

TFFR Member Handbook

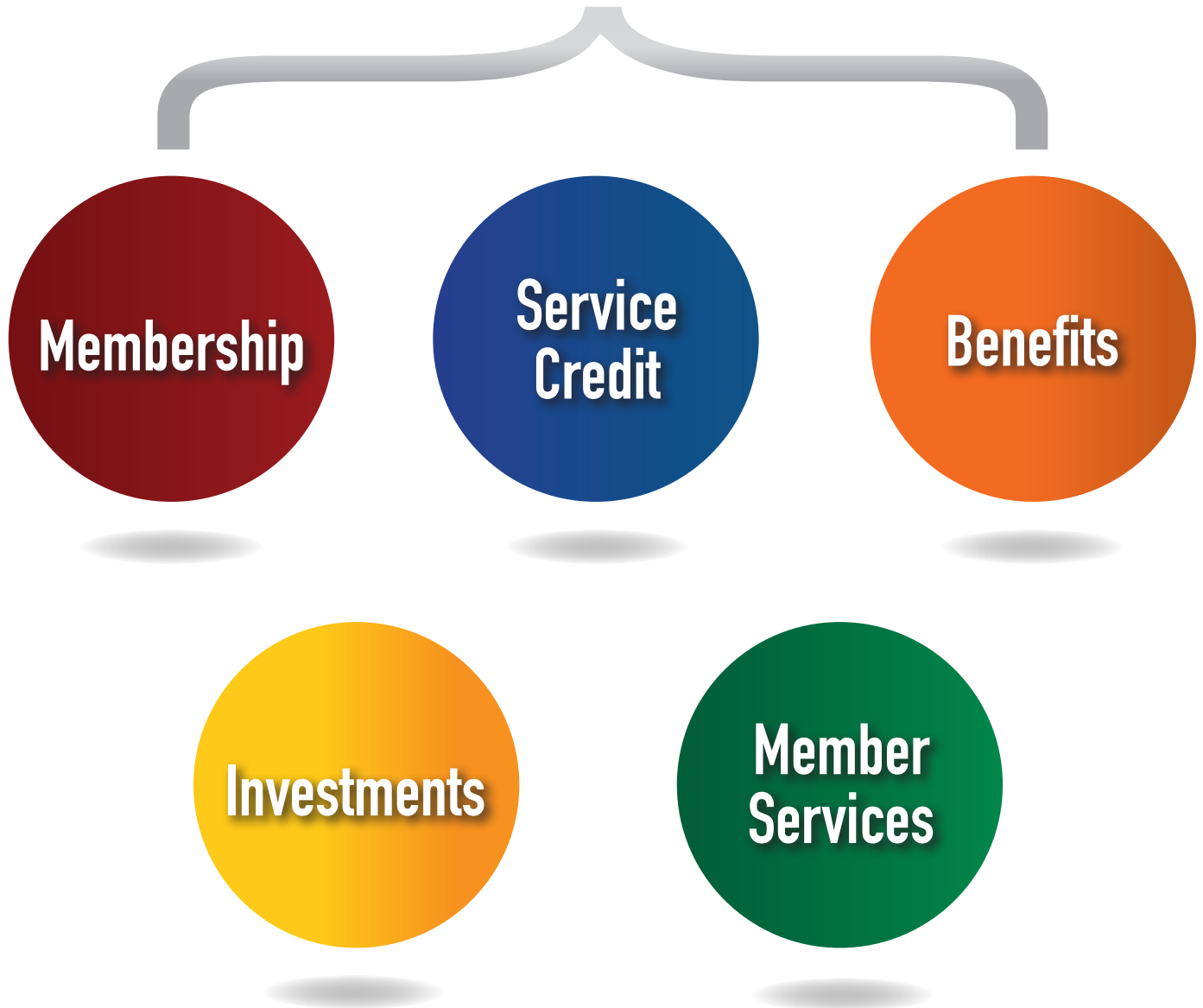


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ND Teachers' Fund For Retirement



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 retirement education workshops and benefits counseling sessions.

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 levels of service to TFFR members. The TFFR program is administered by the Retirement and Investment Office (RIO).

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, Active Administrator, President

Cody Mickelson, Active Teacher

Toni Gumeringer, Active Teacher

Mike Burton, Retired Member

Melvin Olson, Retired Member

Kelly Schmidt, State Treasurer

Kirsten Baesler, State Superintendent

Four TFFR Board members also serve on the State Investment Board (SIB).



