



LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD

Tuesday, February 15, 2022
Harvest Room, State Capitol
Bismarck, North Dakota

Senator Jerry Klein, Chairman, called the meeting to order at 10:00 a.m.

Members present: Senators Jerry Klein, Kathy Hogan, Scott Meyer; Representatives Glenn Bosch, Keith Kempenich, Gary Kreidt; Citizen Members Thomas Beadle, Jon Godfread, Brian Kroshus, Todd Steinwand

Members Absent: None

Others present: Allen H. Knudson, Legislative Council, Bismarck
See [Appendix A](#) for additional persons present.

It was moved by Senator Hogan, seconded by Representative Bosch, and carried on a voice vote that the minutes of the December 8, 2021, meeting be approved as distributed.

STATUS OF FUNDS

Mr. Scott Anderson, Chief Investment Officer, Retirement and Investment Office, presented information ([Appendix B](#)) regarding the status of the budget stabilization fund and legacy fund, including the asset allocations, investment fees, fund balances, and investment returns. He noted:

- The budget stabilization fund had a balance of \$748.4 million as of December 31, 2021, and returned 2.24 percent for the 5-year period ended December 31, 2021, which exceeded the benchmark by 0.42 percent.
- The legacy fund had a market value of \$8.7 billion as of December 31, 2021, and returned 9.88 percent for the 5-year period ended December 31, 2021, which exceeded the benchmark by 0.46 percent.

LEGACY FUND ASSET ALLOCATION STUDY

Study Overview

Ms. Janilyn Murtha, Executive Director, Retirement and Investment Office, presented an overview ([Appendix C](#)) of the history of the legacy fund and the timeline for the implementation of the in-state investing program.

Mr. Godfread noted a review of the appropriateness of the composition of the State Investment Board membership may be helpful considering all the recent changes to the legacy fund and the complexity of providing fiduciary oversight for the legacy fund investments.

In response to an advisory board member question, Ms. Murtha noted approximately \$22.5 million of the legacy fund is invested through 50 South Capital as a part of the in-state investment program.

Mr. Anderson presented information ([Appendix D](#)) regarding types of investments, investment risks, asset allocation and liquidity considerations, and an overview of the asset allocation study for the legacy fund.

Representative Kempenich noted the time value of money presents an investment risk for the legacy fund particularly during periods of high inflation.

Executive Session

Chairman Klein explained the procedures for entering an executive session to receive and discuss the consultant proposals for the legacy fund asset allocation study.

It was moved by Representative Bosch, seconded by Mr. Beadle, and carried on a roll call vote that the Legacy and Budget Stabilization Fund Advisory Board move to an executive session closed to the public pursuant to North Dakota Century Code Sections 44-04-18.4(6), 44-04-19.1(9), 44-04-19.2(6), and 54-44.1-10 to receive presentations of competitive proposals and to discuss the proposals. Senators Klein, Hogan, and Meyer, Representatives Bosch, Kempenich, and Kreidt, and Citizen Members Beadle, Godfread, Kroshus, and Steinwand voted "aye." No negative notes were cast.

The Legacy and Budget Stabilization Fund Advisory Board went into executive session from 1:08 p.m. to 5:08 p.m. All the advisory board members were present for the executive session. During the executive session, the advisory board received presentations of competitive proposals from prospective consultants and discussed the proposals.

Consultant Recommendation

Chairman Klein reconvened the public portion of the meeting at 5:08 p.m.

It was moved by Senator Meyer, seconded by Representative Kreidt, and carried on a roll call vote that the Legacy and Budget Stabilization Fund Advisory Board recommends the Retirement and Investment Office contract with RVK, Inc., to conduct a study to determine the long-term strategic asset allocation of the legacy fund and to develop investment policies and guidelines for an in-state equity investment program under the legacy fund. Senators Klein, Hogan, and Meyer, Representatives Bosch and Kreidt, and Citizen Members Beadle, Kroshus, and Steinwand voted "aye." Representative Kempenich voted "nay."

No further business appearing, Chairman Klein adjourned the meeting at 5:10 p.m.

Adam Mathiak
Senior Fiscal Analyst

ATTACH:4