

TFFR

Employer Guide



The TFFR Employer Guide is created and distributed by the Retirement and Investment Office (RIO) to provide participating employers with a quick reference source for questions regarding TFFR reporting requirements. This booklet is not intended to encompass all aspects of TFFR reporting requirements. It will be updated periodically to reflect changes made to the plan (NDCC 15-39.1) by the Legislature. Detailed information can be obtained by contacting RIO. This publication can be made available in alternate formats

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GENERAL INFORMATION

ND RETIREMENT AND INVESTMENT OFFICE (RIO)

The Retirement and Investment Office (RIO) administers the State Investment Board (SIB) and Teachers' Fund for Retirement (TFFR) programs.

The office exists in order that:

- SIB clients receive cost-effective investment services directed at meeting their written financial goals under the prudent investor rule.
- SIB clients receive investment returns consistent with their written investment policies and market variables.
- Potential SIB clients have access to information regarding the investment services provided by the SIB.
- TFFR benefit recipients receive their retirement benefits in a cost-effective and timely manner.
- TFFR members have access to information, which will allow them to become knowledgeable about the issues and process of retirement.
- SIB clients and TFFR benefit recipients receive satisfactory services from the Board and staff of the office.

TEACHERS' FUND FOR RETIREMENT (TFFR) BOARD OF TRUSTEES

The TFFR Board of Trustees is responsible for administering the TFFR retirement program. The Board has the authority to establish investment policy; arrange for actuarial and medical consultants; pay benefits and consultant fees; submit proposed legislative changes; and determine appropriate level of services.

The TFFR Board consists of the State Treasurer, State Superintendent of Public Instruction, and five members appointed by the Governor. Members are appointed for five-year terms and include one active school administrator, two active teachers, and two retired members.

Current TFFR Board Members
Rob Lech, President (administrator)
Cody Mickelson (active teacher)
Toni Gumeringer (active teacher)
Melvin Olson (retired member)
Mike Burton (retired member)
Kelly Schmidt, State Treasurer
Kirsten Baesler, State Superintendent

TFFR BOARD APPEALS

It is the policy of the TFFR Board to allow any member, beneficiary, or employer to appeal a determination made by the Chief Retirement Officer regarding TFFR eligibility, benefits, or other plan provisions.

The party must file a written request for board review within thirty days after notice of the determination of the Chief Retirement Officer has been mailed. If a request for board review is not filed within the thirty days, the decision of the Chief Retirement Officer is final.

To review the written appeal request, an appeal hearing will be scheduled as part of a regular TFFR Board meeting. The affected party and/or designee may attend and speak at the meeting. The Board's decision will be communicated in writing to the affected party within thirty days of the decision.

Any party aggrieved by a decision of the Board may initiate a formal administrative action against the Board in accordance with ND Administrative Code Chapter 82-10 and ND Century Code Chapter 28-32.

TFFR MISSION AND GOALS

Mission Statement

The mission of TFFR, a trust fund, is to advocate for, develop, and administer a comprehensive retirement program for all trust fund members within the resources available.

Investment and Funding Goals

- Improve the plan's funding status to protect and sustain current and future benefits.
- Minimize the employee and employer contributions needed to fund the Plan over the long term.
- Avoid substantial volatility in required contribution rates and fluctuations in the Plan's funding status.
- Accumulate a funding surplus to provide increases in retiree annuity payments to preserve the purchasing power of their retirement benefits.

Service Goals

- Administer accurate, prompt, and efficient pension benefits program.
- Deliver high quality, friendly service to members and employers.
- Provide educational outreach programs including pre-retirement seminars and individual benefits counseling sessions.

TYPE OF SYSTEM

TFFR is a qualified defined benefit public pension plan covered under Section 401(a) of the Internal Revenue Code (IRC). In simpler terms, TFFR is a tax-exempt pension plan where state law determines benefits.

North Dakota Century Code (NDCC) Chapter 15-39.1 contains the actual language governing the Fund. The NDCC, along with Title 82 of the North Dakota Administrative Code (NDAC), are summarized in this Guide. If differences exist between the information in this Guide and state law, the laws shall govern.

The TFFR plan is funded on an actuarial reserve basis. That is, money is invested for future retirement benefits while members are actively teaching. Benefit funding comes from three sources:

- Member contributions
- Employer contributions
- Investment earnings

TFFR serves almost 11,000 teachers from 213 employer groups and pays benefits to more than 9,000 retirees and beneficiaries.

EMPLOYER SERVICES

The RIO staff offers many services as part of the continuing effort to keep employers informed about the retirement program. All services are furnished free of charge. Employers may contact the administrative office to schedule or request any of these services.

- Toll free number
 - 1-800-952-2970
 - E-mail: rio@nd.gov
- Web site
 - <https://www.rio.nd.gov/>
 - Employer Online Services
- Member outreach programs
 - One-on-one benefits counseling
 - Group benefits counseling
 - Retirement Education workshops
 - Financial planning programs
 - In-service group presentations
 - Retirement 101
 - Teachers in Transition program
- Employer outreach programs
 - Spring business manager workshops
 - New business manager training workshops

- Employer information
 - Quarterly employer newsletter
 - Retirement eligibility profile
 - Projection of when employees will reach retirement eligibility.
- Employer payment plan model change analysis
 - Analysis compares current TFFR payment model to another showing effect on retirement salary, TFFR contributions, and taxable salary for purposes of federal/state withholding, FICA and Medicare taxes. This analysis may prove helpful during contract negotiations.



TERMS AND DEFINITIONS

Note: The terms and definitions in this section relate to TFFR only.

Administrative

To manage, direct, or superintend a program, service, school district or other participating employer.

Bonus

An amount paid to a member in addition to regular contract salary which does not increase the member's base rate of pay, is not expected to recur or continue in future fiscal years or is not expected to be a permanent salary increase. A bonus is not considered eligible retirement salary and is not subject to payment of member and employer contributions.

Bonuses include, but are not limited to, the following:

- a. Recruitment or contract signing payments defined in North Dakota Century Code section 15.1-09-33.1.
- b. Retention, experience, or service related payments.
- c. Early retirement incentive payments, severance payments, or other payments conditioned on or made in anticipation of a member's retirement or termination.
- d. Payments made to recognize or reward a member's accomplishments or service.
- e. Other special or irregular payments which the board determines to be bonuses using criteria and documentation described in North Dakota Administrative Code section 82-04-02-01.

“Briefly”

Quarterly employer newsletter provides reporting instructions and educational topics of interest.

Compensated Hours (Total Hours)

The number of hours a member is employed and compensated for in a school year (non-retired: report hours not to exceed 700 hours; re-employed retirees: report all hours). The calculation for compensated hours is as follows:

Days worked during the fiscal year X total hours worked each day.

Contract

A written agreement with any school board or other governing body of any North Dakota school district or special education unit; or a letter of appointment by a state institution, state agency, or other employer participating in the Fund. (Also see Written Agreement.)

Contributions (Employer)

An amount paid by the employer as a percent of the retirement salary earned by a member during a fiscal year (July 1 – June 30) to help finance TFFR benefits. The following table shows the effective dates and employer contribution rates since 1997. Employer contribution rate will return to 7.75% once TFFR reaches 100% actuarial funded status.

7-01-1997	7.75%	7-01-2012	10.75%
7-01-2008	8.25%	7-01-2014	12.75%
7-01-2010	8.75%		

Contributions (Member/Employee)

An amount equal to a percent of the retirement salary earned by a member during a fiscal year (July 1 – June 30) to help finance TFFR benefits. The following table shows the effective dates and employee contribution rates since 1997. Member contribution rate will return to 7.75% once TFFR reaches 100% actuarial funded status.

7-01-1997	7.75%
7-01-2012	9.75%
7-01-2014	11.75%

Taxed Member/Employee Contributions

Member contributions that are withheld from member pay and taxed in the year withheld. The member contributions are deducted from a member's check after taxes have been calculated. These contributions will be tax free when a member receives a refund or will be prorated creating a non-taxable portion on each monthly retirement benefit.

Tax-Deferred Member/Employee Contributions

Member contributions that are withheld from member pay or are paid by the employer as a salary supplement, and not taxed in the current year. These contributions will be taxed when the member starts receiving a monthly retirement benefit or receives a refund.

Covered Employment

Employment with a participating employer to provide teaching, supervisory, administrative, or extra-curricular services.

Dual Member

An individual employed in a position that is reportable to both TFFR and the North Dakota Public Employees Retirement System (PERS). If your school district reports to PERS and you have an employee that may be reportable to both systems, see Reporting Information - Dual Membership, or contact the Fund's administrative office for further instructions.

Electronic Reporting

Monthly internet reporting using TFFR Employer Online Services.

Extracurricular Services

Outside of the regular curriculum of a school district or other participating employer which includes advising, directing, monitoring, or coaching athletics, music, drama, journalism, and other supplemental programs.

Final Average Salary (FAS)

Final average salary is calculated using the average of the highest three annual salaries for Tier 1 members and the highest five annual salaries for Tier 2 members. Final average salary is a key component in determining a member's retirement benefit.

Fiscal Plan Year

The twelve consecutive months beginning July 1 of the calendar year and ending June 30 of the subsequent year.

Grandfathered status

See Tier 1 grandfathered member and Tier 1 non-grandfathered member.

