



2019 UPDATE

**ND RETIRED TEACHERS ASSOCIATION CONVENTION
SEPTEMBER 10, 2019**

FAY KOPP, CHIEF RETIREMENT OFFICER - DEPUTY EXECUTIVE DIRECTOR

SHELLY SCHUMACHER – RETIREMENT PROGRAM MANAGER

ND TEACHERS' FUND FOR RETIREMENT (TFFR) – ND RETIREMENT AND INVESTMENT OFFICE (RIO)

2019 CONVENTION HOST: GREATER GRAND FORKS RETIRED TEACHERS ASSN

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TFFR BOARD OF TRUSTEES

- TFFR Board of Trustees is responsible for administering the TFFR benefits program. The Board has a fiduciary responsibility to the fund's beneficiaries.
- The Board's **#1 priority** is to improve the plan's funding status to protect and sustain current and future benefits.
- The Board consists of 5 active and retired members appointed by the Governor and 2 elected state officials.



Rob Lech, President
Active Admin - Jamestown



Toni Gumeringer, Trustee
Active Teacher - Bismarck



Cody Mickelson, Trustee
Active Teacher - Jamestown

TFFR BOARD OF TRUSTEES



Mel Olson, Trustee
Retired Member
Fargo



Kirsten Baesler
State Superintendent



Mike Burton, Vice Pres.
Retired Member
Fargo



Kelly Schmidt
State Treasurer

STATE INVESTMENT BOARD (SIB)

TFFR investment program is implemented by the State Investment Board.

State Officials

- Lt. Governor
Brent Sanford, Chairman
- State Treasurer
Kelly Schmidt
- State Insurance Comm.
Jon Godfread
- Dept. of Trust Lands
Jodi Smith, Commissioner
- Workforce Safety & Insurance
Bryan Klipfel, Director

Pension Representatives

- Rob Lech, Vice Chair (TFFR)
- Toni Gumeringer (TFFR)
- Mel Olson (TFFR)
- Adam Miller (PERS)
- Troy Seibel (PERS)
- Yvonne Smith (PERS)

Legislative Representative

- Rep. Keith Kempenich, Legacy & Budget Stab. Fund Advis. Board



TFFR UPDATES

2019 LEGISLATION

- There were **no 2019 legislative changes** that directly affected TFFR plan active or retired members:
 - No benefit increases for retirees
 - No benefit changes for actives
 - No contribution rate increases
 - No plan provision modifications
 - No board member selection changes
- TFFR Board submitted one technical corrections bill for **2019 legislative session** which was approved.
 - HB 1044 includes specific statutory language required by federal tax law in order for TFFR to maintain its status as a qualified governmental pension plan. Approved.

2019 LEGISLATIVE BUDGET REQUEST: PENSION SOFTWARE UPGRADE - REPLACEMENT

- 2019 Legislature gave spending approval of up to \$9 million of TFFR funds to **upgrade or replace TFFR's outdated pension administration computer system** during 2019-21.
- Current PAS is 14 years old. Functionality and technical architecture is at end of its product release lifecycle.
- Need technologically advanced, secure web based system which would provide significant improvements in functionality, efficiency, and system security for TFFR active and retired members, employers, and staff.
- While PAS modernization project will be costly and time consuming, it is in TFFR's best interests to make this investment to take advantage of technology improvements that have been made since the current software was implemented.
- **Please be patient** as we re-engineer business processes and automate pension administration activities, reporting capabilities, electronic communications, and member and employer services through implementation of a new system.

MEMBER COMMUNICATIONS

- Current member communication methods include:
 - Phone, mail, email, personal appointments, outreach programs, website, etc.
 - **Retirees can continue to call, write, email or visit our office in Bismarck.**
- Due to the increasing cost of postage and mailing services, and the ability to provide information electronically, we are in the process of transitioning away from traditional mailing and distribution methods to more cost effective electronic methods.
- In general, less information will be printed and mailed; more information will be available on TFFR Member Online, TFFR website, or sent electronically. This will primarily affect active members.
- At this time, **there will be no change to retiree mailings.**
 - Retirees will continue to receive all TFFR information including member newsletters, account change notices, annual statements, 1099s, etc. mailed to their home address.
 - In the future, retirees on Member Online may be able to begin receiving newsletters and other member communications electronically (once new system is implemented).
 - Sign up for TFFR Member Online.

TFFR MEMBER ONLINE

- **TFFR Member Online**, a new secure internet application, is now available for all members to access TFFR account information.
- Retired members and beneficiaries in payment can access the following information:
 - Retirement account details
 - Pension payment details
 - Pension deduction details
- **Accessing Your Account:**
 - Go to www.nd.gov/rio
 - Select TFFR Link
 - Select TFFR Online Application Link
 - Review TFFR Member Online Instructions
 - Select TFFR Member Online Services
- **You will need two different IDs:**
 - **ND Login** (statewide personal use like ND Teach, STARS, DOT, Game & Fish, Motor Vehicle, etc.)
 - **TFFR Person ID Login** (TFFR personal use – found on your retiree annual statement, or any correspondence from TFFR)



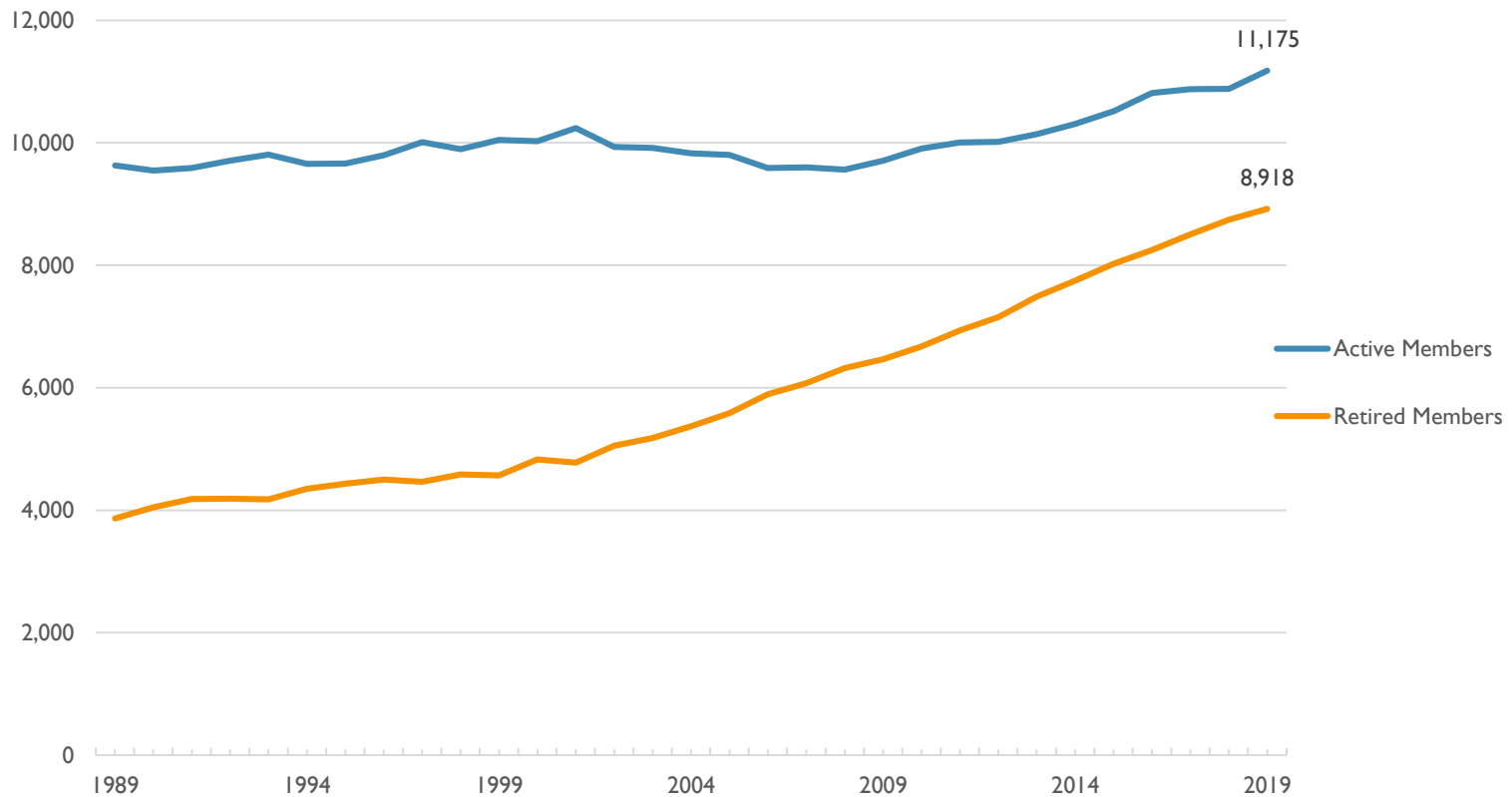
TFFR BACKGROUND

TFFR MEMBERSHIP FAST FACTS

JULY 1, 2019

	Active	Retired
▪ Membership Count	11,175	8,918
▪ Avg. Annual Salary/Benefit	\$60,443	\$24,804
▪ Avg. Service Credit	11.7 yrs.	27.3 yrs.
▪ Avg. Current Age	41.4 yrs.	71.8 yrs.

