

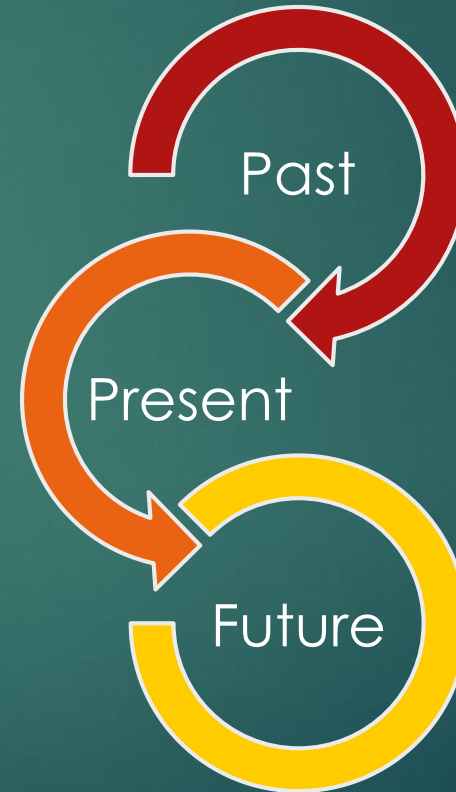
TFFR BENEFITS: PAST, PRESENT, & FUTURE

Looking to the future to support ND Educators & Employers.



Teachers' Fund for Retirement Member Benefits: 1913 to Now

- ▶ Past: A Legacy of Security and Stability
- ▶ Present: Shifting the Risk
- ▶ Future: Strategic Planning



The Past: A Legacy of Security and Stability

- ▶ Before there was the Teachers' Fund for Retirement (TFFR), there was the Teachers Insurance and Retirement Fund (TIRF).
- ▶ TIRF, created by the legislature in 1913, was the predecessor to TFFR.
- ▶ There “..was a recognition that any measures which might tend to make their jobs and their lives more secure and stable would tend to make them better teachers.”
 - ▶ Vyzralek, Frank, *Pensions for Pedagogues: A History of the North Dakota Teachers' Fund For Retirement, 1913-1988*, p.3 (1989).
- ▶ During the 1971 session, the Legislature reaffirmed its commitment to ND Educators with the creation of TFFR, the successor plan to TIRF.

The Present: Benefits for Teachers & Employers

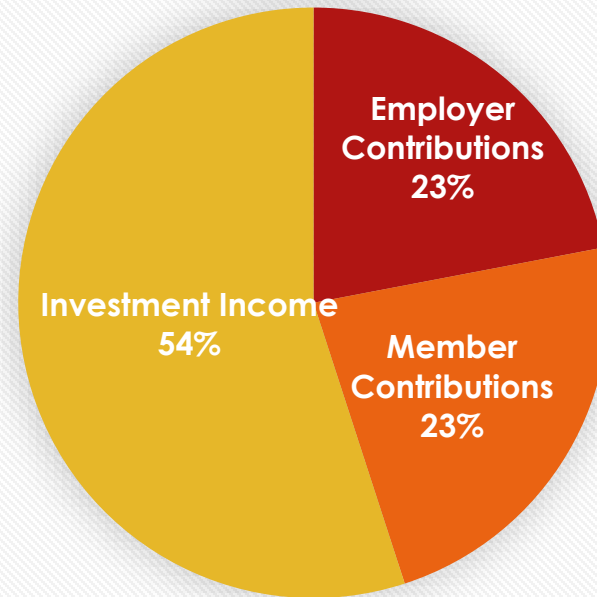
Teachers: Shifting the Risk

Employers: Negotiations & Taxes

A Benefit Model for Success

How are Benefits Funded?

ND TFFR FY End 6/30/2020



■ Employer Contributions ■ Member Contributions ■ Investment Income

Why Shifting the Risk Works



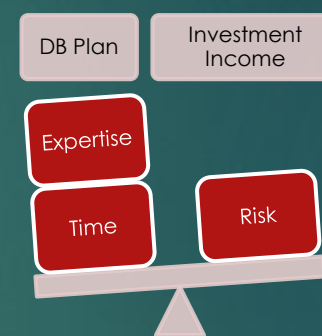
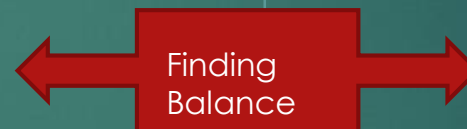
DC Plan

The Risk of creating Investment Income stays with the Member.



DB Plan

The Risk of creating Investment Income stays with the Plan.



DB Plan

DB Plans can balance this Risk with Time and Expertise.

TFFR: A Benefit to Employers

- ▶ TFFR is 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 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 2 All:** Employee contribution is paid by employer as a salary supplement and remitted to TFFR as tax deferred dollars.

FICA Savings Example: Model Change v. Salary Increase

Assume 100 employees are making \$20,000 annually.