State Investment Board



The State Investment Board (SIB) is responsible for setting policies and procedures guiding the investment of over \$2 billion in assets for TFFR. The funds are invested following the "Prudent Investor Rule" and must be invested exclusively for the benefit of TFFR members. The investment program is administered by the Retirement and Investment Office (RIO). The SIB is also the administrative board for RIO.

Current SIB Members:

Brent Sanford, Lt. Governor, Chair
Jon Godfread, State Insurance Commissioner
Kelly Schmidt, State Treasurer
Brian Klipfel, Director, Workforce Safety and Insurance
Jodi Smith, University and School Land Commissioner
Rob Lech, TFFR Trustee
Toni Gumeringer, TFFR Trustee
Mel Olson, TFFR Trustee
Troy Seibel, PERS Trustee
Yvonne Smith, PERS Trustee
Adam Miller, PERS Trustee

Retirement and Investment Office



The North Dakota Retirement and Investment Office (RIO) 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 that will allow them to become knowledgeable about the issues and process of retirement.
- SIB clients and TFFR benefit recipients receive satisfactory services from the boards and staff of the office.



Type of Plan

TFFR is a qualified defined benefit public pension plan covered under Section 401(a) of the Internal Revenue Code (IRC). TFFR must be administered in compliance with IRC regulations, in particular with Section 415 maximum benefit limitations; Section 401(a)(9) minimum distribution requirements; Section 401(a)(17) maximum compensation limit; and Section 401(a)(31) rollovers and transfers.

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 handbook. If differences exist between the information in this handbook and state or federal law, the laws shall govern.

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

- Employee contributions
- Employer contributions
- Investment earnings

TFFR serves over 10,000 teachers from 213 employer groups and pays benefits to over 9,000 retirees and beneficiaries.

Legislative Highlights

No 2019 legislative proposals were approved that directly impacted the TFFR plan benefits, contributions, or provisions.





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 on 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 (substitute teacher license and the permit to teach not acceptable) 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.
- 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 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 (3 years of service credit) and at least age 55 OR had the Rule of 65 or greater (age + service) on 6/30/13 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 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 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 have the opportunity to use all their years in public employment toward vesting and retirement eligibility.

You may qualify as a dual member if you have service credit in TFFR and the Public Employees Retirement System (PERS) or Highway Patrol Retirement System (HPRS). You may also be eligible to purchase previously refunded service credit.

For dual members, the total of all service credit earned in TFFR, PERS, and HPRS is used to determine vesting and eligibility for unreduced retirement benefits. (Note: No more than one 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.

Examples:

Full time teacher's aide – August thru May (report to PERS) and summer school teacher – June and July (report to TFFR)

Or

Part time teacher's aide meeting PERS minimum requirements – August thru May (report to PERS) and part time teacher – August thru May (report to TFFR)

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 one year of service credit can be used in a fiscal year. Any overlapped service credit will be recognized by only one system and forfeited by the other.





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. 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, extra-curricular schedules, board minutes, or other written documentation. For example:

- 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, sabbatical
- REA, joint powers agreement, consortium type work
- Summer school/summer programs
- Travel time between schools (not mileage)





Salary (*Continued*)

Ineligible Retirement Salary (Non-Reportable)

Eligible salary does not include:

- 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 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 the administrative office if you have questions on whether a payment to you should be reported to TFFR.





Contributions

Your TFFR retirement 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 (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 (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 (IRC). 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.

No Model: Employee contributions are deducted after federal and state taxes are withheld.

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 important only in the event of a lump-sum distribution (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 you do not designate a beneficiary, death benefits (if any) will be paid to your surviving spouse, or if none, to your 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 website.

**Effective June 26, 2015, same gender marriages 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 application and benefits are confidential and not a public record. The information and records may only be disclosed in writing to the member (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 the Public Employees Retirement System for membership and benefits 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 TFFR 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 (QDRO)

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

For purposes of TFFR, a QDRO is any judgment, decree, or order made in compliance with North Dakota Century Code Chapter 15-39.1-12.2 and North Dakota Administrative Code Article 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 Section 82-08-01-03 of the ND administrative code. 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 benefits 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 benefits 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 particular 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 benefits 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 benefits. This can only be accomplished if the court order is filed and approved by the TFFR Board. This approved order is known as a Qualified Domestic Relations Order (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 benefits 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 would also receive a monthly payment.