In-Staff Substitute Teacher

A contracted teacher, including a re-employed retiree, who performs substitute teaching duties for the contracting district. See Reporting Information – Substitute Teacher.

Last Date Worked (Taught)

The last official date the member was employed and was compensated for during the fiscal year. This date is used to determine a member's eligibility for retirement or refund benefits.

Participating Employer

The employer of a teacher, including a state institution, multidistrict special education unit, area career and technology center, regional education association, school board, or other governing body of a school district.

Performance or Merit Pay

An amount paid to a member pursuant to a written compensation plan or policy which links a member's compensation to attainment of specific performance goals and duties. The specific goals, duties, and performance measures under which performance pay is expected to be made must be determined in advance of the performance period and documented in writing. Performance or merit pay may be in addition to regular salary or may replace regular salary increases. Performance or merit pay is considered eligible retirement salary and subject to payment of member and employer contributions, unless the TFFR board determines the payments are ineligible salary using criteria and documentation described in North Dakota Administrative Code section 82-04-02-01.

Qualified Domestic Relations Order (QDRO)

A court order relating to the division of TFFR benefits in divorce cases.

Referee

All game and desk officials including referees, umpires, line judges, score keepers, time keepers, ticket takers, ushers, tournament managers, and other judges or officials. These duties are not reportable to TFFR. Payments to judges or officials for other non-sporting events such as music, drama, and speech are also excluded from retirement salary. See Ineligible Retirement Salary.

Regional Education Associations (REA)

Educational cooperatives formed to improve services to ND students. Formerly known as joint powers agreements, or other cooperative service arrangements, REA's are participating TFFR employers.

Retired Teacher

A member who has retired and is receiving a monthly TFFR retirement benefit.

Retirement Date

The first or the fifteenth day of the month following the member's last date of covered employment or eligibility for benefits. Actual payment of benefits will be on the first of each month and may be retroactive to the retirement date. Disability and death benefits are effective the first of the month only.

Retirement Salary

A member's reportable contract/additional TFFR salary plus member contributions paid by an employer as a salary supplement, if any. See Eligible Retirement Salary.

Rule of 85

Member's age plus years of service equals 85 or more.

Rule of 90

Member's age plus years of service equals 90 or more.

Salary (Contract/Additional)

■ Eligible Retirement Salary (Reportable)

A member's earnings in eligible employment for teaching, supervisory, administrative, and extracurricular services.

Once a member is contracted to perform teaching, supervisory, administrative, or extracurricular services, additional payments for performance of duties of a teacher are considered eligible retirement salary unless conditioned on or made in anticipation of retirement or termination.

Additional payments should be clearly documented and authorized on individual employment contracts, master contracts, extra-curricular schedules, board minutes, or other written documentation.

Examples of eligible retirement salary include:

- Advisor/Director/Monitor/Supervisor – athletic; before/after school programs; cheerleading; class; concession stand; drama; FCCLA/FFA; family night programs; intramurals; lunchroom; clubs; music programs; newspaper; playground; student council; yearbook; etc.
- Adult education
- Assessments for hearing, and speech
- Classroom set up (only your own not others)
- Coaching and assistant coaching
- Curriculum development/writing
- Driver's education
- Dual credit classes
- Grant writing (certain conditions only)
- Indian education program
- Information Technology coordination and services
- In-service/workshops/professional development (not reimbursement for expenses or tuition)
- In-staff subbing
- Kindergarten prep
- Mentoring
- Music accompanist
- Paid leave including sick, personal, vacation, sabbatical
- REA, joint powers agreement, consortium type work
- Summer school/summer programs
- Travel time between schools (not mileage)

■ Ineligible Retirement Salary (Non-Reportable)

- Amounts received by a member in lieu of previously employer-provided benefits or payments that are made on an individual selection basis
- Bonuses as defined in NDAC Section 82-02-01-01, and signing bonuses as defined under Section 15.1-09-33.1
- Bus driving pay (route or extracurricular) and driver safety courses
- Computer tech support (unless technology coordinator duties)
- Early retirement incentive pay, severance pay, or other payments conditioned on or made in anticipation of retirement or termination
- Equipment maintenance and repair, jobsite prep and finish work, construction project management, and similar nonteaching duties (if not included on member's regular teaching contract)
- Fringe benefits including insurance programs, annuities, transportation allowances, housing allowances, meals, lodging, and expense allowances
- Insurance programs including medical, dental, vision, disability, and life
- Janitorial pay
- Referee pay including all activity judging and tournament management
- Teacher's aide pay
- Ticket taking
- Unused sick leave, personal leave, vacation leave
- Other benefits or payments not defined above that the TFFR Board determines to be ineligible TFFR salary

The above lists are not all-inclusive. Contact the administrative office for additional information.

Note: It is the employer's responsibility to understand the IRS reporting requirements and be familiar with what is taxable income for federal and state tax purposes.

Service Credit

The proportion of compensated hours to 700 hours per year. A member cannot receive more than 1.000 year of service credit each year.

Special Teachers

Licensed special education teachers, guidance counselors, speech therapists, social workers, psychologists, librarians, audiovisual or media coordinators, technology coordinators, and other staff members licensed by the Education Standards and Practices Board (ESPB) provided they are under contract with a school district or other participating employer to provide teaching, supervisory, administrative, or extracurricular services.

State Agencies or Institutions (North Dakota)

Department of Public Instruction (DPI), ND Center for Distance Education, ND School for the Blind, ND School for the Deaf, ND Youth Correctional Center, and the ND State Board for Career and Technical Education (CTE).

Substitute Teacher

A licensed teacher who temporarily replaces the regular contracted licensed teacher. Substitute teachers include teachers performing in-staff subbing as well as teachers from outside the district performing subbing duties, long or short term. Contracted substitute teaching, including in-staff subbing, is reportable to TFFR. Non-contracted substitute teaching is not reportable to TFFR. See Reporting Instructions – Substitute Teacher.

Supervisory

To have general oversight or authority over students or teachers, or both, of a school district or other participating employer.

Teacher

All persons currently licensed to teach in North Dakota by the ESPB (substitute teacher license and the permit to teach are not acceptable) and contractually employed (including third party agreements) in teaching, supervisory, administrative, or extracurricular services by any state institution, multi district special education unit, area career and technology center, regional education association, school board, or other governing body of a North Dakota school district. All public school teachers are required to be members of TFFR.

Teachers include:

- Superintendents
- Superintendent, assistant superintendents, and supervisors of public instruction except for non-teaching employees of DPI who elected to transfer their plan membership to PERS
- Professional staff of an interim school district
- Professional staff of the ND State Board for Career & Technical Education, except employees of CTE who elected to transfer their plan membership to PERS
- Assistant superintendents
- Licensed business managers
- Special teachers
- County superintendents
- Assistant county superintendents
- Principals
- Assistant principals
- Professional staff of the ND Center for Distance Education
- Other persons or positions authorized in State Statutes

Teacher's Aide

A person who provides assistance to a licensed teacher or is under the direction of a teacher or administrator.

Teaching

To impart knowledge or skills to students or teachers, or both, by means of oral or written lessons, instructions, and information.

Tier 1 Member

All active, inactive, and retired members with TFFR service credit on file on July 1, 2008.

Tier 1 Grandfathered Member

Tier 1 employees who were vested (3 years of service credit) and at least age 55 OR who had the Rule of 65 or greater (age + service) on June 30, 2013 were grandfathered under retirement eligibility provisions in effect on June 30, 2013 (i.e. Rule of 85 and 6% early retirement reduction factor). A reduced retirement benefit can begin at age 55 with an early retirement reduction factor of 6% per year from the earlier of Rule of 85 or age 65.

Tier 1 Non-grandfathered Member

All other Tier 1 members who did not qualify for grandfathering as of June 30, 2013. Effective July 1, 2013, vested Tier 1 non-grandfathered members are eligible for unreduced retirement at minimum age 60 and the Rule of 90 or greater, OR age 65 for those members who do not reach the Rule of 90. A reduced retirement benefit can begin at age 55 with an early retirement reduction factor of 8% per year from the earlier of age 60/Rule of 90 or age 65.

Tier 2 Member

All new members and returning refunded members who are employed on or after July 1, 2008 are Tier 2 members. Effective July 1, 2013, vested Tier 2 members are eligible for unreduced retirement at minimum age 60 and the Rule of 90 or greater, OR age 65 for those members who do not reach the Rule of 90. A reduced retirement benefit can begin at age 55 with an early retirement reduction factor of 8% per year from the earlier of age 60/Rule of 90 or age 65.

Time Certain Contracts

A contract that states a specific term of employment (basketball season, track season, football season, range of dates; i.e. October 1 to November 31, etc.).

Total Hours

See Compensated Hours

Vested Member

The retirement plan status attained by a member who has earned three years of service credit for a Tier 1 member; or five years of service credit for a Tier 2 member. A vested member is entitled to monthly retirement benefits when eligible. A non-vested member is eligible for a refund of member contributions plus interest when TFFR employment is terminated.

Written Agreement

A teaching contract, school board minutes, or other official document evidencing a contractual relationship between a teacher and participating employer.

EMPLOYER PAYMENT PLAN

EMPLOYER PLAN BACKGROUND

NDCC 15-39.1-09 covers membership in TFFR and the payment of retirement contributions. Beginning on July 1, 1983, the State of North Dakota granted TFFR employers the authority to pay member contributions to the Fund. The primary advantage of this arrangement is the deferment of income taxes for TFFR members.