Employee Impact

- ▶ Model 1 FICA Salary $\$22,662.89 \times 7.65\% = \$1,734$
- ▶ Model 2 FICA Salary $\$20,000.00 \times 7.65\% = \$1,530$

\$204 less employee FICA taxes under Model 2

Employer Impact

- ▶ Model 1 FICA Salary $\$22,662.89 \times 100 \times 7.65\% = \$173,371$
- ▶ Model 2 FICA Salary $\$20,000.00 \times 100 \times 7.65\% = \$153,000$

\$20,371 less employer FICA taxes under Model 2

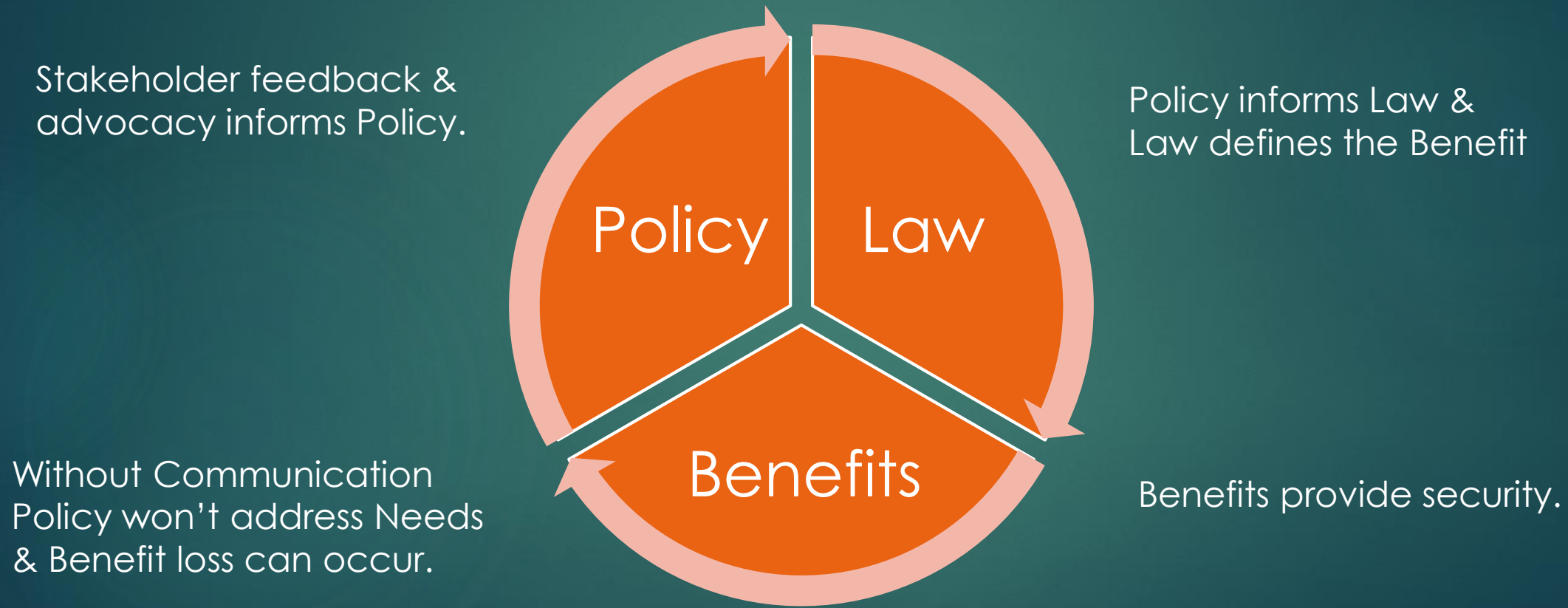
TFFR: How We Can Help

- ▶ Members:
 - ▶ Plan for retirement based on a known benefit.
 - ▶ Supports the ability to have a Choice to Retire.
 - ▶ Supports Teaching retention within the education industry and ND.
- ▶ Employers:
 - ▶ Offer a valuable recruitment and retention tool to ND Educators.
 - ▶ Partner to anticipate Workforce Needs.
 - ▶ Contribution Models support contract Negotiation Options
- ▶ TFFR provides counseling sessions for Member Retirement Benefits & will provide Employer Model presentations on request.

Planning for the Future: Pension Administration Modernization

- ▶ TFFR has undertaken a multi-year Pension Administration System (PAS) Modernization Project.
- ▶ The Goal of the PAS Project is to drastically improve the TFFR Member and Employer experience.
- ▶ Improving the efficiency and effectiveness of the System supports Fund Management and stakeholder Communication.
- ▶ Upgrades to the Member and Employer online portal experience are a priority.
- ▶ Implementation period estimated to occur 2022 through 2025.

Communication promotes Success



“Coming together is a beginning;
keeping together is progress;
working together is success.”

– *Edward Everett Hale*

*courtesy of: www.brainyquote.com

