

Overview

The North Dakota Public Employees Retirement System (PERS) was established in 1966 as a defined contribution plan, and was changed to a defined benefit plan in 1977 by the North Dakota legislature. It covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions, providing a defined benefit (DB) pension for its 22,091 active employees, and 8,316 retirees and beneficiaries.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions almost always are funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have greatest opportunity to achieve financial security in retirement.

Key Facts

- General employees contribute 5.0% of salary to the North Dakota PERS.
- Employers contribute 5.12% to the fund for general employees.
- Each dollar invested by North Dakota taxpayers in PERS supported \$8.94 in total economic activity in the state.



▶ Key North Dakota PERS Data¹

The chart below summarizes the key PERS data, as of June 30, 2012:

Total active employees	22,091
Total retired members and beneficiaries	8,316
Average general employee retirement benefit	\$12,000
2012 employer contribution rate for general employees	5.12%
2012 employee contribution rate	5.0%
Actuarial value of assets	\$1.6 billion
Funded ratio	65.1%
Unfunded actuarial accrued liability	\$874 million

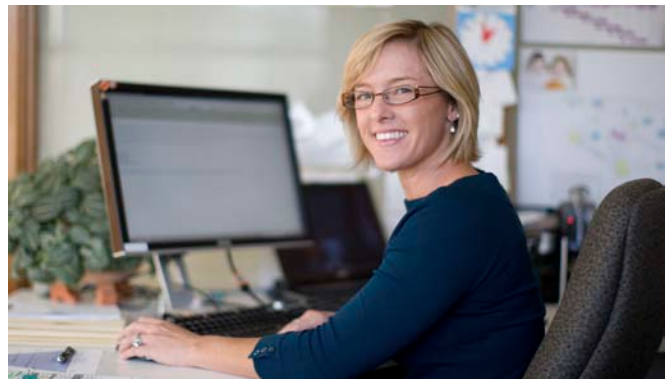
▶ The Economic Impact of North Dakota Pensions²

Expenditures made by retirees of state and local government provide a steady economic stimulus to North Dakota communities and the state economy. Within the state of North Dakota, 2012 expenditures stemming from state and local pensions supported:

- 4,749 jobs that paid \$201.8 million in wages and salaries
- \$746.8 million in total economic output
- \$92.7 million in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.73 in total economic activity in North Dakota.

Each dollar “invested” by North Dakota taxpayers in these plans supported \$8.94 in total economic activity in the state.



¹ All data, unless otherwise noted, as of June 30, 2012.

² Rhee, N. 2014. *Pensionomics 2014: Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **North Dakota Public Employees Retirement System (PERS)**. PERS provides retirement benefits to substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

\$8.94 The total economic activity in North Dakota for each dollar invested by North Dakota taxpayers in PERS.

\$12,000 Average annual pension benefit for a general North Dakota Public Employee Retirement System retiree.

\$746.8 million Total economic output in North Dakota created in 2012 by public sector retirees spending their pension income.

5.0% Percentage of salary that general employees contributed from every paycheck to their pension benefit in 2012 to share the funding responsibility.

\$92.7 million Federal, state and local tax revenues generated by the spending of North Dakota public pension income.

5.0% Median employee contribution rate nationally is considered adequate for a secure retirement.

4,749 Jobs created from pension income spending by North Dakota state and local government retirees.

60% Percentage of pre-retirement income replaced by the defined benefit (DB) plan for a general employee with 30 years of service.

22,091 Total active members of the North Dakota Public Employees Retirement System.

80% Percentage of pre-retirement income from all income sources that is considered adequate for a secure retirement.

All data comes from either the North Dakota Public Employees Retirement System or the National Institute on Retirement Security.



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Overview

The North Dakota Teachers' Fund for Retirement (TFFR) was established in 1913 to provide retirement income to public educators. The system provides defined benefit (DB) pension benefits for its 10,014 active public school employees and 7,151 retirees and beneficiaries.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Public sector pensions usually employ a shared financing model whereby both employees and employers contribute to the pension fund over time to manage costs. In contrast, private sector pensions almost always are funded solely by the employer.

Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Research shows that Americans who have the three-legged retirement stool of a defined benefit (DB) pension, Social Security, and individual savings, such as a 401(k)-type plan, generally have greatest opportunity to achieve financial security in retirement.

Key Facts

- Employees contribute 7.75% of salary to the North Dakota Teachers' Fund for Retirement.
- Employers contribute 8.75% of salary to the fund.
- Each dollar invested by North Dakota taxpayers in TFFR supported \$8.94 in total economic activity in the state.



▶ Key TFFR Data¹

The chart below summarizes the key TFFR data, as of July 1, 2012:

Total active employees	1,003,886
Total retired members and beneficiaries	312,680
Average annual pension benefit	\$31,986
Employer contribution rates	8.75% in 2012 10.75% in 2013-2014 12.75% in 2015+
Employee contribution rates	7.75% in 2012 9.75% in 2013-2014 10.75% in 2015+
Actuarial value of assets	\$1.75 billion
Funded ratio	60.9%
Unfunded actuarial accrued liability	\$1.12 billion

▶ The Economic Impact of North Dakota Pensions²

Expenditures made by retirees of state and local government provide a steady economic stimulus to North Dakota communities and the state economy. Within the state of North Dakota, 2012 expenditures stemming from state and local pensions supported:

- 4,749 jobs that paid \$201.8 million in wages and salaries
- \$746.8 million in total economic output
- \$92.7 million in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.73 in total economic activity in North Dakota.

