1999 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2069

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2069

Senate Government and Veterans Affairs Committee

☐ Conference Committee

Hearing Date January 15, 1999

Tape Number	Side A	Side B	Meter #
1	X		0-3307
Committee Clerk Signature	James A. Raile		

Minutes: CHAIRMAN KREBSBACH called the Government and Veteran's Affairs Committee to order. The clerk was instructed to call the roll. The hearing on SB 2069 was opened at this time. This bill relates to the postretirement benefit adjustments under the Teachers' Fund for Retirement and to the computation of benefits under the teachers' fund for retirement. Appearing before the committee to explain this piece of legislation was SCOTT ENGMANN, Executive Director ND Retirement and Investment Office. A written copy of his testimony is attached. An important point made by Mr. Engmann was that this does not involve any general fund moneys involved in this, this is trust fund moneys. Benefits are paid through actuarial reserves. SENATOR KREBSBACH-Does the funded ratio include the margin that is being proposed in this bill? MR ENGMANN indicated it did. SENATOR WARDNER offered a question on the 20 year amortization. Mr. Engmann indicated there were 19 years remaining on the amortization. With the passage of this bill we would then go back to 20 years. That is called a rolling amortization. During the discussion that ensued questions of Mr. Engmann were offered from SENATORS DEMERS, KREBSBACH, THANE, and WARDNER. STEVE COCHRANE, Investment Director was called upon to explain the concept of "smoothing" to the committee. Attached is copy of the handout he used to explain the concept. HOWARD SNORTLAND representing the Retired Teachers Association indicated to the committee that his organization supports the contents of SB 2069. MAX LAIRD representing the NDEA as its president encouraged the committee to support this bill. RON TORGESON representing the North Dakota Council of Educational Leaders spoke in behalf of his organization and encouraged a do pass on this bill. There was no further testimony offered in support, opposition to, or in neutral position on SB 2069. CHAIRMAN KREBSBACH closed the hearing on SB 2069. COMMITTEE ACTION-1/15/99-Tape 1, Side B, Meter #88-160-SENATOR W. STENEHJEM made a motion for a DO PASS on SB 2069, seconded by SENATOR DEMERS. ROLL CALL VOTE indicated 7 YEAS, 0 NAYS, and 0 ABSENT OR NOT VOTING. SENATOR DEMERS volunteered to carry the bill.

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: SB 2069 Amendment to: ______

Requested by Legislative Council Date of Request: 12-30-98

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative:

There will be no cost to the General Fund to provide these benefit increases. Cost will be paid from the Actuarial reserves in the Trust Fund. The increase will provide approximately $275,640 in Revenue to the General Fund in additional income and sales tax dollars.

2. **State** fiscal effect in dollar amounts:

	1997-99 Biennium General Fund	1997-99 Biennium Special Funds	1999-2001 Biennium General Fund	1999-2001 Biennium Special Funds	2001-03 Biennium General Fund	2001-03 Biennium Special Funds
Revenues:	None		$257,640		$257,640	
Expenditures:						

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

a. For rest of 1997-99 biennium: None

b. For the 1999-2001 biennium: None

c. For the 2001-03 biennium: None

4. **County, City, and School District** fiscal effect in dollar amounts:

1997-99 Biennium Counties	1997-99 Biennium Cities	1997-99 Biennium School Districts	1999-2001 Biennium Counties	1999-2001 Biennium Cities	1999-2001 Biennium School Districts	2001-03 Biennium Counties	2001-03 Biennium Cities	2001-03 Biennium School Districts
	None			None			None	

If additional space is needed, attach a supplemental sheet.

Signed [signature]

Typed Name Scott Engmann

Date Prepared: 1-6-99

Department ND Retirement & Investment Office

Phone Number 328-9885

Date: 1/15/99
Roll Call Vote #:

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2069

Senate **GOVERNMENT AND VETERAN'S AFFAIRS** Committee

☐ Subcommittee on
or
☐ Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass

Motion Made By Sen. W. Stenehjem Seconded By Sen. DeMers

Senators	Yes	No	Senators	Yes	No
SENATOR KREBSBACH	✓				
SENATOR WARDNER	✓				
SENATOR KILZER	✓				
SENATOR STENEHJEM	✓				
SENATOR THANE	✓				
SENATOR DEMERS	✓				
SENATOR MUTZENBERGER	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen. DeMers

If the vote is on an amendment, briefly indicate intent:

Module No: SR-09-0693
Carrier: DeMers
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2069: Government and Veterans Affairs Committee (Sen. Krebsbach, Chairman) recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2069 was placed on the Eleventh order on the calendar.

1999 HOUSE GOVERNMENT AND VETERANS AFFAIRS

SB 2069

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2069

House Government and Veterans Affairs Committee

❑ Conference Committee

Hearing Date 2-25-1999

Tape Number	Side A	Side B	Meter #
1	X		0.4 - 39.4

Committee Clerk Signature J McWilliams

Minutes: Some of the individuals testifying submit written testimony. When noted please refer to it for more detailed information.

Representative Klein, Chairman of the GVA Committee opened the hearing on February 25, 1999.

Summary of the Bill: Relating to post retirement benefit adjustments under the teachers fund for retirement. Also relating to the computation of benefits under the teachers fund for retirement.

Testimony in Favor:

Scott Engmann, NDRIO/TFFR submitted written testimony to the committee which he read in it's entirety (**please refer to his testimony**).

Steve Cochrane, NDRIO/TFFR submitted written testimony to the committee which he read in it's entirety (**please refer to his testimony**).

Representative Grande, Do we have a list of the investing firms and the break down on that?

Cochrane, Yes, we have about 20 outside money managers. All the money in this fund is managed by externally managers. Each asset class has at least one manager if not more. I would be happy to get you those names.

Representative Grande, Do you have benchmarks that those managers use and could you get those for me. Where do the benchmarks fall from 1990 through 1998? I would like that also.

Cochrane, I would be happy to provide that information to you.

Representative Klein, Is there a mistake in the fiscal note, at the top it says 275,640 and below it says 257,000. How is that arrived at? Is it a flat percentage?

Engmann, Yes it is 257,000. I would like to defer the second part of your question to Sparb Collins.

Representative Klein, You relate to bills 88 and 89 on the write up by council, what bills are these.

Engmann, 88 is SB 2069 and 89 is SB2070.

Representative Klein, I would like information since 1991, what increases were provided for retired teachers. What the remaining margins were and the cost of living. Compare this with margins such as highway patrol and the justices. We have dealt with those already to give us a reference. Also are the teachers covered under social security?

Engmann, I will provide you with those numbers. The teachers are covered for about 95 to 96 percent, some of the smaller districts cannot do this.

Representative Klein, The percentage that teachers contribute to the TFFR and the percentage that the school board contributes?

Engmann, The teachers contribute 7.75% and the school board contributes 7.75%

Representative Klein, At one time was this the fund that had a deficiency and you had to borrow money from the state? And when was that and has that been repaid?

Engmann, In 1971 the plan was converted and in 1973 the retired teachers were given an increase that created an 11 million dollar unfunded liability. In 1995 and 97 the legislature did a study and as a result of this study, the legislature passed a bill that put 14.5 million dollars of general fund monies into the teachers retirement fund, increased the employer contribution and increased the member contribution. The most important thing that the legislature did was create the employee benefits committee and every bill must go through that committee related to retirement. I will provide you with the proper information.

Representative Kliniske, Using 20 different firms to manage the money, isn't that expensive (up to 2-2.5%) in management fees? Is there a cap on this?

Cochrane, With the amount of money we invest, we do get a break. Average fee is about 30 basis points.

Representative Klein, Could you provide us with the 3 ratios that are used? Cost of investments, return on equity and the other one I can't remember.

Cochrane, Yes I know what your talking about and I will provide that for you.

Howard Snortland, RTA appeared before the committee to support this bill. The only thing we have going for us when it comes to keeping teachers, is the pension plan.

Max Laird, NDEA appeared before the committee to support this bill. This is a great fund and the management is outstanding.

Representative Klein, The 60 % your trying to gain, that is not including the social security is it?

Baird, No. Maximum would be only 60 %. Social Security would be in the 20 % range I believe.

Representative Grande, A person entering the profession, is this mandatory? Can it be optional if they want to invest on their own.

Laird, The group of people that is most interested in this is the group with less than 5 years of teaching. This is the most aggressive group when it comes to investing and many of the members want someone else to do it for them.

Representative Klein, On vesting, if a teacher stays in for 3 years, do they get their investment plus the contributions?

Laird, Less than five years you get your money back, but lose the investment made on that money.

Engmann, When a person withdraws from the fund, they get their contributions plus a 6% interest. Employer contribution stays in the fund to fund it for the other people who are invested in it.

Ron Torgeson, NDRTA appeared before the committee in support of the bill.

Norm Stuhlmiller, NDRTA appeared before the committee to urge a do pass.

Testimony in Opposition: None.

Representative Klein, Closed the hearing on SB 2069.

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2069

House Government and Veterans Affairs Committee

☐ Conference Committee

Hearing Date 3-4-1999

Tape Number	Side A	Side B	Meter #
2		X	29.0 - 36.2
Committee Clerk Signature Joan L McWilliams			

Minutes: Some of the individuals testifying submit written testimony. When noted please refer to it for more detailed information.

Summary of the Bill: Relating to post retirement benefit adjustments under the teachers fund for retirement. Relating to the computation of benefits under the teachers fund for retirement.

Representative Klein, Chairman of the GVA Committee instructed the committee to take out the hand out he provided and asked if they had time to look at it.

Committee Action:

Representative Kliniske, Made a motion for a Do Pass.

Representative Hawken, Seconded the motion.

Representative Klein, I think we are going in the right direction with this.

Representative Hass, The actuarial and market value is how they determined their numbers. They have a very specific plan.

Representative Kliniske, The reason the fund got into trouble before is that the legislature dipped into the fund. There was some concern here and I think that needs to be clarified.

Representative Grande, My concern was how sound the fund is. They feel that the margins are ok and after speaking with Sparb Collins, I feel that it is sound.

Representative Devlin, I too feel that the ending margin is ok.

Motion Passes: Do Pass **15-0**.

Representative Kliniske, Is the carrier for the bill.

Date: 3-4

Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2069

House **GOVERNMENT AND VETERANS AFFAIRS** Committee

☐ Subcommittee on

or

☐ Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass

Motion Made By Kliniske Seconded By Hawken

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN KLEIN	✓		REP. WINRICH	✓	
VICE-CHAIR KLINISKE	✓				
REP. BREKKE	✓				
REP. CLEARY	✓				
REP. DEVLIN	✓				
REP. FAIRFIELD	✓				
REP. GORDER	✓				
REP. GRANDE	✓				
REP. HAAS	✓				
REP. HAWKEN	✓				
REP. KLEMIN	✓				
REP. KROEBER	✓				
REP. METCALF	✓				
REP. THORESON	✓				

Total (Yes) 15 No 0

Absent 6

Floor Assignment Kliniske

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2069: Government and Veterans Affairs Committee (Rep. Klein, Chairman) recommends **DO PASS** (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2069 was placed on the Fourteenth order on the calendar.

