

FISCAL NOTE

Requested by Legislative Council

01/28/2003

Bill/Resolution No.: SB 2335

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues					
Expenditures					
Appropriations					

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

TFFR and PERS currently meet the requirements imposed by the Internal Revenue Code to be qualified retirement plans. According to TFFR and PERS legal counsel and actuarial consultants, SB 2335, as currently written, violates the exclusive benefit rule, and the plans could be disqualified. As a result, the actuarial present value of benefits accrued by members would become immediately taxable. Also member contributions would no longer be sheltered from income tax. TFFR and PERS actuarial consultants are in the process of calculating the estimated federal income tax and FICA tax liability that would be incurred by members and employers should the plans lose their qualified status.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

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