

Welcome!

Teachers' Fund for Retirement (TFFR)
Info Mixer

Tuesday March 29, 2022, at 4:00 p.m.
Wednesday March 30, 2022, at 10:00 a.m.

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Once we begin, we invite you to turn your video on so we can do introductions. Once the presentation starts, we ask that everyone turn their video off and mute themselves. We will give instructions for asking questions.

**TFFR
EMPLOYEE PAYMENT PLAN
MODELS**

TFFR – A Qualified Defined Benefit Public Pension Plan Covered Under Section 401(a) of the Internal Revenue Code (IRC).



3 Sources of Funding

Employer Contribution
= 12.75% of Salary

Employee Contribution
= 11.75% of Salary

Investment Earnings



Types of Contribution
Payment Plan Models
Discussed

Model 1

Model 2 Partial %

Model 2 All

TFFR EMPLOYER MODELS

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

- **Model 1:** Employee contribution is paid by employee through a salary reduction and remitted by employer as tax deferred dollars.
- **Model 2 All:** Employee contribution is paid by employer as a salary supplement and remitted to TFFR as tax deferred dollars.
- **Model 2 Partial % :** A portion of the 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 1

Employer Remittance of ALL the Member Contributions as a Salary Reduction

Contract/Additional TFFR Salary Earned by the Member	\$50,000.00	
<u>Retirement Salary</u>	<u>\$50,000.00</u>	
Employer Contributions	\$ 6,375.00	(Retirement Salary of \$50,000 x 12.75%)
Tax-Deferred Member Contributions Withheld from Member's Pay and Remitted by the Employer as a Salary Reduction	\$ 5,875.00	(Retirement Salary of \$50,000 x 11.75%)
Taxable Salary Reported for Federal and ND State Income Tax Purposes	\$44,125.00	(Contract Salary of \$50,000 less \$5,875 Tax-Deferred Member Contributions)
Taxable Salary Reported to Social Security	\$50,000.00	

MODEL 2 (ALL)

Employer Payment of ALL the Member Contributions as a Salary Supplement

Contract/Additional TFFR Salary Earned by the Member	\$50,000.00
<u>Retirement Salary</u>	<u>\$56,657.22</u> ((Contract Salary of \$50,000/(1.0 -.1175=.8825))
Employer Contributions	\$ 7,223.80 (Retirement Salary of \$56,657.22 x 12.75)
Tax-Deferred Member Contributions Paid by the Employer as a Salary Supplement	\$ 6,657.22 (Retirement Salary of \$56,657.22 x 11.75%)
Taxable Salary Reported for Federal and North Dakota State Income Tax Purposes	\$50,000.00
Taxable Salary Reported to Social Security	\$50,000.00

MODEL 1

With an increase in Salary equal to the Retirement Salary from Model 2 All

Contract/Additional TFFR Salary Earned by the Member	\$56,657.22
Retirement Salary	\$56,657.22
Employer Contributions	\$ 7,223.80 (Retirement Salary of \$56,657.22 x 12.75%)
Tax-Deferred Member Contributions Withheld from Member's Pay and Remitted by the Employer as a Salary Reduction	\$ 6,657.22 (Retirement Salary of \$56,657.22 x 11.75%)
Taxable Salary Reported for Federal and ND State Income Tax Purposes	\$50,000.00 (Contract Salary of \$56,657.22 less \$6,657.22 Tax-Deferred Member Contributions)
Taxable Salary Reported to Social Security	\$56,657.22

FICA Savings Example

- Change from Model 1 to Model 2 or give salary increase of an equal amount.
- Assume 50 employees are making \$50,000 annually.

Employee Impact:

Model 1 FICA Salary $\$56,657.22 \times 7.65\% = \$4,334$

Model 2 FICA Salary $\$50,000.00 \times 7.65\% = \$3,825$

\$509 less employee FICA taxes under Model 2

Employer Impact:

Model 1 FICA Salary $\$56,657.22 \times 50 \times 7.65\% = \$216,714$

Model 2 FICA Salary $\$50,000.00 \times 50 \times 7.65\% = \$191,250$

\$25,464 less employer FICA taxes under Model 2

MODEL 2 (Partial)

Employer Payment of A PERCENTAGE OF Member Contributions as a Salary Supplement

Example: Employer agrees to pay member contributions of 7.75%, as a salary supplement. The remaining 4.00% will be deducted from the member's pay. All member contributions will be tax-deferred.