Each employer, at its option, may pay all or a portion of the member contributions for all compensation earned after June 30, 1983. The payment of the member contributions may be made by the employer through a salary reduction or as a salary supplement. If member contributions are paid by the employer, they must be treated as tax-deferred member contributions in determining income tax treatment. If member contributions are paid by the employer, they shall not be included as gross income of the teacher, for tax purposes, until they are distributed or made available. The employer shall pay these member contributions from the same source of funds used in paying compensation to the teachers. The employer shall pay these contributions by effecting an equal cash reduction in the gross salary of the employee or as a salary supplement.

INTERNAL REVENUE SERVICE (IRS)

The IRS has authorized employer payment of member contributions to a retirement system, allowing these payments to be treated as tax-deferred member contributions when paid by the employer under certain conditions. Federal tax liability is realized when the member receives a retirement benefit or a refund. This authorization can be found in Section 414(h)(2) of the Internal Revenue Code (IRC).

Any specific questions concerning the tax status or Social Security status of member contributions should be directed to the IRS or Social Security Administration (SSA). Penalties levied by those agencies for improper reporting are the liability of the employer, not TFFR.

EMPLOYER PAYMENT PLAN REQUIREMENTS

Employer payment of member contributions to TFFR is allowed under the following conditions:

1. Participating employers must specify in writing the employer payment model they intend to follow.
2. Members must not have the option of choosing to receive the contributed amounts directly instead of having them paid by the participating employer to the retirement fund.
3. All TFFR members reported by an employer must be covered by the model implemented by the participating employer. Members are not allowed the option to participate.
4. All TFFR members covered under such a plan must be treated equally. The administrators and teachers of a school district must follow the same model. Full and part-time teachers must follow the same model. There can be no variation of the adopted model for different groups of members in an employer unit.

5. Member contributions paid by the employer are based on the retirement salary reported to TFFR as defined in this plan and outlined in the plan models.
6. Eligible salary, member, and employer contributions must be certified and reported by the business manager/disbursing official on monthly reports.
7. Participating employers must report the payment of member and employer contributions to TFFR in an approved format.
8. Special provisions apply to state agencies, state institutions, and other grandfathered employers.

Employers must file an Employer Payment Plan form with TFFR. (See Forms section.) The Employer Payment Plan will remain in effect until a written notice of cancellation or a new form is filed.

An employer will be required to file a new Employer Payment Plan form:

- If the employer wishes to change the model or amount of member contributions picked up by the employer as a salary supplement.
- If the Legislature makes a change to the member contribution rate.
- If the TFFR Board of Trustees makes a change to the models.

The plan must be implemented at the beginning of a school year (July 1). The form should be mailed to TFFR with the first monthly report following the implementation of the plan.

Employers that do not select a model will have member contributions treated as taxed contributions (No Model).

EMPLOYER PAYMENT PLAN MODELS (Effective July 1, 2019)

In this section, there are illustrations of the Employer Payment Plan models approved by the TFFR Board of Trustees for use by employers. The explanations below will assist employers in understanding the models.

Taxed Member Contributions

The member contributions are deducted from a member's pay after taxes have been calculated if the employer does not select a model/no model. These taxed member contributions do not affect the member's retirement salary and will not be taxable in retirement or if refunded.

Tax-Deferred Member Contributions

The member contributions are tax-deferred until retirement or withdrawal under Models 1, 2, and 4. The employer can pay tax-deferred member contributions in one of two ways:

1. The employer elects to pay the member contributions through a salary reduction. Therefore, the contributions are deducted from the member's pay **before** income taxes are figured. These contributions do not affect the member's retirement salary, but result in a tax deferral for IRS/W-2 purposes.

or

2. The employer elects to pay the member contributions as a salary supplement and does not include the amount paid in the member's income to the IRS/W-2. These member contributions increase the member's retirement salary.

Employer Contributions

Contributions paid by the employer on the member's retirement salary and are not refundable to the member.

Changing Models

If changing employer payment models is being discussed during the negotiation process, TFFR encourages employers to contact the administrative office for a cost analysis. (See example of Cost Analysis for Changing Models.)



NO MODEL (Model 0)

Employer Remittance of Taxed Member Contributions

This example demonstrates how an employer should report member and employer contributions and retirement salary when no model has been adopted. Under No Model, the employer deducts the member contributions from member's pay after taxes have been withheld.

Example:

Contract/Additional TFFR Salary Earned by the Member	\$20,000.00	
<u>Retirement Salary</u>	<u>\$20,000.00</u>	
Employer Contributions	\$2,550.00	(Retirement Salary of \$20,000 x 12.75% effective 7-01-14)
Taxed Member Contributions Withheld from Member's Pay and Remitted by the Employer	\$2,350.00	(Retirement Salary of \$20,000 x 11.75% effective 7-01-14)

Note: Under No Model, the income reported for federal and North Dakota state income tax purposes **is not reduced** by the amount of member contributions.

Taxable Salary Reported for Federal and ND State Income Tax Purposes	\$20,000.00
Taxable Salary Reported to Social Security	\$20,000.00

MODEL 1

Employer Remittance of ALL the Member Contributions
as a Salary Reduction

This example demonstrates how an employer should report member and employer contributions
and retirement salary as a salary reduction.

Example:

Contract/Additional TFFR Salary Earned by the Member	\$20,000.00
<u>Retirement Salary</u>	<u>\$20,000.00</u>
Employer Contributions	\$ 2,550.00 (Retirement Salary of \$20,000 x 12.75% effective 7-01-14)
Tax-Deferred Member Contributions Withheld from Member's Pay and Remitted by the Employer as a Salary Reduction	\$ 2,350.00 (Retirement Salary of \$20,000 x 11.75% effective 7-01-14)

Note: Under Model 1, the income reported for federal and North Dakota state income tax
purposes **is reduced** by the amount of tax-deferred member contributions as a salary reduction.

Taxable Salary Reported for Federal and ND State Income Tax Purposes	\$17,650.00 (Contract Salary of \$20,000 less \$2,350 Tax-Deferred Member Contributions)
Taxable Salary Reported to Social Security	\$20,000.00

MODEL 2 (ALL)

Employer Payment of ALL the Member Contributions as a Salary Supplement

This example demonstrates how an employer should report member and employer contributions and retirement salary when paying all of the member contributions as a salary supplement.

Example: Employer agrees to pay **all** (11.75%) of the member contributions as a salary supplement. An amount equal to 11.75% of the retirement salary will be included as retirement salary. All of the member contributions will be tax-deferred; no contributions will be taxed.

Contract/Additional TFFR Salary Earned by the Member	\$20,000.00
<u>Retirement Salary</u>	<u>\$22,662.89</u> [Contract Salary of \$20,000/.8825 (1.0 - .1175)]
Employer Contributions x 12.75 effective 7-01-14)	\$ 2,889.52 (Retirement Salary of \$22,662.89
Tax-Deferred Member Contributions Paid by the Employer as a Salary Supplement	\$ 2,662.89 (Retirement Salary of \$22,662.89 x 11.75% effective 7-01-14)

Note: Under Model 2, the income reported for federal and North Dakota state income tax purposes **is not reduced** by the amount of tax-deferred member contributions paid by the employer as a salary supplement.

Taxable Salary Reported for Federal and North Dakota State Income Tax Purposes	\$20,000.00
Taxable Salary Reported to Social Security	\$20,000.00

MODEL 2 (Partial)

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

This example demonstrates how an employer should report member and employer contributions, and retirement salary when paying a percentage of the member contributions (1% to 11.75%) using a combination of a salary reduction and a salary supplement.

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

Contract/Additional TFFR Salary Earned by the Member	\$20,000.00	
<u>Retirement Salary</u>	<u>\$21,680.22</u>	[Contract Salary of \$20,000/.9225 (1.0 - .0775)]
Employer Contributions x 12.75% effective 7-01-14)	\$ 2,764.23	(Retirement Salary of \$21,680.22
Tax-Deferred Member Contributions Paid by the Employer as a Salary Supplement	\$ 1,680.22	(Retirement Salary of \$21,680.22 x 7.75%)
Tax-deferred Member Contributions Withheld from Member's Pay and Remitted by the Employer as a Salary Reduction	\$ 867.21	(Retirement Salary of \$21,680.22 x 4%)
Taxable Salary Reported for Federal and North Dakota State Income Tax Purposes	\$19,132.79	(Contract Salary of \$20,000 less \$867.21 Tax-deferred Member Contributions withheld from member's pay)
Taxable Salary Reported to Social Security	\$20,000.00	

MODEL 4 – State Agencies and Institutions

The State agrees to pay 4% of the member contribution as a salary supplement; remaining 7.75% of the member contribution is deducted as a salary reduction.

This example demonstrates how state agencies and institutions should report salaries and member and employer contributions when a combination of a salary reduction and a salary supplement is used.

