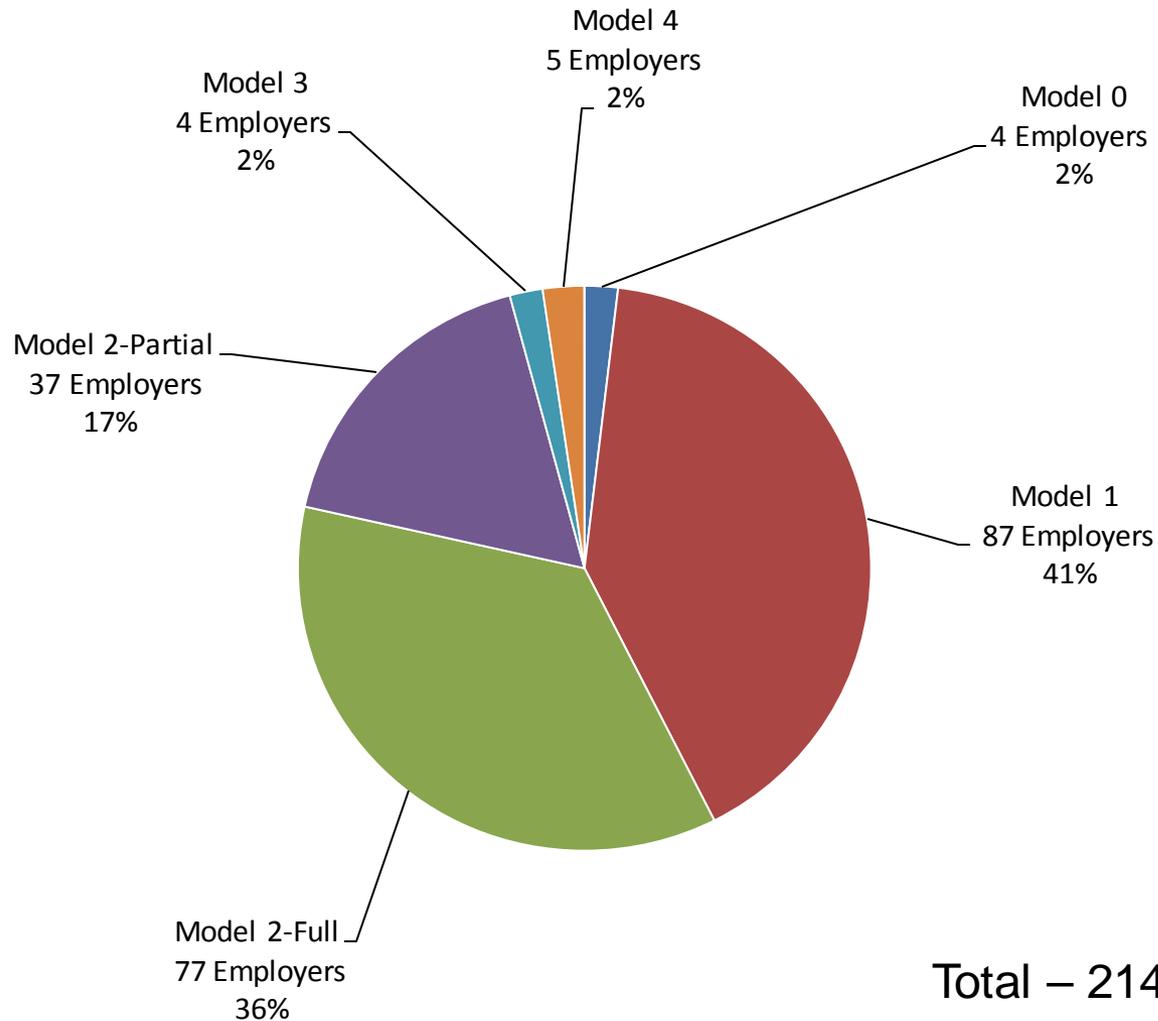


# TFFR Employer Payment Plan (EPP) Models

Payment of member contributions on a tax deferred basis can be made by the employer through a: (1) salary reduction or (2) salary supplement.

- **No Model:** Member/employee contribution is paid by employee and remitted by employer as taxed dollars.
- **Model 1:** Member/employee contribution is paid by employee through a salary reduction and remitted by employer as tax deferred dollars.
- **Model 2 All:** Member/employee contribution is paid by employer as a salary supplement and remitted to TFFR as tax deferred dollars.
- **Model 2 Partial % and Model 3 Partial \$:** A portion of the member/employee contribution is paid by employer as a salary supplement and remitted to TFFR as tax deferred dollars. The remaining employee contribution is paid by employee and remitted by employer as tax deferred dollars. Model 3 \$ option is no longer available.
- **Model 4:** State agencies.