Each dollar “invested” by North Dakota taxpayers in these plans supported \$8.94 in total economic activity in the state.



¹ All data, unless otherwise noted, as of July 1, 2012.

² Rhee, N. 2014. *Pensionomics 2014: Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **North Dakota Teachers' Fund for Retirement (TFFR)**. TFFR provides retirement income to public educators in North Dakota. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

\$8.94 The total economic activity in North Dakota for each dollar invested by North Dakota taxpayers in PERS.

\$746.8 million Total economic output in North Dakota created in 2012 by public sector retirees spending their pension income.

\$92.7 million Federal, state and local tax revenues generated by the spending of North Dakota public pension income.

4,749 Jobs created from pension income spending by North Dakota state and local government retirees.

10,014 Total active members of North Dakota TFFR.

\$19,968 Average annual retirement pension income for a TFFR retiree.

7.75% Percentage of salary that employees contributed from every paycheck in 2012 to their pension benefit to share the funding responsibility. In 2013, the rate increases to 9.75%. Nationally, the median employee contribution rate is 5%.

60% Percentage of pre-retirement income replaced by the defined benefit (DB) plan for an employee with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement.

50 The number of teachers retained each year solely due to the defined benefit (DB) plan.

\$451,044 Teacher turnover cost savings generated by the retention affect of the defined benefit (DB) pension.

All data come from either the North Dakota Teachers' Fund for Retirement or the National Institute on Retirement Security.

Overview

As early as the turn of the 20th century, American legislators seemed to understand the importance of teacher quality to students' education. A 1917 report on public education noted that, "A school teacher's work is personal, direct, and positive. It works for the good or the ill of each pupil."¹

Key Facts

- Employees contributed 7.75% of salary out of each paycheck to the pension fund in 2012.
- The average retirement benefit is \$19,968 per year, or \$1,664 per month.
- TFFR covers 10,014 active school employees and 7,151 retired school employees and beneficiaries.
- Teachers are paid 14.3% less than comparable private sector workers.
- The TFFR pension replaces 60% of pre-retirement income for a teacher with 30 years of service.
- Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

Defined benefit (DB) pension plans were first introduced for teachers in the United States to help with the recruitment of high quality educators, and as an incentive to keep those educators in the teaching profession. By 1916, some form of retirement plan was available to public schoolteachers in 33 states. It was thought that such a retirement system might serve two purposes: 1) bringing more diverse, and highly qualified teachers into the profession; and 2) creating a more productive workforce that actually saves public employers money, as one dollar in pension benefits was seen as worth more than a dollar in salary.²

All public school teachers in North Dakota have pension coverage through the North Dakota Teachers' Fund for Retirement (TFFR).

TFFR covers 10,014 active employees of public educational institutions, and 7,151 retired school employees and beneficiaries. Employees contributed 7.75% out of each of their paycheck to the pension fund in 2012. The average retirement benefit is \$19,968 per year, or \$1,664 per month.

The TFFR pension replaces 60% of pre-retirement income for a teacher with 30 years of service. Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

▶ Teachers Receive Lower Compensation

Public employees receive lower wages than their private sector counterparts. Even after accounting for pensions and other benefits, on average, state and local workers receive 7% less than those in the private sector.³ More specifically, teachers are paid 14.3% less than comparable private sector workers—and this pay gap has increased in the last decade.⁴ Teacher pensions play an important role in offsetting the financial impact of lower salaries.

Research shows that pensions are reliable and relieve retirement anxiety. Some 83% of Americans indicated that those with pensions are more likely to have a secure retirement, and 81% believe all workers should have access to a pension plan.⁵

▶ Pensions Help Retain Quality Teachers in North Dakota⁶

Better teachers are experienced teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.

In North Dakota:

- The cost of turnover in North Dakota is \$8,953 per teacher.
- 50 teachers are retained each year due to the defined benefit (DB) plan.
- The defined benefit (DB) pension system saved \$451,044 in teacher turnover costs in 2003 in school districts across the state.

About NRTA

NRTA: AARP's *Educator Community* is a national umbrella organization for the nation's largest network of retired educators. For nearly 65 years, NRTA has worked with state and local Retired Educators Associations (REAs) across the country on areas of mutual interest in advocacy and community outreach.

Collectively, NRTA and REAs engage and advocate on behalf of nearly one-million retired educators. Our shared priorities are to protect earned pension benefits and to assure access to affordable retiree healthcare. Additionally, NRTA helps inspire and honor the work of REA volunteers through NRTA's With our Youth! national recognition program.



^{1,2} Graebner, W. 1978. Retirement in education: The economic and social functions of the teachers' pension. *History of Education Quarterly*, 18(4), 397-417.

³ Heywood, J., and K. Bender. 2010. *Out of Balance: Comparing Public and Private Sector Pay over Twenty Years*. Washington, DC: National Institute on Retirement Security.

⁴ Allegretto, S., S. Corcoran, and L. Mishel. 2008. *Teachers' Pay Continues to Slide*. Washington, DC: Economic Policy Institute.

⁵ Perlman, B., K. Kenneally, and I. Boivie. 2011. *Pensions and Retirement Security 2011: A Roadmap for Policy Makers*. Washington, DC: National Institute on Retirement Security.

⁶ Boivie, I. 2011. *The Three Rs of Teacher Pension Plans: Recruitment, Retention, and Retirement*. Washington, DC: National Institute on Retirement Security.