Example:

Contract/Additional TFFR Salary Earned by the Member	\$20,000.00	
<u>Retirement Salary</u>	<u>\$20,000.00</u>	
Employer Contributions	\$ 2,550.00	(Retirement Salary of \$20,000 x 12.75% effective 7-01-14)
Tax-Deferred Member Contributions Paid by the Employer as a Salary Supplement	\$ 800.00	(Retirement Salary of \$20,000 x 4%)
Tax-Deferred Member Contributions Withheld from Member's Pay and Remitted by the Employer as a Salary Reduction	\$ 1,550.00	(Retirement Salary of \$20,000 x 7.75%)
Taxable Salary Reported for Federal and North Dakota State Income Tax Purposes	\$18,450.00	(Contract Salary of \$20,000 less \$1,550 Tax-Deferred Member Contributions withheld from member's pay)
Taxable Salary Reported to Social Security	\$20,000.00	

Note: Under Model 4, the income reported for federal and North Dakota state income tax purposes **is reduced** by the amount of tax-deferred member contributions paid by the employee as a salary reduction.

TFFR Employer Payment Plan Model Comparison

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

Row	Description	No Model	Model 1	Model 2 All	Model 2 Partial %
A	Member Contribution Paid by Employer	0	0	11.75%	7.75%
B	Contract/Additional Salary	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00
C	Retirement Salary Reported to TFFR	\$20,000.00 B	\$20,000.00 B	\$22,662.89 B/(1-A)	\$21,680.22 B/(1-A)
D	Employer Contributions (C x 12.75%)	\$2,550.00	\$2,550.00	\$2,889.52	\$2,764.23
E	Tax Deferred Member Contributions Paid by Employer	\$0.00 A x C	\$0.00 A x C	\$2,662.89 A x C	\$1,680.22 A x C
F	Tax Deferred Member Contributions Paid by Member	\$0.00 A x C	\$2,350.00 C x 11.75% - E	\$0.00 C x 11.75% - E	\$867.21 C x 11.75% - E
G	Taxed Member Contributions Paid by Member (C x 11.75%) - (E+F)	\$2,350.00	\$0.00	\$0.00	\$0.00
H	Total Member Contributions (E + F + G)	\$2,350.00	\$2,350.00	\$2,662.89	\$2,547.43
I	Member's Take Home Pay (Before Taxes) (B - F -G)	\$17,650.00	\$17,650.00	\$20,000.00	\$19,132.79
J	Reportable Income for Federal Taxes (B - F)	\$20,000.00	\$17,650.00	\$20,000.00	\$19,132.79
K	Wages Reported to FICA (B)	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00

No Model: Member/employee contribution is paid by employee and remitted by employer as taxed dollars.

Model 1: Member/employee contribution is paid by employee through a salary reduction and remitted by employer as tax deferred dollars.

Model 2 All: Member/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 member/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.

Cost Analysis for Changing Employer Payment Models

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Cost Analysis for Changing Employer Payment Models

From Model 1 to Model 2 at 11.75%

ASSUMPTIONS:

ALL INFORMATION BELOW IS FOR INFORMATIONAL PURPOSES ONLY

AVERAGE SALARY PER TEACHER USED \$32,000

DISTRICT IS CURRENTLY UNDER MODEL 1

COMPARES MODEL 1 TO DISTRICT PAYING MEMBER CONTRIBUTIONS AT 11.75% AS A SALARY SUPPLEMENT (Model 2) OR GIVING A BASE SALARY INCREASE

	FORMULA	CURRENT MODEL 1	PROPOSED MODEL 1 BASE SALARY INC	PROPOSED MODEL 2 11.75%
A - AVERAGE CONTRACT/ADDITIONAL SALARY		\$ 32,000.00	\$ 36,260.62	\$ 32,000.00
B - % DISTRICT WISHES TO PAY OF MEMBER CONTRIBUTIONS		0.00%	0.00%	11.750%
C - RETIREMENT SALARY TO TFFR	A / (1 - B)	\$ 32,000.00	\$ 36,260.62	\$ 36,260.62
D - TAXED MEMBER CONTRIBUTIONS		\$ -		\$ -
E - TAX-DEFERRED MEMBER CONTRIBUTIONS	11.75% * C	\$ 3,760.00	\$ 4,260.62	\$ 4,260.62
F - EMPLOYER CONTRIBUTIONS	C *12.75%	\$ 4,080.00	\$ 4,623.23	\$ 4,623.23
G - CONTRACT/ADDITIONAL SALARY	A	\$ 32,000.00	\$ 36,260.62	\$ 32,000.00
H - CONTRIBUTIONS DEDUCTED FROM PAY CHECK	E	\$ 3,760.00	\$ 4,260.62	\$ -
I - TAKE HOME PAY FOR TEACHER	G - H	\$ 28,240.00	\$ 32,000.00	\$ 32,000.00
	Take home pay increase B4 taxes		13.31%	13.31%
			\$ 3,760.00	\$ 3,760.00
J - SALARY REPORTED FOR FEDERAL TAX	C - E	\$ 28,240.00	\$ 32,000.00	\$ 32,000.00
SALARY REPORTED FOR FICA WAGES	A	\$ 32,000.00	\$ 36,260.62	\$ 32,000.00
EFFECT ON SCHOOL DISTRICT PAYROLL	FORMULA	MODEL 1	MODEL 1 BASE INCREASE	MODEL 2 @ 11.75%
L - TOTAL DISTRICT COMPENSATION for FY		\$ 3,100,000.00	\$ 3,512,747.88	\$ 3,100,000.00
M - TFFR SALARY	L / (1 - B)	\$ 3,100,000.00	\$ 3,512,747.88	\$ 3,512,747.88
N - MEMBER CONTRIBUTION PAID BY DISTRICT	M * B	\$ -	\$ -	\$ 412,747.88
O - EMPLOYER CONTRIBUTIONS PAID BY DISTRICT	M *12.75%	\$ 395,250.00	\$ 447,875.35	\$ 447,875.35
P - FICA TAX PAID BY EMPLOYER	L * 7.65%	\$ 237,150.00	\$ 268,725.21	\$ 237,150.00
Q - TOTAL PAYROLL EXPENSE FOR SCHOOL	L + N + O + P	\$ 3,732,400.00	\$ 4,229,348.44	\$ 4,197,773.23
	DISTRICT PAYROLL EXPENDITURE INCREASE OR		13.31%	12.47%
			\$ 496,948.44	\$ 465,373.23

In addition, an analysis showing the effect a model change has on the individual payroll of a teacher will be included.

REPORTING INFORMATION

EMPLOYER'S REPORT OF MEMBER AND EMPLOYER CONTRIBUTIONS

All participating TFFR employers are required by law to make monthly payments of contributions and submit monthly reports through TFFR Employer Online Services or on paper. Reports must be in a format approved by TFFR.

Payment of member and employer contributions and the monthly reports are due in the TFFR office by the 15th day of the month following the month in which the members' salaries are earned. If the 15th of the month falls on a weekend or holiday, the payment and report are due on the next business day.

Example: Contributions due on August 15 are for all members earning salary in July. This includes administrators whose contracts begin on July 1 and classroom teachers teaching summer school in July.

In all reporting formats (paper or electronic), the employer/school district is responsible for ensuring the information is correct, and that only authorized representatives submit such information to TFFR.

Any person who knowingly makes a false statement, falsifies, or permits to be falsified, any record or records in an attempt to defraud TFFR is guilty of theft and is punishable under the laws of the state of North Dakota.

ELECTRONIC REPORTING

An employer can use the internet and upload monthly TFFR report information using TFFR Employer Online Services. If you use RDA or Software Unlimited, TFFR reporting can be very simple. Contact the administrative office for details on how to begin reporting electronically. If your payroll software can create a paper TFFR file, you can use TFFR Employer Online instead of sending a paper report every month.

- **Internet Reporting (TFFR Employer Online Services)**

A TFFR report is created and the information is saved as a text file to a drive on your computer. Make sure to keep the files for the current fiscal year in case you need to retrieve this information.

To use TFFR Employer Online Services, you must first contact our office. You will be sent a letter containing your TFFR Employer ID and initial Password.

You may access TFFR Employer Online Services from a link on our website, <https://www.rio.nd.gov/>. Complete instructions can also be found on the website for uploading your monthly TFFR file, as well as other functionality.

- **Compatible Software Vendors**

There are a few software systems that are used by employers within the state. The following is a list of the software vendors that are TFFR compatible at this time. This list does not include in-house software specifically written for certain employers.

RDA System, Inc.
441 Main St
Canton GA 30114
Telephone: 1-800-338-4984
E-mail: dtc@rdasys.com
Contact: Becky Stone
Dave Davis
Website: <http://rdasystems.com/>

Software Unlimited
5015 S Broadband Lane
Sioux Falls SD 57108
Telephone: 1-800-756-0035
E-mail: caa@su-inc.com
Contact: Corey Atkinson
Website: <http://www.su-inc.com/>



PAPER (MANUAL) REPORTING (See Forms or Model Calculation Examples)

- **Member SSN, Name/Address Column**

Report the member's social security number, last name, first name, and middle initial. Complete the member's address in the space provided. All addresses must include a box number or street address, city, state, and zip code. The Post Office will not deliver mail without a three-line address.

- **Column 1 (Contract/Additional TFFR Salary)**

This column should include the monthly salary as outlined on pages 8 - 9. The salaries should be reported on the monthly report in the month that salary was earned. This should agree to the employer payroll records.

