



RETIREMENT 101

Teacher's Fund for Retirement
BASICS

2019-2020



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Type of System

TFFR is a qualified defined benefit public pension plan

Benefit funding comes from three sources:



Member
contributions

Employer
contributions

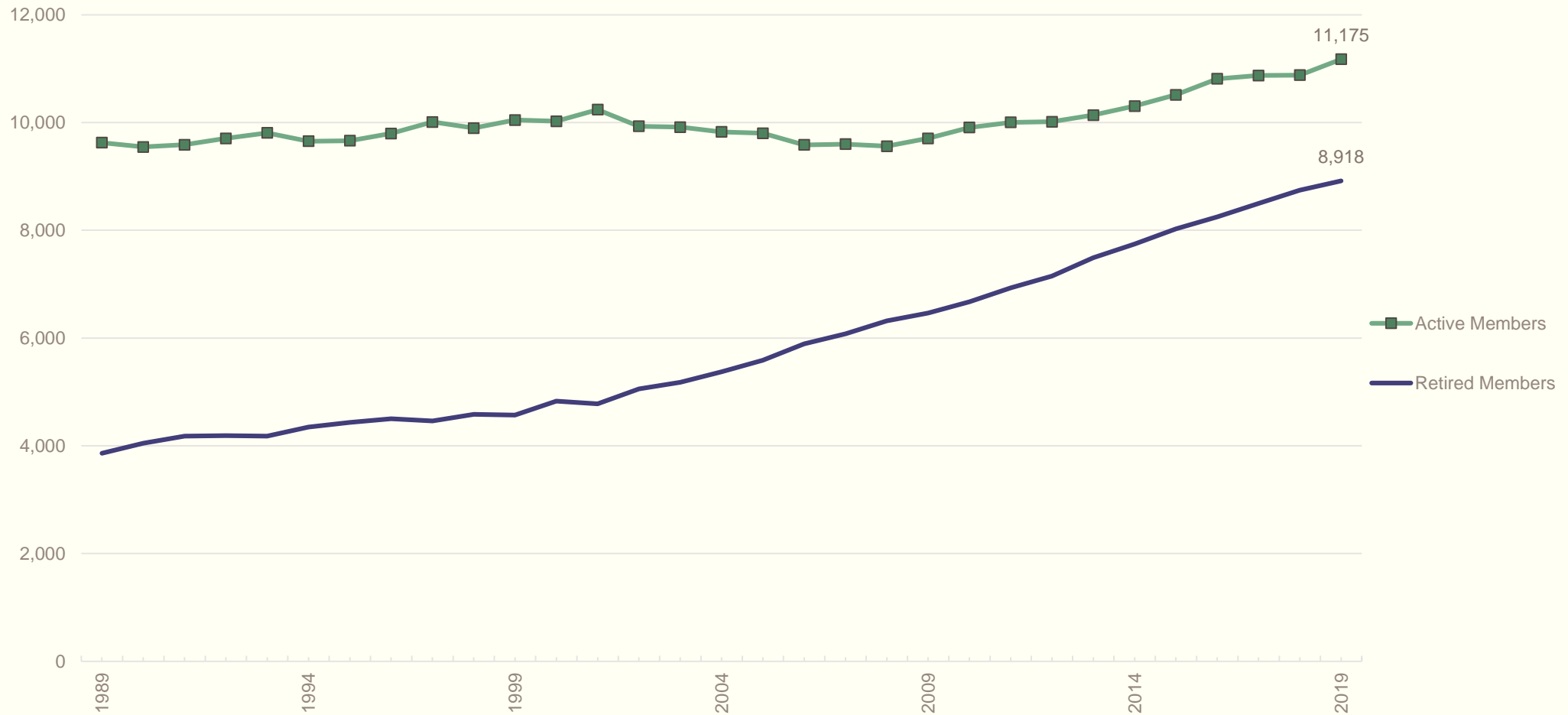


Investment
earnings

What is the difference between a defined benefit and defined contribution plan?

