

PROPOSED AMENDMENTS TO SENATE BILL NO. 2022

Page 1, line 2, after "office" insert "; to create and enact a new subsection to section 54-44.3-20 and a new section to chapter 54-52.5 of the North Dakota Century Code, relating to exemptions from the state employee classification system and an incentive compensation program; to amend and reenact section 54-52.5-03 of the North Dakota Century Code, relating to operating costs of the retirement and investment office; and to provide an exemption"

Page 1, replace lines 9 through 15 with:

"	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$6,785,839	\$3,764,387	\$10,550,226
Operating expenses	1,323,528	1,546,409	2,869,937
Contingencies	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Total special funds	\$8,209,367	\$5,410,796	\$13,620,163
Full-time equivalent positions	25.00	9.00	34.00

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO THE SIXTY-NINTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-seventh legislative assembly for the 2021-23 biennium and the 2023-25 biennium one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2021-23</u>	<u>2023-25</u>
Pension administration software implementation	\$0	\$574,900
Temporary salaries	<u>0</u>	<u>50,000</u>
Total special funds	\$0	\$624,900

The 2023-25 biennium one-time funding amounts are not a part of the entity's base budget for the 2025-27 biennium. The retirement and investment office shall report to the appropriations committees of the sixty-ninth legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2023, and ending June 30, 2025.

SECTION 3. A new subsection to section 54-44.3-20 of the North Dakota Century Code is created and enacted as follows:

Investment positions of the state retirement and investment office.

SECTION 4. AMENDMENT. Section 54-52.5-03 of the North Dakota Century Code is amended and reenacted as follows:

54-52.5-03. State retirement and investment fund - Cost of operation of agency.

A special fund known as the "state retirement and investment fund" is established for the purpose of defraying administrative expenses of the state retirement and investment office. The actual amount of administrative expenses incurred by the

state retirement and investment office must be paid from the respective funds listed under section 21-10-06 and are hereby appropriated to the state retirement and investment fund in proportion to the services rendered for each fund as estimated by the state investment board. The amount necessary to pay all administrative expenses of the state retirement and investment office must be paid from the state retirement and investment fund in accordance with the agency's appropriation authority and earnings lawfully available for such purposes. Any interest income earned on the state retirement and investment fund must be credited to the fund.

SECTION 5. A new section to chapter 54-52.5 of the North Dakota Century Code is created and enacted as follows:

Incentive compensation program.

The state retirement and investment office may develop an incentive compensation program for full-time equivalent investment positions related to the internal management of the investment of funds under the control of the state investment board. The program must promote profitability, productivity, and responsible fund management. The provisions of the program must be approved annually by the state investment board. The provisions must ensure that the payouts do not occur unless the risk-based performance of the investments that are internally managed exceed the risk-based performance of policy benchmarks.

SECTION 6. EXEMPTION - PENSION ADMINISTRATION SYSTEM

PROJECT. The sum of \$9,000,000 appropriated in section 1 of chapter 47 of the 2019 Session Laws and continued into the 2021-23 biennium pursuant to section 3 of chapter 22 of the 2021 Session Laws for the pension administration system is not subject to the provisions of section 54-44.1-11 and any unexpended funds are available for completing the project during the biennium beginning July 1, 2023, and ending June 30, 2025."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2022 - Retirement and Investment Office - Senate Action

	Base Budget	Senate Changes	Senate Version
Salaries and wages	\$6,785,839	\$3,764,387	\$10,550,226
Operating expenses	1,323,528	1,546,409	2,869,937
Contingencies	100,000	100,000	200,000
Total all funds	\$8,209,367	\$5,410,796	\$13,620,163
Less estimated income	8,209,367	5,410,796	13,620,163
General fund	\$0	\$0	\$0
FTE	25.00	9.00	34.00