# TFFR Employer Models 2015-16



Total – 214 employers

# Retiree Re-employment

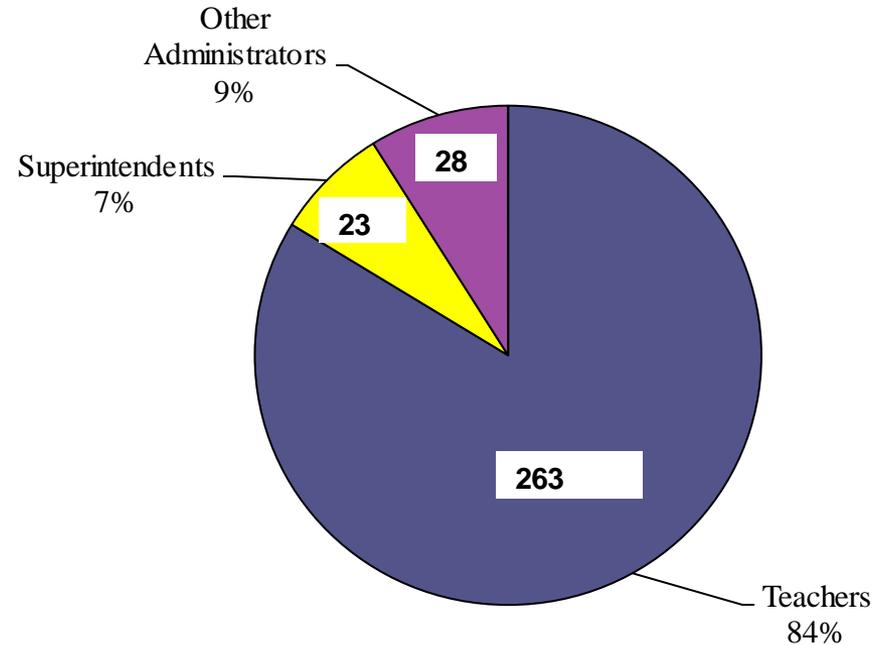
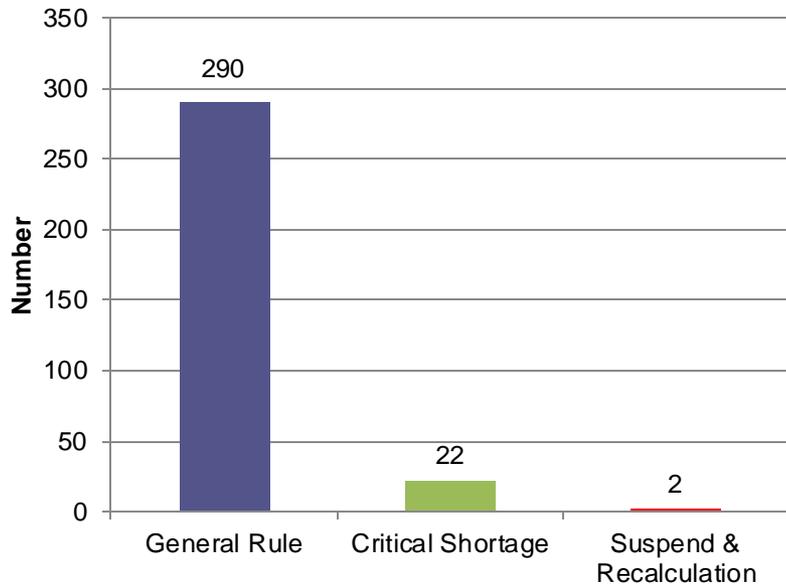
## □ **General Rule**

- Retirees may return to covered employment after 30 day waiting period.
- Employment is limited to a maximum number of hours in a fiscal year based on length of work arrangement.
  - 9 mo.      700 hours                      11 mo.      900 hours
  - 10 mo.     800 hours                              12 mo.     1,000 hours
- Retiree continues receiving monthly TFFR retirement benefit, but benefit does not increase as result of returning to employment and payment of TFFR contributions.
- Both retiree and employer contributions must be paid on retiree salary under the same employer payment plan model as active members.

## □ **Exceptions to General Rule**

- Critical Shortage Areas – as determined by ESPB.
- Benefit Suspension and Benefit Recalculation