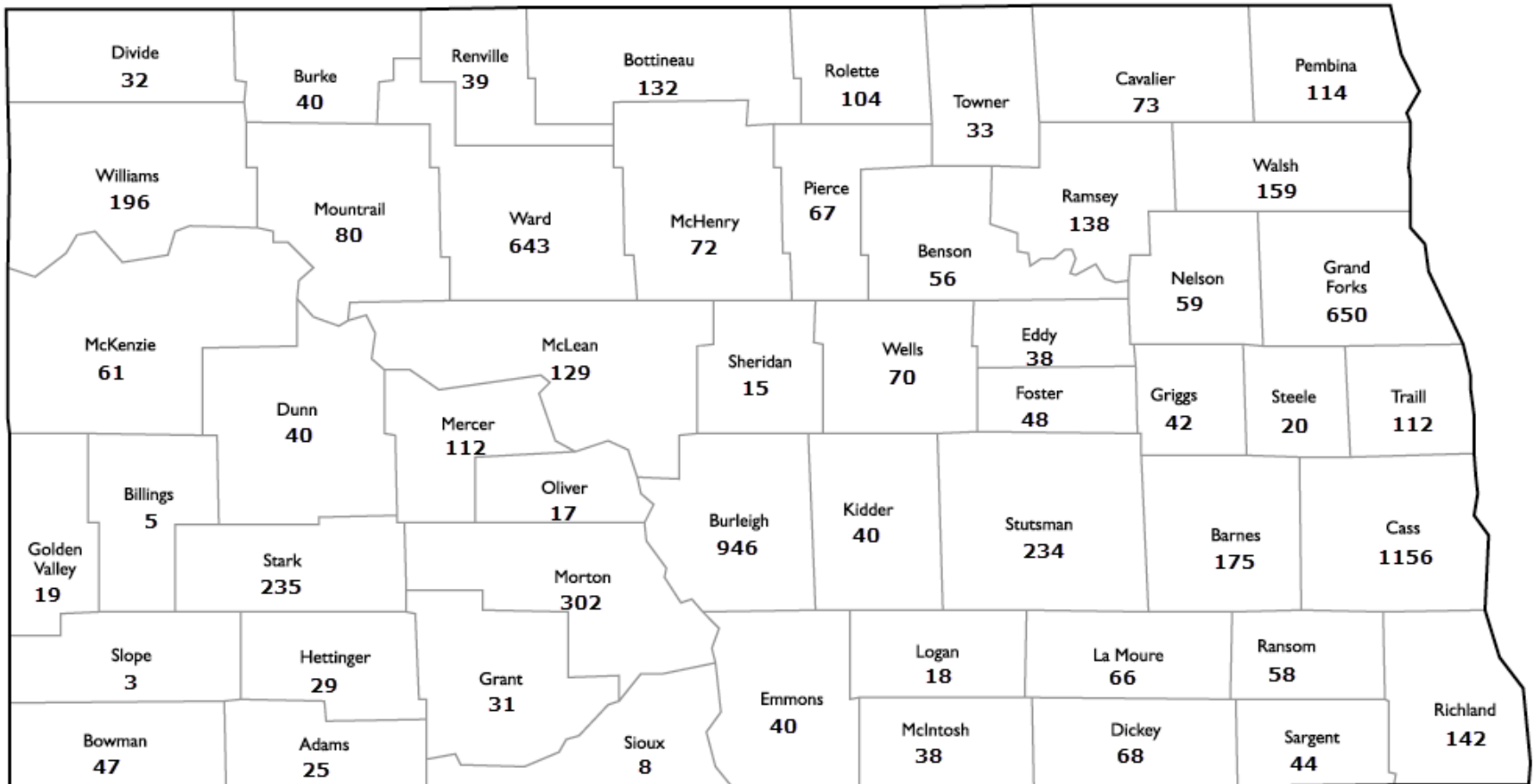
ACTIVE AND RETIRED TFFR MEMBERS 1989-2019



