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November 19, 2007

Ms. Fay Kopp
Deputy Executive Director
North Dakota Retirement & Investment Office
P.O. Box 7100
Bismarck, ND 58507-7100

Re: Census Projections of School-Age Children

Dear Fay:

One of the items that the Employee Benefits Programs Committee asked us for at last week's meeting was additional detail about the projected 0.5% decrease in active members. On slide 3 of our presentation, we remarked that: "Earlier census projections show [North Dakota] school-age population decreasing over next 15-20 years." Later in the presentation, when discussing the long-term projections, we noted that we make an assumption that the number of active members will decrease 0.5% per year each year.

We, as actuaries for TFFR, along with the Board of Trustees, have been monitoring and discussing the issue of an expected decrease in active membership since at least the mid-1990s. We have worked with projections developed by the U.S. Census Bureau, the North Dakota State Data Center (NDSDC) at North Dakota State University, and the Department of Public Instruction (DPI).

In the early or mid-1990s, NDSDC developed projections that showed the school-age population of North Dakota falling from about 147,000 in 1990 to 110,000 – 113,000 by 2010. This was largely due by a very large amount of out-migration from North Dakota in the 1980s, especially among recent high school and college graduates looking for employment. This is the group that was in the earliest stages of family formation. Their children, NDSDC projected, would subsequently be born in other states, and the school-age population of North Dakota would fall.

These projections were subsequently confirmed by other Census Bureau projections. The Census Bureau's most recent projection is one based on the 2000 census and released in 2004. This shows that North Dakota's population, ages 5-17, was 121,000 in 2000. It is projected to fall to 103,000 by 2010 and 94,000 by 2030. (Source: State Interim Population Projections by Age and Sex: 2004 – 2030, Table B1, North Dakota.)

Between 1960 and 2000, North Dakota's population of children under 18, including those too young for school, fell from 252 thousand to 161 thousand, a 36% decrease. (Source: NDSDC Population Bulletin, Vol. 17, No. 5, May 2001.)

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With the falling number of school-age children, we expect a decrease in the need for teachers. However, we do not expect a one-to-one correlation between these trends. Because of the No Child Left Behind requirements on maximum class size, and because of the need for certain minimum numbers of teachers in the rural districts, we expect the decrease in the number of active teachers to be somewhat lower and lagged behind the decrease in the population of school-age children, with the average class size shrinking as a result. After discussions with DPI researchers, we and the Board settled on the assumption that there would be a long-term decrease in the number of teachers (active TFFR members) of 0.5% per year.

We expect to continue monitoring the trend and the published research, and will modify our assumptions when a change is warranted.

Sincerely,

A handwritten signature in cursive script that reads "J. Christian Conradi".

J. Christian Conradi
Senior Consultant

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