



101 North Wacker Drive Suite 500 Chicago, IL 60606-1724
T 312.984.8500 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 58507-7100

Re: **Technical Comments on Draft Bill 20**

Dear Fay:

As requested, we reviewed draft Bill 20 (Bill No. 19.0020.01000), which proposes administrative changes relating to the powers and duties of the Legislative Employee Benefits Programs Committee. The following presents our analysis of such proposed changes found in draft Bill 20.

Summary: The proposed legislation updates North Dakota Century Code §54-35-02.4 such that legislators or legislative committees would no longer be required to submit a draft measure or proposed bills or amendments, affecting a public employees retirement program, public employees health insurance program, or public employee retiree insurance program, for review to ensure an actuarial study is done. However, the judicial and executive branch agency may not introduce a legislative measure unless the legislative measure is accompanied by a report.

Actuarial Cost Analysis: This bill, in and of itself, would have no actuarial cost impact on the TFFR.

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

General Comments

While the bill itself does not have an actuarial cost impact, this bill could lead to a scenario that has a significant impact on the financial health of the TFFR and other North Dakota retirement systems.

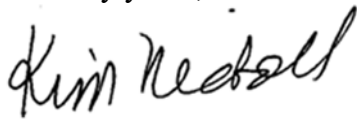
Since no actuarial study would be required if this bill were passed, legislators or legislative committees might not identify the potential range and impact of the risks associated with amendments introduced by them. As a result, this could have significant actuarial cost impact on the TFFR, or affect the benefits payable from the retirement system. A seemingly innocuous draft bill may, in fact, have material or even significant cost or administrative implications. If not properly evaluated within the context of an actuarial analysis, proposed legislation could adversely impact TFFR.

In addition, an actuarial study would help to identify risks associated with the retirement system's future financial condition, and if those risks are anticipated to be significant, assess those risks. As part of a risk assessment, an actuarial study may include scenario testing, sensitivity testing, stress testing, and/or stochastic modeling. A more detailed actuarial study could help legislators or legislative committees to develop a better understanding of the risks associated to changes introduced by draft legislation.

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 M. Nicholl, FSA, EA, FCA
Senior Vice President & Actuary

cc: Matthew Strom