- **Defined benefit plan (DB)** – the benefit is defined, but the contribution is not (i.e. TFFR).
 - Employer bears most plan risks.
 - Focus is on benefit security.
- **Defined contribution plan (DC)** – the contribution is defined, but the benefit is not (i.e. 401k, 403b, 457 plans)
 - Employee bears plan risks.
 - Focus is on wealth accumulation.
- **Types of plan risks:**
 - Investment
 - Inflation
 - Contribution
 - Longevity

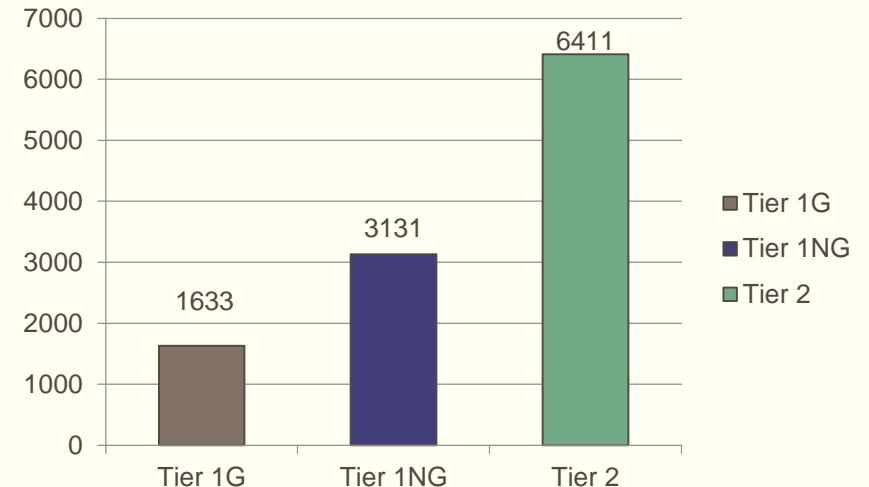
Active and Retired TFFR Members – 1989-2019



Membership

Individual Membership

- Certified to teach
- Under contract
- Tier 1 – Members as of 7/01/08
 - Tier 1 Grandfathered – Within 10 years of retirement eligibility on 6/30/13
 - Tier 1 Non-Grandfathered – More than 10 years away from retirement eligibility on 6/30/13
- Tier 2 – Members on/after 7/01/08
 - Tier 2 Non-Grandfathered



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
AND Rule	Rule of 85	Rule of 90	Rule of 90
OR 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 FAS	3 year FAS	3 year FAS	5 year FAS
x Service Credit	Total Years	Total Years	Total Years

Service Credit

- 700 compensated hours = 1 year
- If compensated for less than 700 hours, service credit is granted in proportion
 - Example: $650 \text{ hours} / 700 = .929 \text{ year}$

Salary

Earnings in eligible employment for teaching, supervisory, administrative, and extracurricular services.

Vesting

- Three years of service – Tier 1 members
- Five years of service – Tier 2 members
- Entitled to lifetime benefit when eligible

Employer Contributions

- 12.75% of salary
- Not part of account value

Member Contributions

- 11.75% of salary
 - Earns 6% interest
-
- Contribution rates reduce to 7.75% each when TFFR reaches 100% funding