Department 190 - Retirement and Investment Office - Detail of Senate Changes

	Adds Funding for Cost to Continue Salaries ¹	Adds Funding for Salary and Benefit Increases ²	Adds FTE Positions ³	Adds Funding for Other Salary Adjustments ⁴	Transfers Funding from Operating to Salaries ⁵	Adds Funding for Operating Expenses ⁶
Salaries and wages	\$41,345	\$532,547	\$1,547,947	\$1,012,827	\$143,721	
Operating expenses					(143,721)	\$1,551,230
Contingencies						
Total all funds	\$41,345	\$532,547	\$1,547,947	\$1,012,827	\$0	\$1,551,230
Less estimated income	41,345	532,547	1,547,947	1,012,827	0	1,551,230
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	9.00	0.00	0.00	0.00

	Increases Funding for Contingencies ⁷	Adds One-Time Funding Items ⁸	Total Senate Changes
Salaries and wages		\$486,000	\$3,764,387
Operating expenses		138,900	1,546,409
Contingencies	\$100,000		100,000
Total all funds	\$100,000	\$624,900	\$5,410,796
Less estimated income	100,000	624,900	5,410,796
General fund	\$0	\$0	\$0
FTE	0.00	0.00	9.00

¹ Funding derived from the income of funds under management is added for cost to continue salary increases.

² The following funding is added for 2023-25 biennium salary adjustments of 4 percent on July 1, 2023, and 4 percent on July 1, 2024, and increases in health insurance premiums from \$1,429 to \$1,643 per month:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Salary increase	\$0	\$401,009	\$401,009
Health insurance increase	0	131,538	131,538
Total	\$0	\$532,547	\$532,547

³ Funding of \$1,547,947 derived from the income of funds under management and FTE positions are added as follows:

- \$374,621 for 2 FTE investment assistant positions.
- \$1,173,326 for 7 FTE positions, including 5 investment positions, 1 fiscal position, and 1 administrative position. The funding is only for the 2nd year of the biennium.

⁴ Funding of \$1,012,827 derived from the income of funds under management is added for other salary adjustments as follows:

- \$506,929 for FTE positions approved during the November 2021 special legislative session.
- \$383,540 for salary equity increases.
- \$122,358 for other salary increases and internships.

⁵ Funding of \$143,721 is transferred from the operating expenses line item to the salaries and wages line item related to cost-savings from operating expenses and increases in salaries.

⁶ Funding of \$1,551,230 derived from the income of funds under management is added for operating expenses as follows:

- \$6,721 for Information Technology Department rate increases.
- \$100,000 for executive search expenses.
- \$167,500 for inflationary increases.
- \$977,419 for pension administration software fees.
- \$32,750 for staff development and marketing materials.
- \$266,840 for other operating expense increases related to rent, travel, and data processing.

⁷ Funding derived from the income of funds under management is increased by \$100,000 for contingencies to provide total funding of \$200,000.

⁸ One-time funding of \$624,900 derived from the income of funds under management is added as follows:

- \$436,000 for temporary salaries to implement new pension administration software.
- \$50,000 for additional temporary salaries.
- \$138,900 for operating expenses related to the implementation of new pension administration software.

This amendment also adds sections to:

- Amend Section 54-44.3-20 to exempt the investment staff of the Retirement and Investment Office from the state employee classification system.
- Amend Section 54-52.5-03 to clarify the Retirement and Investment Office administrative expenses are from the earnings available from the funds under management.
- Create a new section to Chapter 54-52.5 relating to an incentive compensation program.
- Provide an exemption for a pension administration information technology project to continue any unexpended 2019-21 biennium funds into the 2023-25 biennium, which are estimated to be \$6.7 million.

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the retirement and
 2 investment office; to create and enact a new subsection to section 54-44.3-20 and a new
 3 section to chapter 54-52.5 of the North Dakota Century Code, relating to exemptions from the
 4 state employee classification system and an incentive compensation program; to amend and
 5 reenact section 54-52.5-03 of the North Dakota Century Code, relating to operating costs of the
 6 retirement and investment office; and to provide an exemption.