1999 TESTIMONY

SB 2069

REPORT OF THE LEGISLATIVE COUNCIL'S EMPLOYEE BENEFITS PROGRAMS COMMITTEE SENATE BILL NO. 2069

ne

Sponsor: Board of Trustees

Affected Retirement Program: Teachers' Fund for Retirement

Proposal: Increases the benefit multiplier from 1.75 to 1.85 percent; provides a postretirement benefit increase of $50 per month.

The committee amended the proposal at the request of the board to increase the benefit multiplier from 1.85 to 1.88 percent and to provide a postretirement benefit increase equal to an amount calculated by taking $2 per month multiplied by the member's number of years of service credit plus $1 per month multiplied by the number of years since the member's retirement.

Actuarial Analysis: The reported actuarial cost of the proposal is 2.20 percent of total covered compensation. The reported actuarial cost of the proposal, as amended, is 2.87 percent of total covered compensation. Thus, if both Bill No. 88 and Bill No. 89 are enacted, the remaining margin in the Teachers' Fund for Retirement will be .05 percent (2.97 - (2.87 + .05) = .05).

Committee Report: Favorable recommendation.

ND Retirement and Investment Office

Teachers' Fund for Retirement
State Investment Board

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TESTIMONY ON SB 2069

SCOTT ENGMANN, EXECUTIVE DIRECTOR
ND RETIREMENT AND INVESTMENT OFFICE

FEBRUARY 25, 1999

SB 2069 was submitted by the Teachers' Fund for Retirement (TFFR) Board. The bill proposes to amend TFFR statutes relating to computation of benefits, and add a new section relating to postretirement benefit adjustments. I am speaking on behalf of the TFFR Board.

SECTION 1. AMENDMENT. NDCC 15-39.1-10 (2)

Page 1, Line 9

- Increases the benefit multiplier from **1.75% to 1.88%** for all future retirees.
- One of the TFFR Board's primary goals is to provide a replacement income equal to 60 percent of the final average salary of a career employee who has 30 or more years of credited service.
- Increasing the benefit multiplier would raise the percent of final average salary being replaced by 3.9 percentage points from 52.5% to 56.4% for a career teacher.
- This is approximately a 7% increase in monthly retirement benefits for a career teacher who retires after June 30, 1999.
- Example: Average retirement benefit of a member who retires on July 1, 1999, with 30 years of service credit and final average salary of $30,000.

Formula		Monthly Benefit	Increase	% of FAS
Current	1.75%	$1,312.50	-----	52.5%
Proposed	1.88%	$1,410.00	$97.50 - 7%	56.4%

SECTION 2. NEW SECTION. NDCC 15-39.1

Page 1, Lines 17 – 21

- Provides a postretirement benefit increase **equal to an amount calculated by taking two dollars per month multiplied by the member's number of years of service credit plus one dollar per month multiplied by the number of years since the member's retirement** for all annuitants receiving a benefit on June 30, 1999.

- Another of the TFFR Board's goals is to provide income protection to members and beneficiaries drawing benefits after retirement through ad hoc increases provided through the Fund's reserves.

- This is approximately an 8 1/2% average increase in retirement benefits for a retired teacher based on an average benefit of $821 per month (as of January 1999).

- Example:

	Average Monthly Benefit
Before proposed increase	$821 (as of 1/99)
After proposed increase	$891

- **Attachment A** shows how the increase would aid current annuitants, listed by county.

- **Attachment B** shows the impact to the General Fund if this increase is enacted.

FUNDING THE BENEFIT IMPROVEMENTS

- No General Fund monies will be needed to fund these benefit increases. The cost will be paid through actuarial reserves in the Trust Fund incurred through higher than assumed investment returns.

- **Attachment C** shows the actuarial status of the Fund.

SUMMARY

- In May 1998, the TFFR Board conducted a **membership survey** to solicit members' input regarding the types of benefit improvements that should be supported and how actuarial reserves (if any) should be used. The UND Bureau of Governmental Affairs assisted the Board in preparing, compiling, and conducting the survey.

- The survey results indicate that **67% of the members are satisfied with the way TFFR has requested benefit improvements from the Legislature. 67% also rated providing increases to the multiplier for active members and a monthly benefit increase for retirees to be the number one option for using actuarial reserves.**

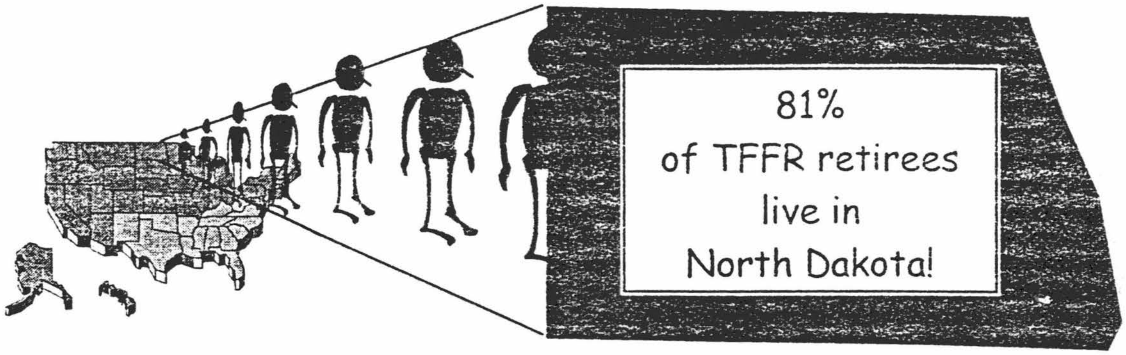
- This bill was studied by the Legislative Employee Benefits Programs Committee and received a **favorable recommendation** from that Committee. It passed the Senate 48 yeas to 0 nays. We encourage this committee to give the bill a **Do Pass** recommendation.

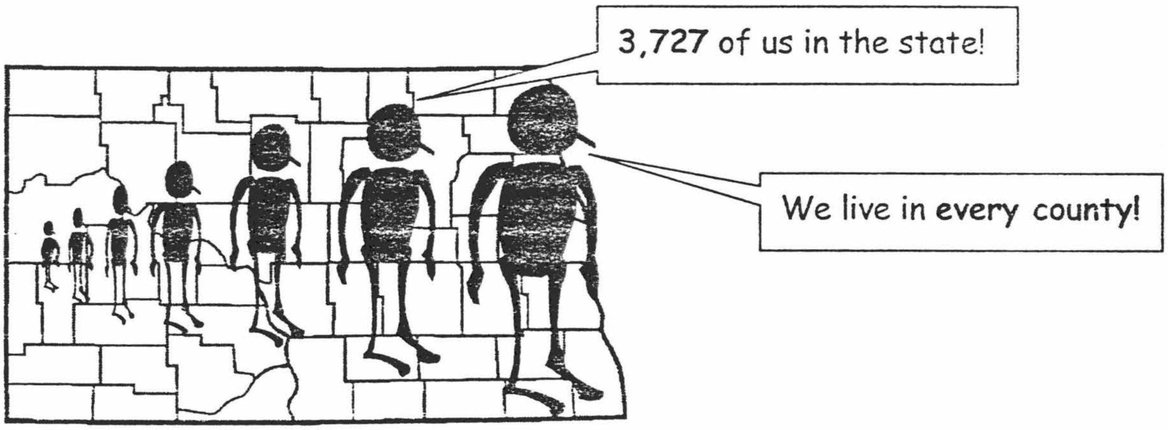
Attachment A

Results of Proposed Benefit Increase

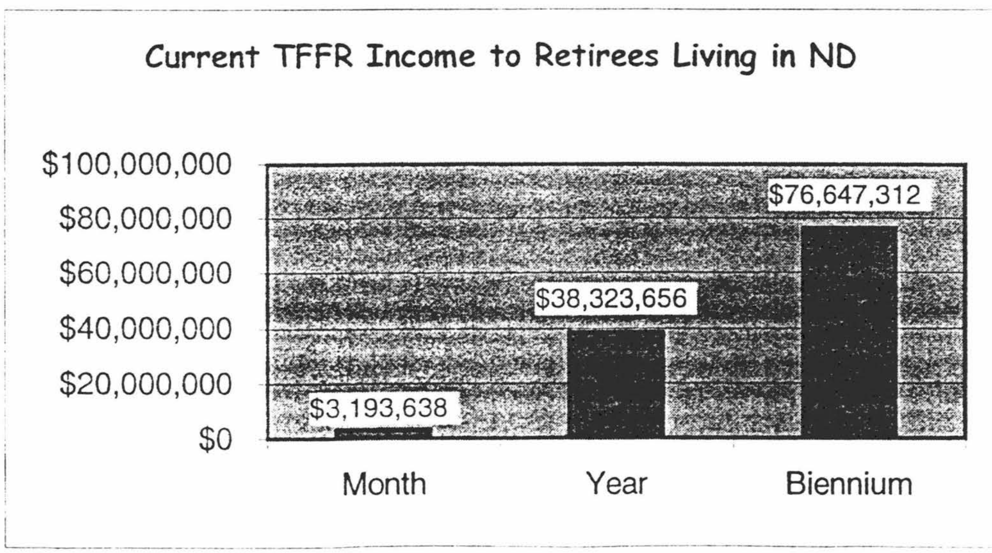
County	Count	Current Benefit	Average Benefit	New Benefit	Total New Benefit	Average New Benefit	Average Benefit Increase	Average Increase %
Adams	12	8,220	685	9,115	895	760	75	10.9%
Barnes	126	89,710	712	98,632	8,922	783	71	10.0%
Benson	31	21,081	680	23,364	2,283	754	74	10.9%
Billings	3	2,986	995	3,225	239	1,075	80	8.0%
Bottineau	70	52,784	754	57,704	4,920	824	70	9.3%
Bowman	26	20,776	799	22,558	1,782	868	69	8.6%
Burke	9	6,639	738	7,238	599	804	66	8.9%
Burleigh	433	406,411	939	435,678	29,267	1,006	67	7.1%
Cass	459	442,842	965	475,601	32,759	1,036	71	7.4%
Cavalier	41	34,210	834	37,152	2,942	906	72	8.6%
Dickey	47	31,377	668	34,508	3,131	734	66	9.9%
Divide	16	12,290	768	13,448	1,158	841	73	9.5%
Dunn	25	13,782	551	15,516	1,735	621	70	12.7%
Eddy	22	12,755	580	14,363	1,608	653	73	12.6%
Emmons	26	16,485	634	18,340	1,854	705	71	11.2%
Foster	21	16,662	793	18,239	1,577	869	76	9.6%
Golden Valley	17	8,117	477	9,245	1,128	544	67	14.0%
Grand Forks	331	347,023	1,048	371,223	24,199	1,122	74	7.1%
Grant	21	14,148	674	15,622	1,474	744	70	10.4%
Griggs	31	18,279	590	20,433	2,154	659	69	11.7%
Hettinger	14	12,101	864	13,145	1,044	939	75	8.7%
Kidder	18	14,063	781	15,306	1,243	850	69	8.8%
LaMoure	41	30,842	752	33,828	2,986	825	73	9.7%
Logan	20	15,396	770	16,815	1,419	841	71	9.2%
McHenry	63	41,913	665	46,320	4,407	735	70	10.5%
McIntosh	26	25,818	993	27,632	1,813	1,063	70	7.0%
McKenzie	32	25,148	786	27,352	2,205	855	69	8.8%
McLean	82	66,654	813	72,433	5,779	883	70	8.6%
Mercer	33	27,061	820	29,218	2,158	885	65	7.9%
Morton	136	141,308	1,039	151,374	10,066	1,113	74	7.1%
Mountrail	37	25,385	686	27,881	2,496	754	68	9.9%
Nelson	42	33,036	787	35,812	2,776	853	66	8.4%
Oliver	10	9,588	959	10,305	717	1,031	72	7.5%
Pembina	56	37,310	666	41,019	3,709	732	66	9.9%
Pierce	29	29,182	1,006	31,279	2,098	1,079	73	7.3%
Ramsey	112	91,782	819	99,449	7,668	888	69	8.4%
Ransom	37	28,019	757	30,556	2,537	826	69	9.1%
Renville	20	13,742	687	15,221	1,479	761	74	10.8%
Richland	96	71,132	741	77,893	6,761	811	70	9.4%
Rolette	42	28,453	677	31,059	2,606	740	63	9.3%
Sargent	34	22,149	651	24,477	2,328	720	69	10.6%
Sheridan	14	8,547	610	9,579	1,033	684	74	12.1%
Sioux	1	94	94	111	17	111	17	18.1%
Slope	4	2,154	538	2,413	259	603	65	12.1%
Stark	127	115,735	911	124,882	9,147	983	72	7.9%
Steele	13	8,067	621	8,941	874	688	67	10.8%
Stutsman	141	113,893	808	123,686	9,793	877	69	8.5%
Towner	21	14,113	672	15,657	1,544	746	74	11.0%
Traill	80	67,383	842	73,224	5,841	915	73	8.7%
Walsh	81	65,722	811	71,070	5,349	877	66	8.1%
Ward	340	292,281	860	316,457	24,176	931	71	8.3%
Wells	42	33,855	806	36,875	3,020	878	72	8.9%
Williams	116	105,138	906	113,003	7,865	974	68	7.5%
ND Monthly Total	3,727	3,193,638	857	3,455,476	261,838	927	70	8.2%
Out of State	892	597,969	670	658,433	60,465	738	68	10.1%
Grand Total	4,619	3,791,606	821	4,113,909	322,303	891	70	8.5%