Taxation of Employee Contributions

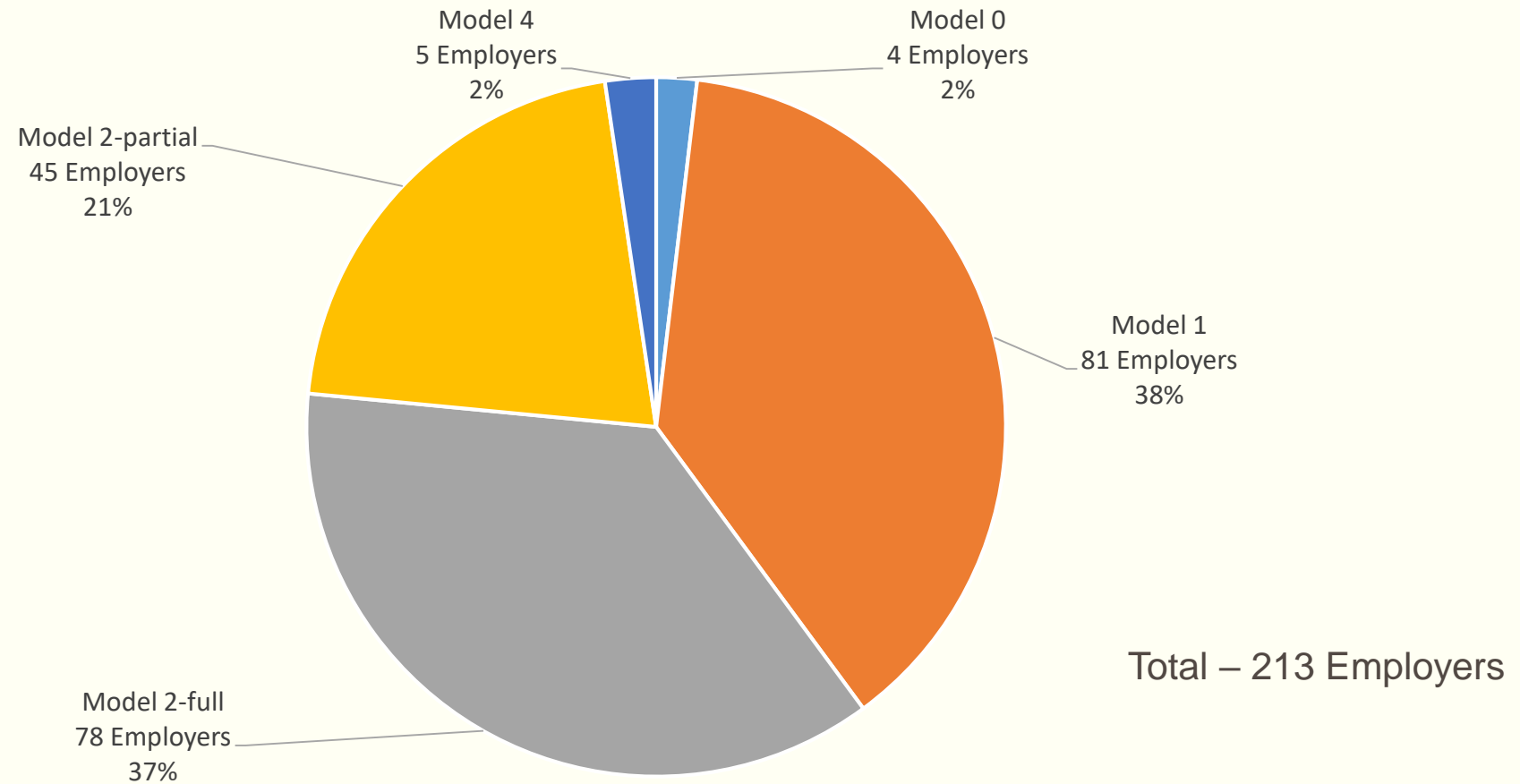
Employee contributions may be tax-deferred through a salary reduction or paid by employer as a salary supplement.

Model 0 =
Taxed

Model 1 =
Salary
reduction

Model 2 =
As a salary
supplement

Model Usage



Purchase of Service Credit

- Refunds previously taken from TFFR
- Air time
- Government agency teaching
- Leave of absence
- Legislative service
- Military service
- Out-of-state teaching
- Private/parochial school teaching

Divorce and your TFFR benefits

Marital
asset

Court
order

QDRO
model

Refund of Account Value

- Employee contributions plus 6% interest
- Cease covered employment
- 120 day waiting period
- Taxable portion is eligible for direct rollover

Benefit Formula

**Final average salary* x 2.0% x service = monthly
Single Life Annuity.**

**What percent of your Final Average Salary (FAS)
will you receive under the 2.0% multiplier?**

Years of Service	Percent of FAS
10	20%
15	30%
20	40%
25	50%
30	60%
31	62%
32	64%
35	70%
40	80%

*Tier 1 Members FAS – three high fiscal year salaries ÷ 36.

*Tier 2 Members FAS – five high fiscal year salaries ÷ 60.

Benefit Estimate Calculation – Tier 2 Members

Final Average Salary x Service x 2%

High 5 Fiscal Year TFFR Salaries:

Salary 1	\$60,000
Salary 2	\$65,000
Salary 3	\$68,000
Salary 4	\$70,000
Salary 5	<u>\$73,000</u>
Total	\$336,000 / 60 months = \$5,600 monthly
Final Average Salary (FAS)	

\$5,600 FAS x 35 yrs service x 2% = \$3,920 monthly Single Life Annuity

Note: Tier 1 member FAS is high three fiscal year salaries / 36

Service Retirement Benefits

Normal unreduced retirement

- Age 65
- Rule of 85 (Tier 1 Grandfathered)
- Min Age 60 with Rule of 90 (Tier 1 Non-Grandfathered and Tier 2)