Marriage Dissolution – Qualified Domestic Relations Order (QDRO) *(Continued)*

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 (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 (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 benefits 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 would revert back to the member. If the death of the alternate payee occurs once benefits begin, 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 would receive a percent of the survivor benefits as of the date of divorce unless the alternate payee was already in payment. The percent of survivor benefits 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 options to provide continued benefits to your new spouse.

Any benefit enhancements provided by the North Dakota 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, 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.

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.





Vesting

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

As a vested member, you are entitled to unreduced monthly retirement benefits at normal retirement or reduced monthly benefits 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.



Purchase of Refunded TFFR Service Credit

Please refer to the **Purchasing Service Credit brochure** for current information.

Purchase of Additional Service Credit

Please refer to the **Purchasing Service Credit brochure** for current information.









Refund

Refund/Lump Sum Distribution

A member who terminates covered employment is eligible for a refund (lump-sum distribution) of the 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, you are waiving all rights to a lifetime annuity at retirement. If you are a Tier 1 member, you are also waiving Tier 1 membership status, and if you return to TFFR covered employment, you will become a Tier 2 member. Tier 1 and Tier 2 members may repurchase refunded service credit upon return to covered employment.

Waiting Period

There is a 120-day statutory waiting period from your last month of TFFR employment before a refund will be issued. The waiting period may be waived if you provide all of the following:

- Written proof of your resignation or non-renewal.
- Written proof of your employer's acceptance of your resignation.
- Written proof that you have either accepted non-covered employment or have permanently moved out-of-state OR a statement from a medical doctor attesting to non-employment during the upcoming school year for medical reasons.
- TFFR Certification of Employment form completed by your last employer.

A refund can not be issued until your employer has submitted all retirement contributions and reported the necessary information to close your account. A refund can not be issued if you have ceased teaching for the summer months only, or are on a leave of absence.

Tax Considerations

A refund may either be paid in a direct rollover to an IRA or another qualified plan or paid to you. The choice you make will affect the tax you owe.

If the taxable portion of your refund is rolled over, no tax or penalty will be due and no income tax will be withheld.

If your refund is paid to you, TFFR is required to withhold federal income tax at 20 percent of the taxable portion of your refund. North Dakota state tax withholding is optional. A 1099-R tax form will be sent to you 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 from TFFR before age 59 1/2, you may have to pay an extra 10 percent penalty calculated on IRS Form 5329 in addition to the regular income tax.

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

See the special tax notice regarding TFFR refund benefits. Personal income tax questions should be directed to your accountant, tax advisor, or Internal Revenue Service Center.

Application

Contact the administrative office for a refund/rollover application and important tax information.

Refunds are issued on the first working day of each month. However, your refund application and waiver documentation (if applicable) must be received by our office no later than ten working days before the end of the previous month.





Retirement Benefits

TFFR is a defined benefit plan which provides members with a monthly retirement benefit based on a formula defined in state law (NDCC 15-39.1.) Defined benefit plans provide retirees with a steady, predictable income that will enable them to maintain a stable portion of pre-retirement income.

For TFFR purposes, a member is retired after terminating covered employment in North Dakota and accepting a monthly retirement benefit. If you pass away before accepting this benefit, retirement would not have occurred and retirement benefits would not be payable. Instead, your beneficiary would be eligible for survivor death benefits the first of the month following your death. A retiring 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 you do not return to TFFR-covered employment. (See Employment After Retirement on page 29.)

A member must begin drawing retirement benefits no later than April 1 of the calendar year following the year the member reaches age 70 ½ or terminates covered employment, whichever is later.

Most retired members are eligible to receive both TFFR retirement benefits and Social Security retirement benefits. Contact the Social Security Administration for information and exceptions at 1-800-772-1213.

Benefit Limitations

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

Eligibility For Benefits

Normal Retirement

A vested member is eligible for unreduced retirement benefits if the member is:

- Age 65 or older; or
- Tier 1 grandfathered members - has the Rule of 85 (combined total of years of service credit and age equals or exceeds 85). For example, age 55 plus 30 years of service credit equals 85.
- Tier 1 non-grandfathered and Tier 2 members - minimum age 60 and the Rule of 90 (combined total of years of service credit and age equals or exceeds 90). For example, age 60 plus 30 years of service credit equals 90.