Contract/Additional TFFR Salary Earned by the Member	\$50,000.00
<u>Retirement Salary</u>	<u>\$54,200.54</u> ((Contract Salary of \$50,000/(1.0 - .0775=.9225))
Employer Contributions	\$ 6,910.59 (Retirement Salary of \$54,200.54 x 12.75%)
Tax-Deferred Member Contributions Paid by the Employer as a Salary Supplement	\$ 4,200.54 (Retirement Salary of \$54,200.54 x 7.75%)
Tax-deferred Member Contributions Withheld from Member's Pay and Remitted by the Employer as a Salary Reduction	\$ 2,168.02 (Retirement Salary of \$54,200.54 x 4%)
Taxable Salary Reported for Federal and North Dakota State Income Tax Purposes Member	\$47,831.98 (Contract Salary of \$50,000 less \$2,168.02 Tax-deferred Contributions paid by member)
Taxable Salary Reported to Social Security	\$50,000.00

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Cost Analysis for Changing Employer Payment Models

Model 1 compare to Model 2 at 11.75%

ASSUMPTIONS:

ALL INFORMATION BELOW IS FOR INFORMATIONAL PURPOSES ONLY

DISTRICT IS CURRENTLY UNDER MODEL 1

COMPARES MODEL 1 TO MODEL 2 DISTRICT PAYING ALL OF THE MEMBER CONTRIBUTION (11.75%)

	FORMULA	Current MODEL 1	MODEL 1 BASE SALARY INC	MODEL 2 @11.75%
A - AVERAGE CONTRACT/ADDITIONAL SALARY		\$ 50,000.00	\$ 56,657.22	\$ 50,000.00
B - % DISTRICT WISHES TO PAY OF MEMBER CONTRIBUTIONS		0.00%	0.00%	11.750%
C - RETIREMENT SALARY TO TFFR	A / (1 - B)	\$ 50,000.00	\$ 56,657.22	\$ 56,657.22
D - TAX DEFER MEMBER CONTRIB Pd by Employee		\$ 5,875.00	\$ 6,657.22	\$ -
E - TAX DEFER MEMBER CONTRIB Pd by Employer		\$ -	\$ -	\$ 6,657.22
F - EMPLOYER CONTRIBUTIONS	C *12.75%	\$ 6,375.00	\$ 7,223.80	\$ 7,223.80
G - CONTRACT/ADDITIONAL SALARY	A	\$ 50,000.00	\$ 56,657.22	\$ 50,000.00
H - CONTRIBUTIONS DEDUCTED FROM PAY CHECK	D	\$ 5,875.00	\$ 6,657.22	\$ -
H - TAKE HOME PAY FOR TEACHER B4 Taxes	G - H	\$ 44,125.00	\$ 50,000.00	\$ 50,000.00
	Take home pay difference B4 taxes		13.31%	13.31%
			\$ 5,875.00	\$ 5,875.00
J - SALARY REPORTED FOR FEDERAL TAX		\$ 44,125.00	\$ 50,000.00	\$ 50,000.00
K - SALARY REPORTED FOR FICA WAGES	A	\$ 50,000.00	\$ 56,657.22	\$ 50,000.00
EFFECT ON SCHOOL DISTRICT PAYROLL	FORMULA	Current MODEL 1	MODEL 1 BASE INCREASE	MODEL 2 @ 11.75%
L - TOTAL DISTRICT COMPENSATION		\$ 2,500,000.00	\$ 2,832,861.19	\$ 2,500,000.00
M - TFFR SALARY	L / (1 - B)	\$ 2,500,000.00	\$ 2,832,861.19	\$ 2,832,861.19
N - MEMBER CONTRIBUTION PAID BY DISTRICT	M * B	\$ -	\$ -	\$ 332,861.19
O - EMPLOYER CONTRIBUTIONS PAID BY DISTRICT	M *12.75%	\$ 318,750.00	\$ 361,189.80	\$ 361,189.80
P - FICA TAX PAID BY EMPLOYER	L * 7.65%	\$ 191,250.00	\$ 216,713.88	\$ 191,250.00
Q - TOTAL PAYROLL EXPENSE FOR SCHOOL	L + N + O + P	\$ 3,010,000.00	\$ 3,410,764.87	\$ 3,385,300.99
	DISTRICT PAYROLL EXPENDITURE INCREASE		13.31%	12.47%
	OR		\$ 400,764.87	\$ 375,300.99

North Dakota Retirement and Investment Office

Model Change Effect on Individual Payroll

Model 1 to Model 2 @ **11.75%** Model 2 Pick-Up Percentage

Compares district paying member contributions as a salary supplement (Model 2 all) to Model 1

Federal Tax	Y	[Enter Y if yes, N if no]
State Tax	Y	[Enter Y if yes, N if no]
Withholding Status	M	[S for single, M for married]
# of exemptions	0	

	<u>Model 1</u>	<u>Model 2 (all) 11.75%</u>	
Yearly Contracted Salary	56,657.22	50,000.00	
TFFR Yearly Retirement Salary	56,657.22	56,657.22	Contract Salary / (1 minus % of pick-up amount)
Pay Periods	12	12	
Monthly Contract Salary	4,721.44	4,166.67	
TFFR Monthly Retirement Salary	4,721.44	4,721.44	
Member Contributions (Tax-Deferred)	554.77	554.77	Paid by Employer (tax-deferred)
	Deducted from Pay	-	Deducted from Pay (tax deferred)
Taxable Salary (Fed & State)	4,166.67	4,166.67	
Monthly Contract Salary	4,721.44	4,166.67	
Deductions:			
TFFR Contributions	554.77	0.00	
Federal Tax	461.00	461.00	
State Tax	72.11	72.11	
Social Security	292.73	258.33	6.2% X Monthly Contract Salary
Medicare	68.46	60.42	1.45% X Monthly Contract Salary
Net Salary	<u>3,272.37</u>	<u>3,314.81</u>	