- **Column 2 (Retirement Salary)**

Retirement salary is determined by the model the employer has selected as follows:

1. Under No Model and Model 1, the retirement salary is the same as the contract salary that was entered in column 1.
2. Under Model 2 (Partial) and (All), the retirement salary is calculated by taking the contract salary in Column 1 and dividing it by one minus the percentage the employer is paying.

Example 1: A member has a monthly contract salary of \$2,000 and the employer is paying member contributions at 11.75%. The monthly retirement salary is \$2,266.29 ($\$2,000 / (1.0 - 0.1175) = \$2,266.29$).

Example 2: A member has a monthly contract salary of \$2,000 and the employer is paying member contributions at 3.75%. The monthly retirement salary is \$2,077.92 ($\$2,000 / (1.0 - 0.0375) = \$2,077.92$).

- **Column 3 (Taxed Member Contributions)**

Complete this column if the employer is following No Model. To calculate the amount to be recorded in Column 3, take Column 2 Retirement Salary x 11.75%.

- **Column 4 (Tax-Deferred Member Contributions)**

Complete this column if the employer is following Model 1 or Model 2. The contributions reported in this column are not included in the taxable income reported on the member's W-2 tax forms. The tax-deferred member contributions are dependent on the models and may be paid by the employer as a salary supplement and/or paid by the member under a salary reduction. Under Model 1 or Model 2, the tax-deferred member contributions are calculated by taking the retirement salary times 11.75%.

- **Column 5 (Employer Contributions)**

To calculate the employer contributions, take the retirement salary times 12.75%.

- **Column 6 (Last Date Worked)**

To be completed on your final report unless previously reported due to a member terminating employment during the school year. The last date worked is the last day the member was employed and compensated for during the fiscal year.

- **Column 7 (Total Hours)**

To be completed on your final report unless previously reported due to a member terminating employment during the school year. Report the number of hours the member was employed and compensated for during the fiscal year (cannot exceed 700 hours for active members; however, report actual compensated hours for re-employed retirees even if it exceeds 700 hours). (Include in-staff subbing hours and exclude extra-curricular and professional development hours for re-employed retirees.)

The calculation of total (compensated) hours is as follows:

Days worked during the fiscal year X total hours worked each day.

- **Certification of Completeness**

The business manager and/or the preparer must sign the report to verify the accuracy and completeness of the form submitted to TFFR.

EMPLOYER REPORTING NOTES

Note: The amount reported must equal the amount paid to TFFR each month.

Example: If the employer reports the June, July, and August payroll on the June report, to expense out a teacher working 9 months and getting paid over 12 months, the amount paid to TFFR should agree to the total member and employer contributions on the June report.

Note: Individuals who get pay checks in July and August, but will not work in those months, have already earned the pay. Report all member and employer contributions in the school year in which the pay is earned.

Example: A teacher is paid twice a month. Prepare one report for the month after the second payroll is run, but before the month is closed out. Your system should compile the two pay periods together.

Example: A teacher is contracted to teach 9 months, ending in May, but receives a pay check over 10, 11, or 12 months. June, July, and August payroll runs for the current school year must be compiled on one report (June).

Note: If an employer has no member and employer contributions to report, the employer must notify TFFR in writing that they will not be reporting anything for that month.

ERRORS ON EMPLOYER REPORTS

Be sure the information on the monthly reports and/or Certification of Member Employment form is correct. If you find that an error occurred, please notify the administrative office in writing to make account corrections.

EMPLOYER SUMMARY REPORT

TFFR will mail out an Employer Summary Report each August that lists all reported members and the total fiscal year information for the prior fiscal year ended June 30.

Please review the following data to verify its accuracy:

1. Contract/Additional TFFR Salary
2. Retirement Salary
3. Taxed Member Contributions
4. Tax-Deferred Member Contributions
5. Employer Contributions
6. Last Date Worked
7. Total Hours

Please take time to review the Employer Summary Report. The following information will assist you when reviewing the report:

1. The “amount reported less payment difference” is the difference between the amount reported for the fiscal year and the payments received for the fiscal year.

If the amount listed here is a negative number, this indicates your payments are out of balance and you have under paid TFFR. If the amount is a positive number, it would indicate that the employer has over paid TFFR.

2. If the employer is out of balance and the employer needs to make a payment or the Fund needs to refund the employer, the administrative office will contact the employer. Overpayments to TFFR throughout the year will generally not be refunded but carried over to the next month. At fiscal yearend, overpayments that exceed \$25 will be refunded to the employer.
3. In addition, please verify the following information on the report:
 - Social security number/name – make sure all social security numbers are correct and all members are listed.
 - Contract/additional TFFR salary – verify these amounts with your payroll data through the period on the report.
 - Payment – verify that the total amount listed in the payment column equals the payments paid to the retirement plan less any refunds received by the employer.

If any of the above information is incorrect, please contact the administrative office in writing.

YEAR END REPORTING

The final employer report for June must be received by TFFR no later than July 15th.

At year-end, all salaries earned during the fiscal year but not yet reported to TFFR must be submitted on the final report. Additionally, all member records must be closed out with last day worked and hours before TFFR can proceed to the next fiscal year.

Payments to teachers or administrators made after June 30, for work performed prior to June 30, must be reported on the final report.

Example 1: A member is contracted to teach 9 months and agrees to get paid over 12 months. The contract is for \$30,000 and is to start September 1. The member would have \$2,500 ($\$30,000/12$) reported for the months of September through May (total of 9 months). On the June report, the member would have \$7,500 ($\$30,000/12*3$).

Example 2: A member is contracted to teach 12 months beginning July 1, for \$48,000. The member would have \$4,000 ($\$48,000/12$) reported each month beginning July and ending June.

Example 3: A member is contracted to teach 9 months and agrees to get paid over 12 months. The contract is for \$30,000 and is to start in September. The member is also contracted to teach a summer school program (i.e. driver's education) for \$3,000. The summer school program runs from June 1 through July 15 (20 days in June and 10 days in July). The member would have \$2,500 ($\$30,000/12$) reported for the months of September through May (total of 9 months). On the June report, the member would have \$9,500 ($\$30,000/12*3 = \$7,500$) + ($\$3,000*20\text{ days}/30\text{ days} = \$2,000$).

Remember that all salaries are reportable in the school year earned regardless of when the salaries are paid.

To close the teachers' records, TFFR needs compensated hours and last date worked for all members. We are unable to record one without the other. **The final report must include the compensated hours and last date worked.** If a teacher is employed by two employers under separate contracts, each employer will report their compensated hours and last day worked.

- **Compensated Hours (Total Hours)**

Compensated hours is the total number of hours a member is employed and compensated for in a school year (cannot exceed 700 hours for active members; however, report actual compensated hours for re-employed retirees even if it does exceed 700 hours). (Include in-staff subbing hours and exclude extra-curricular and professional development hours for re-employed retirees.) The calculation for total (compensated) hours is as follows:

Days worked during the fiscal year X hours worked each day.

Example: Employer reports 650 compensated hours for a member. The service credit earned by the member is 0.929 year ($650/700 = 0.929$).

Note: If a member works for more than one employer but all the pay is reported by only one employer, the contracting employer is responsible for reporting total hours and last day taught.

- **Last Date Worked (Taught)**

The last official date of employment for a member is the last day the member was employed and compensated during the fiscal year.

Example 1: A member signs a contract for 182 days for 8 hours per day. The contract starts August 26 and ends May 22. The member is to be compensated over a 9 month period. Total compensated hours are 1,456 hours (8 hours X 182 days = 1,456). Report the maximum 700 compensated hours and last date worked as May 22. The compensated hours and last date worked are reportable on the May report.

Example 2: A member signs a contract for 90 days for 7 ½ hours per day. The contract starts August 26 and ends January 10. The member is to be compensated over a 12 month period. Total compensated hours are 675 hours (7.5 hours x 90 days = 675). Report 675 compensated hours and last date worked as January 10. The compensated hours and last date worked are reportable on the June report.

Example 3: A member signs a contract for 180 days for 8 hours per day. The contract starts August 26 and ends May 22. The member takes 10 days of leave without pay. The member is being compensated over 9 months. Total compensated hours are 1,360 hours (8 hours X (180-10) days = 1,360). Report the maximum 700 compensated hours and last date worked as May 22. The compensated hours and last date worked are reportable on the May report.

Example 4: A re-employed retiree signs an administrator contract for 240 days for 4 hours per day. The contract starts July 1 and ends June 30. The re-employed retiree is contracted for and will be compensated over a 12 month period. Total compensated hours are 960 hours (4 hours X 240 days = 960). Report the actual compensated hours of 960 (since the member is a re-employed retiree, report actual compensated hours worked; do not report the maximum 700 compensated hours as you would for an active member). The last date worked would be reported as June 30. The compensated hours and last date worked are reportable on the June report.

Note: Last date worked is reported as mmddyyyy.

Note: If an employer has already closed the year and has no additional contributions to report, the employer must notify TFFR, in writing, for the months that they will not be reporting.

CHANGING EMPLOYER DEMOGRAPHICS

The employer is responsible for keeping TFFR informed of the employer's current mailing address, e-mail address, telephone and fax numbers, business manager and superintendent's/administrator's names. Employer demographic changes can be made on Employer Online Service or sent to TFFR in writing. Please complete the Notice of School District Change form to notify our office. (See Forms section.)