Early reduced retirement

- Age 55

Deferred retirement

Benefit Options

Single Life
Annuity

100% Joint
and Survivor

50% Joint
and Survivor

10 Year
Certain and
Life

20 Year
Certain and
Life

Level
Income

Partial Lump
Sum

Disability Benefits

Eligibility

5 Years of service
credit

Total disability –
permanent or
temporary

Disability Formula

Final average
salary x service x
2%

Naming Your Beneficiary

- Designate beneficiary in writing
- Spouse as only primary beneficiary unless spousal consent provided

Survivor Benefits

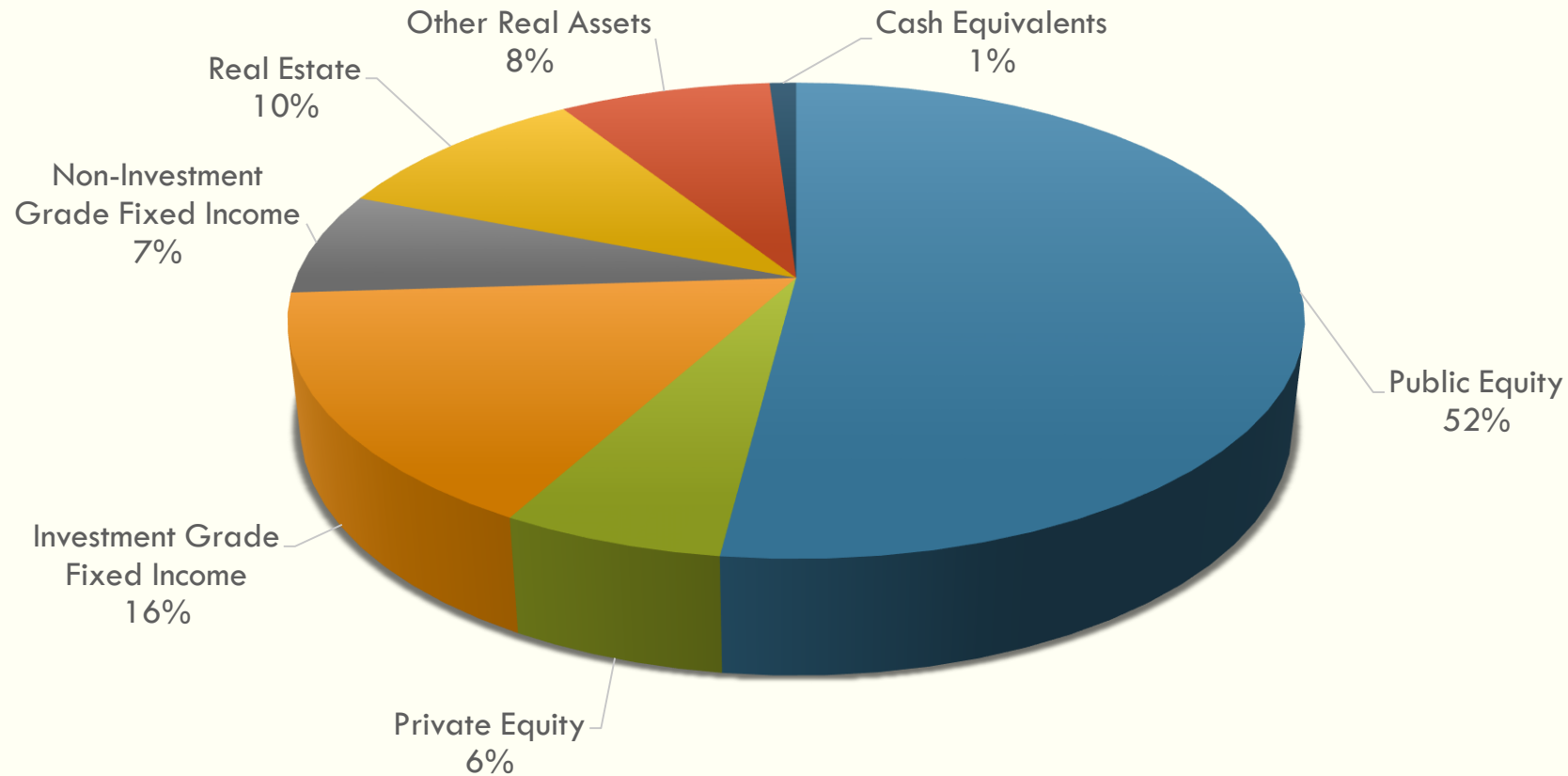
Death Prior to Retirement

- Nonvested member
 - Refund
- Vested Member
 - Refund
 - Monthly benefit for life to one beneficiary