Year Ending June 30

*Preliminary 2019 data

TFFR RETIRED MEMBERS BY COUNTY



In-state 7,120
 Out-of-state 1,798
 Total 8,918

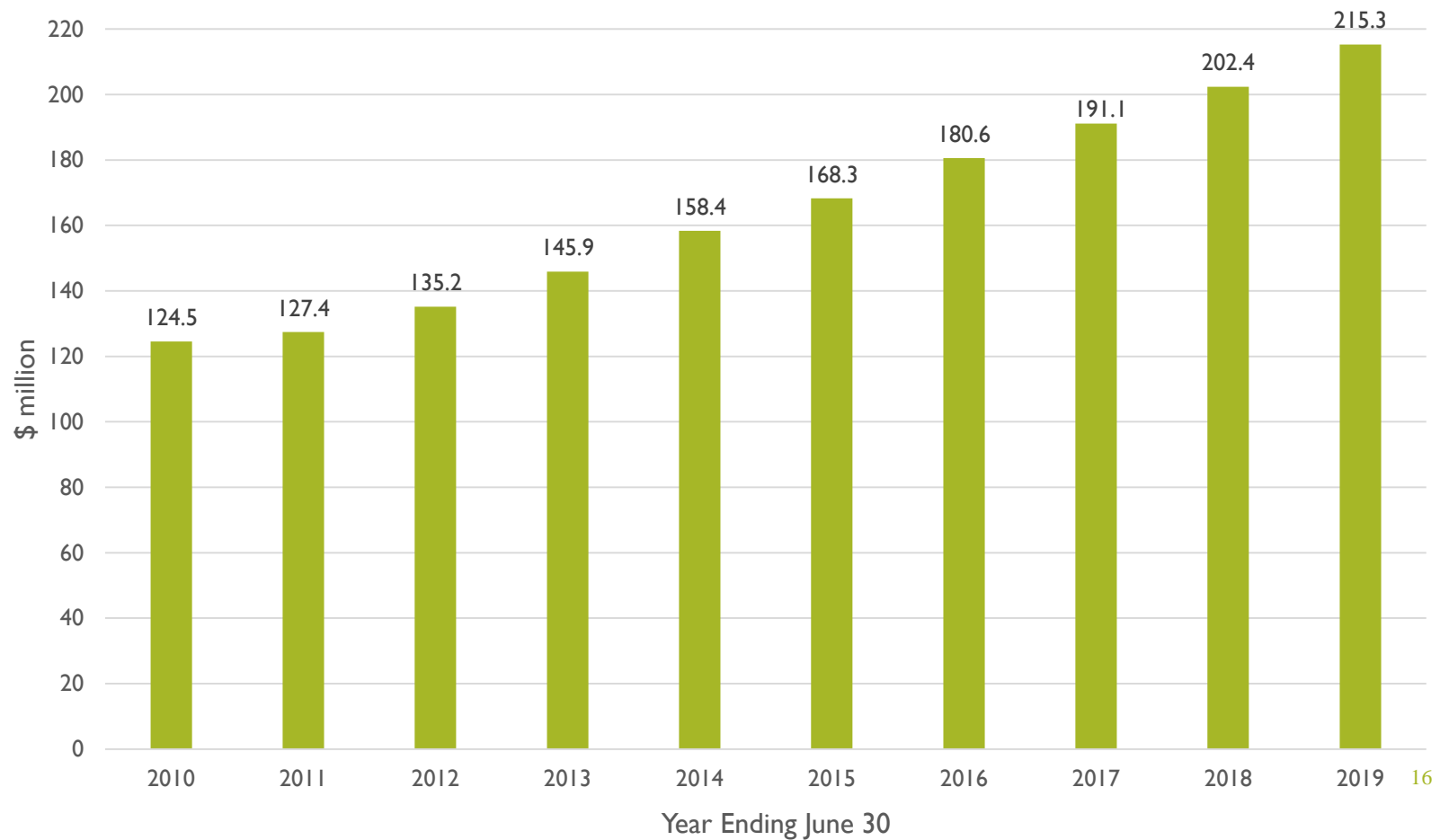
*Preliminary 2019 data

AVERAGE MONTHLY TFFR BENEFITS BY COUNTY

COUNTY	RETIREE COUNT	AVERAGE BENEFIT	TOTAL BENEFITS	COUNTY	RETIREE COUNT	AVERAGE BENEFIT	TOTAL BENEFITS
Adams	25	2,061	51,513	Mercer	112	2,163	242,301
Barnes	175	2,291	400,927	Morton	302	2,104	635,455
Benson	56	2,242	125,564	Mountrail	80	1,809	144,745
Billings	5	2,042	10,210	Nelson	59	1,775	104,715
Bottineau	132	1,808	238,598	Oliver	17	2,433	41,362
Bowman	47	1,909	89,712	Pembina	114	2,197	250,498
Burke	40	1,556	62,236	Pierce	67	1,911	128,053
Burleigh	946	2,225	2,104,979	Ramsey	138	1,940	267,686
Cass	1,156	2,362	2,730,534	Ransom	58	1,877	108,892
Cavalier	73	1,775	129,558	Renville	39	1,875	73,135
Dickey	68	2,052	139,554	Richland	142	2,351	333,815
Divide	32	1,925	61,613	Rolette	104	2,077	215,976
Dunn	40	2,117	84,692	Sargent	44	1,727	75,997
Eddy	38	1,972	74,940	Sheridan	15	1,718	25,771
Emmons	40	1,993	79,718	Sioux	8	1,997	15,974
Foster	48	2,325	111,591	Slope	3	1,355	4,065
Golden Valley	19	2,064	39,211	Stark	235	2,298	540,046
Grand Forks	650	2,305	1,498,450	Steele	20	1,894	37,876
Grant	31	1,669	51,726	Stutsman	234	2,135	499,482
Griggs	42	2,053	86,217	Towner	33	1,953	64,437
Hettinger	29	1,969	57,113	Traill	112	2,060	230,684
Kidder	40	1,872	74,876	Walsh	159	2,043	324,825
LaMoure	66	1,958	129,196	Ward	643	2,220	1,427,335
Logan	18	1,936	34,845	Wells	70	2,038	142,658
McHenry	72	2,114	152,214	Williams	196	2,365	463,599
McIntosh	38	1,882	71,510	Totals	7,120	2,173	15,474,697
McKenzie	61	1,994	121,651	Out of State	1,798	1,647	2,960,863
McLean	129	2,034	262,367	Grand Totals	8,918	2,067	18,435,560