Early Retirement

A vested Tier 1 grandfathered member is eligible for reduced retirement benefits 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 or Tier 2 member is eligible for reduced retirement benefits 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 retirement benefits until reaching normal retirement, age 55, age 65, or any age in between rather than take a refund. The member retains the right to receive benefits retroactive to initial eligibility.





Computing Your Retirement Benefits

Your service retirement benefit is determined by a formula defined in state law. This formula multiplies years of service credit by a percentage (2.0 percent) of your final average salary. The current formula is:

$$\text{Final Average Monthly Salary} \times 2.0\% \times \text{Service Credit} = \text{Single Life Annuity}$$

- Final Average Monthly Salary (FAS):
 - 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.
- Benefit multiplier is the rate established by the Legislature, at which you earn benefits. The current benefit multiplier is 2.0%.
- Service credit is the amount of TFFR service you have accumulated through work or purchase. This is reported to you each year on your Annual Statement of Account.

Visit the TFFR website to access the TFFR retirement benefit calculator.



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 X Service X 2%
Reduced Retirement	55	3	FAS X Service X 2% X 6% reduction factor
Disability Retirement	N/A	5	FAS X Service X 2%
Refund	N/A	N/A	Member Contributions plus 6% interest

** Note: If Tier 1 member refunds, then returns to TFFR employment, the member becomes a Tier 2 member.*

Tier 1 Non-grandfathered and Tier 2 Members

Benefit	Minimum Age	Minimum Yrs Service	Benefit Calculation
Unreduced Retirement	Rule of 90 and age 60 or age 65	Tier 1-3 yrs Tier 2-5 yrs	FAS X Service X 2%
Reduced Retirement	55	Tier 1-3 yrs Tier 2-5 yrs	FAS X Service X 2% X 8% reduction factor
Disability Retirement	N/A	5	FAS X Service X 2%
Refund	N/A	N/A	Member Contributions plus 6% interest

Table of Monthly Retirement Income

Monthly Retirement Income							
Years of Service	Final Average Salary						
	\$20,000	\$25,000	\$30,000	\$35,000	\$40,000	\$45,000	\$50,000
5	\$167	\$208	\$250	\$292	\$333	\$375	\$417
10	333	417	500	583	667	750	833
15	500	625	750	875	1,000	1,125	1,250
20	667	833	1,000	1,167	1,333	1,500	1,667
25	833	1,042	1,250	1,458	1,667	1,875	2,083
30	1,000	1,250	1,500	1,750	2,000	2,250	2,500
35	1,167	1,458	1,750	2,042	2,333	2,625	2,917
40	1,333	1,667	2,000	2,333	2,667	3,000	3,333
<i>Estimated benefits based on normal retirement age under the Single Life Annuity option.</i>							



Retirement Options

TFFR offers you lifetime annuity options. The single life annuity pays you the maximum amount. However, you may select a joint and survivor or term certain option that guarantees a reduced lifetime benefit to you, and a lifetime or term certain benefit to your beneficiary(ies).

Under all payment options, you are guaranteed to receive no less than your account value (member contributions plus six-percent interest). However, it is likely you will receive much more than your account value in monthly retirement benefits depending on your life span and the retirement option you choose.

- 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, your benefit pops up to the higher single life plan if your beneficiary precedes you in death, or if a divorce grants you sole ownership of your retirement benefits. Upon remarriage, you 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 you name 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 you for life. There is no monthly provision for your beneficiary(ies) under this option. However, should you die before receiving your account value, your beneficiary(ies) will receive a lump-sum payment of the balance.

100% Joint and Survivor Annuity

The single life annuity amount is actuarially reduced (based on your age and your designated beneficiary's age) and, is payable to you for life. At your death, your designated beneficiary will receive 100% of your monthly benefit for the rest of the beneficiary's life. If your beneficiary passes away first, your monthly benefit will pop up to the single life annuity.

50% Joint and Survivor Annuity

The single life annuity amount is actuarially reduced (based on your age and your designated beneficiary's age) and is payable to you for life. At your death, your designated beneficiary will receive 50% of your monthly benefit for the rest of the beneficiary's life. If your beneficiary passes away first, your monthly benefit will pop up to the single life annuity.

