

# TEACHERS' FUND FOR RETIREMENT MEMBER HANDBOOK



1600 East Century Avenue, Suite 3  
PO Box 7100  
Bismarck, ND 58507-7100

(701) 328-9885 | (800) 952-2970 | (701) 328-9897 (fax)  
[rio@nd.gov](mailto:rio@nd.gov) | [www.rio.nd.gov](http://www.rio.nd.gov)



The Teachers' Fund for Retirement (TFFR) Member Handbook is created and distributed by the Retirement and Investment Office (RIO) to provide members with an overview of their pension program. The booklet is not intended to encompass all program aspects.

North Dakota Century Code (NDCC) and North Dakota Administrative Code (NDAC) are summarized in this handbook. If differences exist between the information in the handbook and state law, the law shall govern. Detailed information on the TFFR pension plan can be obtained by contacting RIO.

This publication can be made available in alternate formats. Contact RIO for assistance.



# TABLE OF CONTENTS

GENERAL INFORMATION .....	7
Teachers' Fund for Retirement Pension Plan .....	7
Board of Trustees .....	7
Retirement and Investment Office .....	8
MEMBERSHIP .....	11
Mandatory Membership .....	11
Teacher Defined .....	11
Grandfathered Membership Status .....	11
Dual Membership .....	12
Veteran's exemption .....	13
Salary .....	13
Contributions .....	15
Beneficiary .....	16
Confidentiality of Records .....	16
Marriage Dissolution – Qualified Domestic Relations Order .....	17
Exemption from Legal Process .....	18
Borrowing from Your Account .....	18
Right to Appeal .....	18
Fraud Against the Fund .....	19
SERVICE CREDIT .....	20
Vesting .....	20
Earned Service Credit .....	20
Purchasing Service Credit .....	20
General Information .....	23
BENEFIT .....	25
Eligibility For Benefit .....	25
Computing Your Benefit .....	26
Summary of Benefits (Effective 7-1-2013) .....	26
Annuity Options .....	27
How to Apply .....	28
Enrollment .....	29
Payment .....	29
Taxation .....	30

General Information.....	30
Employment After Retirement.....	31
Disability Retirement Benefit .....	34
How to Apply .....	34
Calculation .....	35
Payment.....	35
Taxation.....	35
General Information.....	35
Return to Employment.....	36
Survivor Benefit.....	36
Death Prior to Retirement .....	36
Death After Retirement .....	37
Refund aka Lump Sum Distribution .....	38
How to Apply .....	39
Waiting Period .....	39
Taxation.....	39
INVESTMENT OF FUNDS .....	40
Prudent Investor Rule.....	40
Exclusive Benefit.....	40
Asset Allocation .....	40
TERMS AND DEFINITIONS.....	41

# GENERAL INFORMATION

## Teachers' Fund for Retirement Pension Plan

The Teachers' Fund for Retirement (TFFR) is a qualified defined benefit public pension plan covered under Section 401(a) of the Internal Revenue Code. In simpler terms, TFFR is a tax-exempt pension plan where state law determines benefits. [NDCC § 15-39.1](#) contains the actual language governing the fund.

The 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.

As of June 30, 2023, TFFR serves approximately 11,800 active members from 204 employer groups. More than 9,600 retirees and beneficiaries currently receive the benefit.

## Board of Trustees

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

The 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.

TFFR's current board members include:

- President Rob Lech, administrator.
- Cody Mickelson, active teacher.
- Jordan Willgohs, active teacher.
- Mike Burton, retired member.
- Scott Evanoff, retired member.
- Thomas Beadle, treasurer.
- Kirsten Baesler, superintendent.

## Mission Statement

To administer a comprehensive retirement program that provides North Dakota public educators with a foundation for retirement security.

## **Vision Statement**

To be a trusted leader in the administration of a financially sound retirement program for North Dakota educators by providing exceptional customer service, professional plan management, and organizational effectiveness by adhering to the principles of good governance, transparency, and accountability.

## **Core Values**

Customer Satisfaction and Commitment to Excellence which are demonstrated by our trustworthiness, accountability, and respectfulness.

Strong Governance and Operational Effectiveness through our strategic leadership, fiduciary responsibility, ethical practices, and transparency.

## **Fund 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 benefit.

## **Board Appeals**

It is the policy of the TFFR board to allow any member, beneficiary, or employer to appeal a determination made by the program's chief retirement officer regarding eligibility, benefits, or other plan provisions.

The party must file a written request for board review within 30 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 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 30 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 [NDAC § 82-10](#) and [NDCC § 28-32](#).

## **Retirement and Investment Office**

The Retirement and Investment Office (RIO) was established in 1989 to coordinate the activities of the State Investment Board (SIB) and TFFR as stated in [NDCC § 54-52.5-01](#).

## **Mission Statement**

To provide prudent and transparent investment services for our client funds and support North Dakota public school educators with responsible benefit administration.



## **Vision Statement**

To be recognized as a trusted and innovative provider of investment and pension services.

## **Core Values**

Integrity - We value honesty and are committed to doing what's best for our customers.

Accountability - We are responsible for our actions and work as a team to produce the desired outcomes.

Service - We care about the people we serve and take time to understand their unique needs.

## **Member Services**

As part of a continuing effort to keep members informed about their pension program, RIO offers a variety of services, all are furnished without charge. Members are encouraged to visit the [TFFR member webpage](#) to learn more about the program and services.

- Member Online Services
  - Instructions for accessing TFFR's member online services are available here. The services currently available to members is limited. It includes:
    - Active members – annual statements (posted in August), member account value, salary and service detail by fiscal year, and refund account and purchase of service details.
    - Retired members and beneficiaries in payment – retirement account, and pension payment and deduction details.
  - RIO will launch a new online pension administration system called MyTFFR in fall 2024 that will be similar to an online banking platform. This handbook will be updated when the new service launches.
- Presentations
  - Retirement education workshops assist TFFR members in preparing for their eventual retirement. Topics include the pension program, financial and estate planning, and health insurance coverage after retirement. The workshops are offered in alternating face-to-face and virtual settings in July.
  - Group benefit presentations inform members nearing retirement of their benefit options and when and how to apply for their pension. Attendees also receive a benefit estimate. These presentations are offered in centralized face-to-face and virtual settings in the fall.
  - An introduction to the retirement program is geared to new TFFR members. It includes an overview of the pension program. These presentations are offered in centralized locations and virtual settings at mid-year.
  - Specialized programs including financial planning seminars and programs for members whose schools are closing or are consolidating can be provided upon request. Contact the retirement services division to learn more.

- Publications
  - Member handbook – includes an overview of the benefit available to members and their beneficiary(ies).
  - Newsletters are emailed to active and retired members and are also posted on RIO's website.
  - Reports – reports regarding the pension system's actuarial and financial conditions are also available online.

# MEMBERSHIP

## Mandatory Membership

TFFR membership begins by completing the Member Action form that you receive when employed by a public school or state institution in a position defined as a teacher.

- Tier 1 members include all active, inactive, or retired members who had TFFR service credit before July 1, 2008.
- Tier 2 members include all new members and returning refunded members who are employed on or after July 1, 2008.

## Teacher Defined

- Persons who are licensed by the [Education Standards and Practices Board \(ESPB\)](#) who are contractually employed in teaching, supervisory, administrative, or extracurricular services by 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 of this state. Also includes persons contractually employed by one of the above employers to provide services to another employer under a third-party agreement. (Persons with a substitute teacher license and/or a permit to teach are not eligible for TFFR membership.)
- Superintendents, assistant superintendents, county superintendents, business managers, principals, assistant principals, and special teachers employed in any state institution or in the school system of any school district in this state. Special teachers include, but are not limited to, licensed special education teachers, guidance counselors, speech therapists, social workers, psychologists, librarians, audiovisual or media coordinators, technology coordinators and other licensed staff members provided they are contracted to provide TFFR-covered services.
- The superintendent of public instruction, assistant superintendents, supervisors of public instruction, and other professional staff of the Department of Public Instruction, and the professional staff of the Department of Career and Technical Education, except for employees of both departments who elected to transfer their retirement plan membership to North Dakota Public Employees Retirement System (PERS).
- Professional staff of the ND Center for Distance Education, Youth Correctional Center, School for the Blind, and School for the Deaf.
- Other persons or positions authorized in state statutes.