PENALTY FOR LATE PAYMENTS/REPORTS

TFFR is required by law to take action if an employer fails to remit TFFR reports, forms, and payments. Employers that do not meet the established deadlines will be assessed a penalty of \$250 and interest of one percent per month on the amount due. The penalty may be waived, but not the interest. We are also required to notify the Department of Public Instruction to withhold state foundation payments until all TFFR reports and forms are submitted and payments, penalties and interest are paid.

Please avoid this problem by ensuring that your TFFR reports, forms, and payments are received by TFFR no later than the due date.

Criteria for Eligible salary determinations

The following criteria have been established to assist TFFR in determining if salary or special payments are eligible TFFR retirement salary. Please keep in mind that TFFR eligible salary determinations are for TFFR purposes only. They do not impact the ability of a school district to make special payments. Contact TFFR if you would like to discuss whether or not certain payments are reportable to TFFR. It is in the best interests of all parties that this be determined before the payments are agreed to in a negotiated agreement and paid to a TFFR member.

Criteria for Eligible Salary Determination. The TFFR board will consider the following criteria and documentation to determine whether benefits or payments made to a TFFR member is eligible retirement salary as authorized in North Dakota Century Code section 15-39.1-04(9):

1. Written authorization made in advance of payment. Examples include, but are not limited to:
 - a. Master contract or negotiated agreement
 - b. Individual employment contract
 - c. Written agreement between employee and employer
 - d. Minutes of school board or participating employer
 - e. Policy of school board or participating employer
 - f. Other information the board deems relevant
2. Written documentation describing payment details, including:
 - a. Duration of payment or whether payment is recurring or nonrecurring in future years
 - b. Frequency and date of payment
 - c. Relation of payment to base or contract salary
 - d. Reason or intent of payment
 - e. Description of duties or services to be performed
 - f. Description of employees who are eligible for payment
 - g. Amount of payment expressed as either a fixed dollar amount or percentage of known contract amount (not fixed percent of unknown amount)
 - h. Funding source for payment
3. Other pertinent information the board deems relevant. Examples include, but are not limited to:
 - a. Employee salary history
 - b. Retirement eligibility
 - c. Other information the board deems relevant

New Member

A Member Action form must be submitted within 30 days of employment when a participating employer hires or rehires a teacher. (See Forms section.) This form provides TFFR with important information including the member's legal name, social security number, and current mailing address.

If the new hire is a new teacher with no current TFFR account, then a Designation of Beneficiary form must also be completed. Designating a beneficiary(ies) allows the member to direct payment of survivor benefits in the event of the member's death.

These forms also let TFFR know if the member is:

- Changing address or name
- Updating the beneficiary designation
- Taking or returning from a leave of absence
- A retired teacher returning to teach over the annual hour limitation
- A previous State of North Dakota employee

Note: If we do not receive the Member Action form within 30 days from the date the member is first reported to TFFR, the employer may be assessed a \$250 penalty for late reporting.

Effective January 2005, the Social Security Protection Act (SSPA) requires state and local government employers to complete form SSA-1945 when hiring new employees in a non-Social Security covered position. The employer must provide the individual with a notice explaining that benefits from Social Security covered employment may be reduced because of the non-Social Security covered employment. The individual must sign the notice before starting employment. The employer must send the signed notice to the retirement system that covers the individual (TFFR). If you need additional information, contact a local Social Security office or visit the Social Security website at www.ssa.gov/slge/.

DUAL MEMBERSHIP

Dual membership provides reciprocal benefits to members with service in TFFR and the Public Employees Retirement System (PERS), and/or the Highway Patrolmen's Retirement System (HPRS). For vesting and retirement eligibility, the years of service in these systems will be added together, with service not to exceed one year of credit in any fiscal year.

Example: A Tier 1 grandfathered teacher age 58 with 25 years of TFFR service credit and 2 years of PERS service credit is eligible to retire under the Rule of 85. Age 58 + Service 25 + 2 = 85

Employees working multiple jobs in a school district that requires participation in TFFR and PERS will be reported to both systems based on job duties.

Example: Teacher A
Full time teacher's aide September – May (Report to PERS)
Also teaches summer school (Report to TFFR)

Teacher B
Part time teacher's aide September–May (meets PERS minimum, report to PERS)
Also teaches one class September–May (Report to TFFR)

Exception: Employees who elected to remain under the old law, which required multiple jobs under dual membership to be reported to the retirement system with the most service credit on file.

At retirement, dual members will be given the option of receiving their retirement benefits from TFFR and the alternate retirement plan under one of the following calculations:

1. Each retirement system will use their final average salary and all the service credit earned in their system; or
2. The retirement systems will combine salaries to create the final average salary; however, the service credit cannot exceed one year in any fiscal year. If overlapped service credit occurs, only one of the retirement systems will recognize the overlapped credit.

Employing a Retired Teacher

Retired TFFR members may return to TFFR covered employment under certain employment limitations. The limits apply to TFFR covered employment which includes teaching, supervisory, and administrative duties in a ND public school or state institution covered by TFFR except for extra-curricular duties and attending professional development sessions. For excluding hours toward the retiree annual hour limit, extra-curricular means any duty outlined in the extra-curricular schedule of an employer's master agreement, unless the duty was part of the retiree's regular job duties and base salary prior to retirement. The limits **do not** apply to:

- Teaching in public colleges and universities
- Teaching in private schools
- Employment outside of education
- Employment outside of ND

Non-contracted substitute teaching does not apply to the annual hour limit. However, in-staff substitute teaching performed during an existing contracted period will apply to the annual hour limit.

A retiree must only "return to covered employment" to be subject to the return to work limitations. The reporting requirement of being licensed by ESPB and contractually employed that applies to non-retired active members does not apply to re-employed retirees.

Keep in mind that under both federal and state law, a teacher must terminate employment in order to be eligible to retire and receive retirement benefits. Therefore, at the time of retirement there can be no written pre-existing agreement indicating re-employment after retirement.

After the applicable waiting period (if any), should a school district employ a retiree, both the retiree and the employer must notify TFFR by completing a TFFR Retired Member Employment Notification form within 30 days of employment. This form, along with a copy of the retiree's contract or employment agreement, must be submitted to the administrative office each year the retiree is employed. Employer and member contributions must be paid on all retirement salary paid to the retiree based on the employer plan model, including in-staff subbing, extra-curricular, and professional development pay. Failure to notify TFFR or pay the correct contributions will result in a \$250 penalty for the employer and loss of one month of retirement benefits for the retired member. If a retiree performs teaching, supervisory, or administrative duties for more than one TFFR covered employer, all hours worked for all covered employers must be counted toward the annual hour limit.

Because of the impact returning to work could have on the retiree's retirement benefit, we strongly encourage the retiree to contact our office to discuss all options. The following is a description of the retiree employment options:

General Rule – Annual Hour Limit

After 30 days elapse from the TFFR retirement date, a retiree may return to TFFR covered employment for a maximum annual hour limit in a fiscal year (July 1 – June 30). Monthly retirement benefits will continue; employer and member contributions will be paid to TFFR on all retirement salary; the member contributions will be added to the retiree's TFFR account value and the retiree's monthly TFFR benefit amount will not be affected. The annual hour limit is based on length of employment.

9 month contract = 700 hours
10 month contract = 800 hours

11 month contract = 900 hours
12 month contract = 1000 hours

Example: Jane Teacher retires with TFFR on July 1, 2019, and begins collecting monthly TFFR retirement benefits. On August 1, she signs a contract with a ND school district to work for 600 hours which allows her 100 hours for in-staff subbing. With the exception of extra-curricular duties and professional development, all compensated hours count toward the 700 hour limit. Jane and her employer complete a TFFR Retired Member Employment Notification form and submit to TFFR for approval. Jane receives salary from the school district for the part-time employment; employer and member contributions are paid to TFFR on all retirement salary, including in-staff subbing, extra-curricular duties and professional development; and Jane continues to receive her monthly TFFR retirement benefit while teaching part-time.

Exception A – Critical Shortage Area

A retiree may return to TFFR covered employment in an approved critical shortage area (CSA) and exceed the annual hour limitation without losing retirement benefits. If retired on or prior to January 1, 2001, no waiting period is required. However, if the TFFR retirement date is after January 1, 2001, a one year waiting period is required before the retiree can consider this option. A retiree may perform non-contracted substitute teaching during the one year waiting period. Critical shortage areas will be determined each year by the Education Standards and Practices Board (ESPB) by rule.

Each year, the retiree must re-apply for this exception and receive verification that it remains a critical shortage area. Like the General Rule, monthly retirement benefits will continue; employer and member contributions will be paid to TFFR on all retirement salary; and the retiree's monthly TFFR benefit amount will not be affected.

Example: John Teacher retires with TFFR on July 1, 2018, and begins collecting monthly TFFR retirement benefits. He does substitute teaching in 2018-19, then returns as a full time teacher on August 21, 2019, in an approved critical shortage area. John and his employer complete a TFFR Retired Member Employment Notification form and submit to TFFR for approval. John receives salary from the school district for the full-time employment; employer and member contributions are paid to TFFR on all retirement salary; the member contributions will be added the retiree's TFFR account value; and the retiree continues to receive his monthly retirement benefit while working full-time in a critical shortage area.