# 2014-15 Retiree Re-employment



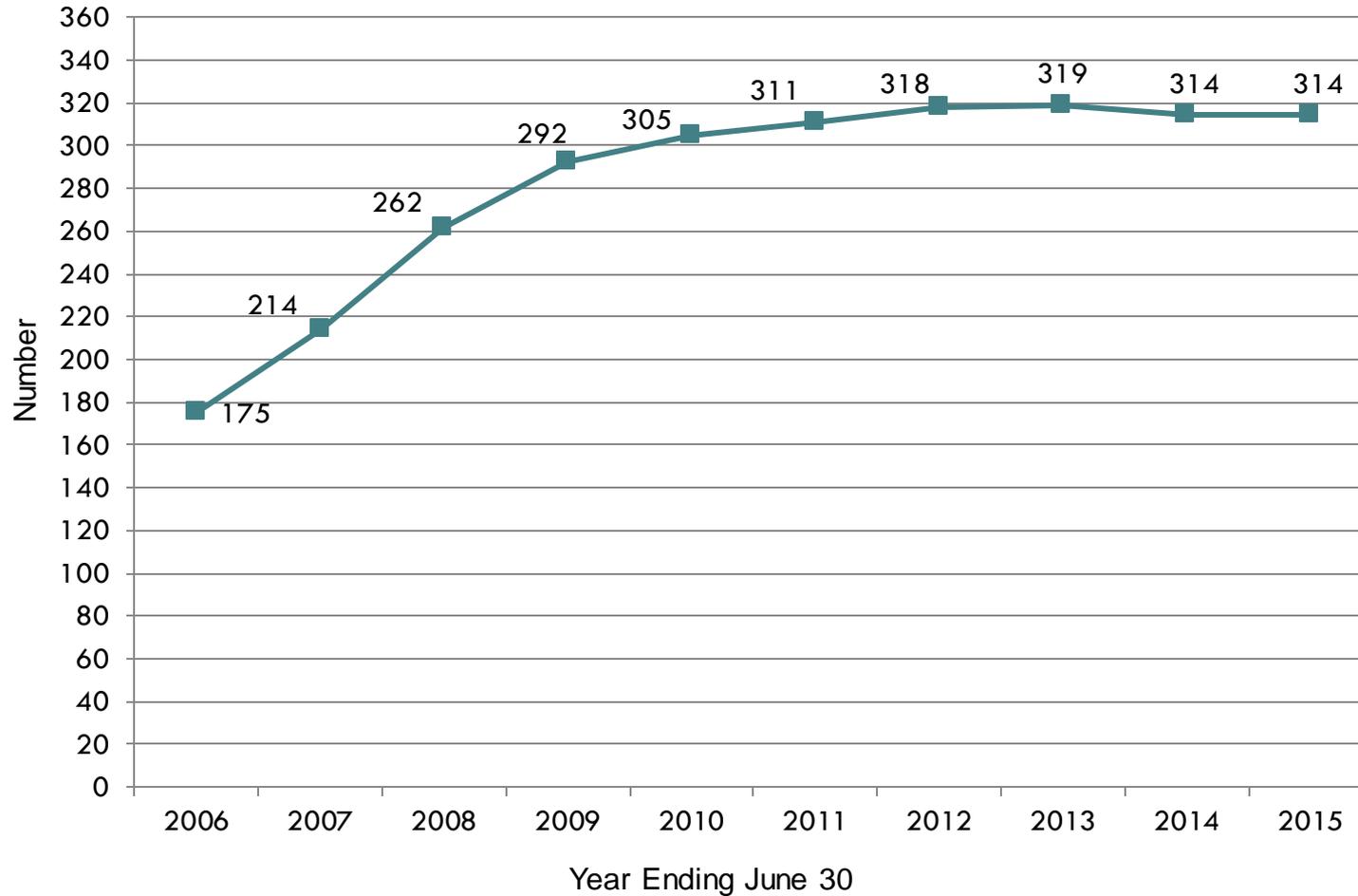
Total Retirees: 314  
Employers: 139

Average Age: 62

Average Salary: \$23,500

