House Bill 1117
North Dakota Retirement and Investment Office (RIO)
Testimony before Senate State and Local Government
Senator Kristen Roers, Chair

Chad Roberts, MAc – Deputy Executive Director/Chief Retirement Officer

I. RIO Statutory Authority and Responsibilities

The Retirement and Investment Office (hereinafter "RIO") was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of the investment program of the State Investment Board (SIB) and the retirement program of the Teachers' Fund for Retirement (TFFR). Statutory authority for the agency is found in North Dakota Century Code chapter 54-52.5 and the programs are governed by chapters 21-10 (SIB) and 15-39.1 (TFFR).

The State Investment Board has the statutory responsibility to administer the investment program for 31 funds including the Legacy Fund, TFFR, PERS, and WSI. It also maintains contractual relationships for the investment management of multiple political subdivisions and governmental funds. Currently SIB is responsible for the investment of the Legacy Fund, seven pension funds and 23 other non-pension funds for a total of 31 separate client funds with an overall fund value of roughly $23 billion as of October 31, 2024.

The Teachers' Fund for Retirement was established in 1913 and is governed by a Board of Trustees consisting of the Superintendent of Public Instruction, the State Treasurer, and five members appointed by the Governor for staggered three-year terms. One of the gubernatorial appointees must be a full-time administrator, two must be classroom teachers, and two must be retired members of the fund. The plan is a defined benefit retirement plan providing retirement security for North Dakota public school teachers. The Fund serves approximately 25,000 members and beneficiaries, 204 employers, and has an approximate value of $3.3 billion. The State Investment Board is responsible for the investment of the assets of the TFFR.

II. Support Testimony relating to H.B. 1184

The North Dakota Retirement and Investment Office and the TFFR Board of Trustees support House Bill 1117, which proposes amendments to subsection 4 of section 15-39.1-10 of the North Dakota Century Code regarding required minimum distributions (RMDs) for the Teachers' Fund for Retirement (TFFR).

House Bill No. 1117 is a necessary update to ensure compliance with the federal *Setting Every Community Up for Retirement Enhancement (SECURE) 2.0 Act of 2022*, which modified RMD age requirements under the Internal Revenue Code. The proposed amendments align the TFFR statutory language with the new federal provisions, ensuring that North Dakota's retirement plan remains compliant with federal law and avoids potential adverse tax consequences for members.

Under SECURE 2.0, the age at which required minimum distributions must begin has been incrementally increased. This bill ensures that TFFR members who reach the applicable RMD age under the revised federal framework are subject to the correct distribution requirements. Specifically, the proposed changes:

1. Reflect the updated RMD age thresholds established under SECURE 2.0, replacing outdated references to age 70½ and 72 with the current federally mandated age; and
2. Clarify that distributions must be made in accordance with *Section 401(a)(9)* of the Internal Revenue Code and its accompanying regulations as applicable to governmental plans; and
3. Maintain consistency with federal guidelines, thereby providing certainty and ease of administration for both plan participants and administrators.

Aligning North Dakota law with federal requirements benefits TFFR members by ensuring compliance with tax regulations while allowing for appropriate flexibility in retirement planning. It also streamlines administrative processes and reduces confusion for retirees and beneficiaries. The change in language does not financially impact the plan or participants as it does not alter the amount of benefits paid. For these reasons, I respectfully urge the committee to support House Bill No. 1117. Thank you for your time and consideration.