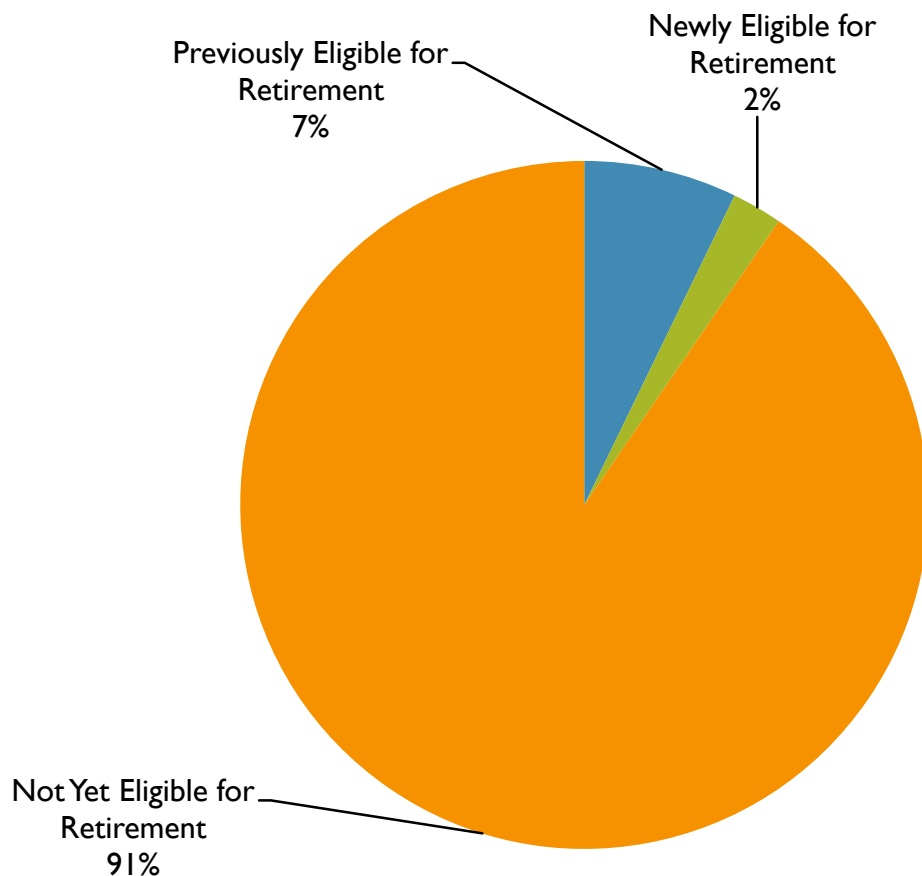
*Preliminary 2019 data

ANNUAL TFFR PENSION BENEFITS PAID



*Preliminary 2019 data

ACTIVE TFFR MEMBERS ELIGIBLE FOR RETIREMENT AS OF 1.1.2019

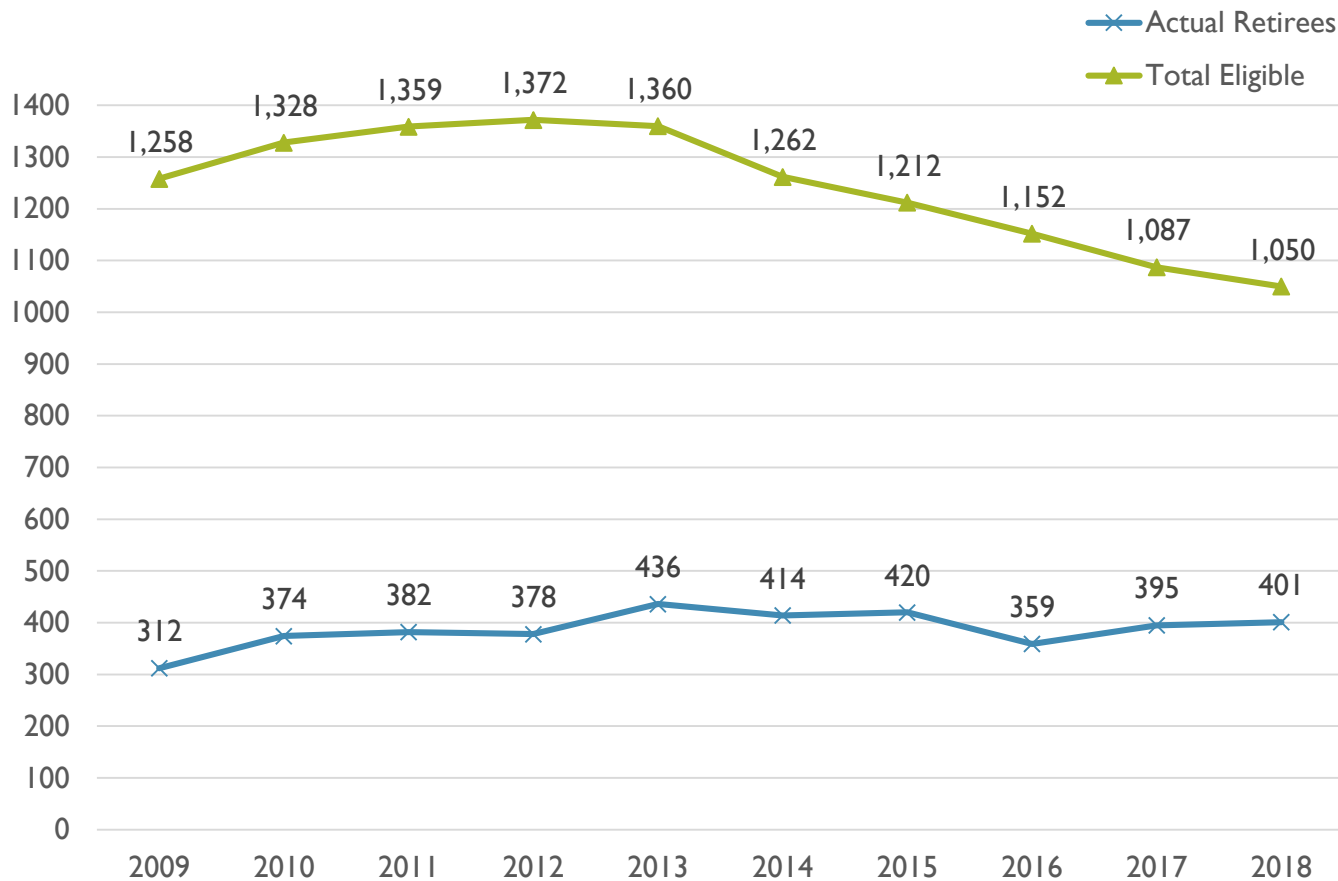


Of the 11,194 active TFFR members, 1,014 members are currently eligible to retire (9%) either under the Rule of 85, Rule of 90/Min age 60, or age 65.

Of the 1,014 active TFFR members eligible to retire, 75% are previously eligible and 25% are newly eligible in 2018-19.

Previously Eligible for Retirement	758
Newly Eligible for Retirement	256
Not Yet Eligible for Retirement	10,180
Total	11,194

ACTUAL NEW RETIREES AND TOTAL ELIGIBLE AS OF I.I.2019



10 Year History 2009-2018

- ◆ On average, 1,244 teachers have been eligible to retire each year over the last 10 years.
- ◆ On average, 387 teachers actually retired each year, or total of almost 3,871 for 10 year period.
- ◆ Approximately 31% of eligible members actually retired over the past 10 years.

TFFR RETIREE RE-EMPLOYMENT 2018-19

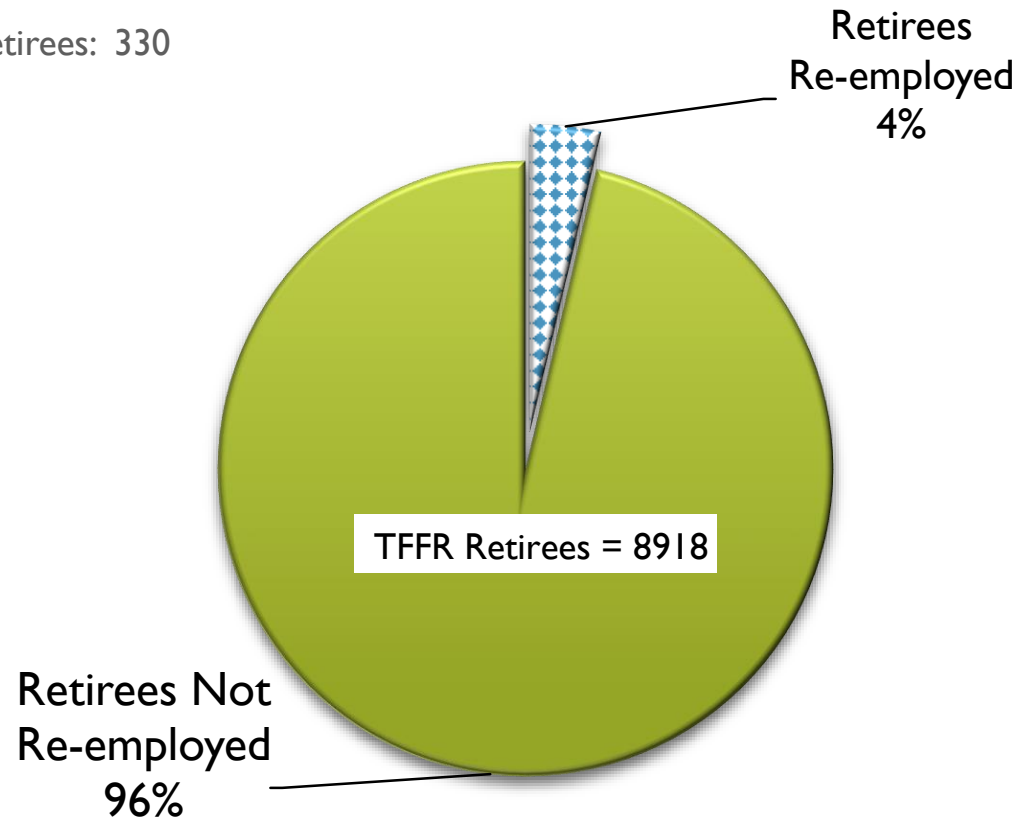
- Total number of Re-employed Retirees: 330

Superintendents	25
Administrators	14
Teachers	291

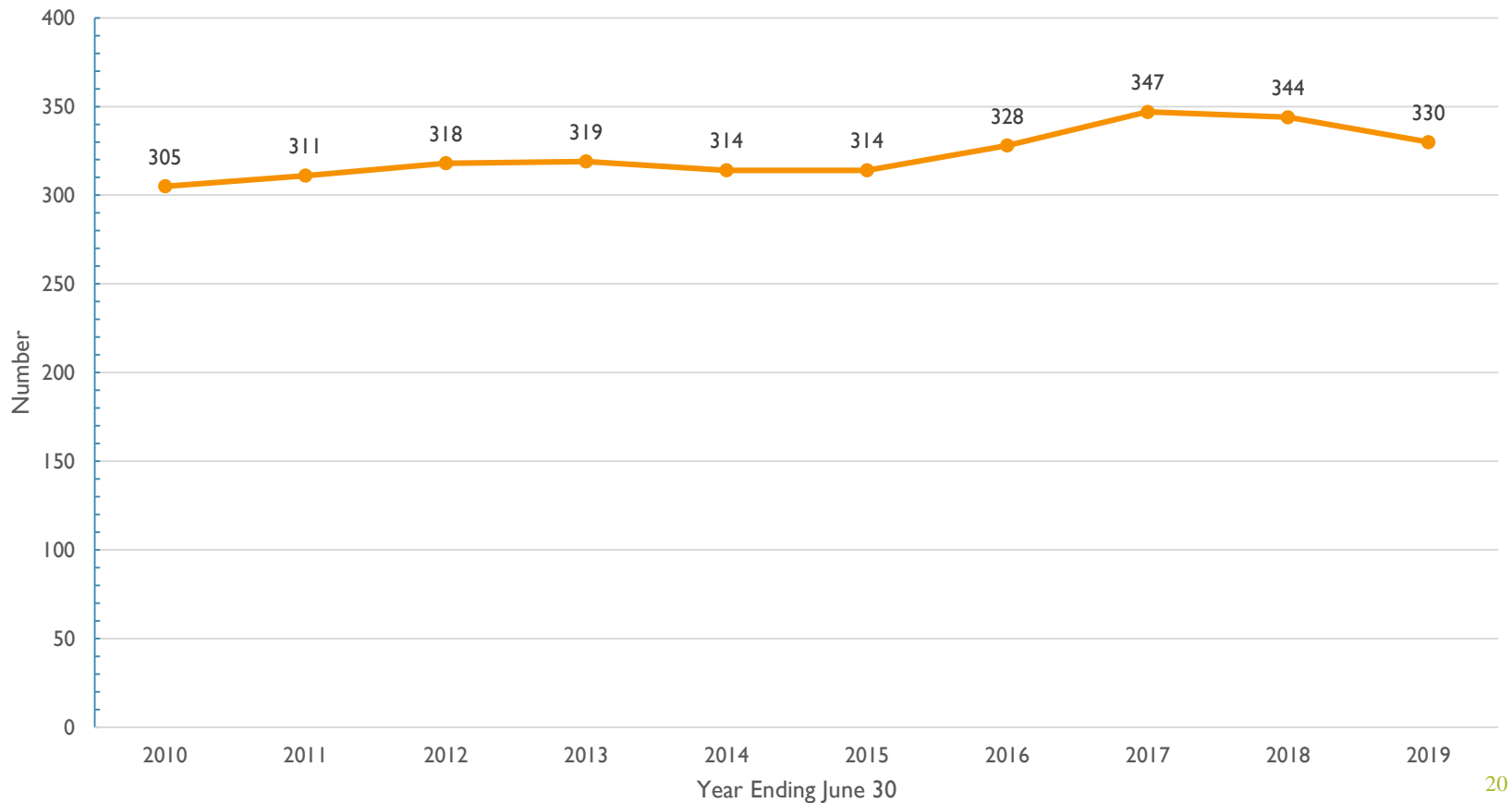
- General Rule 296
- Critical Shortage Area 31
- Suspend and Recalculate 3