Economic Impact to General Fund

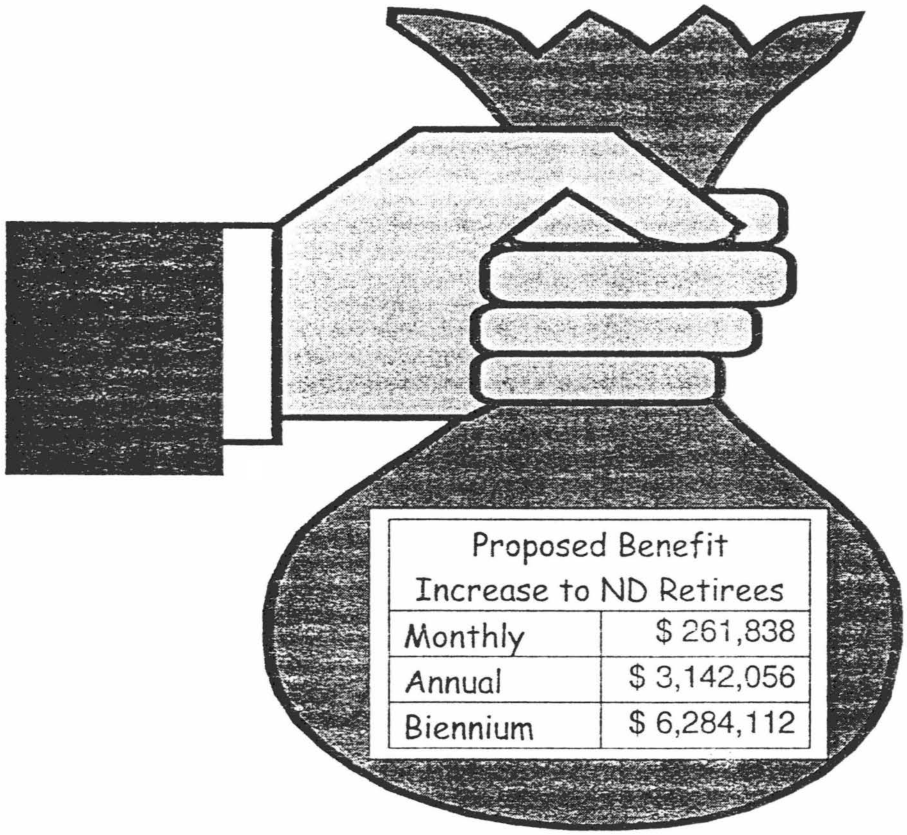




North Dakota-based retirees contribute a lot of income to their communities

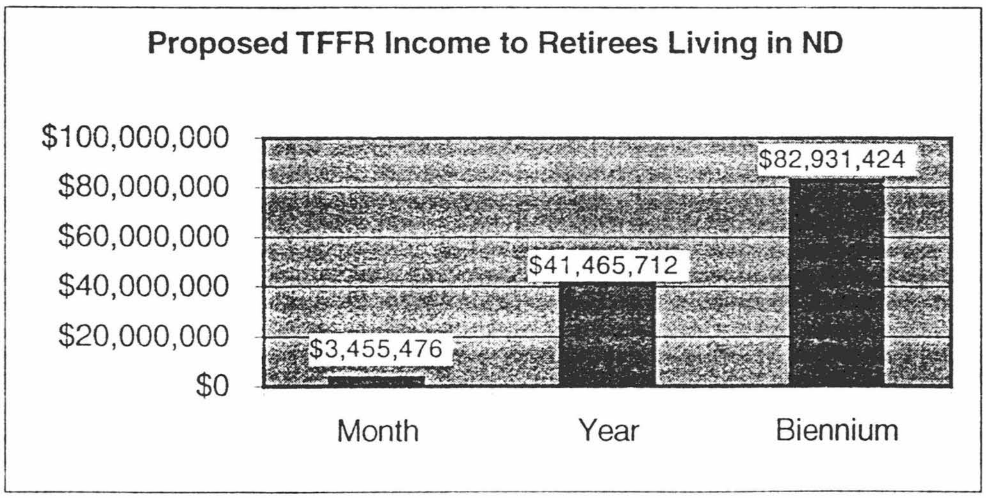


Benefit increases infuse more money into the local economy



Proposed Benefit Increase to ND Retirees	
Monthly	$ 261,838
Annual	$ 3,142,056
Biennium	$ 6,284,112

Total economic impact to local communities would be measurably greater



The boost to local economic activity is very beneficial, but the state also enjoys increased revenues.

The North Dakota General Fund benefits two ways!

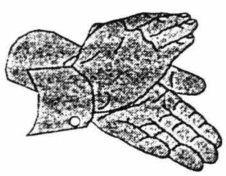
Increase in Income Tax Revenue

Income Tax Revenue Received From TFFR Retirees			
	Current Total Revenue	Proposed New Revenue	Proposed Total Revenue
Year	$ 804,797	$ 65,983	$ 870,780
Biennium	$ 1,609,594	$ 131,966	$ 1,741,560

Increase in Sales Tax Revenue

Sales Tax Revenue Received From TFFR Retirees			
	Current Total Revenue	Proposed New Revenue	Proposed Total Revenue
Year	$ 766,473	$ 62,841	$ 829,314
Biennium	$ 1,532,946	$ 125,682	$ 1,658,628

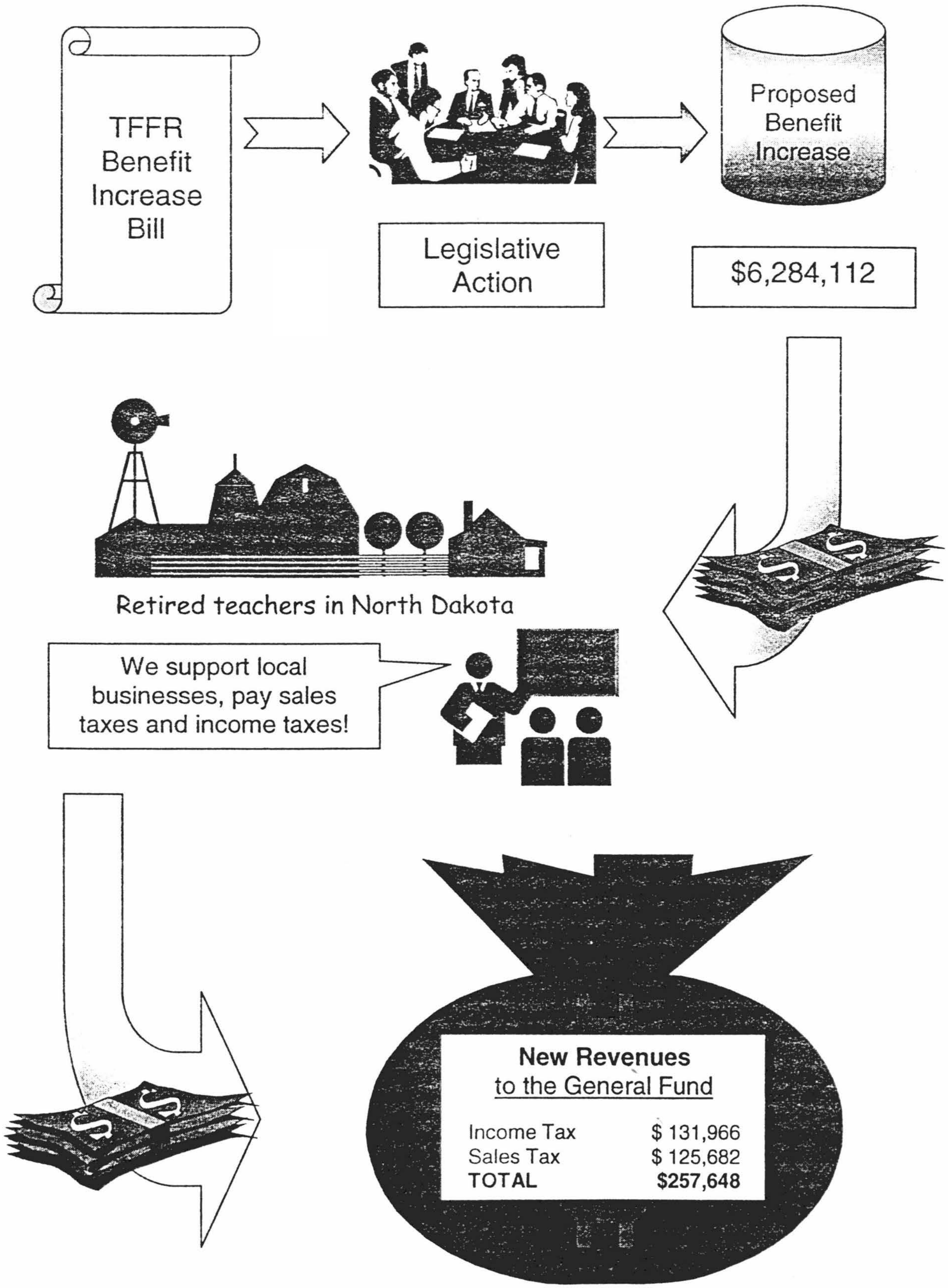
The Income and Sales Tax Increase Add Up!



