



101 North Wacker Drive Suite 500 Chicago, IL 60606-1724  
T 312.984.8500 F 312.984.8590 www.segalco.com

September 4, 2018

***Via E-mail***

Ms. Fay Kopp  
NDRIO Deputy Executive Director / NDTFFR Chief Retirement Officer  
ND Retirement & Investment Office | ND Teachers' Fund for Retirement  
3442 East Century Avenue | P.O. Box 7100  
Bismarck, ND 58505-7100

Re: **Technical Comments on Draft Bill 126 (IRS compliance changes)**

Dear Fay:

As requested, we reviewed draft Bill 126 (Bill No. 19.0126.01000), which proposes technical changes to the North Dakota Teachers' Fund for Retirement (TFFR) that are required to be made under the terms of the Fund's determination letter from the Internal Revenue Service (IRS) on the tax-qualified status of the plan. The following presents our analysis of such proposed changes found in draft Bill 126.

**Summary:** The proposed legislation adds new paragraph 2 to North Dakota Century Code §15-39.1-34, which describes the detailed rules for direct rollovers under Internal Revenue Code sections 401(a)(31) and 402. The language in this paragraph 2 was approved by the IRS as satisfying qualification rules for governmental pension plans under these sections of the Internal Revenue Code. The IRS provided the TFFR a favorable determination letter on the tax-qualified status of the plan, which is contingent upon adopting the approved language.

**Actuarial Cost Analysis:** This bill would have no actuarial cost impact on the TFFR.

**Technical Comments:** Our comments on the bill are as follows:

**General Comments**

The bill generally clarifies existing statutory provisions to more accurately reflect actual operations of the TFFR. The provisions of this bill do not appear to directly or significantly impact the benefits payable from the TFFR.

**Compliance Issues**

The bill amends North Dakota Century Code §15-39.1-34 by adding paragraph 2 to describe the direct rollover rules under the plan in a manner that complies with Internal Revenue Code section 401(a)(31). Since the IRS approved the language in paragraph 2 for this purpose, the bill does not present any compliance issues.

## Administrative Issues

The language of the bill accurately reflects the actual operations of the rollover rules under the plan and helps the plan maintain compliance with applicable federal requirements for tax-qualified pension plans.

The information contained in this letter is provided within our role as the plan's actuary and benefits consultant and is not intended to provide tax or legal advice. We recommend that you address all issues described herein with your legal counsel.

Please contact us if you have any questions or comments.

Sincerely yours,



Kim Nicholl, FSA, EA, FCA  
Senior Vice President and Consulting Actuary



Melanie Walker, JD  
Senior Vice President

cc: Matthew Strom