- Average Age 64
- Average Salary \$24,000
- Total Salaries \$7,956,000

- No. Employers w/retirees 129



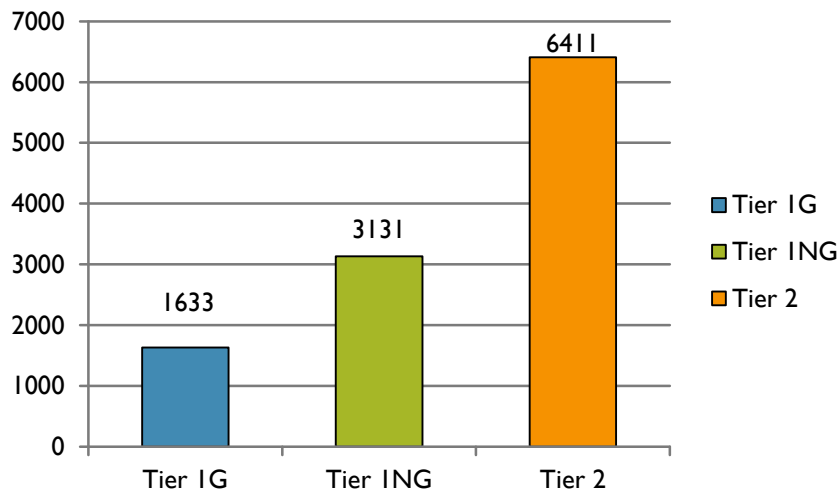
TFFR RETIREE RE-EMPLOYMENT



*Preliminary 2019 data

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



Total Active
Members
11,175

*Preliminary 2019 data

SUMMARY OF TFFR PENSION BENEFITS FOR MEMBERSHIP TIERS

	Tier I Grandfathered Member	Tier I NonGrandfathered Member	Tier 2 Member
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 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.			

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.