Exception B – Benefit Suspension and Recalculation

After 30 days elapse from the TFFR retirement date, a retiree may return to TFFR covered employment and exceed the annual hour limitation. A TFFR Retired Member Employment Notification form must be completed and submitted to TFFR for approval within 30 days of employment. Employer and member contributions will be paid before and after the suspension on all salary paid to the retiree based on the employer payment model. Once the annual hour limit is reached, the TFFR benefits will be suspended the first of the following month. **Suspension of benefits may have tax consequences and the retiree should contact TFFR for additional information.** In addition, a completed Member Action form is required.

Since salary and member contributions reported after the benefit suspension are used in the re-retirement calculation, contact TFFR if you are reporting a retiree under this exception and the retiree is paid over more months than they actually work.

Example: A 9 month teacher paid over 12 months.

Sally Teacher retires July 1, 2019, and begins collecting monthly TFFR retirement benefits. On August 1, 2019, she signs a 9-month contract with a ND school district to work for 900 hours during the school year (5 hours/day for 180 days) as an English teacher. (Critical shortage does not apply since one year waiting period was not met.) Employer and member contributions are paid on retirement salary earned. Sally receives salary from the school district for the nine months of part-time employment paid over 12 months. Sally reaches the 700 hour limit on March 15, 2020, and her TFFR benefits are suspended on April 1. Since Sally's contract is paid over 12 months, the amounts the employer reports before the benefit suspension will be less than the actual salary earned. This situation can be manually corrected by TFFR at year end by moving salary and contributions overpaid after the suspension back to before the suspension, or if possible, ask retirees returning to covered employment to receive their pay over the contracted months for the first year back. This is not an issue after the first year, only the year of suspension.

Upon re-retirement, the retiree's benefits may be recalculated. If re-retirement occurs with:

- Less than 2 years of additional earned service credit – receive discontinued benefit plus benefit increases granted during the benefit suspension and a refund of the additional member contributions paid after the benefit suspension plus interest, member contributions paid prior to the benefit suspension will be added to the retiree's account value.
- 2-5 years of additional earned service credit – greater of the discontinued annuity, plus additional years at the current multiplier, plus benefit increases granted during the suspension or all the years recalculated at the current multiplier, less an actuarial offset for the amount of benefits already paid. All member contributions will be added to the retiree's account value.
- 5 or more years of additional earned service credit – greater of the calculation above or the retirement benefit recalculated using all the years at the current multiplier with no actuarial offset. All member contributions will be added to the retiree's account value.

TEACHER'S AIDE

The general rule is that teacher's aides are not reportable to TFFR. However, an individual that is issued a teacher's aide contract or written agreement, holds a valid teacher's license, and meets the requirements for the particular grade level in which the individual is working is reportable to TFFR if the individual is actually performing teaching duties. When trying to decide if the teacher's aide is providing teaching services, review the job duties.

SUBSTITUTE TEACHER (Including In-Staff Subbing)

The general rule is that substitute teachers are not reportable to TFFR since they are not contracted teachers. The only time a substitute teacher (including a re-employed retiree) is reportable is if:

- The teacher is under a contract (written agreement) to perform substitute teaching services.
- The teacher performs in-staff subbing. In-staff subbing is defined as a contracted teacher, including a re-employed retiree, who performs substitute teaching duties during the "contract period" for the **contracting** district.

Example: A teacher is contracted with a Special Education Unit and provides special education services for School A and is paid for these services by the Special Education Unit. There is a third party agreement between School A and the Special Education Unit. The teacher also substitute teaches at School A and is paid for this subbing by School A. The subbing salary is **not** in-staff subbing and is **not** reportable since the contracting district is the Special Education Unit not School A.

CONTRACT PERIOD CLARIFIED

If the active member or re-employed retiree has a full or part-time contract or written agreement with the employer, TFFR will view the beginning and ending calendar dates on the contract to determine the contract period, unless the contract period is specifically detailed in the contract.

If substitute teaching duties are performed during the contract period, those duties are considered in-staff subbing and retirement contributions are required to be paid. The in-staff subbing hours are reported as compensated hours for active members and are counted toward the annual hour limit for re-employed retirees.

If substitute teaching duties are performed outside of the contract period, those duties are not considered in-staff subbing and retirement contributions are not paid. The subbing hours are not reported as compensated hours for active members and are not counted toward the annual hour limit for re-employed retirees.

REDUCING SALARY/ HOURS TO PAY FOR A SUBSTITUTE TEACHER

If a TFFR member's salary is reduced to pay for a substitute teacher, the corresponding number of days or hours must be deducted from the days taught when calculating the compensated hours for TFFR purposes.

Example: A member misses one day of work and the substitute teacher's pay is deducted from the member's salary. One day must be subtracted from the contracted hours when determining the compensated hours. If a member has ½ of the substitute teacher pay withheld from his/her pay, that member's contracted hours should be decreased by ½ day when figuring out the compensated hours.

HEAD START PROGRAM EMPLOYEES

Employees of a Head Start Program who are licensed to teach and contracted with a school district or other participating employer are members of TFFR if the following conditions are met:

- Grantee agency for the Head Start Program is the school district.
- Head Start Program employees are on the school district teaching or administrative faculty in positions such as coordinator, director, teacher, or home visitor.
- Head Start Program employees are on the school district salary schedule and negotiate for salary and benefits like other school district teaching faculty.

BEFORE AND AFTER SCHOOL PROGRAMS

Pay for before and after school programs is reportable to TFFR if performed by a licensed and contracted employee. In addition, if a licensed teacher is hired and contracted by a consortium, REA, Special Education Unit, or Vocational Education Unit and is assigned to provide services in your school, any additional duties they do for you are reportable, except in-staff subbing (in-staff subbing can only occur with the contracting employer). If this individual works a before or after school program for you (core worker or fill-in) the work is reportable as additional duty pay. A fill-in for these programs is not an in-staff sub.

EXTRA CURRICULAR PAY

If a licensed teacher has a written agreement to only work an extra-curricular duty, it is still reportable to TFFR. There is not a minimum salary or hourly work requirement for TFFR.

SUMMER SCHOOL AND SUMMER PROGRAMS

Summer school teaching and summer programs like driver's education are generally reportable to TFFR because the teachers are under contract with the school district. To ensure proper documentation for all TFFR reportable summer employees, school districts should issue written agreements for summer programs. In some cases, the district may not issue summer school contracts to any of its summer school teachers, but hires all their summer school teachers from within the district. If so, the summer school teaching is reportable to TFFR because the teachers are already contracted with the district. However, if the district does not issue summer school contracts to any of its summer school teachers, but hires a summer school teacher from outside the district, all the summer school teachers except the summer school teacher from outside your district are reportable to TFFR.

Summer school programs are reportable in the fiscal year in which the pay is earned. Salary earned for most summer programs (including driver's education) will be reported in two fiscal years.

Example: A licensed member is contracted to teach a summer school program (i.e. driver’s education) from June 1 through July 15 (20 days in June and 10 days in July). The employer needs to report the salaries and hours for the work performed (earned) from June 1 to June 30 on the June report and the salaries and hours for the work performed (earned) from July 1 to July 15 on the July report regardless of when the salaries were paid.

LEAVE OF ABSENCE (personal, education, legislative, medical, or military)

A Member Action Form must be completed when a member is granted a leave of absence. Another form is required when the member returns to TFFR covered employment (see Forms section). Members on a leave of absence may not refund their TFFR account or begin regular retirement benefits. However, TFFR disability benefits may be paid if a member is on medical leave and has used, forfeited, or been paid out all their sick leave benefits.

Types of Leave:

- **Personal**
- **Education**
- **Legislative**

An active TFFR member who serves in the ND Legislature is allowed to purchase service credit lost (not salary lost) while in attendance at legislative sessions and/or legislative committee meetings.

As an alternative to purchasing the legislative service credit, the teacher may enter into an agreement with the employer by which payment for service credit for the time spent at each legislative session is made as though the teacher was not on a leave of absence. Under such an agreement, employee and employer contributions should be calculated based on the teacher’s annual salary without reduction for a leave of absence taken by the teacher during the legislative session. Under this alternative the legislator will also have his/her full TFFR salary reported for the year.

- **Medical**
Employers can notify TFFR if a member is leaving teaching due to medical reasons. Upon notification, TFFR disability information will be sent to the member.
- **Military**
The Uniformed Services Employment and Reemployment Rights Act (USERRA) affects TFFR members who have their North Dakota teaching career interrupted by military duty. USERRA qualified service will be recognized for vesting and benefit eligibility. However, a member’s benefit will not be calculated using the military service time unless the military credit is purchased. If eligible, the cost to purchase military service credit and lost retirement salary is as follows:

Model 1	Member pays employee contribution on lost retirement salary; employer pays employer contribution
Model 2 All	Member pays 0; employer pays employee and employer contribution on lost retirement salary
Model 2 Partial	Member and employer each pay their part of the employee contribution on lost retirement salary; employer pays employer contribution on lost retirement salary

Once TFFR is notified that a member has returned to covered employment and is eligible to purchase military service credit under USERRA, the cost to purchase will be calculated and a request for payment will be sent to the employer.

MEMBER TERMINATES EMPLOYMENT (resignation, retirement, disability, or death)

If a member resigns, retires, becomes disabled, or dies before the end of the school year, the member's total compensated hours and last date worked must be reported on the monthly report following termination, in addition to contract/additional TFFR salary, retirement salary, and contributions.

