House Bill 1368
North Dakota Retirement and Investment Office (RIO)
Testimony in support of the Engrossed HB 1368 before the Senate Industry and Business Committee
Senator Doug Larsen, Chair
Senator Greg Kessel, 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 28 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 20 other non-pension funds for a total of 28 separate client funds with assets under management (AUM) of roughly $19.2 billion as of January 31, 2023.

This AUM has grown from about $4 billion in 2010 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.

Currently, the SIB relies entirely on an external investment manager structure; ie RIO does not have internal investment management authority or operations. RIO contracts with over forty investment managers, vendors, and consultants in the administration of our two programs.

II. Engrossed H.B. 1368

RIO already implements business practices that would not restrict any investment or business activities with Israel for non-pecuniary reasons. The investment program as a matter of policy and in compliance with North Dakota law as set forth under NDCC Ch. 21-10, only invests for the exclusive benefit of its beneficiaries in a way that seeks to maximize return for a given level of risk. Any restriction of its investment or commercial set of opportunities for non-pecuniary reasons such as restricting investment in Israel is already prohibited by policy and law.

RIO opposed the original version of H.B. 1368 due to concerns related to the potential conflict this bill may have created with other existing or future legislation, or mandated business practices, the cost and complexity of implementing the bill, and the potential that the bill may unintentionally reduce commercial opportunities even with vendors who support Israel because of the cost the bill imposes on the vendor.

Engrossed H.B. 1368 incorporates amendments that eliminated these concerns and therefore the agency supports the amendments to H.B. 1368 while recognizing that the public policy reflected is decision for the legislature.

III. Summary

Pursuant to both North Dakota law and SIB policy, RIO already implements business practices that would not restrict any investment or business activities with Israel for non-pecuniary reasons. Engrossed H.B. 1368 incorporates amendments that eliminated initial concerns with implementation. The agency supports the amendments made to H.B. 1368 while recognizing that the pubic policy reflected is a decision for the legislature.