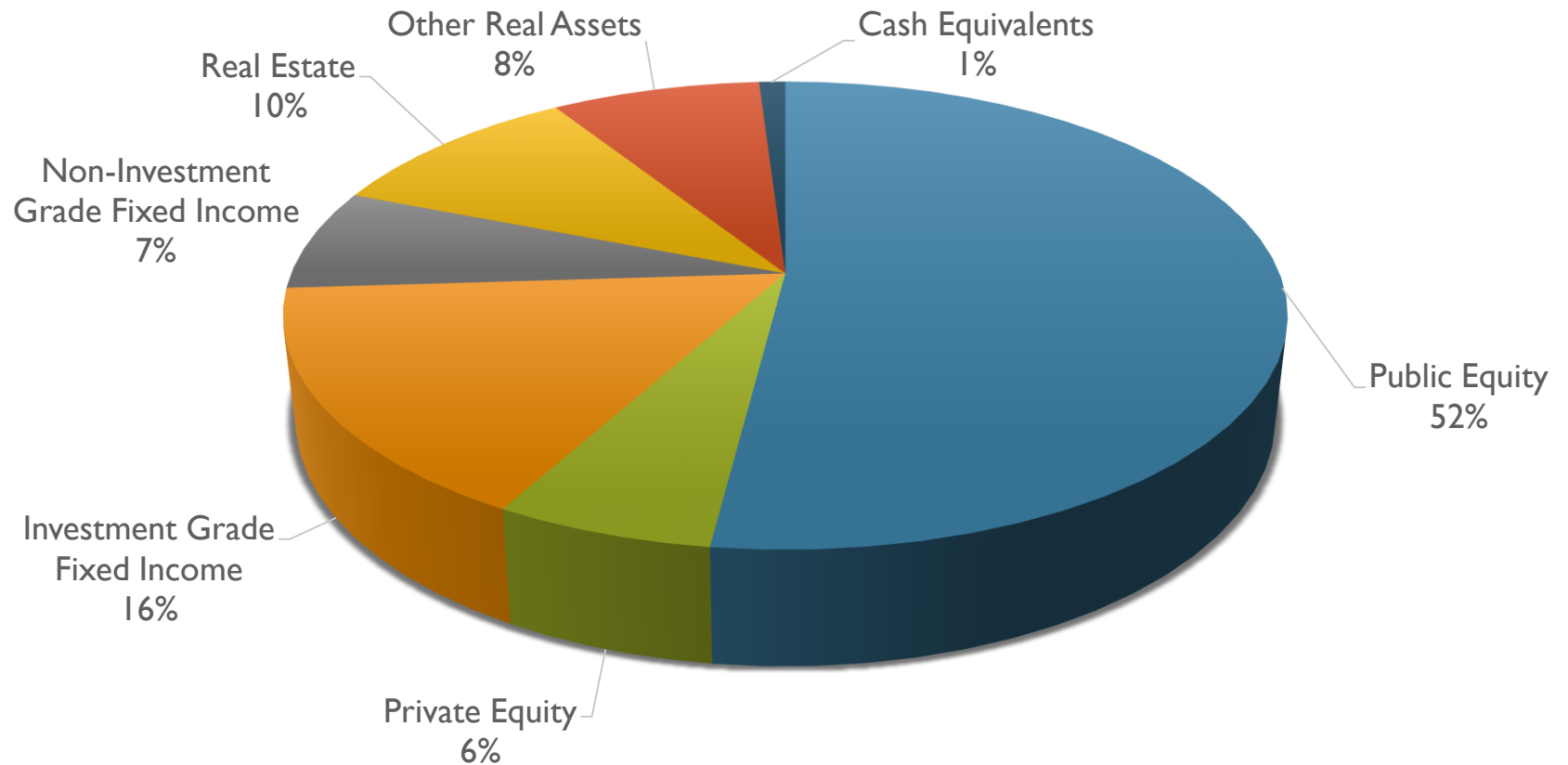
TFFR INVESTMENTS & FUNDING

ASSET LIABILITY STUDY

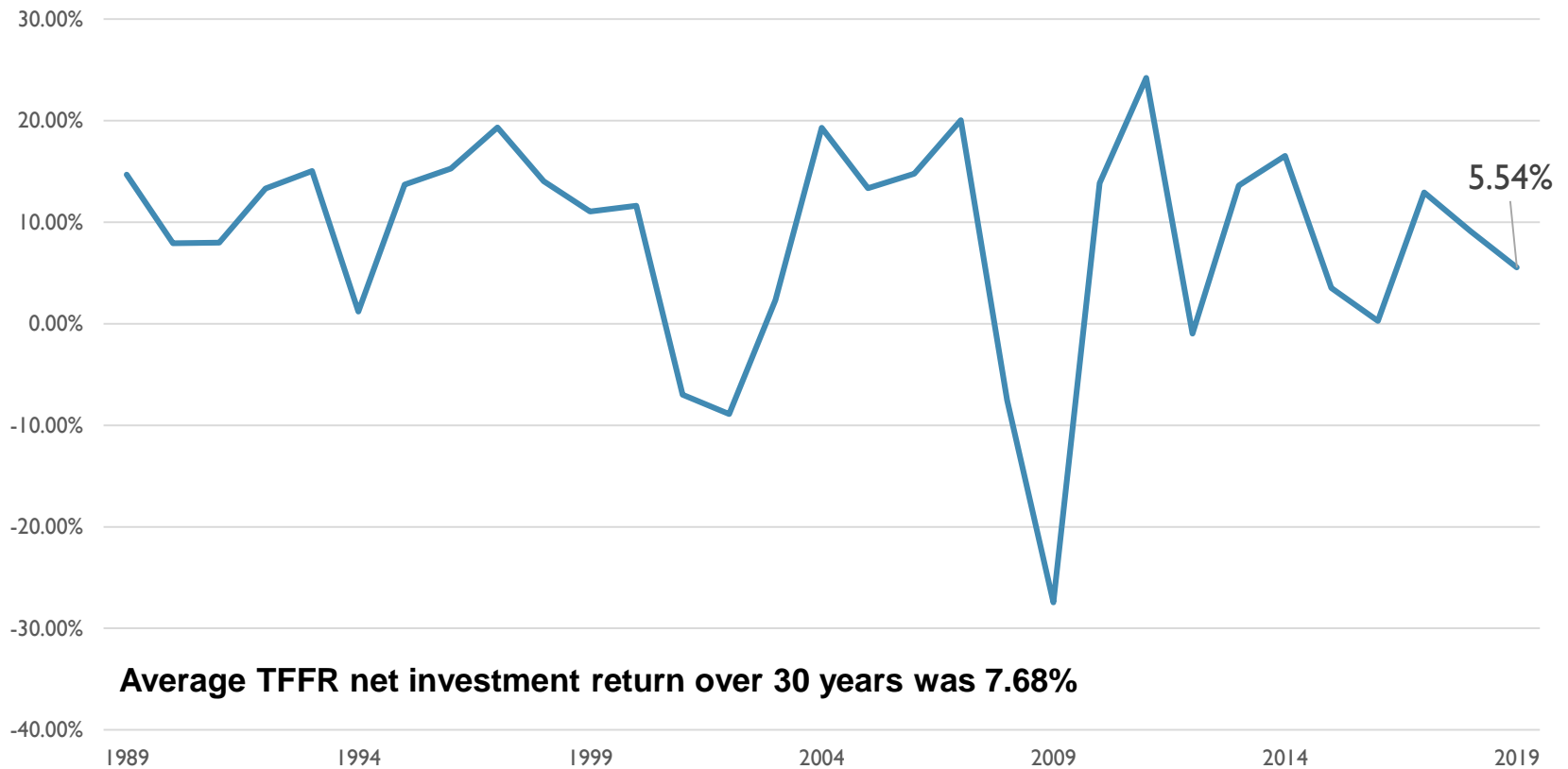
- Asset allocation and investment policy is determined by TFFR Board, with assistance from SIB Chief Investment Officer.
- TFFR investment portfolio is divided into three basic categories:
 - Global Equity – domestic, international, and private
 - Global Fixed income – domestic, international
 - Global Real assets - timber, infrastructure, other
- Every 5 years, the TFFR Board conducts **Asset Liability Study** to evaluate the effectiveness of the current and alternative asset allocations on funding levels, and investment risk and return.
- Board made some minor adjustments to TFFR's investment policy statement and asset allocation in 2015. Next study in 2020.
- TFFR's long term investment return assumption is 7.75%.

TFFR ASSET ALLOCATION

6-30-19



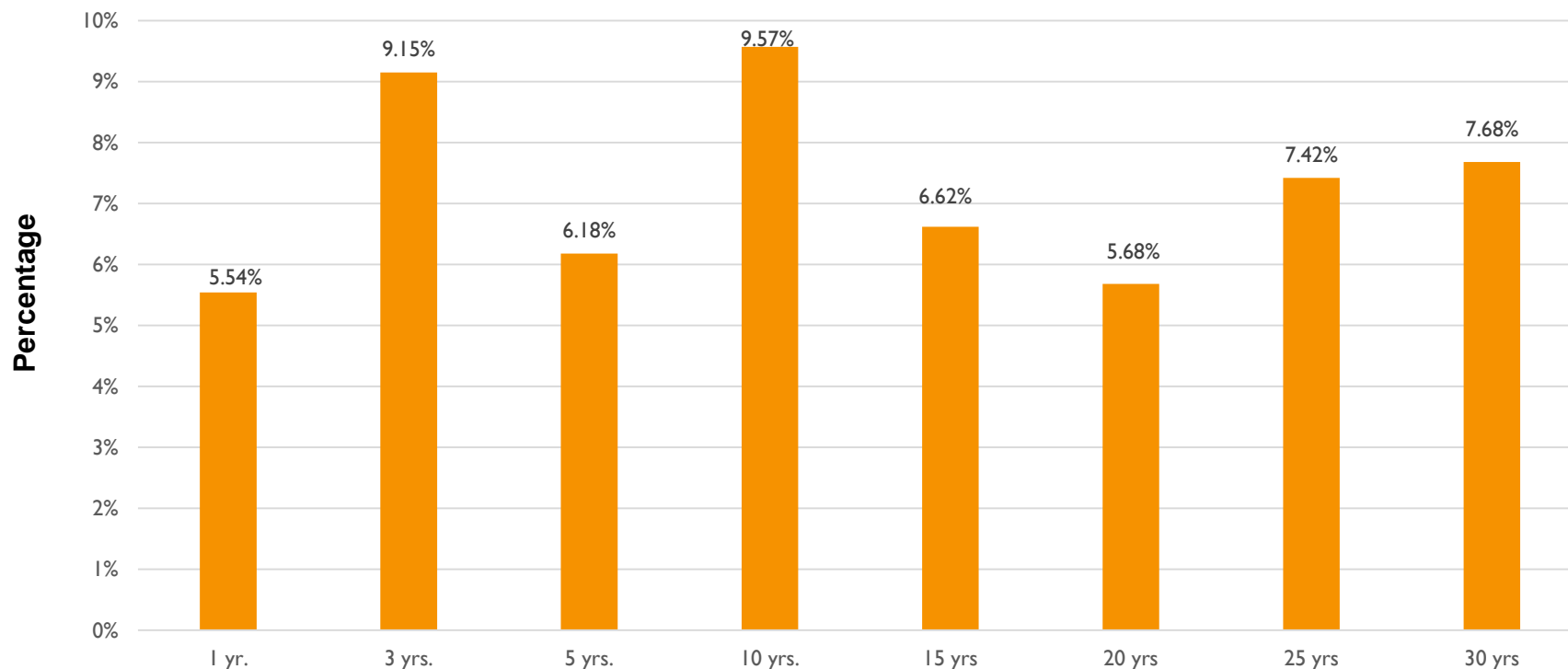
TFFR NET INVESTMENT PERFORMANCE ANNUAL 1989-2019



Note: The investment returns shown were calculated by the SIB investment consultant. This calculation uses daily time-weighted cash flows in compliance with Global Investment Performance Standards (GIPS). These returns differ from the returns calculated by the actuary. The actuary calculation uses a very simplified approach with annual income and valuation data obtained by the actuary at the end of each fiscal year.

