OVERVIEW: North Dakota Public Employees Retirement System

The **North Dakota Public Employees Retirement System (NDPERS)** provides a defined benefit (DB) fund for public employees. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees.

The spending from the pension checks of the 12,300 retired public employees helps support:

$805.8 million in economic output in North Dakota.

4,610 jobs paying $231.2 million in wages supported by retirees' spending from public pensions in North Dakota.

$110.7 million in federal, state, and local tax revenues based on spending of pension benefits in North Dakota.

Pensions are a good deal for taxpayers:

Funding of public employee pensions is shared by employees and employers. New NDPERS employees contribute 7% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers (via employer contributions) paid only 20.50% of the cost of pension benefits in North Dakota.

65.9% Investment Earnings

20.5% Employer Contributions

13.6% Employee Contributions

Key facts about the plan and its benefits:

23,754 Total active members of North Dakota Public Employees Retirement System.

60% After a 30-year career, a pension benefit from NDPERS will replace 60% of an employees' pre-retirement income.

$1,291 Average pension benefit paid to retired NDPERS members each month.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by North Dakota taxpayers (employers) in these plans supported $7.00 in total economic activity in the state.

$1.00 → **$7.00**

All data come from retirement system financial reports, Public Plans Database, or the National Institute on Retirement Security.

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The North Dakota Public Employees Retirement System (NDPERS) provides benefits to qualified state employees.

The NDPERS Pension Works for North Dakota Stakeholders

Defined benefit (DB) pensions help recruit and retain effective and experienced public employees, which is essential to delivering high quality service to citizens.
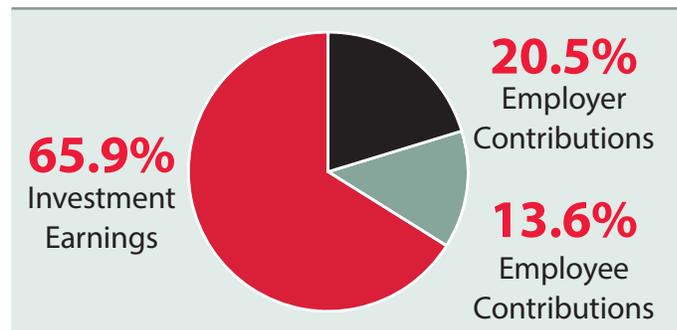
The spending by retired public employees from pension checks supports jobs, greater tax revenues and economic growth in our communities.

Pensions offer employees the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New NDPERS employees contribute 7% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers paid only 20.50% of the cost of benefits in North Dakota.

65.9%
Investment Earnings

20.5%
Employer Contributions

13.6%
Employee Contributions

Pensions Cost Half as Much as a 401(k) Plan

Pensions can provide the same benefit as a 401(k) retirement account at about half the cost because of the following key factors:

10%
cost savings from pooling longevity risk

+

11%
cost savings from optimal asset allocation

+

27%
cost savings due to higher returns and lower fees

=

48%
total cost savings

Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 4.3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.

Historical NDPERS Funding Experience

North Dakota established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2019 year, NDPERS had $3.08 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund is financially sound over time.

North Dakota Paid 66.80% of Weighted Average Percent of ADC from FY2001-FY2019 for NDPERS
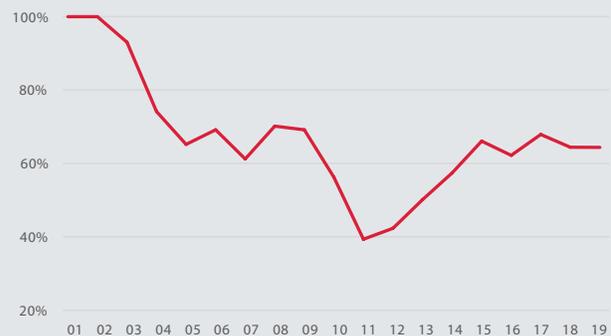
North Dakota Made Plan Changes to NDPERS in Recent Years

Following the global stock market crash in 2008-2009, North Dakota policymakers proactively made changes to NDPERS to ensure long-term sustainability. These included:

- Changes made in the spring of 2019 included eliminating the Retiree Health Insurance Credit for future hires and redirecting the employer contribution to the retirement plans.
- Additionally, changes were made to the calculation of Final Average Salary.
- The benefit multiplier was reduced from 2% to 1.75% for those hired after 1/1/20.

The Economic Impact of North Dakota Pensions:

$805.8 million
in economic output generated by retirees' spending from public pensions in North Dakota.