\*Preliminary 2015 data

# Retiree Re-Employment 2006- 2015

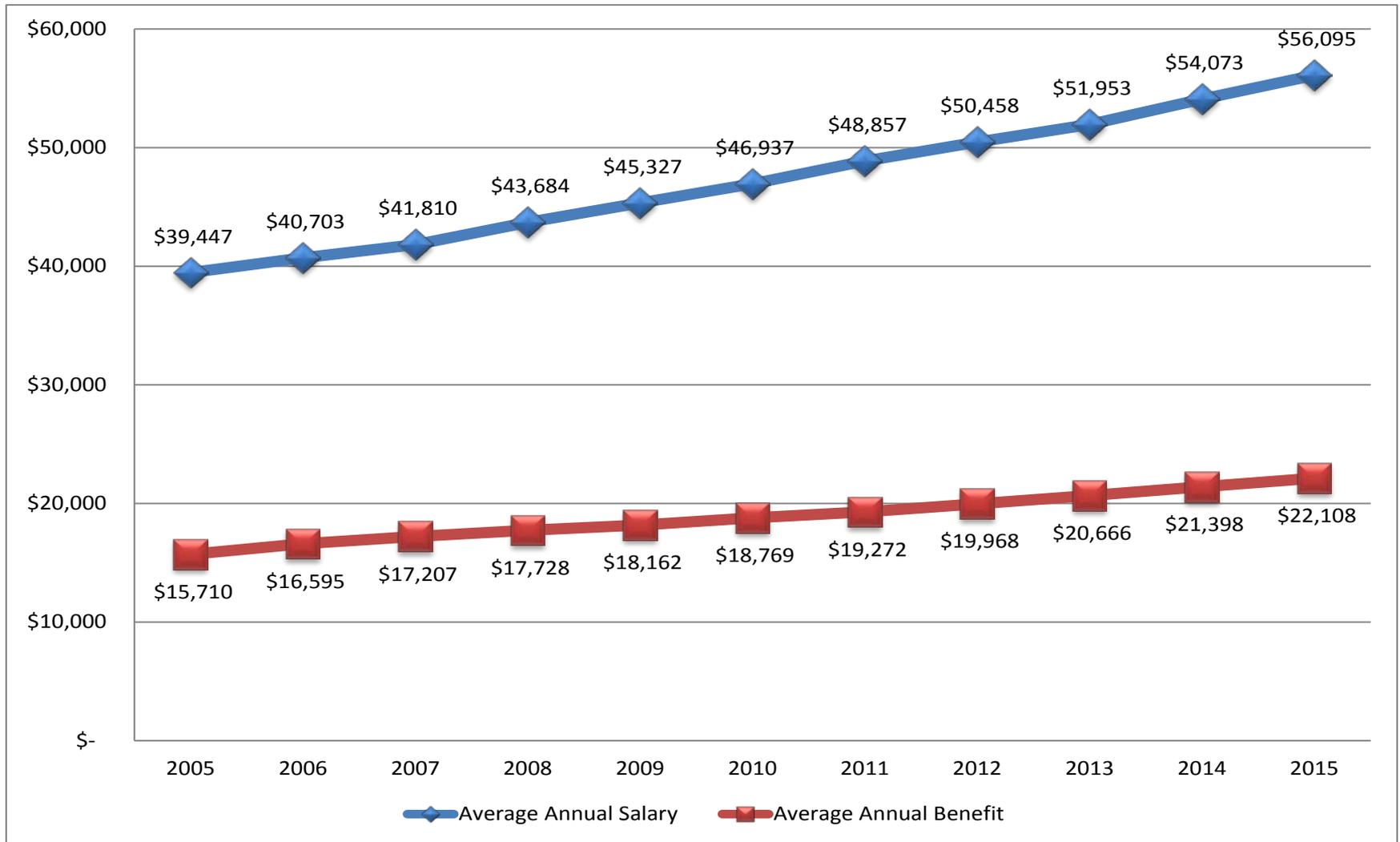


\*Preliminary 2015 data