## Grandfathered Membership Status

Legislated in 2011, Tier 1 members who were within 10 years of normal retirement eligibility as of June 30, 2013, were grandfathered under retirement eligibility provisions in effect prior to July 1, 2013. Non-grandfathered Tier 1 members and all Tier 2 members will use the unreduced and reduced retirement provisions effective July 1, 2013.

### **Tier 1 Grandfathered Member**

Tier 1 members who were vested (i.e., 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 prior to July 1, 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 grandfathered status as of June 30, 2013. A Tier 1 non-grandfathered member will be eligible for unreduced retirement at minimum age 60 and the Rule of 90 or greater, or at 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 Non-grandfathered Member**

All new members and returning refunded members who are employed on or after July 1, 2008. A Tier 2 non-grandfathered member will be eligible for unreduced retirement at minimum age 60 and the Rule of 90 or greater, or at 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.

## **Dual Membership**

Teachers and public employees who qualify as “Dual Members,” as defined in [NDCC § 15-39.1-10.03](#), can use all their years in public employment toward vesting and retirement eligibility.

A member may qualify as a dual member if you have service credit in TFFR and PERS defined benefit plan or the Highway Patrol Retirement System (HPRS). You may also be eligible to purchase previously refunded service credit. (Members of PERS defined contribution plan are not eligible for dual membership.)

For dual members, the total of all service credit earned in TFFR, PERS and HPRS is used to determine vesting and eligibility for an unreduced retirement benefit. No more than 1 year of service credit will be recognized in any fiscal year for vesting and eligibility. (*Note: If dual service credit used for Tier 1 grandfathered status is refunded from PERS or HPRS, you will become a Tier 1 non-grandfathered member.*)

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.

At retirement, a dual member will have the option of choosing between two methods of benefit calculation. Under the first option, any overlapped service is disregarded, and the member could have their retirement benefit calculated using all years of service in each system and the final average salary from each system. Under the second option, the member can combine the salary from either or both plans to calculate final average salary, but no more than 1 year of service credit can be used in a fiscal year. Any overlapped service credit will be recognized by only 1 system and forfeited by the other.

## **Veteran's exemption**

First-year teachers who served at least 20 years in the US Armed Forces on full-time active duty and retired with full military retirement benefits may choose not to be a TFFR member. The election must be made within the individual's first year of teaching and is irrevocable.

A teacher applying for the Veteran's exemption to membership, as defined in [NDAC § 82-03-01-10](#), must provide proof of their service and proof of military retirement benefits (i.e., a copy of the member's DD214). The election is made on TFFR's Member Action form.

## **Salary**

### **Eligible Retirement Salary (Reportable)**

A member's earnings in eligible employment for teaching, supervisory, administrative, and extracurricular services during a school year reported as salary on the member's federal income tax withholding statements plus any salary reduction or salary deferral amounts under 26 U.S.C. 125, 132(f), 401(k), 403(b), 414(h), or 457. Eligible salary may not exceed the annual IRS compensation limit under [26 U.S.C. 1.401\(a\)\(17\)\(b\)](#).

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, extracurricular schedules, board minutes, or other written documentation. Examples of eligible retirement salary follow.

- Advisor/Supervisor/Director/Monitor – athletic, before/after school programs, cheerleading, class, concession stand, drama/class plays, FCCLA/FFA, family night programs, intramural, lunchroom, clubs, music programs, newspaper, pep club, playground, student council, yearbook, etc.
- Adult education.
- Assessments for hearing and speech.
- Classroom set up (only your own, not others).
- Coaching and assistant coaching duties.
- 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 or sabbatical.
- REA, joint powers agreement or consortium type work.
- Summer school/summer programs.
- Travel time between schools (not mileage).

### **Ineligible Retirement Salary (Non-Reportable)**

Eligible salary does not include the following.

- Amounts received by a member in lieu of previously employer-provided benefit or payments that are made on an individual selection basis.
- Bonuses as defined in [NDAC § 82-02-01-01](#), and signing bonuses as defined under [NDCC § 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 or side, non-wage benefits which accompany or are in addition to a member's employment including insurance programs, annuities, transportation allowances, housing allowances, meals, lodging, and expense allowances, or other benefits provided by a member's employer.
- Insurance programs including medical, dental, vision, disability, life, long-term care, workers compensation, or other insurance premiums or benefits.
- Janitorial pay.
- Referee pay (see definition).
- Teacher's aide pay.
- Ticket taking pay.

- Unused sick leave, personal leave, vacation leave, or other unused leave payments.
- Other benefits or payments not defined above that the TFFR Board determines to be ineligible TFFR salary.

*Note: These lists are not all-inclusive. Contact RIO if you have questions on whether a payment to you should be reported to TFFR.*

## **Contributions**

Your TFFR pension plan is funded by employer and employee contributions and investment earnings.

### **Employer Contributions**

Your employer is required to pay 12.75% of the salary you earn during a school year (i.e., July 1 – June 30). Employer contributions are used to reduce the unfunded liability of TFFR and fund benefits for future retirees. Employer contributions are not refundable to the member as a lump sum.

### **Employee Contributions**

You are assessed 11.75% of salary earned during a school year (i.e., July 1 – June 30) to help finance the various TFFR plan benefits. These include retirement, disability, and survivor benefits, or a refund upon termination of employment.

### **Taxation of Employee Contributions**

Employee contributions can be made on a tax-deferred basis for federal and state income tax purposes under [Section 414\(h\)\(2\) of the Internal Revenue Code](#). Payment of employee contributions may be made by your employer through a salary reduction or as a salary supplement. Tax-deferred employee contributions and interest are taxable to you when you receive a monthly benefit or refund.

The following models are currently available for payment of employee contributions. The TFFR Employee Guide contains detailed examples of each model.

- Model 1: Employee contributions are deducted before federal and state taxes are withheld.
- Model 2: Employer pays between 1% and 11.75% of the employee contributions as a salary supplement. Employee contributions paid by the employer are added to salary for retirement purposes.
- Model 4 (state agencies and institutions): Special provisions apply.

### **Interest**

Employee contributions earn interest at an annual rate of 6% which is compounded monthly (.5% per month). The rate is set by state law.

*Note: The amount of money in your account is only important in the event of a lump-sum distribution (i.e., refund to member or a death payment to your beneficiary). It is not a factor in the calculation of your monthly retirement benefit.*

## Beneficiary

All TFFR members should designate a primary beneficiary(ies), in writing, for the purpose of directing payment of a claim due to a member's death. A member may also designate a contingent beneficiary(ies).

If you are married\*, you must name your spouse as beneficiary or provide written spousal approval to name an alternate beneficiary. If you are not married or if you have written spousal consent, you can name any person(s), organization, church, charity, or your estate as beneficiary of your retirement account. However, if more than one beneficiary is named, they are not eligible to receive a monthly annuity for life.

If a member does not designate a beneficiary, their death benefit, if any, will be paid to a surviving spouse or, if none, to their estate.

Certain life occurrences such as birth, death, or change in marital status, may be cause for you to consider changing your beneficiary. It is your responsibility to keep your beneficiary designation current. Beneficiary designation forms are available on the TFFR member webpage.

*Note: same gender marriages are recognized as legal marriages in all states. Married same gender couples receive all the legal rights and benefits afforded to married opposite gender couples.*

## Confidentiality of Records

To protect a member's privacy, all records relating to your TFFR account, account value, retirement, disability, and survivor applications and benefits are confidential and not a public record. The information and records may only be disclosed in writing to the member (i.e., mailing address on file or secure email location) or to:

- a person to whom the member has given written consent.
- a person legally representing the member.
- a person authorized by a court order.
- your participating employer, limited to information concerning your service credit, age, contributions, and salary.
- administrative staff of PERS for membership and benefit determination.
- state and federal agencies to validate member eligibility or employer compliance with existing state or federal laws.
- government child support enforcement agencies to establish, modify, or enhance a child support obligation.
- member interest groups approved by the board, limited to information concerning a member's death.
- member's spouse or former spouse, legal representative, or judge, to aide in the drafting of a qualified domestic relations order.