7 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

8 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
 9 as may be necessary, are appropriated out of any moneys from special funds derived from
 10 income, to the retirement and investment office for the purpose of defraying the expenses of the
 11 retirement and investment office, for the biennium beginning July 1, 2023, and ending June 30,
 12 2025, as follows:

<u>Governor's</u>			
	<u>Base Level</u>	<u>Recommendation</u>	<u>Appropriation</u>
Salaries and wages	\$6,785,839	\$8,744,148	\$6,785,839
Operating expenses	1,323,528	2,570,347	1,323,528
Contingencies	100,000	100,000	100,000
Total special funds	\$8,209,367	\$11,414,495	\$8,209,367
Full-time equivalent positions	25.00	25.00	25.00
<u>Adjustments or</u>			
	<u>Base Level</u>	<u>Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$6,785,839	\$3,764,387	\$10,550,226
Operating expenses	1,323,528	1,546,409	2,869,937
Contingencies	100,000	100,000	200,000

1	<u>Total special funds</u>	<u>\$8,209,367</u>	<u>\$5,410,796</u>	<u>\$13,620,163</u>
2	<u>Full-time equivalent positions</u>	<u>25.00</u>	<u>9.00</u>	<u>34.00</u>

3 **SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO THE**
4 **SIXTY-NINTH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time funding
5 items approved by the sixty-seventh legislative assembly for the 2021-23 biennium and the
6 2023-25 biennium one-time funding items included in the appropriation in section 1 of this Act:

7	<u>One-Time Funding Description</u>	<u>2021-23</u>	<u>2023-25</u>
8	Pension administration software implementation	\$0	\$574,900
9	Temporary salaries	0	50,000
10	Total special funds	\$0	\$624,900

11 The 2023-25 biennium one-time funding amounts are not a part of the entity's base budget
12 for the 2025-27 biennium. The retirement and investment office shall report to the
13 appropriations committees of the sixty-ninth legislative assembly on the use of this one-time
14 funding for the biennium beginning July 1, 2023, and ending June 30, 2025.

15 **SECTION 3.** A new subsection to section 54-44.3-20 of the North Dakota Century Code is
16 created and enacted as follows:

17 Investment positions of the state retirement and investment office.

18 **SECTION 4. AMENDMENT.** Section 54-52.5-03 of the North Dakota Century Code is
19 amended and reenacted as follows:

20 **54-52.5-03. State retirement and investment fund - Cost of operation of agency.**

21 A special fund known as the "state retirement and investment fund" is established for the
22 purpose of defraying administrative expenses of the state retirement and investment office. The
23 actual amount of administrative expenses incurred by the state retirement and investment office
24 must be paid from the respective funds listed under section 21-10-06 and are hereby
25 appropriated to the state retirement and investment fund in proportion to the services rendered
26 for each fund as estimated by the state investment board. The amount necessary to pay all
27 administrative expenses of the state retirement and investment office must be paid from the
28 state retirement and investment fund in accordance with the agency's appropriation authority
29 and earnings lawfully available for such purposes. Any interest income earned on the state
30 retirement and investment fund must be credited to the fund.

1 **SECTION 5.** A new section to chapter 54-52.5 of the North Dakota Century Code is created
2 and enacted as follows:

3 **Incentive compensation program.**

4 The state retirement and investment office may develop an incentive compensation
5 program for full-time equivalent investment positions related to the internal management of the
6 investment of funds under the control of the state investment board. The program must promote
7 profitability, productivity, and responsible fund management. The provisions of the program
8 must be approved annually by the state investment board. The provisions must ensure that the
9 payouts do not occur unless the risk-based performance of the investments that are internally
10 managed exceed the risk-based performance of policy benchmarks.

11 **SECTION 6. EXEMPTION - PENSION ADMINISTRATION SYSTEM PROJECT.** The sum
12 of \$9,000,000 appropriated in section 1 of chapter 47 of the 2019 Session Laws and continued
13 into the 2021-23 biennium pursuant to section 3 of chapter 22 of the 2021 Session Laws for the
14 pension administration system is not subject to the provisions of section 54-44.1-11 and any
15 unexpended funds are available for completing the project during the biennium beginning
16 July 1, 2023, and ending June 30, 2025.