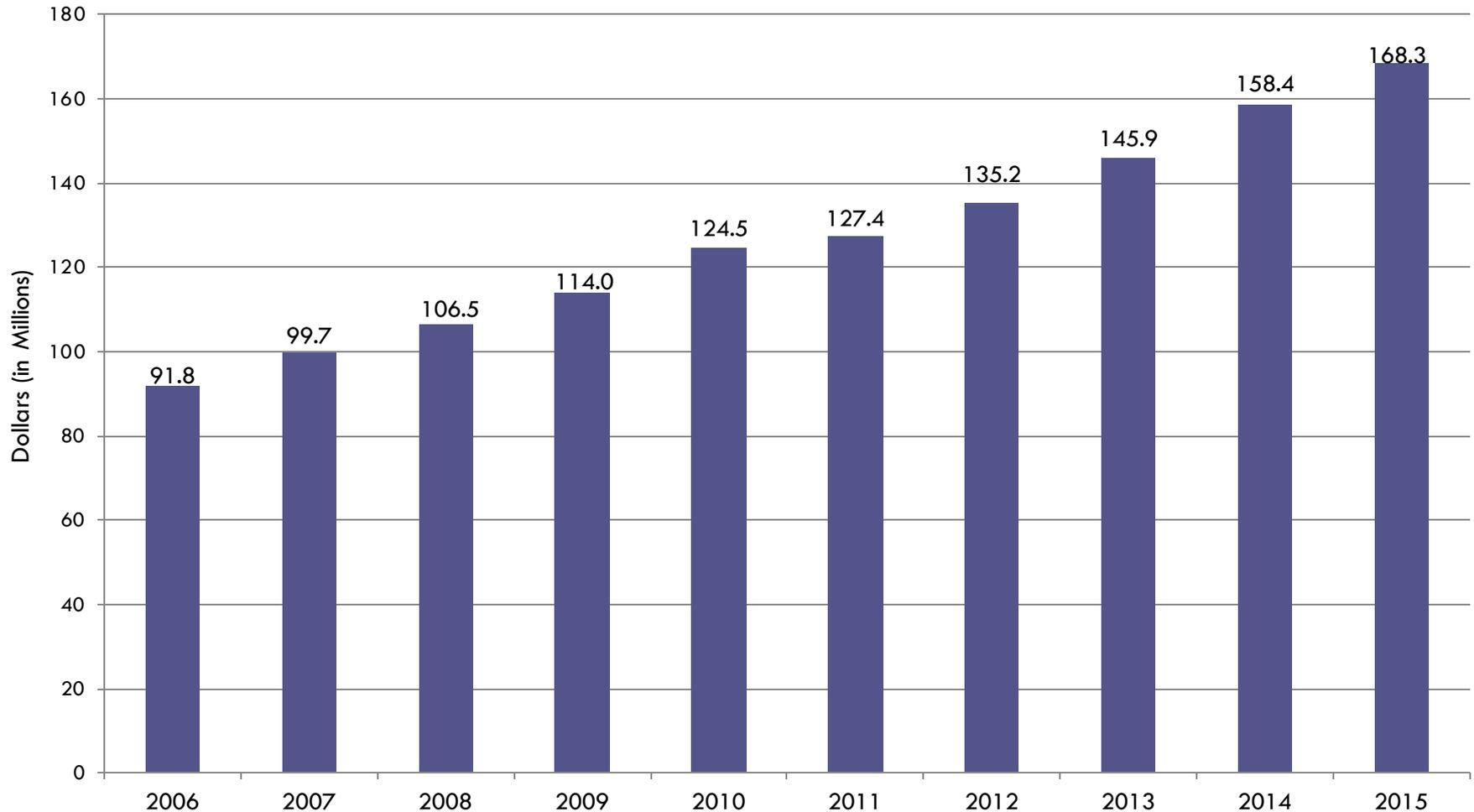
# TFFR Statistics



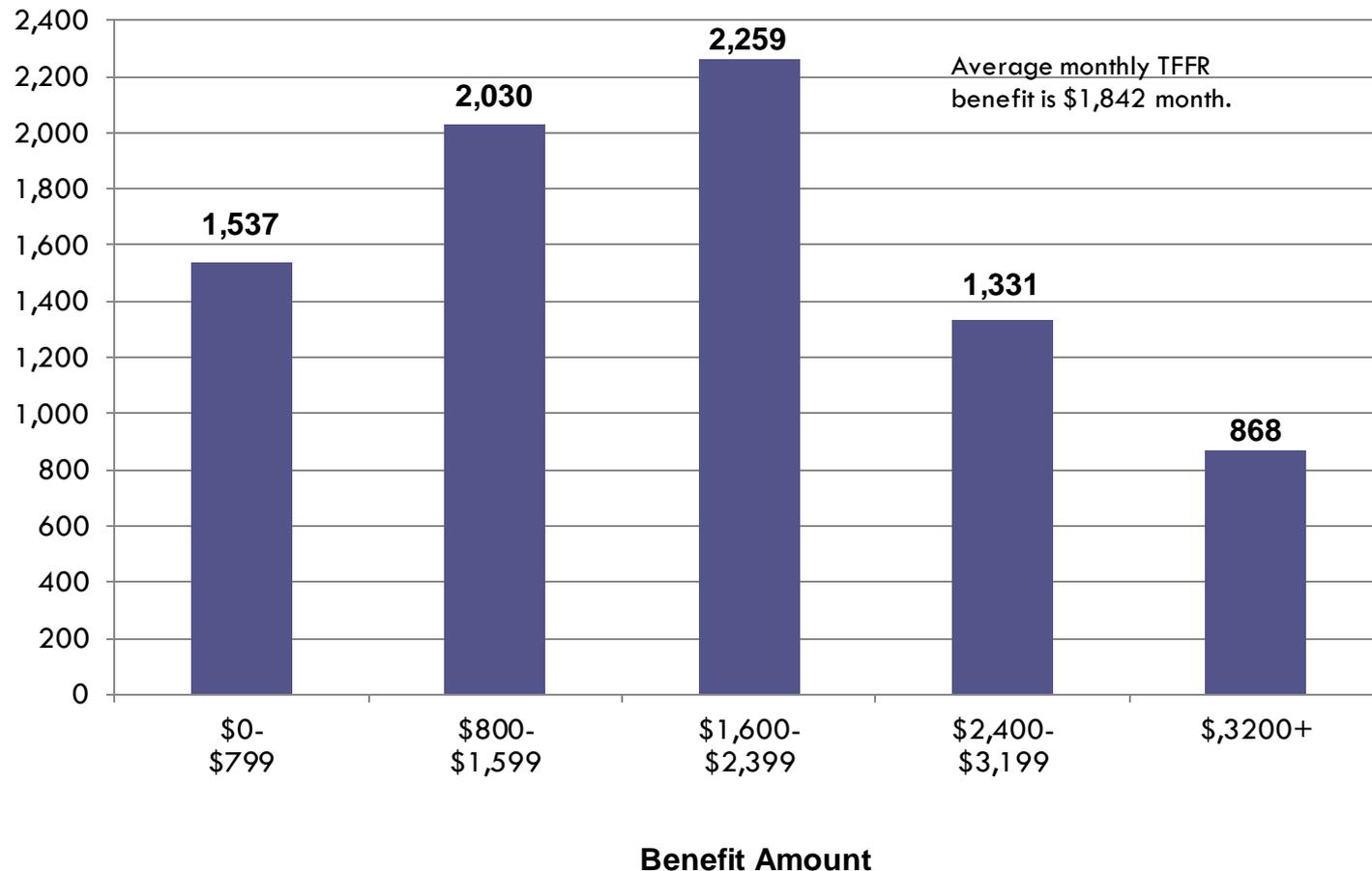
# Average Annual Salary and Annual Benefit



