

HB 1044

House Government and Veterans Affairs Committee January 4, 2019

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HB 1044 was submitted by the Teachers’ Fund for Retirement (TFFR) Board. The bill includes specific statutory language which is required by federal tax law in order for TFFR to maintain its status as a qualified governmental pension plan. The bill generally clarifies existing statutory provisions to more accurately reflect actual operations of the TFFR.

On March 17, 2017, the IRS made a favorable determination on the NDTFFR plan on the condition that certain proposed amendments are adopted in the 2019 legislative session. HB 1044 contains these amendments and reflects specific language required by the IRS.

TFFR is currently operating in compliance with all IRS requirements, so there will be no change in administrative processes. Tax implications regarding refunds, lump sum payments, and certain death benefits are detailed in a Special Tax Notice which is provided to all members considering taking a distribution from TFFR.

HB 1044 does not make any benefit, contribution, or plan design changes. The changes do not have an actuarial impact on the plan, and are not being submitted for funding improvement purposes.

Section 1. NDCC 15-39.1-34. Internal Revenue Code compliance.

- Provides clarification and additional detail on direct rollover provisions that apply to the NDTFFR plan, namely the limitations on direct rollovers that apply to after-tax employee contributions, definitions for eligible rollover distributions, eligible retirement plan, and distributee.

TFFR’s actuarial consultant, Segal, reviewed the bill draft and indicated it would have no actuarial cost impact. Since the IRS approved the language, the bill does not present any IRS compliance issues (Segal letter dated September 4, 2018).

The Legislative Employee Benefits Programs Committee gave HB 1044 a favorable recommendation. On behalf of the TFFR Board, I respectfully request that your Committee give the bill a “do pass” recommendation.

Thank you.