Ten-Year Term Certain and Life Annuity

The single life annuity amount is actuarially reduced (based on your age) and is payable to you for life. If you die within ten years (120 months) of your retirement date, your designated beneficiary(ies) will continue to receive monthly benefits of the same amount until the end of the ten-year period.



Retirement Options (Continued)

Twenty-Year Term Certain and Life Annuity

The single life annuity amount is actuarially reduced (based on your age) and is payable to you for life. If you die within twenty years (240 months) of your retirement date, your designated beneficiary(ies) will continue to receive monthly benefits of the same amount until the end of the twenty-year period.

Level Income with Social Security Option

In addition to selecting your retirement option, you may elect to have your benefit actuarially supplemented with a percentage of your projected Social Security benefits found in the Level Income Option table below. This option provides a greater benefit from TFFR until a pre-selected age (62 or normal Social Security age). At the pre-selected age, your monthly TFFR retirement benefit will be reduced for life by the full amount of the Social Security benefit you estimated at retirement regardless of the actual amount you receive from Social Security. This option allows a retiree to receive a higher retirement benefit from TFFR until the retiree is eligible for Social Security benefits.

To apply for the level income option, you must provide TFFR with a current written estimate of Social Security benefits (using your age when you retire from teaching and no estimated future earnings).

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 you select a joint and survivor or term certain option, your benefit will be 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. This option is not available to members who select the level income option, members receiving disability benefits, or to beneficiaries of deceased members.

Level Income Option Example

TFFR Retirement Age	Percent of Estimated Social Security	
	Age 62	Normal Retirement Age for SS
53	43%	26%
54	47%	28%
55	52%	31%
56	56%	34%
57	62%	37%
58	68%	41%
59	74%	45%
60	82%	49%
61	90%	54%
62	N/A	60%
63	N/A	66%
64	N/A	73%
65	N/A	80%

Calculation of Level Income Supplement TFFR Retirement Age 55
Estimated Social Security Benefit = \$800 at age 62
 $\$800 \times 52\% = \416

Calculation of TFFR Single Life Annuity	
Single Life Annuity Non-Level Income	\$1,000
Level Income Supplement	<u>+ 416</u>
Level Income Single Life Annuity (before age 62)	\$1,416
At age 62 TFFR annuity is reduced by	<u>- 800</u>
Level Income Single Life Annuity (after age 62)	\$ 616



How to Apply for Benefits

Review the TFFR Retirement Guide and contact a TFFR Benefits Counselor to calculate benefit options and amounts. Then, complete a TFFR Retirement Application form and submit to the administrative office along with copies of the following documents:

- Proof of age – birth or baptismal certificate, military discharge, or passport.
- Proof of beneficiary's age – if you select a joint and survivor option. (Acceptable documents noted above.)
- 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 and acceptance by employer or early retirement incentive agreement.
- Social Security benefit estimate – if interested in the level income option.

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.

Please notify the administrative office of your intent to retire at least 120 days before your last day of employment to allow sufficient time to process your claim. TFFR will make every effort to process your claim in a timely fashion. However, if delays occur, retirement benefits will be paid to you retroactive to your retirement date.

Enrollment for Benefits

After you have submitted the Retirement Application form, TFFR will review your salaries and service credit and may contact your employer for salary verification. To avoid a delay in your first retirement benefit, TFFR 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 benefits 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 the retirement office. 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 of Benefits

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

Direct deposit (electronic fund transfer) is the required method of payment for new retirees. 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 the records of TFFR or any participating employer or error in any calculation results in a member receiving more or less in benefits than they are entitled to receive, TFFR reserves the right to correct the error and adjust the benefit.

Taxation of Benefits

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. 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. You may choose to have federal and North Dakota state income tax withheld from your monthly benefit by filing a W-4P tax form. The administrative office will determine your taxable income and transmit the information to you and the Internal Revenue Service annually on a 1099-R tax form.

Personal income tax questions should be directed to your accountant, tax advisor, or Internal Revenue Service Center.





PERS Group Insurance

Individuals who are receiving a monthly benefit from TFFR may be eligible to participate in the North Dakota Public Employees Retirement System (PERS) group insurance programs. These include:

- health insurance (Medicare eligible only)
- dental insurance
- long-term care insurance
- vision insurance

The monthly premiums can be deducted from your TFFR pension check or bank account. For additional information, visit www.nd.gov/NDPERS or contact the NDPERS office at 328-3900 or 1-800-803-7377.