- beneficiaries, only after the member's death.
- the general public, only after RIO is unable to locate the member after two years and is limited to the member's name.
- any person if the board determines disclosure is necessary for operational purposes.
- a person if the information relates to an employer service purchase. the limited purchase information may only be obtained from the member's employer.

## **Marriage Dissolution – Qualified Domestic Relations Order**

TFFR is a qualified defined benefit public pension plan covered under [Section 401\(a\) of the Internal Revenue Code](#). [NDCC § 15-39.1](#) and [NDAC Title 82](#) contain the actual language governing the Fund. In simpler terms, your benefit is based on a formula that considers age, service credit, and average salary. Your account balance has no bearing in determining your monthly retirement benefit. This is different from a defined contribution plan which determines the benefit based on a total account balance.

For purposes of TFFR, a Qualified Domestic Relations Order (QDRO) is any judgment, decree, or order made in compliance with [NDCC § 15-39.1-12.2](#) and [NDAC § 82-08](#) relating to spousal support or marital rights affecting a TFFR member's retirement account. A qualified order must follow the model language outlined in [NDAC § 82-08-01-03](#). The TFFR Board must approve the order before it is presented to the judge for signature. If we receive an order signed by the judge and changes are needed, then the parties must return to court to modify the order.

Your pension from TFFR is generally considered a marital asset and is subject to valuation and division in a divorce. TFFR can provide you with your account balance, estimated monthly benefit accrued as of the date of divorce, and a copy of the QDRO model. Since QDRO's can become very costly, this information will allow all parties to be fully aware of the options and the benefit available. TFFR will not calculate the present value of any future retirement benefit. If you require this computation, you should consult an actuary, accountant, or other financial professional.

Depending on your financial situation, you may be able to address the division of your retirement account in another way, such as calculating the present value of your benefit and then dividing other property, so you retain sole ownership of your retirement account.

To protect your privacy, all records relating to your TFFR account are confidential and are not a public record. TFFR information may only be disclosed in writing to you, or to your spouse or your former spouse or legal representatives.

A court may order that your former spouse receive a portion of your retirement benefit. This can only be accomplished if the court order is filed and approved by the TFFR Board. This approved order is known as a QDRO and your former spouse is called an alternate payee. Once approved, the order can only be modified by another court order.

The court may order a certain percent or dollar amount of the accrued benefit as of the date of divorce be paid to the alternate payee. The actuarial value of the amount paid to an alternate payee will reduce your monthly benefit. An alternate payee may only receive a lump sum payment if you elect a refund of your account value when you terminate TFFR-covered employment. If you elect a monthly payment, the alternate payee will also receive a monthly payment.

The alternate payee will receive the monthly payment for life and elect a payment start date of one of the following.

- When the participating member reaches normal retirement (i.e., age 65 or, using only years of service prior to divorce, Rule of 85 - Tier 1 grandfathered member; or age 60 with Rule of 90 - Tier 1 non-grandfathered and Tier 2 members).
- When the participating member reaches early retirement (i.e., age 55).
- When the alternate payee reaches a certain date (must be after the member reaches age 55).
- When the participating member retires.
- If already retired, the benefit to the alternate payee would begin upon receipt of the order signed by the judge.

If the alternate payee passes away before beginning payment, the entire amount due to the alternate payee reverts to the member. If the death of the alternate payee occurs after the benefit begins, payments would cease or continue to the alternate payee's beneficiary to complete a term certain option.

If the member passes away prior to retirement, the alternate payee will receive a percent of the survivor benefit as of the date of divorce unless the alternate payee was already in payment. The percentage of the survivor benefit is determined when the order is drafted.

If you have an approved QDRO on file and remarry, at your retirement you will still be allowed to use the joint and survivor or term certain option to provide a benefit to your new spouse.

Any benefit enhancements provided by the North Dakota State Legislature would be applied to the alternate payee's portion of the benefit payment and would reduce the benefit improvement to you.

## **Exemption from Legal Process**

Retirement, disability, survivor, and refund benefits can be paid to members and beneficiaries only. These benefits are exempt from liability for debts of the member and are not subject to sale, assignment, pledge, mortgage, or other alienation (exception: QDROs, child support orders, federal garnishments, and IRS tax levies).

## **Borrowing from Your Account**

Your TFFR account does not have any loan features. State law does not permit you to borrow from or pledge your account value as collateral on a loan.

## **Right to Appeal**

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, benefit, or other plan provisions.

The party must file a written request for board review within 30 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 30 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 [NDAC § 82-10](#) and [NDCC § 28-32](#).

## **Fraud Against the Fund**

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

# SERVICE CREDIT

## Vesting

Tier 1 members must earn 3 years of service credit in North Dakota to become a vested member of TFFR. Tier 2 members must earn 5 years of service credit in North Dakota to become a vested member.

As a vested member, you are entitled to an unreduced monthly retirement benefit at normal retirement or a reduced monthly benefit at age 55. Normal retirement for a Tier 1 grandfathered member is age 65 or the Rule of 85. Normal retirement for Tier 1 non-grandfathered and Tier 2 members is age 65 or age 60 with the Rule of 90.

## Earned Service Credit

Each year that you teach, you will earn service credit. Your employer is required to report the number of compensated hours (not to exceed 700 hours) you are employed during each fiscal year. A member cannot receive more than one year of TFFR service credit each fiscal year.

If you are employed for 700 hours or more, you will receive one year of service credit. If you are employed less than 700 hours, you will receive a fractional year of service credit calculated by dividing your compensated hours by 700. Should you take an unpaid leave of absence, your service credit earned for that year may be affected.

Example: Teacher is compensated for 650 hours. The service credit earned by the teacher is .929 ( $650 \div 700 = 0.929$ ).

Service credit is used to calculate your retirement benefit. You are notified of your accumulated service credit each year when you receive your annual statement.

## Fiscal Year

A school year (or fiscal year) begins on July 1 and ends on June 30 of the following year.

## Purchasing Service Credit

TFFR members who meet certain conditions are eligible to purchase service credit to use toward retirement eligibility and benefits.

### TFFR Members

Conditions include the following.

- Member must be an active TFFR participant, licensed to teach in North Dakota and under contract with a TFFR employer.
- Service credit is not eligible for purchase if the years claimed also qualify for retirement benefits from another retirement system (exception: military service).
- Member is not required to purchase total years eligible.
- Purchased service is not used for vesting (exception: refund and USERRA military).

Service credit that may be purchased includes the following.

1. Refunded TFFR Service Credit

- Member must return to TFFR-covered employment.
- Regardless of prior status, the individual becomes a Tier 2 Member.

Cost: actuarial equivalent.

Verification: none.

2. Air Time

- Member must have 5 years of earned TFFR service credit.
- Air time is not related to previous teaching service.
- Member may purchase up to 5 years of air time.

Cost: actuarial equivalent.

Verification: none.

3. Government Agency Teaching Service

- Member must have been employed in elementary or secondary teaching service with an agency of the United States government.

Cost: actuarial equivalent.

Verification: government agency must verify years requested and eligibility for retirement benefits.

4. Leave of Absence

- Member must have been on an approved unpaid leave of absence from TFFR-covered employment.

Cost: actuarial equivalent.

Verification: copy of school board minutes or a letter from the employer confirming the beginning and ending dates of the leave of absence.

5. Legislative Service

- Member must have served in the North Dakota Legislative Assembly.
- May purchase credit lost (not salary lost) while in attendance at legislative sessions and committee meetings.