TOTAL PROPOSED REVENUES TO GENERAL FUND		
	New Revenue	Total Revenue
Year	$ 128,824	$ 1,700,094
Biennium	$ 257,648	$ 3,400,188

Summary of ND Economic Impact of Proposed TFFR Benefit Increase

1999-2001 Biennium



Attachment C

ACTUARIAL STATUS OF THE TEACHERS' FUND FOR RETIREMENT

JULY 1, 1998

Trust Fund Assets:	$1,133.5 million (market value) 928.0 million (actuarial value)*
Investment Return:	13.2% (market value) 12.6% (actuarial value)*
Return Assumption:	8.0%
Unfunded Liability:	$105.1 million (being amortized over 20-year period)
Actuarial Margin:	2.97% (7.75% employer contribution rate minus 4.78% normal cost and payment on unfunded liability)
Funded Ratio:	89.9%
Actuarial Cost for SB 2069:	2.90%

* The actuarial value is calculated by recognizing 20% of the gains and losses over a five-year period. By amortizing the gains and losses over five years, the returns are "smoothed" out to avoid some of the volatility of the market.

ND Retirement and Investment Office

Teachers' Fund for Retirement
State Investment Board

Scott Engmann
Executive Director

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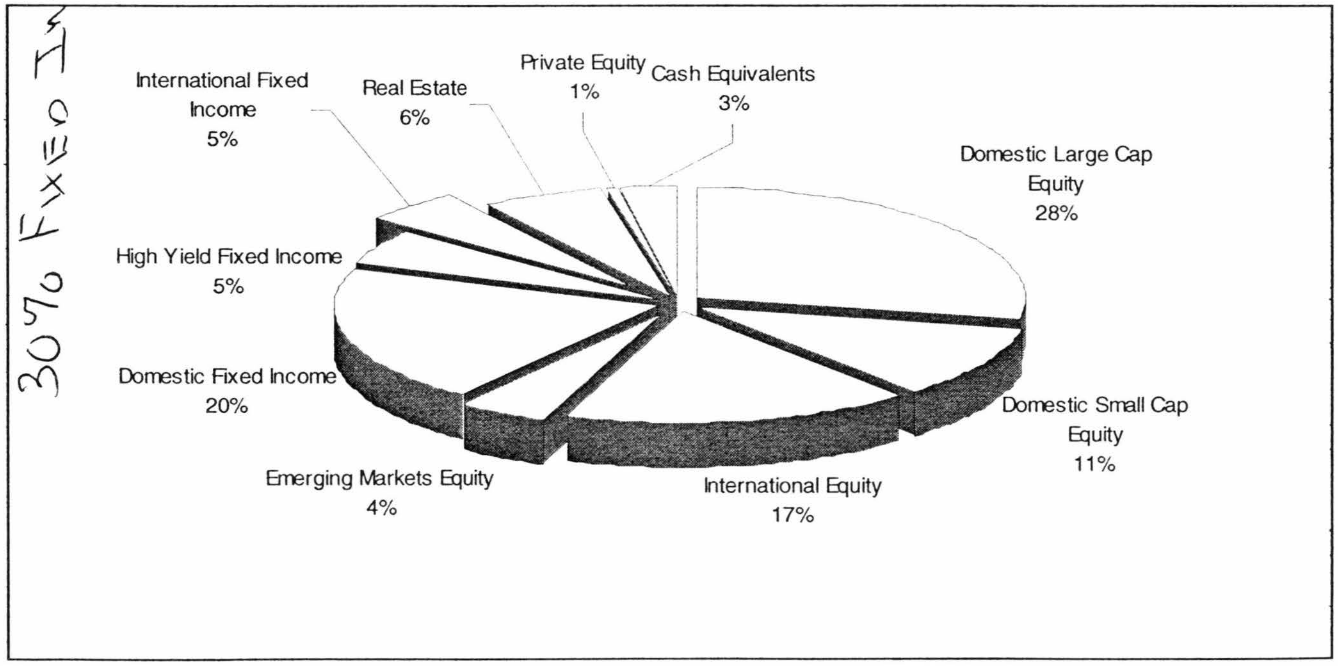
TESTIMONY ON SB 2069

STEVE COCHRANE, INVESTMENT DIRECTOR
ND RETIREMENT AND INVESTMENT OFFICE

FEBRUARY 25, 1999

TFFR ASSET ALLOCATION
AS OF JUNE 30, 1998

30% FIXED INCOME



Intergenerational Equity

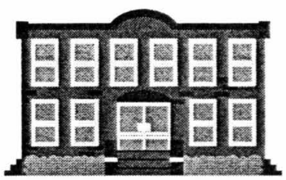
An Actuarial Concept

What does it mean?

inter	generational	equity
⇩	⇩	⇩
among	generations	fairness

fairness among generations

Financing a pension trust is similar to paying for a school building!



- Very long useful life
- Serves many generations
- Very expensive
- Long-term financing to pay for it

Do we ask several generations to bear all of the costs of school building? **YES** funding a

Is it prudent to spread the financing of a school building over a multi-generational portion of its useful life? **YES**

Financing a pension trust is similar to paying for a school building!

- Very long useful life
- Serves many generations
- Very expensive
- Long-term financing to pay for it

Smoothing – A Powerful Tool

Smoothing acknowledges that the highs are too high and the lows are too low and the long-term "truth" lies somewhere in between.

- Each year, the TFFR experiences an investment return.
- Year-to-year returns can fluctuate dramatically.

Fiscal Year Investment Performance History (%) – TFFR									
FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99 Q1
8.25	8.27	13.65	15.40	1.57	13.70	15.63	19.29	14.05	-7.93

- Planning and implementation of benefit improvements requires consistency.
- To maintain adequate funding, TFFR requires an annual investment return of 8%.
- To maintain consistency and adequacy of returns, TFFR has chosen an effective and commonly used tool: *smoothing*.
- Smoothing recognizes the long-term nature of investment.

Smoothing 1990-1994

FY	Return	x 20%
1990	8.25	1.65
1991	8.27	1.65
1992	13.65	2.73
1993	15.40	3.08
1994	1.57	0.31
Smoothed 1994 return = **9.42**		

- Average returns
- Rolling 5-year period
- 20% of each year's return

Smoothing 1995-1999

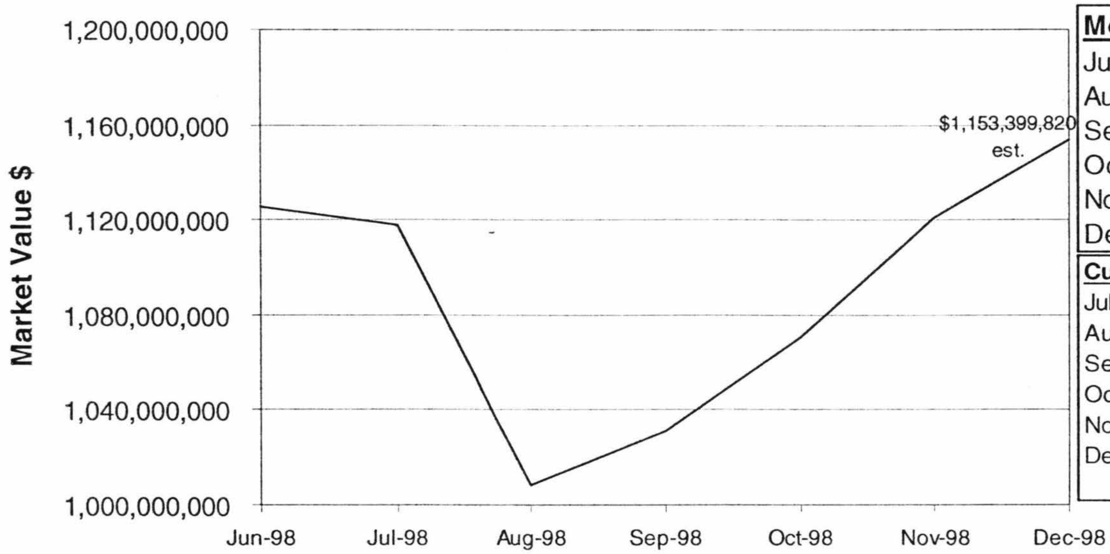
FY	Return	x 20%
1995	13.70	2.74
1996	15.63	3.13
1997	19.29	3.86
1998	14.05	2.81
1999*	-7.93	-1.59
Smoothed 1999 return = **10.95**		

*Hypothetical, based on Q1 return.

- Notice the poor return in 1994
- With smoothing, our 1994 return is 9.42%

- Past few years are pretty good
- FY99 got off to a poor start
- What if 1999 return was –7.93%?
- Smoothed 1999 return is 10.95%

TFFR INVESTMENT PERFORMANCE
FY 99 AS OF DECEMBER 31, 1998



Monthly Returns	
July 98	-0.73%
Aug. 98	-9.56%
Sep. 98	2.16%
Oct. 98	4.20%
Nov. 98	4.11%
Dec. 98	2.87% (e)

Cumulative Returns	
July 98	-0.73%
Aug. 98	-10.21%
Sep. 98	-7.93%
Oct. 98	-4.06%
Nov. 98	-0.12%
Dec. 98	2.74% (e)

Through the use of conservative investment accounting practices and the recognition of the long-term nature of the asset/liability structure, the TFFR is able to maintain financial integrity while contributing to the retirement quality of North Dakota's teachers.

ND Retirement and Investment Office

Teachers' Fund for Retirement
State Investment Board

Scott Engmann
Executive Director

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P.O. Box 7100
Bismarck, ND 58507-7100
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March 2, 1999

Representative Matthew M. Klein
Chairman
House Government and Veterans Affairs Committee
State House of Representatives
State Capitol
Bismarck, ND

Representative Klein, enclosed is the material you requested concerning SB2069.