The business manager will need to complete a Salary Verification-Pending Retiree form for a TFFR member who is retiring. The business manager may also need to complete a Certification of Member Employment form for members who meet special circumstances such as death and disability claims, and mid-year terminations. (See Forms section.) Keep a copy of these forms for your records.

This information is very important as it is used in determining how much a member will receive in benefits. If information changes after the forms are submitted, contact the Fund's administrative office in writing as soon as possible to make account corrections.

EMPLOYER SERVICE PURCHASE

Under current law, teachers are allowed to purchase service credit for use toward retirement eligibility. Employers may also purchase service credit on behalf of TFFR members. Employer service purchases may be made under the following conditions.

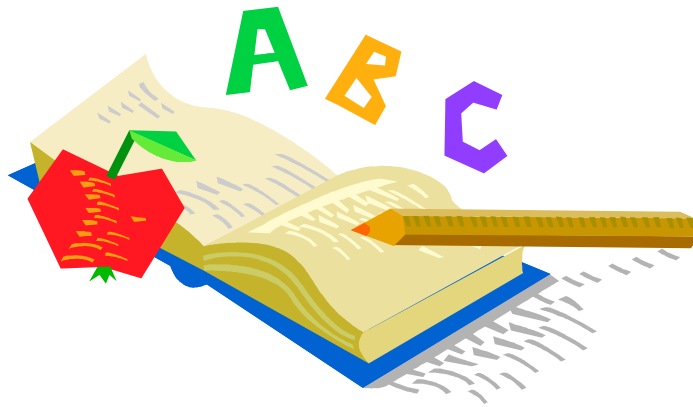
1. The member **may not** be given the option to choose between an employer service purchase and an equivalent amount paid in cash. As long as the member has no "cash-or-deferred" choice, the member is not taxed on the purchase.
2. The member must be eligible or nearly eligible for retirement. To be eligible, a Tier 1 member must either have the sum of the member's age plus service credit be at least 77 or the member must be at least age 55 with at least three years of service credit. A Tier 2 member must either have the sum of the member's age plus service credit be at least 82 or the member must be at least age 55 with at least five years of service credit.
3. The employer may purchase a maximum of three years of credit for the member under guidelines developed by the employer.
4. The purchase price must be determined on an actuarially equivalent basis which takes into consideration the member's age, salary, and increase in benefits that will be paid as a result of the service credit purchase.
5. The employer must pay the purchase price in a lump sum prior to the member's retirement. Once the amount is paid to TFFR, the service credit purchased will be added to the member's account. However, the actual dollars do not become a part of the member's account value.

To implement this provision, employers will need to develop specific guidelines to be followed in deciding for whom they will purchase service. For example, an employer may wish to use the employer service purchase feature as part of an early retirement program or employee retention program. In developing guidelines, the employer must comply with the federal Age Discrimination in Employment Act (ADEA) and other federal and state laws. TFFR must also determine compliance with Internal Revenue Code Section 415 benefit limitations.

Employers should work with legal counsel in developing appropriate policies to ensure legal compliance.

TFFR is not itself a party to the agreement between the employer and the member. In general, TFFR will provide the purchase price amount to the employer, and if the service is purchased, TFFR will credit the service to the member.

Any employer interested in purchasing service credit on behalf of a member should contact the Administrative Office for a cost estimate and employer service purchase form.



FORMS/REPORTS

TFFR FORMS

The following forms should be completed by the business manager and/or member and returned to the Fund's administrative office as needed. It is the business manager's responsibility to see that the forms are completed correctly. Questions regarding completion of the forms should be directed to our office.

You may request forms at any time by contacting our office or printing them from our website at www.nd.gov/rio. Please destroy outdated forms.

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CERTIFICATION OF MEMBER EMPLOYMENT

The business manager may need to complete a Certification of Member Employment form for members who meet special circumstances such as death and disability claims, and mid-year terminations. Complete this form once the teaching duties are concluded. Keep a copy of this form for your records.

If an active member resigns, retires, becomes disabled, or dies before the end of the school year, the member's total compensated hours and last date worked must be reported on the monthly TFFR employer report following termination, in addition to contract salary, retirement salary, and member and employer contributions.

This information is very important and is used in determining how much a member will receive in benefits. If information changes after the form is submitted, contact TFFR in writing as soon as possible to make account corrections.

Link to form: [CERTIFICATION OF MEMBER EMPLOYMENT](#)

DESIGNATION OF BENEFICIARY FORM

A Designation of Beneficiary Form allows the member to name a primary and contingent beneficiary(ies).

Link to form: [DESIGNATION OF BENEFICIARY FORM](#)

EMPLOYER PAYMENT PLAN

Employers must file an Employer Payment Plan form with TFFR. The Employer Payment Plan will remain in effect until a written notice of cancellation or a new form is filed. An employer will be required to file a new form:

- When the employer wishes to change the model or amount of member contributions paid by the employer in lieu of a salary supplement.
- When the Legislature makes a change to the member contribution rates.
- When the TFFR Board of Trustees makes a change to the models.

The plan must be implemented at the beginning of a school year (July 1). The form should be mailed to the Fund's administrative office with the first monthly report following the implementation of the plan.

Employers that do not select a model will have member contributions treated as taxed member contributions (No Model).

For detailed employer payment plan model information see Employer Payment Plan section.

Link to form: [EMPLOYER PAYMENT PLAN](#)

EMPLOYER SERVICE PURCHASE FORM

Employers may purchase service credit on behalf of TFFR members under certain conditions. Employers interested in purchasing service credit on behalf of a member should contact the Administrative Office for a cost estimate.

Additional employer service purchase information can be found in the Reporting Information section.

Link to form: [EMPLOYER SERVICE PURCHASE FORM](#)

EMPLOYER'S REPORT OF MEMBER AND EMPLOYER CONTRIBUTIONS (ERAC – monthly TFFR paper report)

All public school districts and state institutions are required by law to make monthly payments of member and employer contributions and submit monthly reports using the internet (TFFR Employer Online Services) or paper. Reports must be in a format that is approved by TFFR. Payments and reports must be received by the 15th day of the month following the month in which the members' salaries are paid.

The report must include the following information:

- Member's social security number, name, and address
- Contract/additional TFFR salary
- Retirement salary
- Taxed member contributions
- Tax-deferred member contributions
- Employer contributions
- Last date worked
- Total hours/compensated hours
- Certification of completeness

Note: If the 15th of the month falls on a weekend or holiday, the payment and report are due on the next business day.

For detailed ERAC information, please see the Reporting Information section.

ERAC Reports will be provided to employers that submit paper reports.

TFFR RETIRED MEMBER EMPLOYMENT NOTIFICATION

Employers are required to notify TFFR each year a retired member returns to teaching, supervisory, administrative, or extracurricular duties by completing the TFFR Retired Member Employment Notification form.

For detailed information on employing a retired teacher, please see the Reporting Information section.

Link to form: [TFFR RETIRED MEMBER EMPLOYMENT NOTIFICATION](#)

MEMBER ACTION FORM

A Member Action Form must be completed when an employer hires or rehires a teacher. This form provides TFFR with important information including the member's legal name, social security number, and current mailing address. If the new hire is a new teacher (no TFFR account), then a Designation of Beneficiary form must also be completed. Designating a beneficiary(ies) allows the member to direct payment of survivor benefits in the event of the member's death.

This form also lets TFFR know if the member is:

- Changing name or address
- Taking or returning from a leave of absence
- A retired teacher returning to teach under the Benefit Suspension and Recalculation Exception
- A previous State of North Dakota employee

Link to form: [MEMBER ACTION FORM](#)

NOTICE OF TERMINATION (Request for Refund, Disability, Deferred Retirement)

A terminating member (resignation or non-renewal) may complete a Notice of Termination form. This form outlines the options terminating teachers have regarding their TFFR account. The business manager may provide the member with this form. However, it is the member's responsibility to return the form to our office.

Note: A Notice of Termination form is not required if the member is simply changing participating employers.

Link to form: [NOTICE OF TERMINATION](#)

NOTIFICATION OF SCHOOL DISTRICT CHANGES

A Notification of a School District Change form is used when the district has a change in school name, mailing address, telephone number, fax number, business manager, superintendent/ administrator, or if the TFFR report is prepared by an individual other than the business manager.

Link to form: [NOTIFICATION OF SCHOOL DISTRICT CHANGES](#)

SALARY VERIFICATION – PENDING RETIREE

Each year in February the business manager will complete a Salary Verification – Pending Retiree form for each TFFR member that is retiring. The monthly contract salary detail will include what has been paid and reported to date as well as an estimate of the remaining fiscal year pay by month.

Complete and return the form including all pay documentation to TFFR by February 15th. Keep a copy of the form for your records.

The information on this form is used to estimate a retiring teacher's final salary for benefit calculation purposes. If information on this form changes after the form is submitted, contact TFFR as soon as possible.

Link to form: [SALARY VERIFICATION--PENDING RETIREE](#)

RETIREMENT APPLICATION

A terminating member who wants to begin retirement benefits, must complete a Retirement Application. The business manager may provide the member this form. However, it is the member's responsibility to return the form to our office. For information about the retirement process, the member can access the [Retirement Guide](#) on the TFFR website.

Link to form: [RETIREMENT APPLICATION](#)