Cost: actuarial equivalent. Alternatively, member may enter into agreement with employer by which payment for service credit and salary for the time spent at each legislative session is made as though the teacher was not on a leave of absence.

Verification: employer certifies service credit lost or arrangements are made with the employer to include legislative credit.

6. Military Service Credit

- Member must have an honorable discharge.
- Must be active military duty. (National Guard active duty is accepted.)

Cost: if military service time was an “interruption of employment” with an employer covered by TFFR, the member may purchase the credit at a reduced cost under the federal Uniformed Services Employment and Reemployment Rights Act (USERRA) or the Veterans' Reemployment Rights Act (VRRRA). If not eligible under USERRA or VRRRA, a member may purchase up to four years of military service credit using the actuarial equivalent cost calculation.

Verification: DD214 (Certificate of Release or Discharge from Active Duty).

#### 7. Non-Public Teaching

- Member must have been employed in elementary or secondary teaching service at an accredited North Dakota private or parochial school. (Non-public college teaching not allowed.)

Cost: actuarial equivalent.

Verification: non-public school and/or retirement system must verify years requested and eligibility for retirement benefits.

#### 8. Out-of-State Teaching

- Member must have been employed in elementary or secondary teaching service at an accredited out-of-state public, private or parochial school.

Cost: actuarial equivalent.

Verification: out-of-state retirement system and/or school district must verify years requested and eligibility for retirement benefits.

#### 9. Professional Educational Organization

- Member must be president of a professional educational organization approved by the TFFR Board, e.g., ND United, and serving in a full-time capacity in lieu of teaching.
- May purchase credit lost (not salary lost) for time spent serving as president.

Cost: actuarial equivalent. Alternatively, member may enter into agreement with employer by which payment for service credit and salary for the time spent serving as president is made as though the teacher was not on a leave of absence.

Verification: employer certifies service credit lost or arrangements are made with the employer to include service credit.

### **Dual Members**

Conditions include the following.

- Must be a dual member, currently active in the PERS defined benefit program or HPRS. (PERS defined contribution program members are not eligible for dual membership.)
- Repurchased years may be used for vesting and retirement eligibility in the above retirement systems.

Cost: actuarial equivalent.

Verification: copy of account from respective retirement system.

## **Employer**

A participating employer may purchase up to 3 years of service credit on behalf of a member. Employers should contact RIO for additional information.

## **General Information**

### **Cost**

Contact RIO for a cost estimate and a projection of your TFFR benefit with and without the service credit purchase. Except for military service under USERRA, the cost to purchase service credit is calculated on an actuarial equivalent basis. Cost calculations are effective for 90 days and may be subject to change.

This calculation takes the following into consideration.

- Member's current and retirement age.
- Member's current final average salary.
- Number of years to unreduced retirement.
- Value of lost member contributions.
- Increased benefit because of purchasing.
- An actuarial cost factor furnished by TFFR's actuarial consultant and adopted by the TFFR board.

### **Payment**

- A member can purchase service credit in a single lump-sum payment or under an installment agreement.
- Installment payments may be made monthly, quarterly, semiannually, or annually.
- Payments may be set up for a maximum of 5 years.
- Actuarial equivalent cost purchases are assessed interest of 7.25% on the unpaid balance.
- Your account will be credited with years purchased when payment is completed.
- The amount paid to purchase service credit becomes part of your account value and interest is earned.
- A member must complete the purchase of service credit before retirement. If you retire or request to void an installment agreement prior to full payment of the purchase amount, service credit will be granted in proportion to actual principal payments made.
- RIO may accept tax deferred money by direct rollover or trustee to trustee transfer from eligible retirement plans for the purchase of service credit. Eligible plans include Traditional IRAs (not Roth IRAs), and qualified 401(a), 401(k), 403(a), 403(b) and 457 plans.

**Taxes**

Interest charged on the purchase of additional service credit is not accepted by the IRS as being tax deductible. The purchase is a part of the cost of your annuity and will not be taxable to you when drawn as a benefit. Exception: rollover funds received from eligible retirement plans.



# **BENEFIT**

TFFR is a defined benefit plan which provides members with a monthly retirement benefit based on a formula defined in [NDCC § 15-39.1](#). Defined benefit plans provide a steady, predictable income that is determined by the retiree's length of service and salary earned at the time of their retirement.

For TFFR purposes, a member is considered to be retired after terminating their TFFR-covered employment and accepting their first monthly retirement benefit payment.

If a member passes away before accepting a benefit payment, retirement has not occurred, and the benefit would not be payable. Instead, the member's beneficiary(ies) would be eligible for survivor death benefits the first of the month following the member's death.

At the time of retirement, a member may not be under contract to perform teaching services in North Dakota nor on a leave of absence.

A member's retirement annuity is payable for life as long as the member does not return to TFFR-covered employment. (See Employment After Retirement for exceptions.)

## **Eligibility For Benefit**

### **Normal Retirement**

A vested member is eligible for an unreduced retirement benefit if the member is one of the following.

- Age 65 or older.
- A Tier 1 grandfathered member - has achieved the Rule of 85, years of service credit and age equals or exceeds 85 (e.g., age 55 plus 30 years of service credit equals 85).
- A Tier 1 non-grandfathered member or a Tier 2 member - minimum age 60 and the Rule of 90, age plus years of service credit equals or exceeds 90 (e.g., age 60 plus 30 years of service credit equals 90).

### **Early Retirement**

A vested Tier 1 grandfathered member is eligible for a reduced retirement benefit if the member is age 55 or older. Early retirement benefits are reduced by 6% per year for every year the member's retirement age is less than age 65 or the Rule of 85, whichever is earlier.

A vested Tier 1 non-grandfathered member or Tier 2 member is eligible for a reduced retirement benefit if the member is age 55 or older. Early retirement benefits are reduced by 8% per year for every year from the earlier of age 65 or the later of age 60 or the Rule of 90.

### **Deferred Retirement**

A vested member who leaves covered employment in North Dakota may defer receiving their retirement benefit until reaching an eligible age. Deferred members retain the right to receive the benefit retroactive to initial eligibility.

## Computing Your Benefit

TFFR retirement benefits are determined by a formula defined in state law. This formula multiplies years of service credit by a percentage of the member's Final Average Salary (FAS). The current formula is  $FAS \times 2.0\% \times \text{Service Credit} = \text{Single Life Annuity}$

- Final Average Salary
  - Tier 1 member - one thirty-sixth of the total of your three highest annual fiscal year salaries reported to TFFR.
  - Tier 2 member - one sixtieth of the total of your five highest annual fiscal year salaries reported to TFFR.
- The benefit multiplier, the rate at which a member earns the benefit, is established by the North Dakota State Legislature. The current benefit multiplier is 2.0%.

Service credit is the amount of TFFR service a member accumulates through work or purchase. It is reported each year on the member's Annual Statement of Account.

## Summary of Benefits (Effective 7-1-2013)

### Tier 1 Grandfathered Members

Benefit	Minimum Age	Minimum Service	Benefit Calculation
Unreduced Retirement	Rule of 85 or age 65	3	$FAS \times \text{Service} \times 2\%$
Reduced Retirement	55	3	$FAS \times \text{Service} \times 2\% \times 6\%$ reduction factor
Disability Retirement	N/A	5	$FAS \times \text{Service} \times 2\%$
Refund	N/A	N/A	Member Contributions plus 6% interest

*Note: if a Tier 1 member refunds and later returns to TFFR-covered employment, the individual become a Tier 2 member.*

### Tier 1 Non-Grandfathered Members and Tier 2 Members

Benefit	Minimum Age	Minimum Service	Benefit Calculation
Unreduced Retirement	Rule of 90 or age 60	Tier 1 is 3 years	$FAS \times \text{Service} \times 2\%$
	Age 65	Tier 2 is 5 years	
Reduced Retirement	55	Tier 1 is 3 years Tier 2 is 5 years	$FAS \times \text{Service} \times 2\% \times 6\%$ reduction factor
Disability Retirement	N/A	5	$FAS \times \text{Service} \times 2\%$
Refund	N/A	N/A	Member Contributions plus 6% interest