Death After Retirement

- Plan selected at retirement

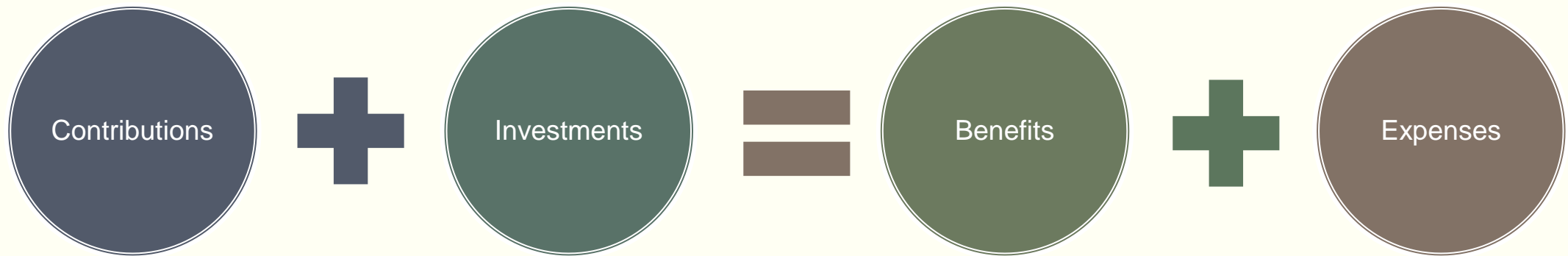
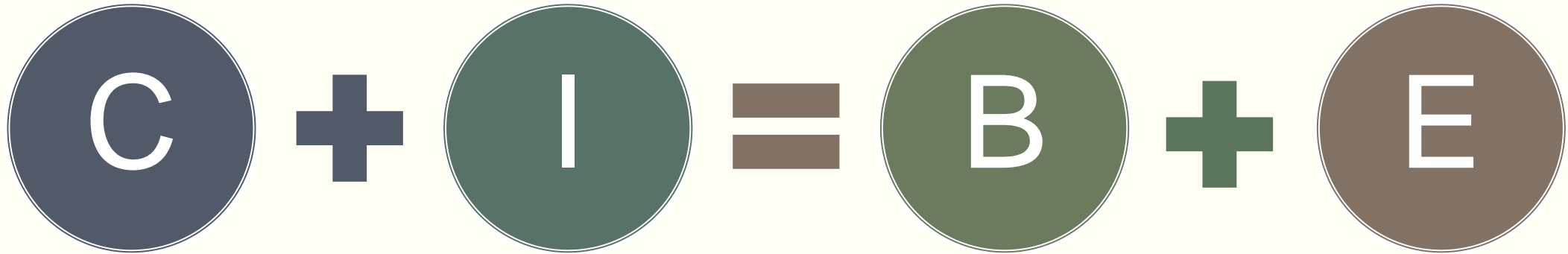
TFFR Investment Performance and Asset Allocation



As of	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>20 Years</u>	<u>30 Years</u>
6-30-19	5.5%	9.2%	6.2%	9.57%	5.68%	7.68%

Total Assets
\$2.6 Billion

Retirement Funding Equation



Not just for today, but for the long term.

TFFR Information

TFFR website: www.nd.gov/rio

- Legislation
 - Links to ND Legislative website, bill drafts, actuarial analysis
- Presentations
 - Webcast presentations on funding and legislative proposals
 - Presentations made to member and employer groups
- Publications and Reports
 - Newsletters, handbook, brochures
 - Actuarial and audit reports
- Member Online Services
- Contact Information
 - Phone: 701-328-9885 or 1-800-952-2970
 - Email: rio@nd.gov

TFFR Member Online Services

Accessing Your Account



 Go to www.nd.gov/rio


 Select TFFR Login


 Review TFFR Member Online instructions


 Select TFFR Member Login


Non-retired TFFR members can access the following account information:




 Member Account Value

 Annual Statement

 Salary and Service Detail by Fiscal Year

 Refund Account Details


 Purchase of Service Details


Retired TFFR members and beneficiaries in payment can access the following:




 Retirement Account Details

 Pension Payment Details

 Pension Deduction Details

 Annual Statement

 1099R Tax Forms

When you Google “hero,” there should be a picture of a teacher. Real heroes don’t wear capes. They work in schools.



THANKS FOR ALL YOU DO!