4,610 jobs
paying $231.2 million in wages supported by retirees spending from public pensions in North Dakota.

$110.7 million
in federal, state, and local tax revenues generated by retiree benefits and spending in North Dakota.

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The **North Dakota Teachers' Fund for Retirement (TFFR)** provides a defined benefit (DB) pension for teachers. It offers a modest but stable monthly income over a retiree's life. DB pensions help to recruit and retain experienced employees.

The spending from the pension checks of the 8,918 retired public employees helps support:

$805.8 million
in economic output in North Dakota.

4,610 jobs
paying $231.2 million in wages supported by retirees' spending from public pensions in North Dakota.

$110.7 million
in federal, state, and local tax revenues based on spending of public pension benefits in North Dakota.

Pensions are a good deal for taxpayers:

Funding of teacher pensions is shared by employees and employers. New TFFR employees contribute 11.75% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers (via employer contributions) paid only 20.50% of the cost of pension benefits in North Dakota.

65.9% Investment Earnings

20.5% Employer Contributions

13.6% Employee Contributions

Key facts about the plan and its benefits:

11,175
Total active members of North Dakota Teachers' Fund for Retirement.

60%
After a 30-year career, a pension benefit from TFFR will replace 60% of an employee's pre-retirement income.

$2,088
Average pension benefit paid to retired TFFR members each month.

Pension benefits are a good deal for the economy too:

Each dollar "invested" by North Dakota taxpayers (employers) in these plans supported $7.00 in total economic activity in the state.

$1.00 → **$7.00**

All data come from retirement system financial reports, Public Plans Database, or the National Institute on Retirement Security.

The North Dakota Teachers' Fund for Retirement (TFFR) provides benefits to qualified public school employees.

The TFFR Pension Works for North Dakota Stakeholders

Effective teachers are the cornerstone of education quality, but teachers are underpaid. Pensions help schools keep teachers and compensate for low pay.
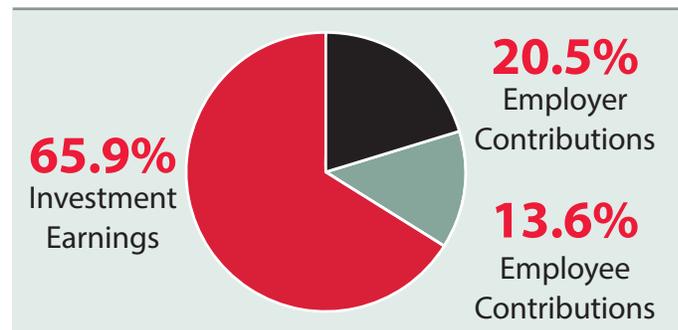
Retaining experienced midcareer teachers boosts student performance. Pensions help keep effective midcareer teachers in the classroom, increasing education quality.

Pensions offer teachers the best path to retirement security. They are cost-effective and provide modest lifetime income that will not run out.

Taxpayers Only Pay a Small Part of Pension Costs

The funding of public employee pensions is shared by employees and employers. New TFFR employees contribute 11.75% of their pay into the fund. Over time, investment income earned by the fund does most of the work. In fact, between 1993 and 2018, taxpayers paid only 20.50% of the cost of benefits in North Dakota.

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Pensions Cost Half as Much as a 401(k) Plan

Pensions can provide the same benefit as a 401(k) retirement account at about half the cost because of the following key factors:

10%
cost savings from pooling longevity risk

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cost savings from optimal asset allocation

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27%
cost savings due to higher returns and lower fees

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48%
total cost savings

Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 4.3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.

TFFR Key Facts

TFFR serves 11,175 active employees and 8,918 retired members and survivor beneficiaries.

New employees contribute 11.75% to TFFR.

Employers contribute 12.75% to the fund for employees.

The average monthly retirement benefit for members is $2,088.

After a 30-year career, a pension benefit from TFFR will replace 60% of final average salary.

Historical TFFR Funding Experience

North Dakota established long-term funding policies to provide for the cost of public pension benefits. The employee contribution is set by law and the actuary calculates the employers' contributions each year. As of the end of its 2019 year, TFFR had $2.64 billion in assets in the fund.

The Actuarially Determined Contribution (ADC) is the amount needed to fund benefits earned in the year and to pay down the plans' unfunded actuarial accrued liability. Paying the full ADC each year is important to ensure that the fund is financially sound over time.