TFFR Employer Payment Plan Model Comparison

Employer Contribution 12.75% and Member Contribution 11.75% (Effective 7-1-2014)

Row	Description	Model 1	Model 2 Partial %	Model 2 All	Model 1 w/ salary increase
A	Member Contribution Paid by Employer	0	7.75%	11.75%	0
B	Contract/Additional Salary	\$50,000.00	\$50,000.00	\$50,000.00	\$56,567.22
C	Retirement Salary Reported to TFFR	\$50,000.00	$\$54,200.54$ $B/(1 - A)$	$\$56,657.22$ $B/(1 - A)$	$\$56,657.22$
D	Employer Contributions $C \times 12.75\%$	\$ 6,375.00	\$ 6,910.57	\$ 7,223.80	\$ 7,223.80
E	Tax Deferred Member Contributions Paid by Employer $A \times C$	\$0.00	\$ 4,200.54	\$ 6,657.22	\$0.00
F	Tax Deferred Member Contributions Paid by Employer $C \times 11.75\% - E$	\$ 5,875.00	\$ 2,168.02	\$ 0.00	\$ 6,657.22
G	Total Member's Take Home Pay (Before Taxes) $B - F$	\$ 5,875.00	\$ 6,368.56	\$ 6,657.22	\$ 6,657.22
H	Member's Take Home Pay (Before Taxes) $B - F$	\$44,125.00	\$47,831.98	\$50,000.00	\$50,000.00
I	Reportable Income for Federal Taxes $B - F$	\$44,125.00	\$47,831.98	\$50,000.00	\$50,000.00
J	Wages Reported to FICA B	\$50,000.00	\$50,000.00	\$50,000.00	\$56,657.22

Employer Payment Plan Notification of School District Changes Form



EMPLOYER DEMOGRAPHICS AND PAYMENT PLAN MODEL (800)

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
TEACHERS' FUND FOR RETIREMENT

SFN 7894 (2-2022)

Employer Name		Employer Number (5-digit)	
Street Address			
PO Box	Telephone Number	Fax Number	
City	State	ZIP Code	
Business Manager's Name		Business Manager's Email Address	
Superintendent/Administrator's Name		Superintendent/Administrator's Email Address	
TFFR Report prepared by (if different from Business Manager)		Preparer's Email Address	

Please review the [TFFR Employer Guide](#) for information and examples of the payment plan models available to the employer. Contact TFFR if you are making a model change.

TFFR Employer Payment Plan Effective Date	July 1 <input type="text"/> (year)
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Model Selected (check one)

- Model 0 Employer withholds and remits taxed member contributions.
Percent Paid by Member - Taxed 11.75%
- Model 1 Employer withholds and remits ALL of the member contributions under a salary reduction.
Percent Paid by Member - Tax Deferred 11.75%
- Model 2 Employer pays all or a portion of the member contributions as a salary supplement.
Percent Paid by Employer - Tax Deferred % (Up to 11.75%)
Percent Paid by Member - Tax Deferred % (Balance)
- Model 4 State Agencies and State Institutions Only
The State pays a portion of the member contribution as a salary supplement.
Percent Paid by State - Tax Deferred 4.00 % (Up to 11.75%)
Percent Paid by Member - Tax Deferred 7.75 % (Balance)

I understand the terms and conditions of the TFFR Employer Payment Plan model described in the TFFR Employer Guide. The employer has selected the above model to report and pay member and employer contributions. I understand this Employer Payment Plan will remain in effect until a new plan is filed in writing. I also understand that any penalties levied by the Internal Revenue Service or Social Security Administration for improper reporting are the liability of the employer, not TFFR.

RETURN TO:

ND Retirement and Investment Office
PO Box 7100
Bismarck ND 58507-7100

Telephone: 701-328-9885
Toll free: 800-952-2970
Fax: 701-328-9897
Email: rio@nd.gov

Authorized Signature of Employer	
Title	
Date	Date Change Goes Into Effect

This form is available in an alternate format upon request.

TFFR INFORMATION

TFFR website: www.rio.nd.gov

TFFR Employer Information

- Employer reporting, employing retirees, GASB 68 info, FAQs:
<https://www.rio.nd.gov/teachers-fund-retirement-employers>

Newsletters & Reports

- Newsletters, actuarial reports, & financial reports:
<https://www.rio.nd.gov/newsletters-reports>

Contact Information

- Phone: 701-328-9885 or 1-800-952-2970
- Email: dcweeks@nd.gov
tdvolkert@nd.gov
dleingang-sargeant@nd.gov

NORTH
Dakota Be Legendary.™

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