The attachments are:

- Spreadsheet showing information that you requested. You will note that TFFR"s funding ratio has improved over the decade and benefit increases were made at the same time. Also note that the last two benefit increases (1993 and 1997) used all of the margin.

- Paper I wrote for the TFFR Board in 1982 concerning the unfunded liability and the transfer of $14.5 million to the TFFR Fund. The unfunded liability grew considerably from 1965 to 1975. This was due to lack of appropriate actuarial valuations from 1965 to 1969 and benefit increases given by the Legislature in 1969, 1971, and 1973 that were not funded.

- Graph showing how many TFFR members are eligible for retirement going forward. We do not have any data on how many actually plan to retire. Please refer to the box to the right of the graph. Note 3 shows the number who are currently eligible to retire, but are still teaching. Many TFFR members retire years after they are eligible.

- Executive Summary from the July 1, 1998 actuarial valuation completed by the Watson Wyatt Company. I have highlighted an important statement made by the actuaries.

- Investment-related information requested by Representative Grande and you.

I am unable to provide you with information on the Highway Patrol and Judges retirement systems. These systems are administered by NDPERS. Perhaps Sparb Collins could provide you with that information.

I trust this fulfills your request. If you or any committee members have additional questions, do not hesitate to contact me. In addition, I would be happy to come before the Committee again if you feel this is warranted.

Scott Engmann
Executive Director

C: TFFR Board
Steve Cochrane
Fay Kopp

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

FISCAL YEAR	RETIREMENT MULTIPLIER	RETIREE BENEFIT INCREASE	COST OF LIVING CPI (1)	FUNDING RATIO (2)	TFFR MARGIN HISTORY VALUATION (3)	CHANGES (4)	AFTER (5)
1989-90	1.275	0.0%	6.1%	83.3%	0.82	0.00	0.82
1990-91	1.39	14.7%	3.1%	78.5%	2.81	2.54	0.27
1991-92	1.39	0.0%	2.9%	84.4%	0.44	0.00	0.44
1992-93	1.55	13.8%	2.7%	78.0%	3.20	3.21	0.00
1993-94	1.55	0.0%	2.7%	79.4%	0.38	0.00	0.38
1994-95	1.55	0.0%	2.5%	82.7%	0.33	0.00	0.33
1995-96	1.55	0.0%	3.3%	86.1%	0.54	0.00	0.54
1996-97	1.75	4.1%	1.7%	84.3%	1.42	(6) 2.56	0.00
1997-98	1.75	0.0%	1.6%	89.8%	1.38	0.00	1.38
1998-99	1.88	8.5%	2.2%	--	2.97	(7) 2.95	0.02
1999-00	1.88	0.0%	1.8%				

NOTES

(1) U.S. Department of Labor Statistics - Consumer Price Index.
(2) Funding Ratio - is the actuarial value of assets divided by actuarial accrued liabilities based on that year's annual valuation.
(3) Valuation - is the margin as of the date of the annual valuation which is as of July 1 of each year (I.e. 1989-90 would be July 1, 1989).
(4) Changes - is the estimated actuarial cost of legislative changes considered during that session.
(5) After - is the projected remaining margin after legislative changes.
(6) Employee and employer contribution rate increased 1% each from 6.75% to 7.75% to increase the multiplier to 1.75%.
(7) Proposed legislation to increase multiplier, provide retiree benefit increase, and change early retirement reduction calculation.

PAYMENT TOWARD THE

TEACHERS' FUND FOR RETIREMENT

UNFUNDED LIABILITY

July 1975

* Legislative Council Background Memorandum on Teachers' Fund for Retirement.

"The actuarial valuations for the years 1939 to 1965 (copy attached as Appendix 'B') show steadily increasing liabilities. However, it also shows corresponding increases in percent of Solvency. Between the years 1965 and 1969, no actuarial valuations of the teachers' retirement program were conducted." page 1.

"As may be seen from the 1969 actuarial valuation (copy attached as Appendix 'C'), by 1969, the unfunded accrued liability of 1965 had increased to a total liability of $43,512,891, an increase of 492 percent." page 1.

The actuarial survey completed at the end of the 1974 fiscal year shows an unfunded liability of $73,902,376 (copy attached as Appendix 'E'). Not included in this valuation of the fund are the benefits granted subsequent to the date of the valuation (June 30, 1974)." page 3.

Summary of Unfunded Liability:

YEAR	UNFUNDED LIABILITY
1965	$8,834,963
1969	$43,512,891
1974	$73,902,376
1975	$68,296,000 *

Summary of Percent of Solvency.

YEAR	PERCENT OF SOLVENCY
1965	82.4%
1969	38%
1974	35%
1975	39% *

* Report on the Teachers' Fund for Retirement, by Martin E. Segal Company, October, 1976.

November 1976

* Legislative Council report, Committee on State and Federal Government.

  "The committee accepted the final 'Report on the Teachers' Fund for Retirement' prepared by the Martin E. Segal Company and submitted to the committee at its October, 1976, meeting."

  "Under the proposed plan, the new uniform benefit formula is the benefit as calculated under the 1971 law. The minimum guarantee under the plan is $6.00 monthly per year up to 25 years, and $7.50 monthly per year after 25 years."

  "The bill also provides for a one percent increase in the teacher and employer contribution rates from four percent to five percent. The employer contribution limit of $500 is removed under the new plan."

  "In addition to the increase of the teacher and employer contribution rate to five percent under this bill the committee recommends another bill for an appropriation of $14,500,000 to Teachers' Fund for Retirement to reduce the funds unfunded liability. The actuary has indicated that a $14,500,000 contribution, in addition to the increase in the employee and employer contribution rate to five percent, will be sufficient to make the fund actuarially sound within 40 years."

  Other alternatives were considered by the committee. Please refer to table entitled "methods available to remedy $68 million unfunded liability - Teachers' Fund for Retirement".

January 1977

* House Education Committee

  H.B. 1074 (Teachers' Fund for Retirement benefit formula Plan)

  Elaine Barth - Legislative Council: "$14.5 million cover all unfunded liabilities. HB1073 - the $14.5 million takes care of all the teachers' retirement prior to 1975."

February 1977

* House Education Committee

  HB 1074

  "Representative Larson: Recommend Do Pass for HB 1074 and amend HB 1073 into HB 1074." Motion carried. (HB 1073 - $14.5 million general fund appropriation to the Teachers' Fund for Retirement).

* House Education Committee - Subcommittee on Teachers' Fund for Retirement.

"The workings of the bill are as follows:

a. 14.5 million goes strictly towards the unfunded liability.
b. 1% of the employee contribution goes toward normal and future costs.
c. 1% employer goes partly to benefits, partly to the unfunded liability."

* House Appropriations Committee

HB 1074

"Representative Larson spoke in favor of the bill. He said that HB 1074, if passed, with the appropriation will end some of the problems for teachers. "Adrian Dunn of NDEA spoke in favor of the bill."

"Mr. Bob Brown, Chairman of the Retired Teachers Committee spoke on behalf of the bill."

"Representative Eagles moved a Do Pass, seconded by Representative Thorsgaard. Carried. Representative Eagles will carry this bill on the floor."

March 1977

* Senate Education Committee

HB 1074

Please refer to attached committee minutes.

* Senate Appropriations Committee

HB 1074 (March 8)

"Fred Schmidt, Executive Secretary, appeared. He said he supports The bill as the best alternative they have to solve the Teachers Fund for Retirement. It provides a $14½ million transfer from the General fund into the Teachers' Fund for Retirement, he said. The Federal Government may require involvement in ERSHA if this problem isn't solved he said."

"Bob Brown, Legislative Chairman for the Retired Teachers of North Dakota, appeared and assured the committee that they (Retired Teachers) are in sound hands with the Executive Secretary. He said he hopes the appropriation for that office will be greater than has been given. He said he has been involved in this thing since 1973. The retired people he represents feel the fund has to be made financially sound. He said they definitely want the $14.5 and don't want that disturbed." Emphasis mine.

HB 1074 (March 14)

"Senator Smykowski moved Do Pass, seconded by Senator Thane. Motion carried. Senator Smykowski will carry the bill."

HB1074 - Passed both Houses and signed by the Governor on April 22, 1977.

June 1977

* Background memorandum for the interior committee on retirement prepared by the Legislative Council Staff.

  "The Legislative Council's Committee on State and Federal Government during the 1975-77 biennium conducted studies of both the Teachers' Fund for Retirement and the Public Employees Retirement System. To make the Teachers' Fund for Retirement actuarially sound over a 40 year period the committee recommended increasing the teacher and employer contribution rate to five percent and an appropriation of $14.5 million to Teachers' Fund for Retirement to reduce the fund's unfunded liability.... The legislation finally adopted by the 1977 Legislative Assembly reduced the fund's unfunded liability ...." page 3.

February 1978

* College Teacher Retirement in North Dakota: Recent history, prepared by the Legislative Council Staff.

  "House Bill Number 1074 (1977).... This bill also appropriated $14.5 million to Teachers' Fund for Retirement to help alleviate the plan's unfunded liability." page 3 and 4.

March 1979

* Letter from Fred Schmidt to Sam Jenkins (March 14).

  "The Senate Appropriations Committee is concerned about the funding necessary to cover costs related to House Bill 1199. Senator Melland is of the opinion that there might be a funding alternative other than the $1,619,500 general fund appropriation requested in the bill."

* Letter from Sam Jenkins to Fred Schmidt (March 21). Re: HB 1199.

  "It was our intent to include these retirees when our original calculations were prepared for the Board along with the recommendation that the legislature transfer $14,500,000 to the fund in order to assure proper funding."

  "....Utilizing the existing margin, the funding schedule could be changed from 25.88 years to 27.45 years in order to fund the $6.00 - $7.50 minimum benefit...."

  HB 1199 allowed teachers who retired under 15-39, N.D.C.C. to qualify for the minimum benefit formula. Bill was passed without general fund appropriation.

July 1979

* Background memorandum on Public Employees Retirement Programs, prepared by the Legislative Council Staff.

  "The Legislative Council's Committee on State and Federal Government during the 1975-77 biennium conducted studies of both the Teachers' Fund for Retirement and the Public Employees Retirement System. To make the Teachers' Fund for Retirement actuarially sound over a 40 year period the committee recommended increasing the teacher and employer contribution rate to five percent and an appropriation of $14.5 million to Teachers' Fund for Retirement to reduce the fund's unfunded liability.... The legislation finally adopted by the 1977 Legislative Assembly reduced the fund's unfunded liability...."

November 17, 1980

* Letter from Sam Jenkins to Representative Robert Martinson.

  Re: Bill Draft TRTF 8.03 which becomes HB 1255 during the 1981 Legislative Assembly.

  "We have been asked to comment on whether or not the cost to fund the proposed increase under the above Bill was included in the $14,500,000 appropriation authorized during the last session.

  This letter will confirm that the funding of Bill TRTF 8.03 was not included in the $14,500,000."