# TFFR Pension Benefits Paid to Annuitants



# Monthly Pensions by Benefit Amount



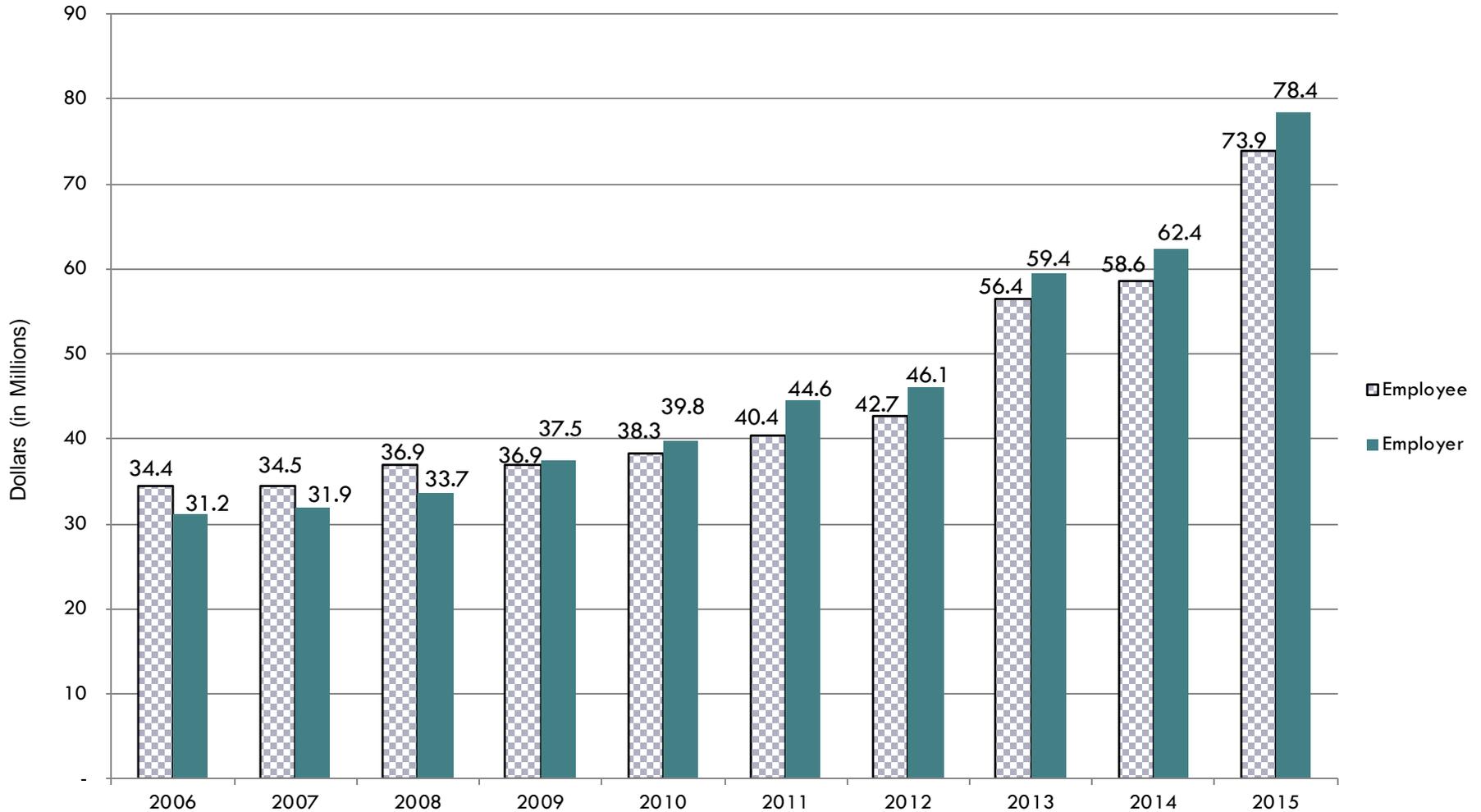
# Average Monthly TFFR Benefits by County

County	Number	Average	Total Benefits	County	Number	Average	Total Benefits
Adams	26	1,745	45,374	Mercer	103	2,014	207,434
Barnes	150	2,017	302,564	Morton	272	1,805	490,876
Benson	53	1,942	102,935	Mountrail	75	1,580	118,477
Billings	3	1,480	4,440	Nelson	57	1,610	91,760
Bottineau	125	1,636	204,500	Oliver	18	1,767	31,812
Bowman	43	1,599	68,775	Pembina	94	1,954	183,661
Burke	41	1,548	63,467	Pierce	62	1,723	106,826
Burleigh	836	2,058	1,720,452	Ramsey	140	1,715	240,127
Cass	1,038	2,070	2,148,896	Ransom	54	1,661	89,681
Cavalier	70	1,583	110,791	Renville	42	1,895	79,591
Dickey	67	1,746	117,011	Richland	132	2,054	271,081
Divide	30	1,927	57,817	Rolette	85	1,770	150,452
Dunn	37	1,901	70,354	Sargent	40	1,538	61,520
Eddy	39	1,976	77,047	Sheridan	20	1,528	30,559
Emmons	31	1,702	52,777	Sioux	4	750	3,000
Foster	42	2,047	85,953	Slope	3	1,355	4,065
Golden Valley	14	1,472	20,603	Stark	210	1,886	395,997
Grand Forks	584	2,046	1,194,914	Steele	19	1,905	36,191
Grant	34	1,442	49,035	Stutsman	204	1,897	387,086
Griggs	42	1,705	71,612	Towner	30	1,619	48,571
Hettinger	28	1,838	51,452	Traill	100	1,818	181,764
Kidder	34	1,664	56,560	Walsh	148	1,766	261,427
LaMoure	60	1,745	104,709	Ward	563	1,953	1,099,619
Logan	20	1,689	33,773	Wells	60	1,750	104,989
McHenry	74	1,911	141,383	Williams	175	1,963	343,612
McIntosh	38	1,756	66,740	<b>Totals</b>	<b>6,449</b>	<b>1,919</b>	<b>12,374,737</b>
McKenzie	55	2,060	113,304	Out of State	1,576	1,529	2,410,084
McLean	125	1,739	217,321	<b>Grand Totals</b>	<b>8,025</b>	<b>1,842</b>	<b>14,784,821</b>