Employment After Retirement

Please refer to the [Working After Retirement brochure](#) for current information.





Retiree Post-retirement Benefit Increases

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





Disability Retirement Benefits

Eligibility for Benefits

If you become disabled, you may be entitled to monthly disability retirement benefits if the following conditions are met:

- Five or more years of North Dakota service credit.
- Employed by a TFFR 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.

Application Process

Upon request, a disability application packet will be sent to you containing disability information and forms to be completed by you, your employer, and your physician.

The disability application must be filed within thirty-six months from your last day of covered employment. However, you may apply for and receive disability benefits while on an approved medical leave of absence as long as you applied for benefits within the 36-month time frame.

In order to review your disability application, your employer must provide us with information about your employment status, sick leave benefits, and explain how your disability affects performance of job duties.

You must also provide TFFR with a medical examination report completed by your physician. A medical examination report is not necessary if you provide written proof documenting your eligibility for Social Security disability benefits. The Retirement and Investment Office 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 we receive all of the necessary documentation, TFFR's independent medical consultant will review your application and make a recommendation to the TFFR Board of Trustees.

The TFFR Board will review your application and determine your eligibility for disability benefits. You have the right to attend or be represented at this meeting. The discussion is confidential and closed to the public.

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



Benefit Calculation and Payment Options

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

Your disability retirement annuity is payable to you for life unless you return to teaching or no longer recertify eligible for disability benefits. You may elect a reduced benefit to provide additional survivor benefit protection for your beneficiary under joint and survivor or term certain options. If you are married, your 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.

Example: Teacher A

Age: 40 years

Service: 15 years

Final Average Monthly Salary: \$3,000

$\$3,000 \times 15 \text{ Years} \times 2.0\% = \$900 \text{ month Single Life Annuity Disability Benefit}$

Payment of Disability Benefits

Your disability retirement date will be the first day of the month following your last date of paid employment. Benefits are paid to you on or retroactive to this date. You may receive this benefit for life, as long as you remain eligible. Periodic recertifications are required.

If you pass away before accepting this benefit, disability retirement would not have occurred, and disability retirement benefits would not be payable. Instead, your beneficiary would be eligible for survivor benefits the first of the month following your passing.

Direct Deposit

Direct deposit (electronic fund transfer) 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.

Taxes

Disability payments 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 Internal Revenue Service. 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 Internal Revenue Service Center.





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 the North Dakota Public Employees Retirement System (PERS). Monthly premiums can be deducted from your TFFR pension check or bank account. For additional information, visit www.nd.gov/NDPERS or contact the NDPERS office at 701-328-3900 or 1-800-803-7377.

Post-retirement Benefit Increases

The TFFR plan does not contain provisions for automatic cost of living adjustments.

Return to Employment

If you return to teach, you must notify the administrative office 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.

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





Survivor Benefits

Eligibility for Benefits

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 on your account:

- designated beneficiary; if none,
- surviving spouse; if none,
- estate.

All TFFR members should designate a beneficiary in writing for the purpose of directing payment of a claim due to death. If you are married, your spouse must be your beneficiary unless you have provided 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.

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





Death Prior to Retirement

Should you die before retiring, your beneficiary will have the following options concerning your TFFR account:

Non-vested member (Tier 1 member - less than 3 years of service credit; Tier 2 member – less than 5 years of service credit):

- Refund of account value.

Vested member (Tier 1 member – 3+ years of service credit; Tier 2 member – 5+ years of service credit):

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

Keep in mind that the beneficiary you name affects the survivor benefit options available. For example, if you are a vested member and die before retiring, here are the options available to your beneficiary:

- *One beneficiary named*
Refund of account value, or Monthly annuity for life
- *Multiple beneficiaries or estate named*
Refund of account value
- *No beneficiary named*
Surviving spouse - refund or monthly annuity for life
Estate - refund option only





Death After Retirement

The survivor benefits your designated beneficiary receives (if any) are based on the plan you select 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.
- Level Income - the increased level benefit amount until the member's Level Income age, or the reduced amount after the member would have reached the Level Income age, in accordance with the joint and survivor and term certain options.