## Estimated Monthly Retirement Income Benefit

Final Average Salary	Years of Service							
	5	10	15	20	25	30	35	40
<b>\$20,000</b>	\$167	\$333	\$500	\$667	\$833	\$1,000	\$1,167	\$1,333
<b>\$30,000</b>	\$250	\$500	\$750	\$1,000	\$1,250	\$1,500	\$1,750	\$2,000
<b>\$40,000</b>	\$333	\$667	\$1,000	\$1,333	\$1,667	\$2,000	\$2,333	\$2,667
<b>\$50,000</b>	\$417	\$833	\$1,250	\$1,667	\$2,083	\$2,500	\$2,917	\$3,333
<b>\$60,000</b>	\$500	\$1,000	\$1,500	\$2,000	\$2,500	\$3,000	\$3,500	\$4,000
<b>\$70,000</b>	\$583	\$1,167	\$1,750	\$2,333	\$2,917	\$3,500	\$4,083	\$4,667
<b>\$80,000</b>	\$667	\$1,333	\$2,000	\$2,667	\$3,333	\$4,000	\$4,667	\$5,333
<b>\$90,000</b>	\$750	\$1,500	\$2,250	\$3,000	\$3,750	\$4,500	\$5,250	\$6,000
<b>\$100,000</b>	\$833	\$1,667	\$2,500	\$3,333	\$4,167	\$5,000	\$5,833	\$6,667

*Note: estimate is based on normal retirement age under the Single Life Annuity option.*

## Annuity Options

TFFR offers lifetime annuity options. The single life annuity pays the maximum amount. Joint and survivor or term certain option guarantee a reduced lifetime benefit to the member and a lifetime or term certain benefit to the member's beneficiary(ies).

Under all payment options, the member is guaranteed to receive no less than your account value (i.e., member contributions plus six- percent interest). All optional plan amounts are derived from the benefit formula and an actuarial reduction calculation.

- A married member's spouse, if designated as beneficiary, must consent in writing to the retirement option elected by the member. If spousal consent is not obtained, the form of benefit payment will be the 50% joint and survivor option.
- Under the joint and survivor options, the benefit pops up to the higher single life plan if the member's beneficiary precedes them in death or if a divorce grants the member sole ownership of the retirement benefit.
- Upon remarriage, a member can re-elect a joint and survivor option. Under the single life plan, ten- and twenty-year term certain and life options if a retiree marries the retiree may also elect an option change to a joint and survivor option. The retiree must provide proof of the retiree's good health and the new beneficiary's proof of age. The monthly benefit will also be actuarially adjusted based on the new beneficiary's age.
- If a member names more than one beneficiary, the joint and survivor options are not available for retirement, disability, or survivor benefits.
- If the 100% joint and survivor plan is selected and the beneficiary is not the spouse, the beneficiary must be no more than ten years younger than the member.

## **Single Life Annuity**

The single life annuity amount is payable to the member for life. While there is no monthly provision for beneficiary(ies), should the member die before receiving the full account value, the beneficiary(ies) will receive a lump-sum payment of the balance.

## **100% Joint and Survivor Annuity**

The single life annuity amount, actuarially reduced based on the member's age and the designated beneficiary's age, is payable for life. At the member's death, the designated beneficiary receives 100% of the monthly benefit for the rest of their life. If the beneficiary passes away first, the member's monthly benefit reverts to the single life annuity.

## **50% Joint and Survivor Annuity**

The single life annuity amount, actuarially reduced based on the member's age and the designated beneficiary's age, is payable for life. At the member's death, the designated beneficiary receives 50% of the monthly benefit for the rest of their life. If the beneficiary passes away first, the member's monthly benefit reverts to the single life annuity.

## **Ten-Year Term Certain and Life Annuity**

The single life annuity amount, actuarially reduced based on the member's age, is payable to the member for life. If the member dies within ten years (i.e., 120 months) of their retirement date, the designated beneficiary(ies) continue to receive a monthly benefit equal of the same amount until the end of the ten-year period.

## **Twenty-Year Term Certain and Life Annuity**

The single life annuity amount, actuarially reduced based on the member's age, is payable to the member for life. If the member dies within twenty years (i.e., 240 months) of their retirement date, the designated beneficiary(ies) continue to receive a monthly benefit of the same amount until the end of the twenty-year period.

## **Partial Lump Sum Option**

Members eligible for normal retirement may receive a lump sum cash payment in exchange for an actuarially reduced benefit. The lump sum payment equals 12 times the amount of the single life annuity and is payable at the same time the monthly retirement annuity begins. If the member selects a joint and survivor or term certain option, their benefit is reduced for the additional beneficiary coverage.

The taxable portion of the lump sum cash payment will be eligible to rollover to an IRA or another eligible retirement plan.

## **How to Apply**

Notify RIO of your intent to retire at least 120 days before your last day of employment to allow the agency sufficient time to process your claim. RIO will make every effort to process your claim in a timely fashion. If a delay occurs, retirement benefits will be paid to you retroactive to your retirement date.

Complete a TFFR Retirement Application and submit to RIO along with **copies** of the following.

- Proof of member age – birth or baptismal certificate, military discharge, passport, or Real ID.
- If you select a Joint and Survivor Option, proof of beneficiary's age - birth or baptismal certificate, military discharge, passport, or Real ID.
- Teaching contract for current school year – include any extracurricular activity pay or additional salary.
- Salary Verification Pending Retiree form completed by employer.
- Letter of resignation.
- Acceptance of resignation by employer.
- Early retirement incentive agreement (if applicable).

Purchase of service credit must be complete before retirement. If a member retires prior to full payment of an installment agreement, service credit will be granted in proportion to the actual principal payments made.

For more information, refer to the TFFR Retirement Guide and contact RIO to calculate benefit options and amounts.

## **Enrollment**

After you have submitted a Retirement Application, RIO will review your salaries and service credit and may contact your employer for salary verification. To avoid a delay in your first retirement benefit, RIO will use the salary information you submit to estimate your final salary and service credit.

Your retirement enrollment form will be prepared using 90 percent of the estimated salary and sent to you for completion. Upon our receipt, your retirement benefit will begin on the first of the month of eligibility or retroactive to your retirement date. Once the final salary, service credit, and last date of employment is reported by your employer, your monthly benefit may be adjusted.

At retirement, if you elect the partial lump sum option and want your enrollment forms to use 100 percent of your final salary, you must notify RIO. Your enrollment forms will not be sent until your employer reports the final salary information. Your retirement benefit payment will be delayed but will be paid to you retroactive to your retirement date.

## **Payment**

Your retirement date will be on the first or fifteenth day of the month following your last date of employment or eligibility. Actual payment of the benefit will be on the first day of each month and may be paid retroactive to your retirement date.

Direct deposit is the required method of payment. It is a safe, fast, and cost-effective method of receiving your monthly benefit. Direct deposit guarantees that your annuity check is deposited to your checking or savings account on the first working day of every month. It also eliminates problems with lost or misplaced checks.

If any change or error in RIO's records or the participating employer's records, or an error in any calculation results in a member receiving more or less in benefits than they are entitled to receive, RIO reserves the right to correct the error and adjust the benefit.

## **Taxation**

Retirement benefits are taxable as ordinary income under both federal and state law. Taxable and nontaxable portions of the annuity are calculated according to a formula provided by the Internal Revenue Service (IRS). Under the IRS Simplified General Rule, only a small fraction of each monthly benefit payment may be nontaxable. The balance of the benefit is immediately taxable.

When you have recovered the previously taxed contributions by way of monthly exclusion, 100 percent of your benefit becomes taxable. RIO determines your taxable benefit income and transmits the information to you and the IRS annually on a 1099-R tax form.

You may choose to have federal and North Dakota state income tax withheld from your monthly benefit. To adjust federal tax withholding, complete IRS form W-4P. To adjust ND state tax withholding, complete TFFR's Tax Withholding Certificate. Return the completed form(s) to RIO. Both tax forms are available on the agency's website under TFFR Member.