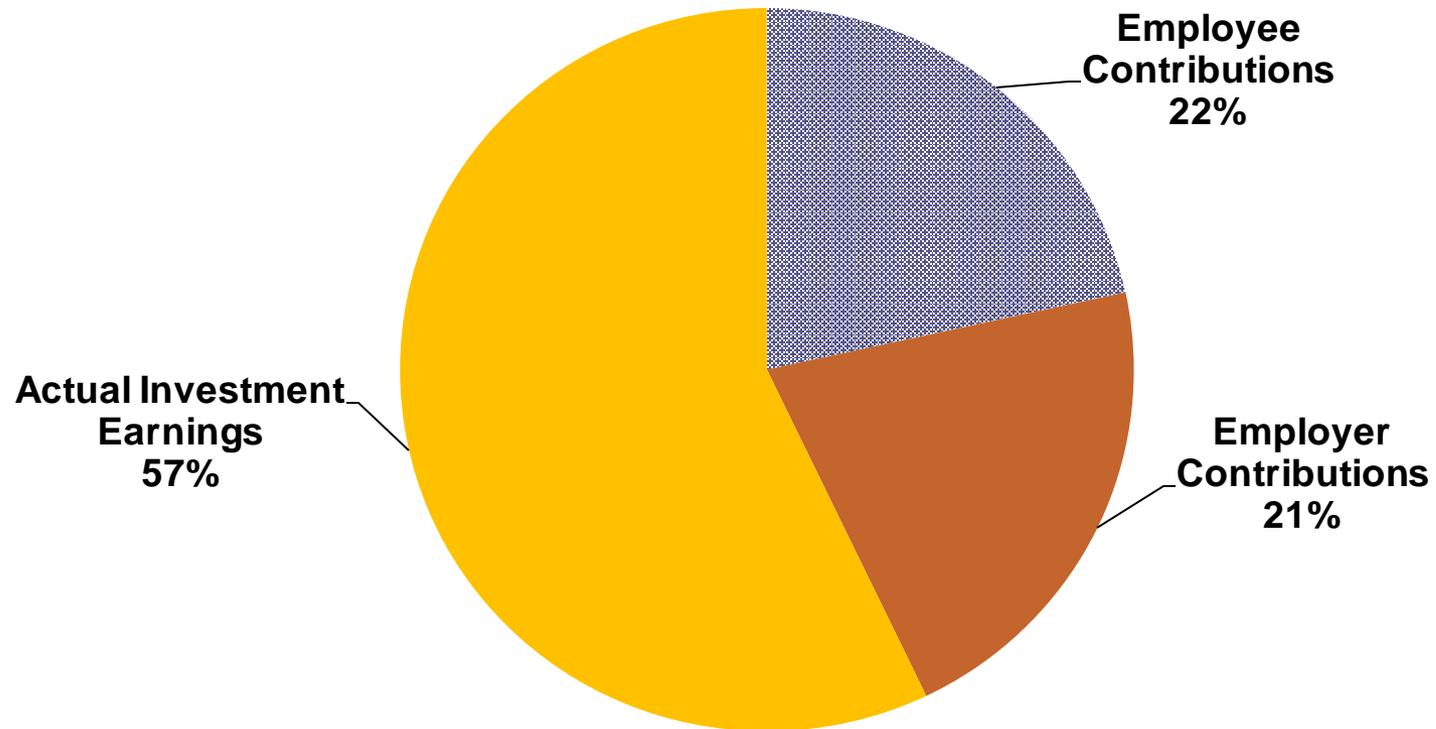
# Market Value of TFFR Assets



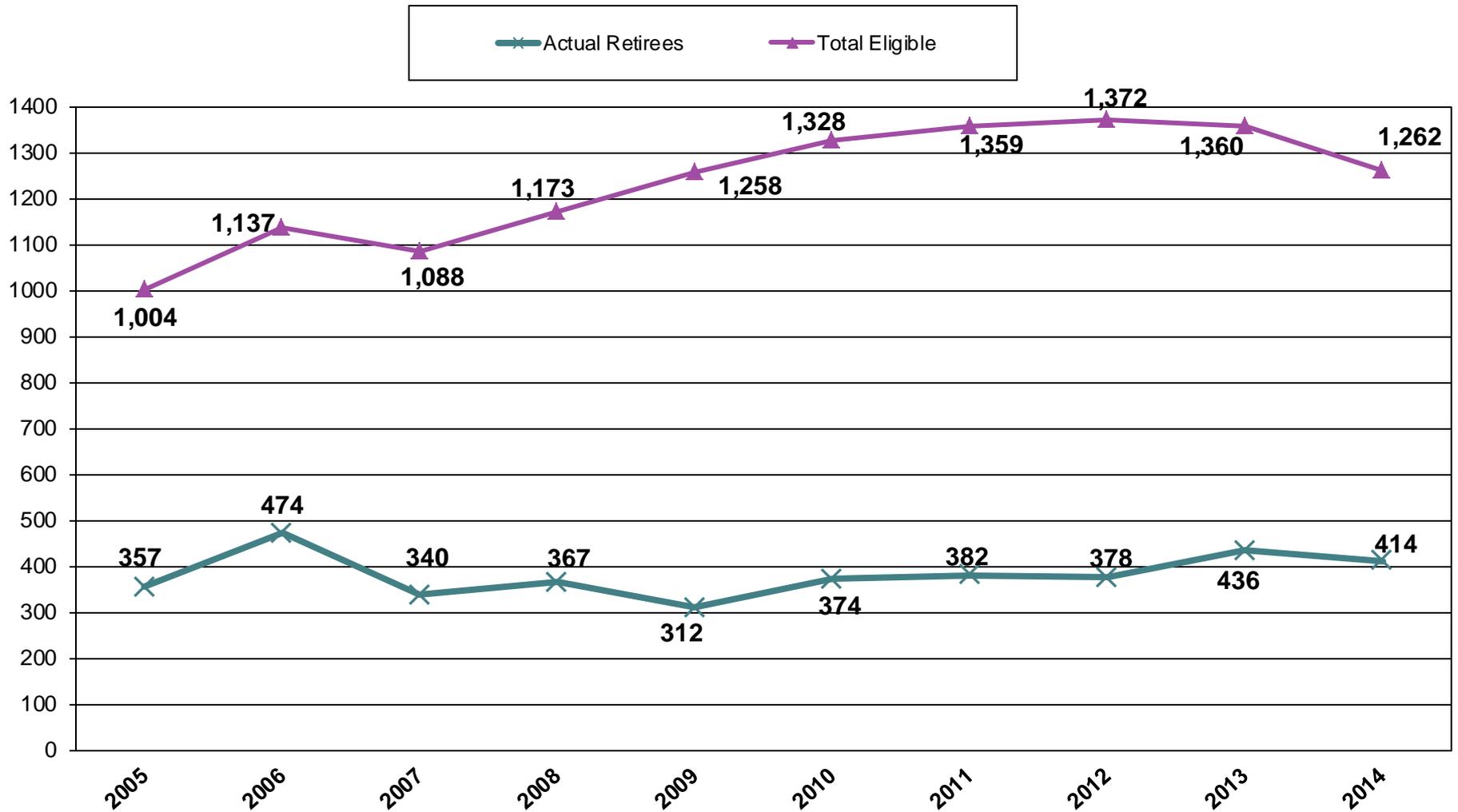
# Employee and Employer Contributions Paid to TFFR