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 predeceases you in death or a divorce grants you sole ownership of your retirement benefits. 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. Beneficiary change forms can be printed from the TFFR website.





Death After Retirement (Continued)

Documentation

If a member dies, the administrative office should be notified promptly. We will then send the necessary forms to your designated beneficiary. A copy of the following documents must be submitted before survivor benefits can be paid:

- Member's death certificate;
- Designated beneficiary's proof of age (if a monthly survivor benefit is selected).

Additional information may be required to process the application for survivor benefits.

Taxes

- **Refund of Account Value**

TFFR is required to withhold federal tax at 20 percent of the taxable portion of the refund. However, the refund may be paid in a direct rollover to an IRA or an eligible retirement plan to avoid the mandatory 20 percent withholding. (See Special Tax Notice Regarding TFFR Refund Payments.)

- **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 Internal Revenue Service (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.





Investment of Funds

Prudent Investor Rule

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 TFFR 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 of Trustees. The staff and consultants of the Retirement and Investment Office (RIO) are used to assist in determining the proper allocation.

Investment performance information is on the TFFR website at www.nd.gov/rio.

The current TFFR asset allocation plan is as follows:

Global Equity	
Public	52%
Private	6%
Global Debt	
Investment Grade	16%
Other	7%
Global Real Assets	
Real Estate	10%
Infrastructure/Timber	8%
<u>Cash Equivalents</u>	<u>1%</u>
Total	100%





Member Services

The RIO staff offers many services as part of the continuing effort to keep members informed about their retirement program. All services are furnished without charge. Employers and/or members may contact the administrative office to schedule the various outreach programs.

For Americans with Disabilities Act compliance, appropriate auxiliary aids and services can be made available to ensure effective communication with all members. All printed materials can be made available in alternate formats. Contact the administrative office should you require these services.

Annual Statement

Each year, you will receive an annual statement of your account. The information reported on the statement includes your beneficiary on file, accumulated service credit, value of account, service credit earned during the current fiscal year, annual salary reported, and other information pertinent to your account.

Your annual statement is available online the end of August. (See page 41 for member online log in instructions.) Review this statement to ensure the information maintained in your file is accurate and is being properly reported. Please notify TFFR of any discrepancies.

Publications

A TFFR Member Handbook is updated when material changes occur and is available on our website. This booklet provides an overview of the benefits available to you and your beneficiary(ies) in the form of retirement, disability, and survivor income.

A Member Services Directory is published each year to provide a schedule of all outreach programs available to members. This directory is available on our website.

Individual brochures, fact sheets or guides are available on the following topics: retirement benefits, disability retirement benefits, purchasing service credit, retiree re-employment, and marriage dissolution payment options.

RIO also publishes a comprehensive annual financial report of the system's financial and actuarial condition.

To supplement these publications, member newsletters report legislative changes and other items of interest to TFFR members. The *Report Card* and *Retirement Today* newsletters are published twice each year. In addition, *Your Vested Interest*, an investment newsletter, is published twice each year.

Copies of all publications are available on our website at www.nd.gov/rio.





Conference & Group Presentations

Staff members are available for questions and will provide information at education conferences throughout the year.

Speakers are also available to present general retirement information at your school. Contact the administrative office to arrange a group presentation.

Retirement Education Workshops

Comprehensive retirement education workshops are offered to all members to assist them in preparing for retirement. The statewide seminars may include information on TFFR pension benefits, social security benefits, health insurance options, financial planning, estate planning, and adjusting to retirement.

Benefits Counseling Program

Statewide Counseling Sessions

Retirement specialists travel throughout the state to conduct individual and group benefits counseling sessions. You will receive personalized TFFR information and a TFFR retirement specialist will explain the different retirement options, the paperwork required to begin TFFR benefits, and answer questions about the TFFR program. Counseling locations can be viewed on our website.

Office visits

Members are also invited to visit the Bismarck office to discuss their retirement account. Retirement specialists are available during office hours (Monday through Friday from 8 a.m. to 5 p.m.). Please schedule your appointment in advance to ensure that a retirement specialist is available to meet with you.

Financial Planning Program

Financial planning seminars can also be arranged for members. This seminar stresses the importance of early planning for future financial security. Topics covered include TFFR pension benefits, financial planning, and estate planning.

Retirement 101

This program is geared to new North Dakota teachers. Retirement 101 covers TFFR basics and provides new teachers the opportunity to ask questions about their retirement account.