House Bill No. 1074

The Senate Education Committee met on March 2, 1977 to hear House Bill No. 1074, relating to assessments for and benefits from the teachers' fund for retirement, and providing an appropriation.

Senator Orange moved, seconded by Senator Berube, that we dispense with the reading of the bill. Motion carried.

Elaine Barth, Legislative Council, appeared to explain the bill and to introduce two actuaries from the Martin Segal Company, Sam Jenkins and James Kamel.

Ms. Barth said this bill creates a more uniform plan for the Teachers' Fund For Retirement. It increases the contributions from the teachers and school boards from 4 percent to 5 percent and provides a minimum guaranteed benefit to teachers. It would be an increase of $6.00 per month per year up to 25 years of service, and $7.50 monthly per year after 25 years. This minimum compares with the $5.00 and $6.25 minimum under the 1971 law.

Fred A. Schmidt, Teachers Fund for Retirement, Mandan, in favor of the bill, said the history started in 1913. This is one of the older teacher retirement systems in the nation. Over the years the actuarial soundness of the fund has been tampered with by teachers, the Legislature, and the Board of Trustees. It has reached a point where we do have a serious problem that needs to be addressed this session. The House has included an appropriation of $14.5 million. In addition, the teacher's contribution has been increased from 4 percent to 5 percent of gross salary. Also, the school board's contribution is increased from 4 percent to 5 percent with no maximum. This is to be used primarily to take care of the benefits which the teachers are accruing. Above 25 years they would earn $7.50 per month per year guaranteed annuity. Up to 25 years they would earn $6.00 per month per year. The fund will only get worse if we do not address it now. This is a realistic way of dealing with the problem.

Senator Nelson asked approximately how many people are receiving money from the fund who are below what the minimum is being proposed here. Mr. Schmidt said he would have to look at each individual case. It would involve some programming to get this data.

Senator Orange asked how soon the fund would go broke if we do not pass this legislation. Mr. Schmidt said we do have $50 million in the fund now. $6 million is being paid out each year, and about $8 million is being taken in. We have 300 retirees at the present time that we are paying for.

In reply to Senator Orange's question on how the money is earned, Mr. Schmidt said through investments which are handled by the State Investment Board. In 1976 the rate of return was 7.6 percent.

Sam Jenkins, Martin Segal Company, said, "the plan will not go broke for a long time. The problem is that the fund is showing a deficit each year. Basically, what has been suggested is that you pay off liabilities over a 40-year period. The pensions earned in 1977 will be paid with contributions of 1977. To take care of ongoing costs, the solution was to raise the contributions to 5 and 5. The fund is going further and further in debt. Unfortunately, you can run out of money unless you continue to fund it properly. The various bills passed in the last few years made it difficult for participants to understand what they have. Now everybody will be retiring under the 1977 law. With regard to investments, you almost have the hands of the board tied with respect to what they can get involved in."

When asked how many people are above or below the $6 and $7.50, Mr. Kamel said about 40 percent would still be below. But he said that group really had the opportunity at one time to switch over to a higher benefit level but they did not elect to do so. In order to bring everybody up to the $6 and $7.50 level, calculations show that another $5 million would be needed. If this were amortized out over 5 years, it would require $323,000 additional in contributions.

Senator Peterson asked whether a study was made on what it would take for a deposit if there was to be no increase in the contributions.

Mr. Jenkins said those figures were submitted. He believed the total was $38.5 million. He also said he believed the $14.5 million and the 5 and 5 would be the best way to go.

Senator Sandness asked whether in his opinion that would suffice for solvency in the fund. Mr. Jenkins said "Yes, it will set the program up so that it will begin funding itself."

Jim Kamel said he is seeing a lot more agressive management in the funds than what he has seen in the past. In further reply to Senator Sandness' question on solvency, Mr. Kamel said, "Yes, but retirement plans are long term. Other areas affect the solvency of the plan. One factor would be how quickly you raise salaries. That would change the overall cost pattern of the plan. If you can show that you are on a full schedule of funding it helps."

Senator Orange asked whether after 40 years on this proposed plan the contributions could go back to 4 and 4. Mr. Kamel said he could not answer that. It might occur even before 40 years. He also suggested that this should be evaluated on an annual basis, or at least every two years.

Senator Peterson asked for an explanation of Past Service Liability Mr. Kamel said if we didn't go to the $14.5 million, we would have to go to the 6 and 6. This takes care of providing the minimum benefits since 1971. It also puts the fund on a more solidly funde basis, and provides sufficient money to fund benefits.

Senator Tallackson said a fixed benefit on the last 5 or 10 years of teaching salary would be the best way to go. Mr. Kamel replied that most fixed benefit plans are computed on the last few years of salary. He said the current Public Employee Retirement benefit plan is based on current salary at retirement.

Adrian Dunn, North Dakota Teachers Association, Bismarck, said, "At stake is the welfare of the career teacher of North Dakota. At best House Bill No. 1074 is a compromise. We believe it is not based so much on what is right but that it is based on other considerations.

"House Bill No. 1354 died in the House, but it was based on the third suggestion on this graph (attached). It would have provided money to solve the underfunding problem. We feel that there is a grave need for improvement of benefits and this is a problem that must be attended to.

"House Bill No. 1074 largely pays the past costs. They are problems over which teachers had no control. In 1975 the actuary, Mr. Flott, told the committee that teachers are paying their fair share and the unfunded liability should come from the state funds.

"I am testifying in favor of House Bill No. 1074, but with reluctance and reservation. We would have much preferred alternatives 3, 4 or 5 on the sheet.

"We were also disappointed that the provision for a new floor of $6.00 and $7.50 applies only to those retiring after 1971. House Bill No. 1074 with a $14.5 million appropriation probably has a long and precarious route to go before it is passed."

Senator Strand asked if the 5th alternative would still need the extra 1 percent. Mr. Kamel said "No, the $38,500 would take care of it."

Thelma Klingensmith, Mandan, speaking for herself, said she was in favor of the bill.

The hearing was closed on House Bill No. 1074.

March 2, 1977

Discussion:

Senator Peterson said he had confidence that the fund is being invested properly and it looks like it is getting out of trouble.

Senator Sandness asked whether this bill now covers all of the teachers fairly. Senator Peterson said the 1 percent increase in contributions creates 20 percent of benefits.

Committee Action:

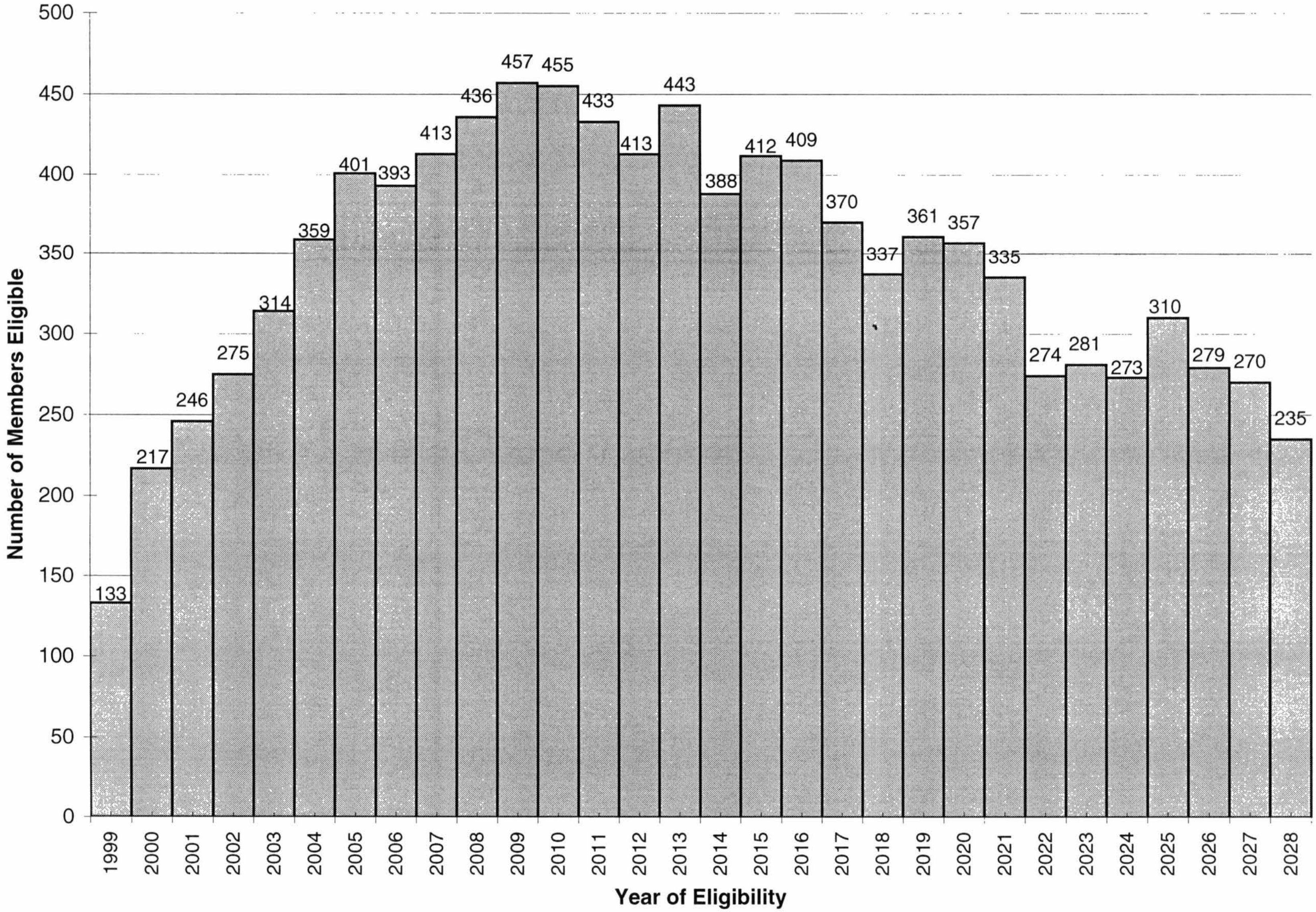
Senator Solberg moved, seconded by Senator Orange, that House Bill Do Pass. Motion carried, 8-0. Senator Peterson will carry on the floor.

Elsie Christensen
Committee Clerk

3/[illegible]9

ND Retirement and Investment Office

TFFR Member Retirement Eligibility Profile
(as of July 1 of each year)



Notes

1) Data taken from current active and inactive vested member population of 11,130 members for the 30 year period from 1999 through 2028.

2) **Eligible to retire** is when members reach Rule of 85 or age 65, whichever occurs first.

3) Through 1998 fiscal year, 432 members were eligible to retire, but have not yet retired.

4) After 2028 fiscal year, 419 members will be eligible to retire.