# Sources of TFFR Revenue FY 1990-2015



# Actual New Retirees and Total Eligible



# Summary Retirement Projections

Based on ratios of 30% and 40% of actual retirements to eligible retirements, approximately 3,400 to 3,700 active members are projected to retire in the next 10 years which averages about 370 per year.

	Members	# Retire		Avg/Yr	
		30%	40%	30%	40%
Teachers and Special Teachers	9,980	3,085	3,383	309	338
Superintendents	134	89	95	9	10
Other Administrators	516	211	233	21	23
<b>Total Active Members</b>	10,630	3,385	3,711	339	371

**Note:** All retirement projections are estimates only, and based on January 2015 membership data

# TFFR Board Studies



# Retirement Funding Equation

$$C + I = B + E$$

Contributions + Investments = Benefits + Expenses

Not just for today, but for the long term.



# Annual Actuarial Valuation

- Actuarial valuation is conducted by the actuary every year. Purpose is to:
  - ▣ Report TFFR's actuarial assets, liabilities, and funded status
  - ▣ Determine the actuarially determined contribution rate (ADC) and effective amortization period
  - ▣ Provide information for annual financial statements
  - ▣ Identify emerging trends.
- TFFR's actuary, Segal Company, will present 2015 valuation report to the Committee later today.

# Actuarial Experience Study

- An Experience Study is conducted by actuary every 5 years to compare actual plan experience to assumed plan experience, determine trends, and make recommendations.
  - ▣ Economic assumptions include inflation, salary increase, payroll growth, and investment returns.
  - ▣ Demographic assumptions include termination, disability, retirement, and mortality rates.
- Goal is to improve appropriateness and reliability of actuarial valuations.
- Experience Study was conducted in 2015.
- Segal Company will report on results of Experience Study as part of 2015 valuation.

# Actuarial Audit

- Actuarial audit is an evaluation by an independent actuary, other than the one who performs the plan's actuarial valuation.
- Purpose is to express an opinion on the reasonableness or accuracy of the actuarial valuation results, assumptions, cost methods, contribution rates and related calculations.
- TFFR Board policy requires that an actuarial audit is done every 5 years; next one is scheduled for 2016.

# Asset Liability Study

- Asset allocation and investment policy is determined by TFFR Board, with assistance from State Investment Board (SIB) Chief Investment Officer (Dave Hunter) and investment consultant (Callan).
- TFFR's investment portfolio is divided into basic categories:
  - Global Equity – domestic, international, and private
  - Global Fixed Income – domestic, international
  - Global Real assets – real estate, timber, infrastructure, other
- Dave Hunter presentation of investment program, TFFR asset allocation, TFFR investment performance, etc.
- SIB website for investment performance, guidelines, and frequently asked questions.

<http://www.nd.gov/rio/SIB/Investments/default.htm>

# Asset Liability Study

- TFFR Board recently selected investment consultant (Callan) to conduct 5-year Asset Liability Study. Purpose of the study is to:
  - Evaluate the effectiveness of the current asset allocation on funding levels, contribution levels, and investment risk and return.
  - Investigate the impact of alternative asset allocations.
- Study will be completed in early 2016.

# TFFR Information

TFFR website: [www.nd.gov/rio](http://www.nd.gov/rio)

- TFFR Board meeting schedule, members, and meeting minutes
- Legislation
  - Links to ND Legislative website, bill drafts, actuarial analysis, testimony
- Investments
  - Asset allocation, investment performance, investment guidelines
- GASB Information
  - GASB 68 Overview, Q & A, GASB 68 report and audited schedules, disclosure template
- Presentations
  - Presentations made to member and employer groups
- Publications and Reports
  - Newsletters, handbook, brochures
  - Actuarial, financial, and audit reports
- Contact Information
  - Phone: 701-328-9885 or 1-800-952-2970
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