

House Bill 1227
North Dakota Retirement and Investment Office (RIO)
Neutral Testimony relating to HB 1227 before the House Finance & Taxation
Committee
Representative Craig Headland, Chair
Representative Jerad Hagert, Vice Chair

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I. Introduction

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 27 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 19 other non-pension funds for a total of 27 separate client funds with an overall fund value of roughly \$18 billion as of October 31, 2022.

II. Neutral Testimony relating to H.B. 1227

SIB assets under management have grown from about \$4 billion in 2010 to over \$18 billion currently and continue to grow from investment returns and contributions to the Legacy Fund, pension plans, and insurance funds. The combination of the growth of AUM, the number of individually managed funds, and the complexity of mandates such as the Legacy Fund have increased the need for staff resources, infrastructure and new scalable investment processes that can enhance the performance of client funds while reducing the net cost of management of those funds when manager fees are considered.

The Retirement and Investment office does not have any concerns with HB 1227. Providing business cases for proposed legislative, initiated or referred measures is a good practice that can lead to rational decisions and best-case outcomes for the Legacy Fund. Where decision independence is required, the hiring of an independent third party can bring external experience with precedence of similar initiatives implemented in other contexts, a fact-based analysis unencumbered by bias, and a diligent, economically grounded business case.

III. Summary

The Retirement and Investment Office recognizes that the intent of H.B. 1227 provides a foundation for good business practice and due diligence processes relating to investment of the Legacy Fund and has no concerns at this time.