Personal income tax questions should be directed to your accountant, tax advisor or the IRS.

## **General Information**

### **Compensation Limit**

Benefits payable from TFFR may not exceed the maximum benefit specified under section 415 of the Internal Revenue Code ([26 U.S.C. 415](#)) for governmental plans.

### **PERS Group Insurance**

Individuals who are receiving a monthly benefit from TFFR may be eligible to participate in the PERS group insurance programs. These include the following.

- Health insurance (Medicare eligible only).
- Dental insurance.
- Long-term care insurance.
- Vision insurance.

The monthly premiums can be deducted from your TFFR benefit check or bank account. For additional information, [contact PERS](#).

### **Post-retirement Benefit Increases**

The TFFR pension plan does not contain provisions for automatic cost of living adjustments to retirement benefit.

## Required Minimum Distribution

After a certain age, TFFR members may be required to withdraw their account balance to avoid a Required Minimum Distribution (RMD) federal tax penalty per [Section 401\(a\)\(9\) of the Internal Revenue Code](#).

As of 2022, the RMD age is as follow.

- If you were born before July 1, 1949, your RMD age is 70 ½.
- If you were born between July 1, 1949, and Dec. 31, 1950, your RMD age is 72.
- If you were born Jan. 1, 1951, or later, your RMD age is 73.

TFFR members who remain employed in positions reportable to TFFR beyond their RMD age are not yet subject to the withdrawal requirements.

If you are an active teacher contributing to TFFR beyond your RMD age and then stop contributing, you must begin drawing a retirement benefit or refund your TFFR account balance no later than April 1 of the following year.

If you are approaching (or have already attained) your RMD age, you have terminated or will soon terminate all TFFR reportable employment, and you have not yet applied for a retirement benefit or withdrawal from TFFR, please contact RIO immediately.

If you are an inactive TFFR member, the RMD requirements apply to you, regardless of whether you are vested in TFFR.

Failure to comply with the RMD requirement may result in a tax penalty for any RMD that you should have received but did not receive by the required date.

Personal income tax questions should be directed to your accountant, tax advisor or the IRS.

## Social Security

Most retired members are eligible to receive both a TFFR retirement benefit and a Social Security benefit. Contact the [Social Security Administration](#) for information and exceptions.

## Employment After Retirement

After you retire, you may return to TFFR-covered employment under certain employment limitations.

The limits do not apply to the following.

- Teaching in public colleges and universities.
- Teaching in private schools.
- Employment outside of education.
- Employment outside of North Dakota.
- Non-contracted substitute teaching.

- Extracurricular activities.
- Professional development.

To help you determine which return to work option best suits your needs, you should consider the following questions.

- Do I plan to work full or part time?
- How long do I plan to work?

Please keep in mind that under both federal and state law, a member must terminate employment to be eligible to retire and receive a retirement benefit. Therefore, at the time of retirement, there can be no written pre-existing agreement indicating re-employment after retirement. The employer and retiree are required to notify RIO in writing within 30 days of the retiree’s TFFR-covered employment. Notification must be made each year the retiree is employed. Failure to notify RIO will result in the loss of one month’s annuity benefit for the retiree and \$250 penalty to the employer.

Because of the impact returning to work could have on your TFFR retirement benefit, we strongly encourage you to contact RIO to discuss all of your options.

**General Rule – Annual Hour Limit**

After 30 days from your retirement date, you may return to TFFR-covered employment for a maximum number of hours in a fiscal year (July 1 - June 30). You will continue to receive your retirement benefit, and employer and employee contributions will be paid on all retirement salary paid to the retiree excluding in-staff subbing, extracurricular duties and professional development pay based on the employer payment model. The additional employee contributions will be included in the retiree's account value, but the monthly benefit will not be affected.

The annual hour limit is based on the length of the employment contract.

<b>Length of Contract</b>	<b>Maximum Hours</b>
9-month	700
10-month	800
11-month	900
12-month	1,100

Example: Jane retires on July 1, 2023, and begins receiving her TFFR benefit. On August 1, she signs a 9-month contract with a ND school district to work 700 hours. Except for in-staff subbing, extracurricular duty and professional development, all compensated hours count toward the 700-hour limit. Jane and her employer submit a TFFR Retired Member Employment Notification form. Jane receives salary, and employer and employee contributions are paid to TFFR on the teaching salary. Jane continues to receive her retirement benefit while teaching part time. The additional employee contributions are added to the retiree's account balance, but the monthly benefit is not affected.



### Exception A – Critical Shortage Area

You may return to TFFR-covered employment in an approved critical shortage area and exceed the annual hour limitation without losing your retirement benefit. If you retired on or prior to January 1, 2001, no waiting period is required. However, if your retirement date is after January 1, 2001, a one-year waiting period is required. You may perform non-contracted substitute teaching, extracurricular duties, and professional development during the waiting period.

Critical shortage areas will be determined each year by the Education Standards and Practices Board (ESPB). Each year, you must re-apply for this exception. Like the General Rule, you will continue to receive retirement benefits, and employer and employee contributions will be paid on retirement salary based on the employer payment model. The additional employee contributions will be included in the retiree’s account value, but the monthly benefit will not be affected.

Example: John retires on July 1, 2023, and begins receiving his TFFR benefit. He does substitute teaching in 2023-24 and returns as a full-time teacher on July 1, 2024, in an approved critical shortage area. John and his employer submit a TFFR Retired Member Employment Notification form. John receives salary, and employer and employee contributions are paid to TFFR on all retirement salary. John continues to receive his retirement benefit while working full time in a critical shortage area. The additional employee contributions are added to the retiree’s account value, but the monthly benefit is not affected.

### Exception B – Benefit Suspension and Recalculation

After 30 days from your retirement date, you may return to TFFR-covered employment and exceed the Annual Hour Limit. Under this option, employer and employee contributions will be paid on all retirement salary before and after the benefit suspension based on the employer’s payment model. Your TFFR benefit will be suspended the first of the month following the month you reach the annual hour limit. Upon subsequent retirement, your benefit may be recalculated using all the years you were reemployed at the current multiplier with no actuarial offset. All employee contributions will be added to the retiree’s account value.

### Retiree Return to Work Options At-A-Glance

	<b>General Rule</b> (Annual Hour Limit)	<b>Exception A: Critical shortage areas determined by ESPB</b> (Over Annual Hour Limit)	<b>Exception B: Benefit suspension and recalculation</b> (Over Annual Hour Limit)
<b>Waiting Period Required</b> (Break in Service)	30 days from TFFR retirement date.	One Year, if your retirement date is after 1/1/2001. None, if your retirement date is on or before 1/1/2001.	30 days from TFFR retirement date.
<b>Length of Employment</b>	Unlimited	Dependent upon approval and verification of critical shortage area.	Unlimited
<b>TFFR Benefit Continued</b>	Yes	Yes	No, benefit suspended after annual hour limit is reached.

<b>TFFR Employee &amp; Employer Contributions Paid</b>	Yes	Yes	Yes
<b>TFFR Benefit Amount Recalculated</b>	No	No	Yes

## Disability Retirement Benefit

If you become disabled, you may be entitled to a monthly disability retirement benefit if the following conditions are met.

- Five or more years of North Dakota service credit.
- Employed by a TFFR-covered employer at the time of disability.
- Application must be filed within 36 months from the last day of employment.
- Disability must be “total” and result in your inability to perform the duties of a teacher for 12 months or more due to a medical condition.
- Certified eligible by the TFFR Board of Trustees.

## How to Apply

Upon request, a disability application packet will be sent to the member containing disability information and forms to be completed by the member, their employer, and their medical provider.

The disability application must be filed within 36 months from the member’s last day of covered employment. The member may apply for and receive a disability benefit while on an approved medical leave of absence as long as they apply for the benefit within the 36-month time frame.

In order to review a disability application, the employer must provide RIO with information about the member’s employment status, sick leave benefits, and explain how the disability affects performance of job duties.