Teachers in Transition Program

A specialized counseling program and group presentation is offered to TFFR members whose school may be facing closure or consolidation. It is designed to provide information about the retirement options available to members leaving TFFR-covered employment.



Telephone & Written Communication

A nationwide toll-free telephone number (1-800-952-2970) is available for the convenience of members and retirees calling the administrative office. RIO staff may also be reached by email at rio@nd.gov. Remember, personal information cannot be obtained over the telephone or via email due to confidentiality of records.

Members who prefer to write may address inquiries to the Member Services Division.

Website

www.nd.gov/rio

The site includes information about our agency, the TFFR Board, legislation, investments, membership and employer information, plan benefits, benefit calculator, publications, forms, and much more.

TFFR Member Online Services

TFFR Member Online Services is a secure Internet application for TFFR members.

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

- Member Account Value
- Annual Statement
- Salary and Service Detail by Fiscal Year
- Refund Account Details
- Purchase of Service Details

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

- Retirement Account Details
- Pension Payment Details
- Pension Deduction Details

Accessing Your Account

- Go to www.nd.gov/rio
- Select TFFR link
- Select TFFR Online Applications
- Review TFFR Member Online Instructions
- Select TFFR Member Online Services

Before you access TFFR Member Online Services, you must have a Personal North Dakota Login ID and password. If you do not have a Personal North Dakota Login ID, you will need to register for the ID. If you forget your ID or password, just follow the on-screen instructions.

After you enter your North Dakota Login ID and password, you will be asked to supply your 6-digit TFFR Person ID and other personal information to validate your identity. This information will be entered the first time you access TFFR Member Online Services. Future visits to TFFR Member Online Services will only require you to enter your Personal North Dakota Login and password.



Glossary of Terms

Account Value

The total amount a teacher 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 teacher 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:

- 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.

Contract

Any written agreement with a school board including letters of appointment and school board minutes.

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)

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 the various TFFR benefits available.

Taxed Member Contributions

Member contributions withheld from a teacher's check and taxed in the year withheld. The member contributions are deducted from a teacher's check after taxes have been calculated.

Tax-Deferred Member Contributions

Member contributions withheld from a teacher's check or that are paid by the employer, and not taxed in the current year. These contributions will be taxed when the teacher starts receiving a monthly retirement check or receives a refund.

Dual Member

A TFFR member that also has service reported to the North Dakota Public Employees Retirement System (NDPERS) or the Highway Patrol Retirement System (HPRS).

FAS

Final Average Salary calculated using the average of the highest three fiscal year salaries for Tier 1 members and the highest five salaries for Tier 2 members. Final average salary is a key component in determining the monthly retirement benefit.

Fiscal Year

The accounting period from July 1 through June 30.

Grandfathered Member Status

Legislated in 2011, Tier 1 employees 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 2013. Non-grandfathered Tier 1 employees and all Tier 2 employees are affected by the unreduced and reduced retirement changes effective July 1, 2013. See Tier definitions for additional information.

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 TFFR benefits in divorce cases.

Refund

A lump sum withdrawal of the member contributions plus interest.



Glossary of Terms (Continued)

Retirement Salary

A teacher'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 teacher will earn retirement service credit to use in the calculation of benefits. The employer reports a teacher's compensated hours at the end of each school year. 700 compensated hours equals one year of service credit. A teacher cannot receive more than one year of service credit each fiscal year. If a teacher works less than 700 hours, the teacher 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, audio-visual or media coordinator, technology coordinators, and other staff members licensed by the Education Standards and Practices Board provided they are under contract with a school district.

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 and contractually employed (including third party agreements) in teaching, supervisory, administrative, or extracurricular services. All public school teachers are required to be members of TFFR.

Teachers include:

- 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 on July 1, 2008.

Tier 1 Grandfathered Member

Tier 1 member who was vested (3 years of service credit) and at least age 55 OR had the Rule of 65 or greater (age + service) on 6/30/13 was 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 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 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 retirement plan status attained when a teacher has earned three years of service credit - Tier 1 member or five years of service credit - Tier 2 member. If vested, a member is entitled to a monthly lifetime retirement benefit once they leave teaching and are eligible for benefits. If a teacher leaves employment and is not vested, the teacher will only be eligible for a lump sum refund of the teacher's account value.



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