North Dakota Teachers' Fund for Retirement

ACTUARIAL VALUATION

July 1, 1998

Watson Wyatt
Worldwide

Executive Summary

Because of continued strong investment performance, during the plan year ending June 30, 1998, the margin increased from 1.38%, at July 1, 1997, to 2.97%. The unfunded actuarial accrued liability (UAAL) decreased from \$153.6 million to \$105.1, and the funding period decreased from 12.3 years to 6.9 years. (The funding period is the number of years it is expected to take to reduce the UAAL to zero, based on the 7.75% employer contribution rate and no gains, losses, or other changes to the provisions, methods or assumptions.) The funded ratio--the actuarial value of assets divided by the actuarial accrued liability--increased from 84.3% to 89.8%.

The fund's actuarial return was 12.6%, compared to the 8.00% investment return assumption. (This is a smoothed return; the dollar-weighted market return was 13.2%. This may differ from the time-weighted return published by TFFR.) This decreased the UAAL by over \$37 million and increased the margin by 117 basis points (bp).

Other factors tending to increase the margin were:

- the effect of using an "open" 20-year amortization period (11 bp)
- employer contributions received at 7.75% rather than last year's 20-year rate (12 bp)
- growth in payroll (7 bp)
- other liability factors such as salary increases and demographic assumptions (12 bp)

Overall TFFR remains in a strong actuarial position. If the funded position were measured using the market value of assets, rather then the 5-year smoothed value, TFFR would have assets in excess of its actuarial accrued liability.

The investment market is in turmoil as this is written. However, even if the fund experiences realized and unrealized losses of \$100 million in 1998-99, (reversing the gains of the last fiscal year), because of the five-year smoothing approach to computing actuarial assets, and because of the large gains recognized in the last several years, the fund's actuarial return next year would still exceed the 8.00% investment return assumption.

Executive Summary

Item	1998	1997
Membership		
• Number of		
- Active Members	9,896	10,010
- Retirees and Beneficiaries	4,585	4,462
- Inactive, Vested	1,048	1,006
- Inactive, Nonvested	252	245
- Total	15,781	15,723
• Payroll	$298.4 million	$ 294.1 million
Statutory contribution rate		
• Employer	7.75%	7.75%
• Member	7.75%	7.75%
Assets		
• Market value	$1,133.5 million	$1,001.1 million
• Actuarial value	928.0 million	823.4 million
• Return on market value	13.2%	18.5%
• Return on actuarial value	12.6%	12.6%
• Employer contributions	$23.3 million	$19.7 million
• External cash flow %	0.0%	-0.3%
Actuarial Information		
• Normal cost %	9.24%	9.24%
• Unfunded actuarial accrued liability (UAAL)	$105.1 million	$153.6 million
• Funded ratio	89.8%	84.3%
• Funding period	6.9 years	12.3 years
Benchmark Contribution		
• 20-year funding rate	4.78%	6.37%
• Margin	2.97%	1.38%
Gains/Losses		
• Asset experience	$37.6 million	$33.6 million
• Liability experience	3.7 million	1.7 million
• Benefit changes	N/A	$(77.8) million
• Assumption/method changes	N/A	N/A
• Total	$41.3 million	$(42.5) million

ND Retirement and Investment Office

Teachers' Fund for Retirement
State Investment Board

Scott Engmann
Executive Director

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MEMORANDUM

TO: REPRESENTATIVE MATT KLEIN, CHAIRMAN
HOUSE GOVERNMENT AND VETERANS AFFAIRS COMMITTEE

FROM: STEVE COCHRANE, CFA, INVESTMENT DIRECTOR
ND RETIREMENT AND INVESTMENT OFFICE

DATE: MARCH 2, 1999

SUBJ: TFFR INVESTMENT MANAGERS, FEES AND BENCHMARKS

It was a pleasure to appear before your Committee on February 25th to address certain investment accounting practices and actuarial concepts relating to the Teachers' Fund for Retirement (TFFR).

- The attached TFFR Performance Report for June 1998 lists each of the external money mangers employed by the Fund according to asset class and mandate assignments. Performance by manager as well as asset class is reported and compared with benchmark returns for each asset class. The second page of the Performance Report aggregates the return for the TOTAL FUND and indicates a fiscal year 1998 total return of 14.05% vs. a return of 13.74% for the aggregate weighted benchmark. For the year, the Fund and its benchmark outperformed the 8% actuarial investment return assumption used by TFFR.

- The attached NDRIO/NDSIB Pension Trust Money Manager Fee Structure for the Fiscal Year 1997-1998 reports annualized fees for each manager and for the Pension Trust in aggregate. The total fee applied to the TFFR for investment management is 0.3234% (32.34 basis points, or less than 1/3 of a percent).

- Mutual fund expense data provided by Lipper is attached. Note that the average Total Expense Ratio is 1.516% for Equity (stock) funds and 1.917% for fixed income (bond) funds.

Please let me know if I can be of further assistance to the Committee.

SC

Attachments

TEACHERS' FUND FOR RETIREMENT
PERFORMANCE REPORT FOR JUNE 1998

3/1/1999

	Assets as of June 30, 1998			*RATES OF TOTAL RETURN					
				Quarter Ended					
	EMV $(000)	Actual Alloc	Policy Alloc	Jun-98	Mar-98	Dec-97	Sep-97	1998 FYTD	YR Ended 6/30/1997
LARGE CAP EQUITY									
Large Cap Growth									
Alliance Capital Management (1)	59,568	5.3%	4.5%	N/A	N/A	N/A	N/A	N/A	N/A
Total Large Cap Growth (2)	59,568	5.3%	4.5%	N/A	N/A	N/A	N/A	N/A	22.86%
RUSSELL 1000 GROWTH				4.53%	15.15%	1.52%	7.51%	31.37%	31.19%
Large Cap Value									
LSV (1)	33,580	3.0%	2.7%	N/A	N/A	N/A	N/A	N/A	N/A
Wilshire Large	32,742	2.9%	2.7%	-0.02%	10.01%	3.81%	11.46%	27.26%	28.20%
Ark	31,962	2.8%	2.7%	-1.44%	11.92%	-0.71%	8.31%	18.63%	25.34%
Total Large Cap Value (2)	98,284	8.7%	8.0%	-0.71%	10.93%	1.41%	9.84%	22.68%	27.24%
RUSSELL 1000 VALUE				0.45%	11.65%	4.47%	9.96%	28.84%	33.09%
Large Cap Core - Passive									
State Street - S&P 500 Index	157,807	14.0%	12.5%	3.26%	13.94%	2.85%	7.51%	30.09%	34.68%
S&P 500				3.36%	13.94%	2.85%	7.52%	30.23%	34.56%
TOTAL LARGE CAP EQUITY	**315,659**	**28.0%**	**25.0%**	**2.45%**	**12.96%**	**2.42%**	**8.84%**	**29.01%**	**30.14%**
S&P 500				3.36%	13.94%	2.85%	7.52%	30.23%	34.56%
SMALL CAP EQUITY									
Small Cap Value									
Brinson Post-Venture	80,572	7.2%	6.5%	-4.04%	9.24%	-2.99%	20.08%	22.11%	24.95%
Total Small Cap Value (3)	80,572	7.2%	6.5%	-4.04%	9.24%	-2.99%	16.96%	18.94%	26.24%
RUSSELL 2000				-4.66%	10.06%	-3.35%	14.88%	16.51%	16.24%
RUSSELL 2000 VALUE				-3.61%	8.35%	1.68%	12.90%	19.89%	28.05%
Small Cap Growth									
Nicholas Applegate (4)	39,339	3.5%	3.5%	-2.46%	11.62%	-16.75%	20.82%	9.51%	19.67%
RUSSELL 2000				-4.66%	10.06%	-3.35%	14.88%	16.51%	16.24%
TOTAL SMALL CAP EQUITY	**119,911**	**10.7%**	**10.0%**	**-3.53%**	**9.99%**	**-8.16%**	**17.54%**	**14.54%**	**24.40%**
RUSSELL 2000				-4.66%	10.06%	-3.35%	14.88%	16.51%	16.24%
INTERNATIONAL EQUITY									
Intl Core									
State Street (5)	94,373	8.4%	7.5%	0.20%	13.42%	-9.43%	-0.66%	2.25%	11.35%
MSCI 50% HEDGED EAFE INDEX (6)				1.45%	15.78%	-6.23%	1.11%	11.36%	13.00%
Intl Active									
Capital Guardian	99,629	8.9%	7.5%	2.23%	17.68%	-7.45%	2.94%	14.62%	23.59%
MSCI 50% HEDGED EAFE INDEX (6)				1.45%	15.78%	-6.23%	1.11%	11.36%	13.00%
TOTAL INTERNATIONAL EQUITY	**194,003**	**17.2%**	**15.0%**	**1.23%**	**15.72%**	**-8.40%**	**1.18%**	**8.56%**	**21.60%**
MSCI 50% HEDGED EAFE INDEX (6)				1.45%	15.78%	-6.23%	1.11%	11.36%	13.00%
EMERGING MARKETS									
Value - Active - Commingled									
Capital Guardian (7)	**50,491**	**4.5%**	**5.0%**	**-18.96%**	**5.26%**	**-14.16%**	**-1.10%**	**-27.58%**	**N/A**
MSCI EMERGING MKTS FREE INDEX				-23.60%	6.19%	-17.52%	-8.97%	-39.09%	N/A
DOMESTIC FIXED INCOME									
Core Bond									
Western Asset	42,610	3.8%	3.4%	2.56%	1.89%	3.33%	3.47%	11.73%	9.04%
S. Bernstein	41,047	3.6%	3.4%	2.11%	1.22%	2.44%	2.79%	8.83%	7.83%
Total Core Bond	83,657	7.4%	6.8%	2.34%	1.56%	2.89%	3.13%	10.29%	8.44%
LB AGGREGATE				2.34%	1.56%	2.94%	3.32%	10.54%	8.06%
Active Duration									
IAI	41,173	3.7%	3.4%	2.23%	1.57%	2.80%	3.04%	9.99%	7.54%
Nicholas/Applegate	42,725	3.8%	3.4%	2.31%	1.83%	2.94%	3.62%	11.13%	8.04%
Total Active Duration	83,898	7.5%	6.8%	2.27%	1.70%	2.87%	3.33%	10.57%	7.80%
LB AGGREGATE				2.34%	1.56%	2.94%	3.32%	10.54%	8.06%