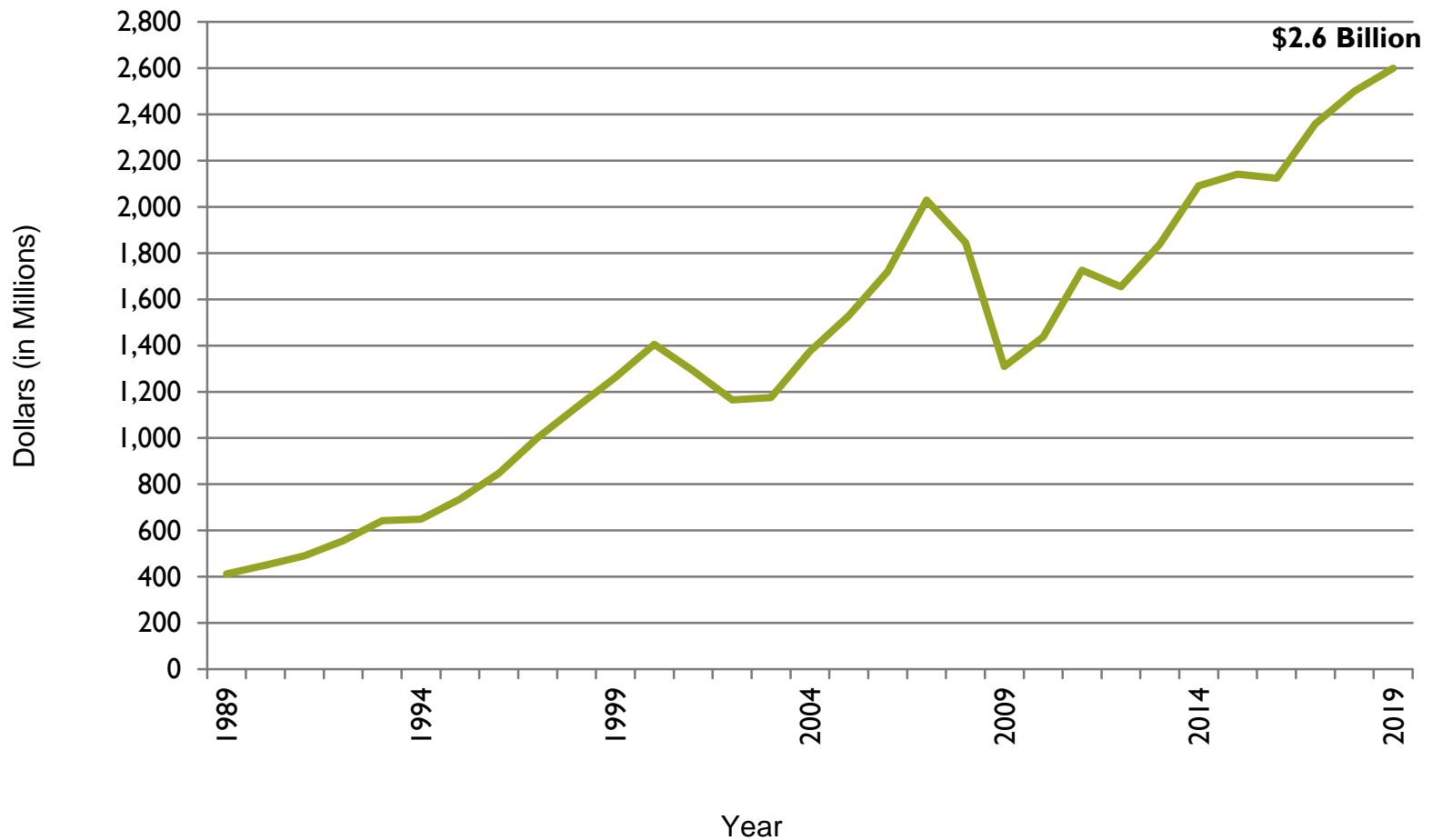
*Preliminary 2019 data

TFFR NET INVESTMENT PERFORMANCE AVERAGE - FY END JUNE 30, 2019



Note: The investment returns shown were calculated by the SIB investment consultant. This calculation uses daily time-weighted cash flows in compliance with Global Investment Performance Standards (GIPS). These returns differ from the returns calculated by the actuary. The actuary calculation uses a very simplified approach with annual income and valuation data obtained by the actuary at the end of each fiscal year.

FAIR MARKET VALUE OF TFFR ASSETS 1989-2019



*Preliminary 2019 data

RETIREMENT FUNDING EQUATION

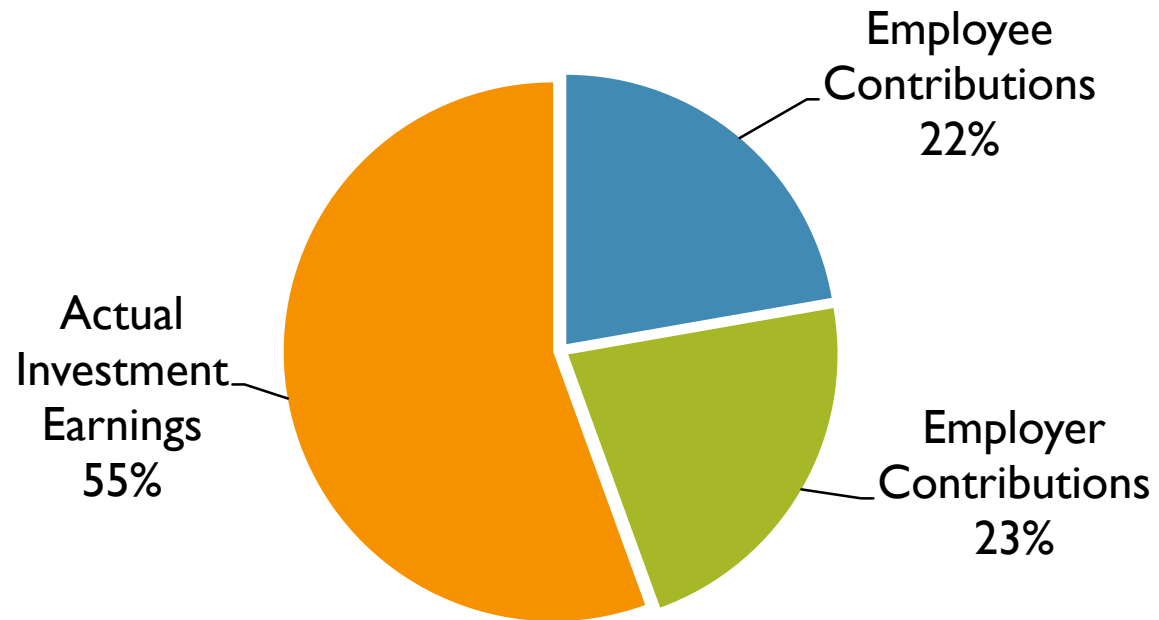
$$C + I = B + E$$

Contributions + Investments = Benefits + Expenses

Not just for today, but for the long term.



SOURCES OF TFFR REVENUE FY 1990-2019



ACTUARIAL STUDIES

- **Actuarial Valuation** is conducted by TFFR's actuary, Segal Consulting, each year. Purpose is to determine the adequacy of the employer contribution rate, describe the current financial condition of TFFR, and analyze changes in TFFR's financial condition.
 - See 2018 annual valuation results. 2019 valuation is in process.
- **Actuarial Risk Assessment and Plan Management Policy** is currently under development.
 - Risk Assessment and Stochastic Modeling projections provide additional information regarding future financial health of TFFR based on probabilities.
 - Plan Management Policy will identify policy metrics and construct a scoring system to assist TFFR in meeting it's long-term funding goals.
 - This is expected to be done annually (after the valuation), and serve as an advance warning tool.
 - Plan Management Policy is a more robust way to evaluate the ongoing financial health and sustainability of TFFR plan.