The member must also provide RIO with a medical examination report completed by their medical provider. A medical examination report is not necessary if the member provides written proof documenting their eligibility for Social Security disability benefits. RIO is not liable for any costs incurred in undergoing the medical examinations and completing and submitting the necessary reports. This also applies to the recertification process.

Once RIO receive all of the necessary documentation, an independent medical consultant will review the application and make a recommendation to the TFFR Board.

The TFFR Board will review the application and determine the member’s eligibility for a disability benefit. The member has the right to attend or be represented at this meeting. The discussion is confidential and is closed to the public.

If approved, the member will be notified and receive disability enrollment forms. If denied, the member may appeal this decision by initiating a formal action against the Board in accordance with [NDAC § 82-10-01-01](#) and [NDCC § 28-32](#).

## Calculation

The disability benefit is calculated using the current retirement formula without reduction for age and the member's actual years of service credit.

The disability retirement annuity is payable for life unless the member returns to teaching or no longer recertifies as eligible for a disability benefit. The member may elect a reduced benefit to provide additional survivor benefit protection for a beneficiary under joint and survivor or term certain options. If the member is married, their spouse, if designated as beneficiary, must consent in writing to the form of payment option you elect. If spousal consent is not obtained, the form of benefit payment will be the 50 percent joint and survivor option.

## Payment

The member's disability retirement date will be the first day of the month following the last date of paid employment. The benefit will be paid to the member on or retroactive to this date. The member may receive the benefit for life, as long as they remain eligible. Periodic recertifications are required.

If the member passes away before accepting the benefit, disability retirement would not have occurred, and disability retirement benefit would not be payable. Instead, the member's beneficiary would be eligible for a survivor benefit the first of the month following the member's passing.

Direct deposit is the required method of payment. It is a safe, fast, and cost-effective method of receiving your monthly benefit. Direct deposit guarantees that your annuity check is deposited to your checking or savings account on the first working day of every month. It also eliminates problems with lost or misplaced checks.

If any change or error in RIO's records or the participating employer's records, or an error in any calculation results in a member receiving more or less in benefits than they are entitled to receive, RIO reserves the right to correct the error and adjust the benefit.

## Taxation

Disability retirement benefits are taxable as ordinary income until you reach normal retirement age. After you reach normal retirement, you will begin to recover the nontaxable part of your annuity, if any. The taxable and nontaxable portions of your benefit are calculated using a formula provided by the IRS. You will receive a 1099-R tax form each year indicating your taxable income.

A member who retires under disability may be able to qualify for the "Credit for the Elderly or the Disabled." See [IRS Publication 524](#). Personal income tax questions should be directed to your accountant, tax advisor or the IRS.

## General Information

### ND PERS Group Insurance

Individuals who are receiving a monthly disability benefit from TFFR may be eligible to participate in the group health (Medicare eligible only), dental and vision insurance programs administered by PERS.

The monthly premiums can be deducted from your TFFR benefit or bank account. For additional information, [contact PERS](#).

### **Post-retirement Benefit Increases**

The TFFR pension plan does not contain provisions for automatic cost of living adjustments to retirement benefits.

### **Return to Employment**

If you return to teach, you must notify RIO in writing. The disability benefit will cease the first day of the month following the date you return to teach or are not recertified eligible for continued benefits.

In some cases, a disability benefit may continue for up to six months while the individual returns to work on a trial basis. Contact RIO for details.

### **Survivor Benefit**

Survivor benefits are payments made by TFFR to a beneficiary(ies) of a deceased member. The benefit to a qualified survivor may be a lump-sum refund of your account value or a monthly payment.

The following are eligible for survivor benefits.

- Designated beneficiary.
- Surviving spouse.
- Estate.

All TFFR members should designate a beneficiary in writing for the purpose of directing payment of a claim due to death.

If a member is married, their spouse must be a beneficiary unless the member has provided written spousal approval to name an alternate beneficiary. If the member is not married or if the member has written spousal consent, the member can name any person(s), organization, church, charity, or your estate, as beneficiary of your retirement account. However, if more than one beneficiary is named, they are not eligible to receive a monthly annuity for life.

In all cases, a minimum payout equal to the member's account value is guaranteed.

### **Death Prior to Retirement**

Should a member die before retiring, the beneficiary will have the following options.

- Non-vested member (Tier 1 member with less than 3 years of service credit or a Tier 2 member with less than 5 years of service credit):
  - Refund of account value.
- Vested member (Tier 1 member with 3 or more years of service credit or a Tier 2 member with 5 or more years of service credit):

- Refund of account value.
- Monthly annuity for life (not available if more than one beneficiary is named).

The beneficiary(ies) the member names affect the survivor benefit options available.

Example, if Bob is a vested member and he dies before retiring, these are the options available to his beneficiary(ies).

- If one beneficiary is named - refund of account value or monthly annuity for life.
- If multiple beneficiaries or an estate named - refund of account value.
- If no beneficiary named:
  - Surviving spouse - refund or monthly annuity for life
  - Estate - refund option only

## **Death After Retirement**

The survivor benefits the designated beneficiary receives, if any, are based on the plan the member selects at retirement.

- Single Life Annuity - balance of account value, if any.
- 100% Joint and Survivor Annuity - 100 percent of the monthly annuity to continue to the beneficiary for life.
- 50% Joint and Survivor Annuity - 50 percent of the monthly annuity to continue to the beneficiary for life.
- 10-Year Term Certain and Life - remainder of the 120 months of payments, if any.
- 20-Year Term Certain and Life - remainder of the 240 months of payments, if any.

Retired members who retire under the single life, 10 or 20-year term certain and life annuity plans may change their beneficiary at any time.

Retired members who select the 100 percent or 50 percent joint and survivor annuity plans can only name one beneficiary at the time of retirement and may not change their beneficiary after retirement. If the 100 percent joint and survivor plan is selected and the beneficiary is not the spouse, the beneficiary must be no more than ten years younger than the member.

Under the joint and survivor options, a pop-up provision is available if your beneficiary precedes you in death or a divorce grants you sole ownership of your retirement benefit. Your annuity will convert to the higher single life annuity plan. You may then designate a new beneficiary for contact purposes or for payment of account value, if any. Upon remarriage, you can re-elect a joint and survivor option. Under the single life annuity, ten- and twenty-year term certain and life options, if a retiree marries, the retiree may also elect to change to a joint and survivor option.

The retiree must provide proof of the retiree's good health and proof of the new beneficiary's age. The monthly benefit will also be actuarially adjusted based on the new beneficiary's age.

It is very important to name a beneficiary for your retirement account. Even if there is no death benefit due to the beneficiary, a contact person is needed to close a deceased member's retirement account. Please keep your beneficiary designation current. Designation of Beneficiary forms are available on RIO's website under TFFR Member.

## **Documentation**

If a member dies, RIO should be notified promptly. The agency will provide the designated beneficiary with any required forms. A copy of the following documents must be provided to RIO before a survivor benefit can be paid.

1. Member's death certificate.
2. If a monthly survivor benefit was selected, provide the beneficiary's proof of age.

Additional information may be required to process the survivor benefit application.

## **Taxes**

- Refund of Account Value - RIO is required to withhold federal tax at 20% of the taxable portion of the refund. Alternatively, to avoid the mandatory 20% withholding, the refund may be paid in a direct rollover to an IRA or an eligible retirement plan. (See the [Special Tax Notice](#) Regarding TFFR Refund Payments on the TFFR Member webpage under Withdrawal of Account.)
- Monthly Survivor Benefit - Survivor benefits are taxable as ordinary income under both federal and state law. The survivor will recover the remainder of the previously taxed member contributions by way of monthly exclusion if the deceased member did not already recover the total. Taxable and nontaxable portions of the annuity are calculated according to a formula provided by the IRS Simplified General Rule.

A final 1099-R will be issued for the deceased retired member's account the following January. If a survivor begins drawing a monthly benefit, a 1099-R will also be issued for the survivor each year.