TEACHERS' FUND FOR RETIREMENT
PERFORMANCE REPORT FOR JUNE 1998

3/1/1999

	Assets as of June 30, 1998			*RATES OF TOTAL RETURN					
				Quarter Ended					
	EMV $(000)	Actual Alloc	Policy Alloc	Jun-98	Mar-98	Dec-97	Sep-97	1998 FYTD	YR Ended 6/30/1997
Index									
BND	51,563	4.6%	4.5%	2.51%	1.59%	3.23%	3.55%	11.32%	7.66%
LB G/C				2.61%	1.52%	3.21%	3.51%	11.29%	7.70%
Certificates of Deposit									
BND (Match Program)	6,099	0.5%		1.49%	1.47%	1.51%	1.51%	6.12%	6.12%
TOTAL DOM FIXED INCOME	**225,217**	**20.0%**	**18.0%**	**2.34%**	**1.62%**	**2.94%**	**3.28%**	**10.56%**	**8.08%**
LB AGGREGATE				2.34%	1.56%	2.94%	3.32%	10.54%	8.06%
HIGH YIELD BONDS									
Western Asset (8)	**58,513**	**5.2%**	**5.0%**	**5.93%**	**5.60%**	**2.81%**	**4.46%**	**20.13%**	**N/A**
LB HIGH YIELD BOND INDEX				1.10%	3.36%	1.93%	4.54%	11.35%	N/A
INTERNATIONAL FIXED INCOME									
Intl Core									
Brinson	**56,823**	**5.0%**	**5.0%**	**0.95%**	**0.42%**	**-1.64%**	**0.22%**	**-0.07%**	**5.88%**
SALOMON NON-US GOV'T BOND				1.67%	0.41%	-1.38%	0.21%	0.89%	1.95%
REAL ESTATE (9)									
JMB	2,722	0.2%		1.54%	1.57%	14.18%	-2.41%	14.92%	10.99%
TCW	1,900	0.2%		2.03%	0.96%	10.63%	-0.74%	13.12%	6.44%
INVESCO (11)	33,387	3.0%		1.67%	1.54%	2.08%	N/A	N/A	N/A
J.P. Morgan	29,917	2.7%		4.50%	2.78%	4.05%	3.19%	15.32%	9.79%
TOTAL REAL ESTATE	**67,926**	**6.0%**	**10.0%**	**2.94%**	**1.86%**	**5.06%**	**1.05%**	**11.32%**	**9.09%**
NCREIF PROPERTY INDEX (10)				4.05%	4.51%	4.36%	2.86%	16.73%	9.36%
VENTURE CAPITAL (9)									
Brinson IVCF III	5,054	0.4%		5.67%	-1.14%	8.30%	8.36%	22.59%	34.39%
Coral Partners V (12)	827	0.1%		-4.55%	N/A	N/A	N/A	N/A	N/A
Brinson VC Partnerships (13)	232	0.0%		-0.97%	N/A	N/A	N/A	N/A	N/A
TOTAL VENTURE CAPITAL (3)	**6,113**	**0.5%**	**5.0%**	**5.00%**	**-1.14%**	**8.30%**	**8.36%**	**21.81%**	**27.17%**
VEN CAP PERF INDICATOR				5.80%	3.26%	6.05%	12.37%	30.19%	17.93%
CASH EQUIVALENTS (14)									
TNT Short Term Extendable Portfolio	**31,021**	**2.8%**	**2.0%**	**1.38%**	**1.34%**	**1.42%**	**1.49%**	**5.76%**	**5.30%**
90 DAY T-BILLS				1.30%	1.30%	1.32%	1.29%	5.31%	5.30%
TOTAL FUND	**1,125,677**	**100.0%**	**100.0%**	**0.59%**	**8.46%**	**-1.19%**	**5.79%**	**14.05%**	**19.29%**
FUND POLICY MIX				0.53%	8.22%	-0.08%	4.63%	13.74%	17.17%
TOTAL VALUE ADDED DUE TO									
Asset Mix				-0.32%	0.44%	-0.60%	-0.02%	-0.50%	-2.19%
Active Management				0.38%	-0.22%	-0.51%	1.13%	0.77%	4.08%
Total Value Added				**0.06%**	**0.22%**	**-1.11%**	**1.11%**	**0.27%**	**1.89%**

PERCENT ACTIVE AND PASSIVE MANAGEMENT:	Jun-98	Mar-98	Dec-97	Sep-97
EQUITIES:				
PASSIVE	41.9%	51.3%	52.3%	56.6%
ACTIVE	58.1%	48.7%	47.7%	43.4%
FIXED INCOME:				
PASSIVE	15.1%	14.8%	15.0%	15.3%
ACTIVE	84.9%	85.2%	85.0%	84.7%
TOTAL FUND:				
PASSIVE	29.9%	36.4%	36.0%	39.9%
ACTIVE	70.1%	63.6%	64.0%	60.1%

(1) Funded 6/11/97. First full month of performance evaluation will be July 1998.
(2) Prior to September 1997, includes terminated managers Chancellor in growth and Northern Capital in value.
(3) The Brinson Post Venture Fund was reclassified from Venture Capital to Small Cap Value in May 1997.
The Small Cap Value Composite consists of only the Wilshire account through April 1997.
Wilshire was terminated in September 1997.
The Venture Capital Composite includes the Brinson Post Venture account through April 1997.
(4) Nicholas Applegate was funded 7/8/96 to manage the small cap growth allocation.
(5) Prior to February, 1997, fund was invested in an EAFE Index portfolio; now invested in Country Selection (active/passive) portfolio.
(6) Prior to February 1997, benchmark was MSCI Unhedged EAFE Index.
(7) Capital Guardian was funded 8/5/96 to manage the emerging markets allocation.
(8) Western Asset was hired September 1996, and began investing December 2, 1996.
(9) Monthly returns estimated based on quarters' returns.
(10) Custom Benchmark prior to July 1997.
(11) Funded 8/25/97.
(12) Initial funding March 18, 1998
(13) Initial funding January 26, 1998
(14) Invested in TNT Short Term Investment Fund prior to December 1997.

*NOTE:
Monthly returns and market values are preliminary and subject to change.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
NDSIB PENSION TRUST
MONEY MANAGER FEE STRUCTURE FOR THE FISCAL YEAR 1997-1998

MANAGER	AVG MARKET VALUE	FEES PER YEAR	ANNUALIZED FEE - 1997/98
DOMESTIC EQUITY MGRS			
ACTIVE:			
LARGE CAP			
ARK ASSET MGMT	103,013,301	509,358.00	0.4945%
NORTHERN CAPITAL MGMT	5,104,870	14,221.30	0.2786%
CHANCELLOR CAPITAL MGMT	27,672,738	59,347.83	0.2145%
LSV	18,855,496	15,798.00	0.0838%
TOTAL ACTIVE LARGE CAP	154,646,406	598,725.13	0.3872%
SMALL CAP			
NICHOLAS-APPLEGATE	72,219,882	495,898.27	0.6867%
BRINSON PARTNERS	122,961,261	1,348,123.25	1.0964%
TOTAL ACTIVE SMALL CAP	195,181,143	1,844,021.52	0.9448%
TOTAL ACTIVE	349,827,549	2,442,746.65	0.6983%
PASSIVE:			
LARGE CAP			
STATE STREET	431,410,509	83,654.70	0.0194%
WILSHIRE ASSET MGMT	96,863,671	129,919.24	0.1341%
TOTAL PASSIVE LARGE CAP	528,274,180	213,573.94	0.0404%
SMALL CAP			
WILSHIRE ASSET MGMT	18,585,871	32,189.33	0.1732%
TOTAL PASSIVE	546,860,052	245,763.27	0.0449%
TOTAL DOMESTIC EQUITIES	**896,687,600**	**2,688,509.92**	**0.2998%**
INTERNATIONAL EQUITY MGRS			
STATE STREET BANK (EAFE) - PASSIVE	126,137,019	369,717.74	0.2931%
CAPITAL GUARDIAN - ACTIVE	132,895,704	570,594.05	0.4294%
TOTAL INTERNATIONAL EQUITIES	**259,032,723**	**940,311.79**	**0.3630%**
EMERGING MARKETS			
CAPITAL INTERNATIONAL - ACTIVE	**83,539,929**	**522,570.67**	**0.6255%**
DOMESTIC FIXED INCOME MGRS			
ACTIVE:			
NICHOLAS APPLEGATE	112,035,175	261,570.35	0.2335%
INVESTMENT ADVISERS INC	108,010,173	278,776.00	0.2581%
SANFORD BERNSTEIN	107,764,924	284,570.14	0.2641%
WESTERN ASSET MGMT	111,343,555	288,555.68	0.2592%
TOTAL ACTIVE	439,153,827	1,113,472.17	0.2535%

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
NDSIB PENSION TRUST
MONEY MANAGER FEE STRUCTURE FOR THE FISCAL YEAR 1997-1998

MANAGER	AVG MARKET VALUE		FEES PER YEAR	ANNUALIZED FEE - 1997/98
PASSIVE:				
BANK OF NORTH DAKOTA	135,817,833		80,863.87	0.0595%
TOTAL DOMESTIC FIXED INCOME	**574,971,660**		**1,194,336.04**	**0.2077%**
HIGH YIELD BONDS				
WESTERN ASSET - ACTIVE	79,303,688		**156,105.46**	**0.1968%**
INTERNAT'L FIXED INCOME MGR				
BRINSON PARTNERS - ACTIVE	**98,554,274**		**385,080.92**	**0.3907%**
VENTURE CAPITAL MGRS				
BRINSON (INST. FUND II) (*)	3,000,000	**	52,500.00	1.7500%
BRINSON (INST. FUND III) (*)	6,000,000	**	60,000.00	1.0000%
BRINSON PARTNERSHIP FUND	12,500,000	**	125,000.00	1.0000%
CORAL PARTNERS V	7,500,000	**	-	0.0000%
CORAL PARTNERS II	5,000,000	**	85,679.18	1.7136%
TOTAL VENTURE CAPITAL	**34,000,000**		**323,179.18**	**0.9505%**
REAL ESTATE MGRS				
REAL ESTATE - HEITMAN/JMB	5,263,993		52,538.00	0.9981%
REAL ESTATE - WESTMARK (TCW)	5,728,400		81,807.99	1.4281%
INVESCO	42,490,252		227,283.10	0.5349%
J.P. MORGAN	29,471,802		295,940.08	1.0041%
TOTAL REAL ESTATE	**82,954,447**		**657,569.17**	**0.7927%**
CASH EQUIVALENTS				
THE NORTHERN TRUST - ACTIVE	**32,490,394**		**57,588.59**	**0.1772%**
TOTAL FEE BASED MKT VALUE	**2,141,534,717**		**6,925,251.74**	**0.3234%**

* Fees estimated based on fee schedules.

** Fee based on committed capital, therefore average market value was replaced with committed capital for these accounts.

Mutual Fund Industry Expenses

Source – Lipper Analytical Services Inc.

Mutual Fund Universe	Total Expense Ratio (%)
Equity Funds (stocks)	1.510
Fixed Income (bonds)	1.917

Expense charges vary among funds. Not all funds charge for each of the expense items identified below. The reported averages apply to charges when they occur.

Fund Universe	Advisory Fee %	T/A Expense	Admin. Expense	12b-1 Fees	Audit Fees	Custody Fees	Directors Fees	Legal Fees
Equity Funds	0.673	0.285	0.212	0.596	0.325	0.116	0.025	0.053
Fixed Income	1.166	0.301	0.139	0.497	0.036	0.061	0.015	0.016