ACTUARIAL STUDIES

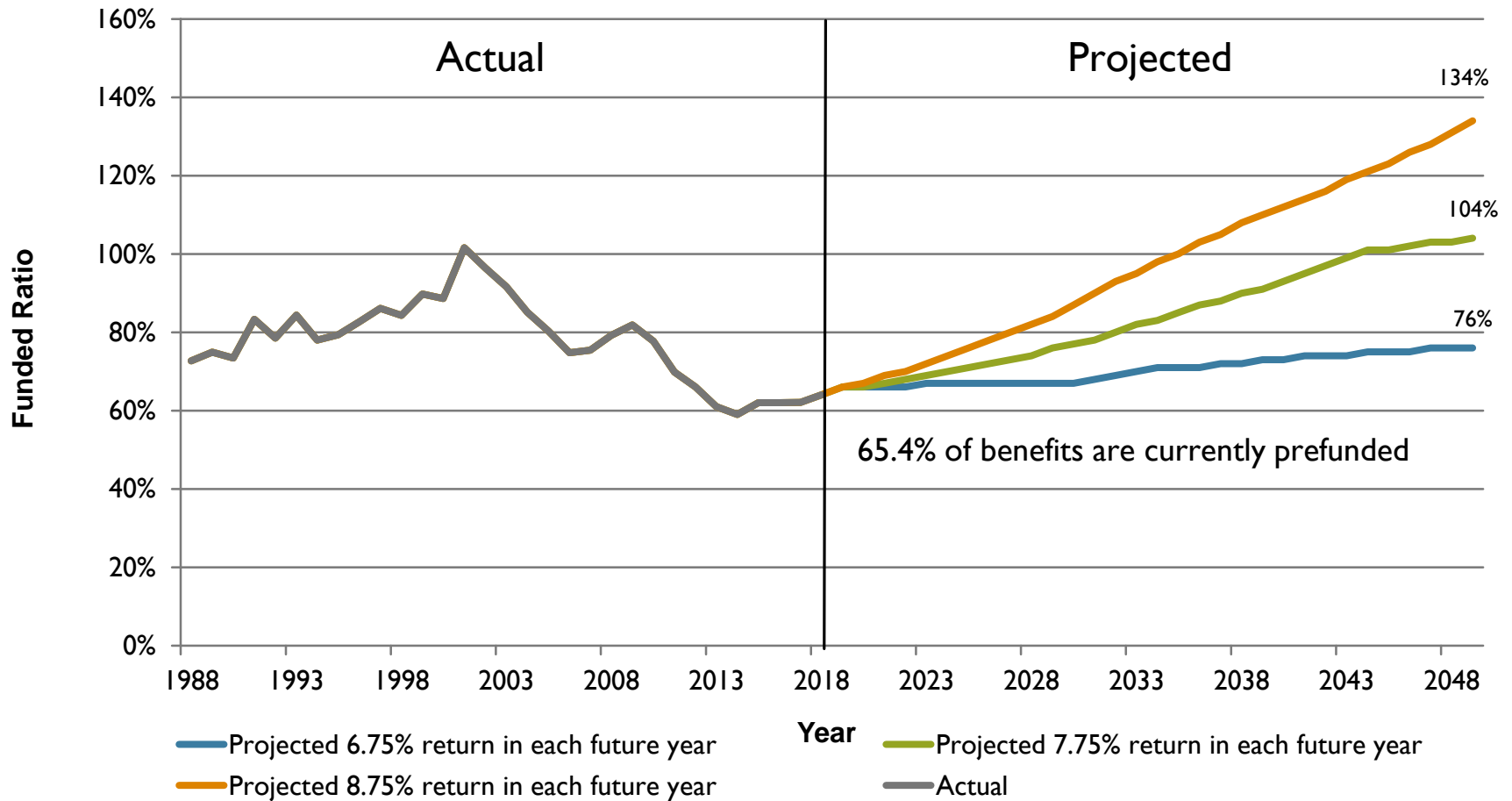
- **Actuarial Experience Study** is conducted by actuary every 5 years to compare actual plan experience to assumed plan experience, determine trends, and make recommendations.
 - Economic assumptions include inflation, salary increase, payroll growth, and investment returns.
 - Demographic assumptions include termination, disability, retirement, and mortality rates.
 - Last Experience Study was conducted in 2014-15. Changes included: reduced investment return assumption from 8% to 7.75%, adopted new mortality tables to reflect longer life expectancies, and other minor adjustments.
 - Next Experience Study scheduled for 2019-20. Anticipate reducing investment return assumption further?
- **Actuarial Audit** is an evaluation by an independent actuary every 5 years, 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.
 - Most recent actuarial audit was conducted in 2016. Next one scheduled in 2021.
 - Results of actuarial audit were very positive, with only minor recommendations.
- Actuarial reports and studies are presented to the **TFFR Board** and **Legislative Employee Benefits Programs Committee**. Reports are also posted on the TFFR website.

2018 VALUATION REPORT SUMMARY

■ Actuarial Accrued Liability	(AAL)	\$3.863 billion
■ Actuarial Value of Assets	(AVA)	<u>- 2.526 billion</u>
■ Unfunded AAL	(UAAL)	\$1.337 billion
AVA Funded Ratio		65.4%
■ Market Value of Assets (MVA)		\$2.531 billion
MVA Funded Ratio		65.5%

2019 VALUATION IN PROCESS. RESULTS WILL BE DELIVERED TO BOARD IN OCTOBER 2019.

TFFR FUNDED RATIO (AVA) ACTUAL AND PROJECTED (BASED ON 2018 VALUATION)



TFFR FUNDING IMPROVEMENT EXPECTED

- Funding recovery is expected to occur gradually. Time is needed for the changes made to show positive funding results.
 - Funding levels have remained relatively flat for the past few years. While that trend may continue in the next few years, over the long term, funding levels are projected to gradually improve.
 - Actuarial projections show it will likely take 20-30 years before TFFR reaches 80% - 100% funding levels, if the plan meets all actuarial assumptions.
 - If investment returns are greater than 7.75% over the long term and if TFFR reaches 100% funded level, employee and employer contribution rates will be reduced to 7.75% sooner than expected.
 - If investment returns are less than 7.75% over the long term, higher contribution rates will remain in effect, and funding progress will take longer.
- Due to legislative action taken, TFFR's long term funding outlook is positive, and benefits are secure.



FREQUENTLY ASKED QUESTIONS

I) WILL RETIREES RECEIVE AN INCREASE IN THEIR TFFR ANNUITY?

- Unfortunately, the TFFR trust fund cannot afford to increase retiree benefit payments as it would negatively impact the fund. TFFR does not anticipate being in a financial position to fund retiree benefit improvements due to a funding shortfall.
- The Board's highest priority is to ensure that adequate funds will be available to pay all promised benefits to current and future retirees.

Good News: Because TFFR is a defined benefit pension plan, current retiree benefits will be paid for life.

2) IS TFFR'S FUNDING SITUATION IMPROVING?

- Yes. Funding recovery is expected to occur gradually over time, but it will be a long, slow process.
 - TFFR's funding level has slightly improved over the past few years and was 65.4% funded in 2018.
 - Actuarial projections show it will likely take 20-30 years before TFFR reaches 80% - 100% funding levels, if the plan meets all actuarial assumptions.
- A long term focus is important in financing pensions.

Good News: Due to legislative action taken, TFFR's long term funding outlook is positive, and benefits are secure for past, present, and future ND educators.

3) IS TFFR'S 7.75% INVESTMENT RETURN ASSUMPTION REALISTIC?

- TFFR's investment return assumption is established through a process that considers factors such as economic and financial criteria; the plan's liabilities; and the plan's asset allocation, which reflects the plan's capital market assumptions, risk tolerance, and projected cash flows.
- Actuarial return assumptions are very long-term in nature which is consistent with the long time frame under which pension plans operate.
- **Good News: Over the past 30 years, the NDTFFR's net investment performance was 7.7%, which is very close to the actuarial assumed investment return rate of 7.75%.**
- Changes in economic and financial conditions have caused many public pension plans to reconsider their investment return assumption in recent years. Currently, the average return assumption is 7.25%, (according to a February 2019 NASRA study). NDTFFR will be reviewing this assumption during their actuarial experience study being conducted in 2019-20.

4) WHY IS MY CHECK AMOUNT DIFFERENT THAN IT WAS LAST MONTH?

- Tax table changes (January), or if you changed tax withholding amount.
- Insurance premium changes (NDPERS)
- NDRTA or NDU-Retired annual dues (July)
- Benefit correction for new retirees
- Other

Good News: Anytime your monthly benefit amount changes, a TFFR notice is mailed to you explaining the reason for the change.

5) WHY SHOULD I SIGN UP FOR TFFR MEMBER ONLINE SERVICES?

- By logging on to TFFR Member Online, retirees can easily view and keep track of their personal TFFR benefit information including:
 - Retirement account details – name, address, beneficiary on file, etc.
 - Pension payment details – date and amount of each monthly pension payment and where it is being deposited
 - Pension deduction details – amount being withheld for federal and state income tax, health insurance, annual NDRTA dues, etc.
- Once you log in to TFFR Member Online, no one else can log into your account.
- If retirees need to correct or update any TFFR account information, contact our office.

SUMMARY

- The TFFR Board, State Investment Board, and RIO staff will continue to **prudently manage and invest trust fund assets** to ensure the TFFR retirement plan is financially sustainable for past, present and future ND educators.
- We are committed to:
 - Administering an accurate, prompt, and efficient pension benefits program.
 - Delivering high quality, friendly service to members and employers.
- **We will do our best to serve you!**



TFFR INFORMATION

TFFR Website: www.nd.gov/rio/tffr Sign up for TFFR Member Online!!!

- Board members, meeting schedule, minutes, materials
- Presentations to members, employers, other
- Publications and Reports
 - Quarterly Newsletters
 - Member Handbook, Member Services Directory, Brochures
 - Actuarial, audit, financial, and investment reports
 - Forms
- Legislation – Links to ND Legislative website, bill drafts, testimony

Office Contact Information

- Phone: 701-328-9885 or 1-800-952-2970
- Email: fkopp@nd.gov or rio@nd.gov
- Address: 3442 East Century Ave,
PO Box 7100, Bismarck, ND 58507