Contact a qualified tax advisor for details regarding your tax liability on survivor benefits.

## **Refund aka Lump Sum Distribution**

A member who terminates covered employment is eligible for a refund, aka a lump-sum distribution, of their account value. This consists of employee contributions paid plus 6% interest. The refundable balance does not include employer contributions or investment earnings which are used in paying retirement benefits and reducing TFFR's unfunded liability.

A refund closes your account and all service credit earned to that point is forfeited. By selecting a refund, the member waives all rights to a lifetime annuity at retirement. If a Tier 1 member, the member also waives their Tier 1 membership status and, if they return to TFFR-covered employment, the member will become a Tier 2 member. Tier 1 and Tier 2 members may repurchase refunded service credit upon return to covered employment. (See Service Credit section for details.)

## How to Apply

Contact RIO for a refund/rollover application and important tax information.

Refunds are issued on the first working day of each month. Refund applications and waiver documentation, if applicable, must be received by RIO no later than 10 working days before the end of the previous month.

A refund cannot be issued until the employer has submitted all retirement contributions and reported the necessary information to close the account. A refund cannot be issued if the member has ceased teaching for the summer months only or if they are on a leave of absence.

## Waiting Period

There is a 120-day statutory waiting period from the last month of TFFR employment before a refund will be issued. The statutory period may be waived if the member provides all the following waiver documentation.

1. Written proof of resignation or non-renewal.
2. Written proof of employer's acceptance of the resignation.
3. A TFFR certification of employment form completed by the employer.
4. Written proof that the member has either accepted non-covered employment or has permanently moved out-of-state. Alternately, a statement from a medical provider attesting to non-employment during the upcoming school year for medical reasons.

## Taxation

A refund may either be paid in a direct rollover to an IRA or another qualified plan or paid to the member. The choice made will affect the taxes the member owes.

- If the taxable portion of the refund is rolled over, no tax or penalty will be due, and no income tax will be withheld.
- If the refund is paid directly to the member, RIO is required to withhold federal income tax at 20 % of the taxable portion of your refund. North Dakota state tax withholding is optional. A 1099-R tax form will be sent to the member the following January. This tax information will need to be disclosed on your tax return. If you separate from service before age 55 and receive a taxable refund payment before age 59 1/2, you may have to pay an extra 10% penalty calculated on IRS Form 5329 in addition to the regular income tax.

Any previously taxed contributions will be paid to the member unless the member requests that these contributions be rolled to an IRA or to certain employer plans that accept after-tax contributions.

For more information, refer to the [Special Tax Notice](#) available on the TFFR Member webpage under Withdrawal of Account.

Personal income tax questions should be directed to your accountant, tax advisor or the IRS.

# **INVESTMENT OF FUNDS**

## **Prudent Investor Rule**

TFFR's employee and employer contributions are invested under the direction of the State Investment Board (SIB) using the Prudent Investor Rule.

The Prudent Investor Rule means that in making investments, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

## **Exclusive Benefit**

State statutes require the retirement funds belonging to TFFR be invested exclusively for the benefit of members and in accordance with the TFFR Board's investment goals and objectives.

## **Asset Allocation**

Diversification of the investments to the various asset classes must be determined by the TFFR Board. The staff and consultants of RIO are used to assist in determining the proper allocation.

*Note: investment performance information is available on RIO's website.*



## TERMS AND DEFINITIONS

*Note: the terms and definitions in this section only relate to TFFR's pension program*

**Account Value** - the total amount a member pays to TFFR including interest earned. This amount can be refunded once a teacher leaves TFFR employment.

**Air Time** - up to five years of service credit can be purchased once a member has five years of teaching service in TFFR. Once purchased, air time will be added to the teacher's total service and used in the Rule of 85/90 calculation and in the calculation of benefits.

**Beneficiary** - person(s) designated to receive a benefit payable in the event a member dies.

**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.

- Recruitment or contract signing payments defined in [NDCC § 15.1-09-33.1](#).
- Retention, experience, or service-related payments.
- Early retirement incentive payments, severance payments, or other payments conditioned on or made in anticipation of a member's retirement or termination.
- Payments made to recognize or reward a member's accomplishments or service.
- Other special or irregular payments which the board determines to be bonuses using criteria and documentation described in [NDAC § 82-04-02-01](#).

**Contract** - a written agreement with a school board or other governing body of any ND 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 which is equal to 12.75% of the retirement salary a member earns during a fiscal year (July 1 - June 30). Employer contributions are not refundable to the member.

**Contributions (Member/Employee)** - an amount equal to 11.75% of the retirement salary earned by a member during a fiscal year (July 1 - June 30) to help finance TFFR benefits.

**Contributions, Taxed Member** - member contributions withheld from member pay and taxed in the year withheld. These contributions are deducted from member pay after taxes have been calculated.

**Contributions, Tax-Deferred Member** - member contributions withheld from member pay or that 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.

**Dual Member** - a TFFR member that also has service reported to the North Dakota Public Employees Retirement System (NDPERS) defined benefit program or the Highway Patrol Retirement System (HPRS). (PERS defined contribution program members are not eligible for Dual Membership.)

**Final Average Salary (FAS)** – final average salary is calculated using the average of the highest three fiscal year salaries for Tier 1 members and the highest five fiscal salaries for Tier 2 members. Final average salary is a key component in determining the 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 Member Status** - see Tier 1 grandfathered member and Tier 1 non-grandfathered member.

**In-Staff Substitute Teacher** - a licensed contracted teacher who performs substitute teaching duties for the contracting district. These duties are reportable to TFFR.

**Qualified Domestic Relations Order (QDRO)** - a court order relating to the division of the TFFR benefit in divorce cases.

**Refund** - a lump sum withdrawal of the member contributions plus interest.

**Retirement Salary** - a member’s reportable contract/additional TFFR salary plus member contributions paid by employer as a salary supplement, if any.

**Rule of 85** - when age plus years of service equals 85 or more.

**Rule of 90** - when age plus years of service equals 90 or more.

**Salary (contract/additional)** - a member’s eligible earnings in employment for teaching, supervisory, administrative, and extracurricular services during a school year.

**Service Credit** - each year a member will earn retirement service credit to use in the calculation of their benefit. The employer reports a member’s compensated hours at the end of each school year. 700 compensated hours equals one year of service credit. A member cannot receive more than one year of service credit each fiscal year. If a member works less than 700 hours, the member will earn a fraction of a year.

**Section 414(h)** - the section of the Internal Revenue Code that deals with the federal tax treatment of member contributions.

**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.

**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.

**Teacher (Member)** - all persons currently licensed to teach in North Dakota by the [Education Standards and Practices Board \(ESPB\)](#) (substitute teacher license and the permit to teach are not eligible) and contractually employed (including third party agreements) in teaching, supervisory, administrative, or extracurricular services by any state institution, multidistrict special education unit, area career and technology center, regional education association, school board, or other governing body of a ND school district. All public-school teachers are required to be members of TFFR.

Teachers (Members) include the following.

- Superintendents.
- Assistant superintendents.
- Licensed business managers.
- Special teachers.
- County superintendents.
- Assistant county superintendents.
- Principals.
- Assistant principals.
- Other persons in positions outlined in state statutes.

**Tier 1 Member** - all active, inactive, and retired members with TFFR service credit on file prior to July 1, 2008.

**Tier 1 Grandfathered Member** - Tier 1 member who were vested (3 years of service credit) and at least age 55 OR had the Rule of 65 or greater (age + service) were grandfathered under retirement eligibility provisions in affect prior to July 1, 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. A Tier 1 non- grandfathered member will be 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. A Tier 2 non- grandfathered member will be 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.

**Vested Member** - the pension plan status attained when a Tier 1 member who has earned 3 years of service credit or a Tier 2 member who has 5 years of service credit. If vested, a member

is entitled to a monthly lifetime retirement benefit once they leave teaching and are eligible for the benefit. If a member leaves employment and is not vested, the member will only be eligible for a lump sum refund of the teacher's account value.

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