North Dakota Paid 88.32% of Weighted Average Percent of ADC from FY2001-FY2019 for TFFR

North Dakota Made Plan Changes to TFFR in Recent Years

Following the global stock market crash in 2008-2009, North Dakota policymakers proactively made changes to TFFR to ensure long-term sustainability. These included:

- Employee contributions to TFFR increased by statute in 2007 and 2011, with the rate going from 7.75% of salary to 11.75% of salary by 7/1/2014.
- TFFR also increased the criteria for normal and early retirement benefits, while increasing the vesting period to 5 years.

The Economic Impact of North Dakota Pensions:

$805.8 million in economic output generated by retirees' spending from public pensions in North Dakota.

4,610 jobs paying $231.2 million in wages supported by retirees' spending from public pensions in North Dakota.

$110.7 million in federal, state, and local tax revenues based on spending of pension benefits in North Dakota.

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Pensions Help Deliver Quality Education in North Dakota

There are important policy reasons to continue offering teachers defined benefit (DB) pensions. DB pensions give schools an effective tool to retain high-quality, experienced teachers. These teachers are the most important school-based element that provides positive educational outcomes for our children.

Pension benefits provide teachers an incentive to continue delivering quality education to K-12 students. This incentive becomes all the more important over a teaching career as the erosion of teachers' wages, when compared to the wages of similar college-educated workers, widens for more experienced teachers.

Because pensions help attract and retain workers, North Dakota can keep skilled teachers in the classroom and empower students to achieve their highest potential. The nationwide teacher shortage is impacting North Dakota, as enrollment in traditional teacher preparation programs has *declined by 38%* between 2009-2010 and 2017-2018.

Pensions Disproportionately Benefit Rural Areas

Rural counties have the largest percentage of their population receiving a public pension benefit, as 4.3% of residents in rural areas received benefits in 2018. Excluding counties that are home to a state capitol, public pension benefits in rural and small town counties accounted for a larger share of total personal income than in denser metropolitan counties.

Pensions Help to Bridge the Teacher Wage Gap

A national study of K-12 public school teachers' wages identified a 19 percent pay gap relative to comparable private sector workers in 2019. At the same time, teachers' benefits, including pensions, help bridge that gap and allow states to attract and retain highly qualified educators by reducing that overall gap in compensation to 10 percent. In North Dakota, teachers experience a 16.4% wage gap when compared to other college graduates in the workforce.[2]

19% teacher wage gap **offset by...** 9% teacher benefit advantage **reduces...** **the teacher compensation gap to 10%**

Americans understand that teacher pensions play an important role in retaining quality teachers and in offsetting the impact of their lower salaries.

83% 83 percent of Americans say pensions are a good way to recruit and retain qualified teachers.

74% 74 percent of Americans agree that teachers deserve pensions to compensate for lower pay.[3]

Pensions Reduce Teacher Turnover and Save Money

Experienced teachers are better 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.[4]

7.1%

Percentage of North Dakota teachers who leave education.

86

The number of North Dakota teachers retained each year due to the DB pension.

$454K to $1.0M

Savings created by the DB system through reduced teacher turnover costs in school districts across North Dakota.

TFFR Key Facts

TFFR serves 11,175 active employees and 8,918 retired members and survivor beneficiaries.

New employees contribute 11.75% to the fund.

Employers contribute 12.75% to the fund.

The average monthly retirement benefit for members is $2,088.

TFFR has $2.6 billion in assets and $1.4 million in unfunded actuarial accrued liability.[5]

The Economic Impact of North Dakota Pensions

$805.8 million

in economic output generated by retirees' spending from public pensions in North Dakota.

4,610 jobs

paying $231.2 million in wages supported by retirees' spending from public pensions in North Dakota.

$110.7 million

in federal, state, and local tax revenues based on spending of pension benefits in North Dakota.[6]

[1] Weller, C. 2017. "Win-Win: Pensions Effectively Serve American Schools and Teachers." Washington, DC. National Institute of Retirement Security (NIRS).

[2] Allegretto, S. A. and Mishel, L. 2020. "Teacher pay penalty dips but persists in 2019." Washington, DC. Economic Policy Institute.

[3] Oakley, D. and Kenneally, K. 2019. "Retirement Insecurity 2019: Americans' Views of the Retirement Crisis." Washington, DC. NIRS.

[4] Boivie, I. 2017. "Revisiting the Three Rs of Teacher Retirement Systems: Recruitment, Retention, and Retirement." Washington, DC. NIRS.

[5] All data, unless otherwise noted, as of fiscal year ended 2019.

[6] Boivie, I. 2021. "Pensionomics 2021: Measuring the Economic Impact of DB Pension Expenditures." Washington, DC. NIRS.

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