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October 19, 2012

Via E-mail

Senator Dick Dever, Chairman
 Employee Benefits Programs Committee
 c/o Jeff Nelson
 ND Legislative Council
 State Capitol
 600 East Boulevard
 Bismarck, ND 58505-0360

Re: Technical Comments on Draft Bill 43

Dear Senator Dever:

The following presents our analysis of the proposed changes found in Draft Bill 43 (Bill Draft 13.0043.02000) that would modify the expiration of the increase in required contributions for both employers and members of the Teachers’ Fund for Retirement (TFFR).

Summary

The contribution rates, percentage per annum of the teacher’s salary, required for employers and TFFR members are shown below:

Period	Employer	Member	Total
July 1, 2008 through June 30, 2012	8.75%	7.75%	16.50%
July 1, 2012 through June 30, 2014	10.75%	9.75%	20.50%
Beginning July 1, 2014	12.75%	11.75%	24.50%

As under present law, the higher contributions are not intended to be permanent. Both employer and member rates would revert to 7.75% on the July 1st following the first valuation showing that the funded ratio, as measured by the ratio of the actuarial value of assets to the actuarial accrued liability, equals or exceeds 90%. The proposed legislation would increase this trigger funded ratio for contribution reversion from 90% to 100%.



Actuarial Analysis

Based on the actuarial analysis, this bill would not have an actuarial impact on the TFFR's liability immediately. It would increase the funded status of the plan starting in 2041 by deferring the contribution reversion to 7.75% from 2040 until 2046. Exhibits I, II and III show 30-year projections of funded status, employer contribution rate, and member contribution rate.

Administrative Costs

This bill would have minimal impact on administrative costs of the TFFR.

General Comments

The projections were made using generally accepted actuarial practices and are based on demographic data as of July 1, 2012, asset returns through July 1, 2012, and use assumptions and methods in place for the July 1, 2012 valuation.

Projections, by their nature, are not a guarantee of future results. The modeling projections are intended to serve as estimates of future financial outcomes that are based on the information available to us at the time the modeling is undertaken and completed, and the agreed-upon assumptions and methodologies describes herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.

Please do not hesitate to contact us with any questions or comments.

Sincerely,



Kim Nicholl, FSA, MAAA, EA
Senior Vice President and Actuary



Matthew A. Strom, FSA, MAAA, EA
Consulting Actuary

kn/ms/ns

cc: Ms. Fay Kopp, Interim Executive Director, ND Retirement and Investment Office

