



LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD

Thursday, October 21, 2021
Prairie Room, State Capitol
Bismarck, North Dakota

Representative Keith Kempenich, Chairman, called the meeting to order at 8:30 a.m.

Members present: Representatives Keith Kempenich, Gary Kreidt; Senators Kathy Hogan, Jerry Klein; Citizen Members Joe Morrissette, Ryan Rauschenberger, Todd Steinwand

Others present: See [Appendix A](#)

It was moved by Representative Kreidt, seconded by Senator Klein, and carried on a voice vote that the minutes of the June 16, 2021, meeting be approved as distributed.

LEGACY FUND INVESTMENTS

Mr. Adam Mathiak, Senior Fiscal Analyst, Legislative Council, presented a memorandum entitled [House Bill No. 1425 \(2021\) - Overview](#) regarding the asset allocation plan requirements for the legacy fund included in the provisions of House Bill No. 1425.

Mr. Mathiak distributed a copy of the legacy fund investment policy ([Appendix B](#)).

Mr. Eric Chin, Interim Chief Investment Officer, Retirement and Investment Office, presented information ([Appendix C](#)) regarding the status of in-state investments of the legacy fund, including in-state investment program policies.

Ms. Janilyn Murtha, Interim Executive Director, Retirement and Investment Office, noted an asset allocation study may be warranted based on the required changes to legacy fund investments due to House Bill No. 1425. She indicated the Retirement and Investment Office is seeking State Investment Board approval for a review process to give preference to investment firms and financial institutions with a presence in the state.

In response to a question from a board member, Ms. Murtha noted the review process for firms and institutions with a presence in the state parallels the review process for firms and institutions without a presence in the state.

In response to a board member question, Ms. Connie Flanagan, Chief Financial Officer, Retirement and Investment Office, noted investment advisory services are exempt from the state's procurement requirements.

In response to a board member question, Mr. Mathiak indicated the legacy earnings fund will receive the legacy fund earnings based on the provisions of House Bill No. 1380 (2021). He noted the money will be distributed from the legacy earnings fund to various other state funds except for a portion retained as a reserve for any potential bond payments. He noted the advisory board may not need to study the asset allocation of the legacy earnings fund because the money retained in the fund is intended to be a reserve and would be limited to \$150 million.

Mr. Mathiak distributed a memorandum entitled [Legacy Fund Earnings Scenario](#) regarding the allocation of legacy fund earnings based on House Bill No. 1380.

Ms. Kodee Furt, Director, Private Equity Group, 50 South Capital, and Mr. Trey Hart, Managing Director, 50 South Capital, presented information ([Appendix D](#)) regarding an update of the 50 South Capital in-state investment program, including criteria to evaluate potential investments.

STATUS OF FUNDS

Mr. Chin presented information ([Appendix E](#)) regarding the asset allocation basis points charged by investment advisors, fund balance, and investment returns of the budget stabilization fund and legacy fund. He noted:

- The budget stabilization fund had a balance of \$749.6 million as of June 30, 2021, and returned 2.37 percent for the 5-year period ended June 30, 2021, which exceeded the benchmark by 0.49 percent.
- The legacy fund had a market value of \$9 billion as of June 30, 2021, and returned 10.1 percent for the 5-year period ended June 30, 2021, which exceeded the benchmark by 0.74 percent.

COMMITTEE DISCUSSION

Senator Klein noted the investment allocation of the legacy fund has changed since the creation of the fund and the advisory board has a responsibility to manage the state's money to provide an intergenerational benefit.

Representative Kreidt indicated risk tolerance may vary based on personal perspective and a review of the asset allocation plan for the legacy fund may help to identify future risks to the fund.

As requested, the advisory board received a copy of a memorandum ([Appendix F](#)) submitted by the Attorney General's office to the State Investment Board in October 2020 regarding the roles of the advisory board and the State Investment Board.

Chairman Kempenich noted the advisory board's next meeting is scheduled for October 28, 2021.

No further business appearing, Chairman Kempenich adjourned the meeting at 11:20 a.m.

Adam Mathiak
Senior Fiscal Analyst

ATTACH:6