Attachments

Exhibit I

Projection of Funded Status

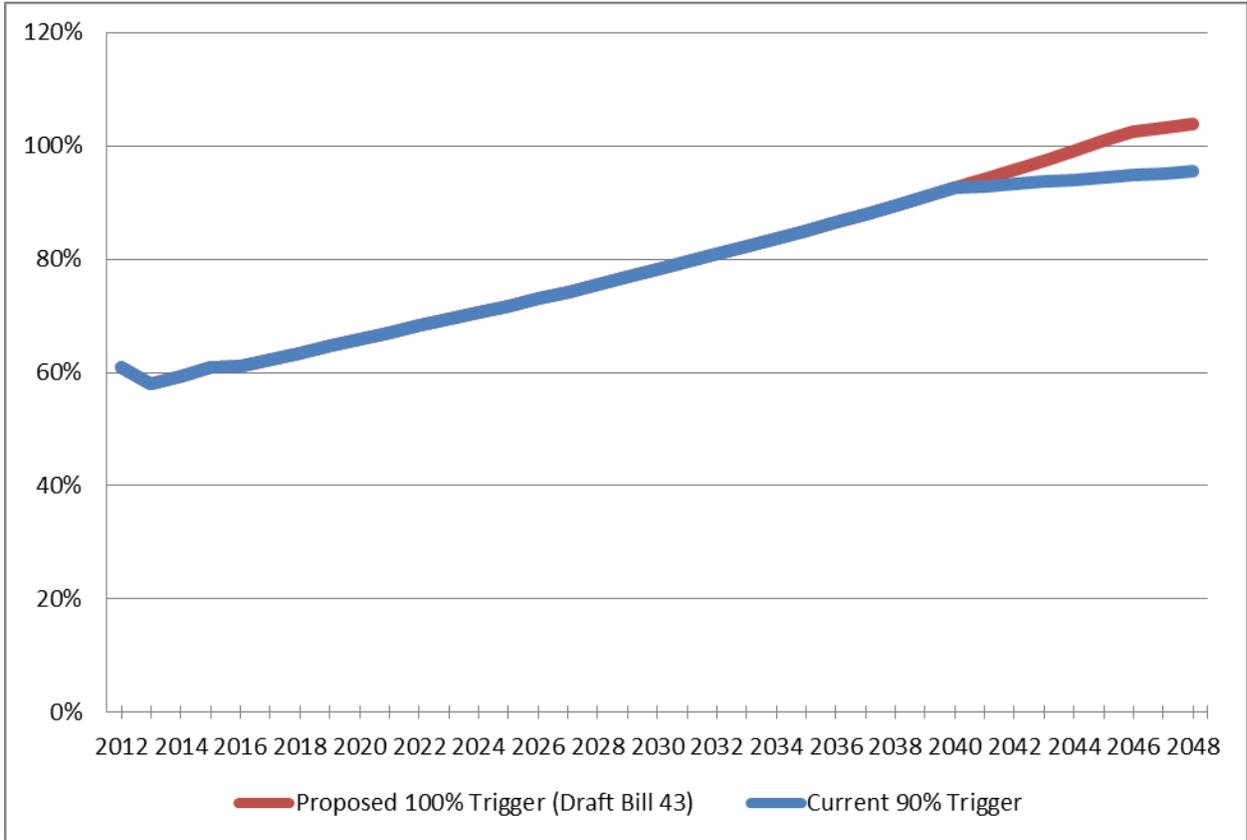


Exhibit II

Projection of Employer Contribution Rate

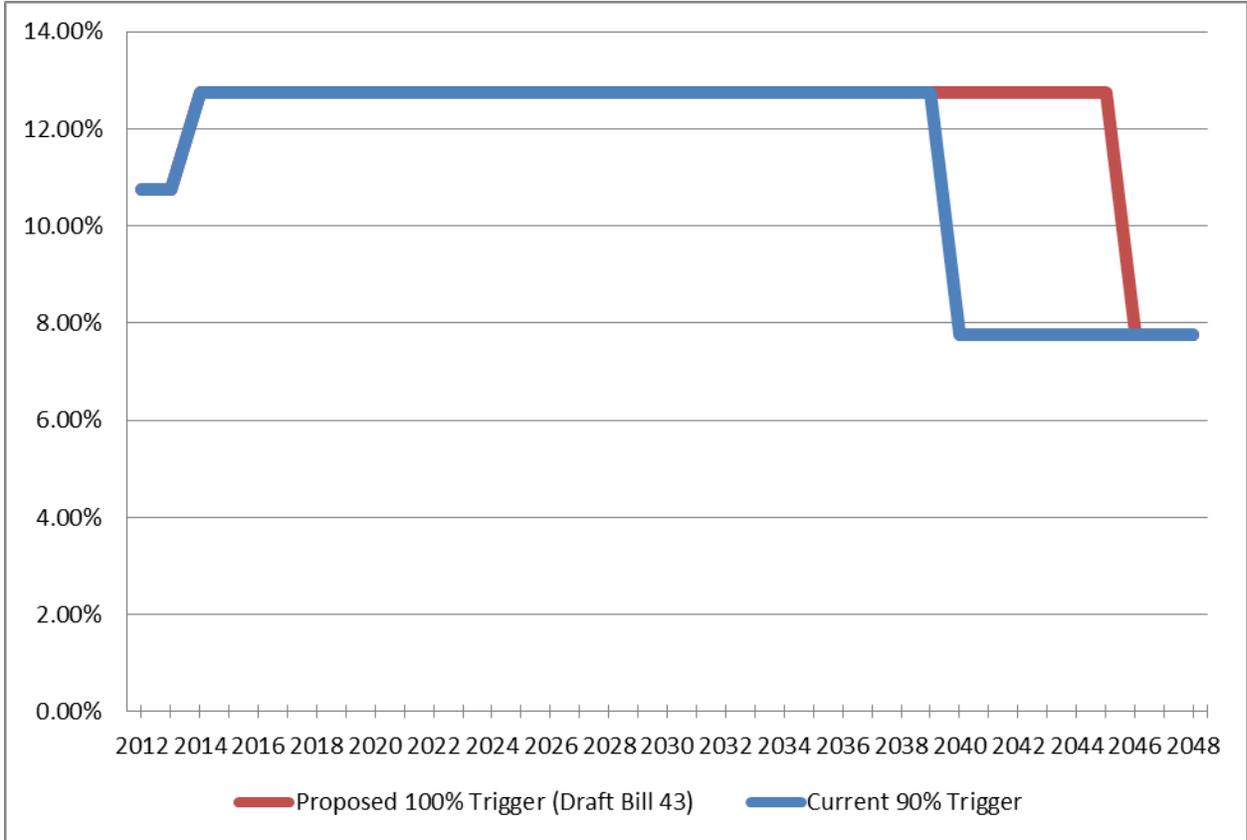


Exhibit III

Projection of Employee Contribution Rate

