

2013 HOUSE GOVERNMENT AND VETERANS AFFAIRS

HB 1249

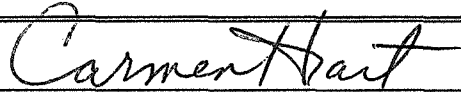
2013 HOUSE STANDING COMMITTEE MINUTES

House Government and Veterans Affairs Committee Fort Union Room, State Capitol

HB 1249
January 24, 2013
17668

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the membership of the state investment board.

Minutes:

You may make reference to "attached testimony."

Chairman Jim Kasper opened the hearing on HB 1249. While waiting for Rep. Kempenich Chairman Kasper gave information on the heavy load of bills and information on the handling of subcommittee meetings.

Rep. Keith Kempenich appeared as the prime sponsor of the bill. The main reason I thought it would be relevant to look at this at this time is the way the legacy fund is worded and how it plays through with what the interest of the legislature is involved in the investment board. In the past the legislature had an interest in what went on in the investment board, but it was mostly for certain groups, PERS and TFFR. With the legacy fund being in there now too, I thought it would be relevant to have some legislators represented on that board too. The bill is adding the majority leader of the Senate and majority leader of the House would appoint a member to the board.

Rep. Gail Mooney Why is it there is only a majority and one of each party wouldn't be represented on that committee?

Rep. Kempenich That really never crossed my mind. It is more of what is for the state of North Dakota. The legislature has access to it. This would put the board makeup to 13.

Rep. Gail Mooney It was just a balance thing in my mind.

Rep. Kempenich The way the legacy fund is written in the constitution, the legislature is the only one that can really access that money on it. If the committee feels so inclined, they can but my intention was basically one member from the Senate and one from the House.

Rep. Gail Mooney My thought process wasn't so much about party lines as much as balance and representation.

Rep. Bill Amerman Do the members of the investment board actually take votes or where your investments can go?

Rep. Kempenich No. Right now the investment board is doing more watching. They look at how their allocations are going for individual funds on it. There probably is some policy once in a while but probably not a lot now. Most of those funds are mature. Last year there were some policy changes that had to take place and ran through the legislature.

There was no opposition.

Neutral

Darren Schulz, Interim Chief Investment Officer with the Retirement Investment Office and State Investment Board, appeared in a neutral position. I just want to clarify the state investment board is responsible for the implementation of the investment programs on behalf of our pension insurance clients to include the legacy fund. They do approve the investments that are undertaken within the portfolio. It is a role that the board does undertake to vote on investments that are made within these various pools of assets.

Chairman Jim Kasper Would you give us an overview of the powers and the authority of the investment board and the various funds that the investment is responsible for? As a follow up, I think it might be helpful because we have a lot of new committee members, if you have a schematic like a one or two page diagram of what the investment board is and some of the sub boards underneath it and what it does.

Darren Schulz The state investment board is responsible for the implementation of the investment programs on behalf of eight? Pension clients to include the teachers fund for retirement, public employees retirement system, as well as some other smaller pension clients. This board has oversight of the investment programs that would fall under an insurance pool which includes such portfolios as the workers safety and insurance portfolio, budget stabilization fund and to include the legacy fund as well. The state investment board does approve the policy decisions which are made by these various client groups. The legacy fund is somewhat unique in that it does work with an advisory board which is responsible for making recommendations on asset allocation and investment guidelines. I am happy to provide you some more information as far as the overarching responsibility of the board as well as the various pools that fall under its responsibility.

Chairman Jim Kasper That would be fantastic. Would you be able to give us the current fund balances in each of those funds as well and then a follow up on the power of the investment board? Looking at the makeup, you have a lot of people not involved in money management but have a lot of background as common sense knowledge and government knowledge. Who makes the final decisions on how those funds are invested? Is the board ultimately responsible? Do you hire money managers to give you advice? How often are you reviewing the investment results and things like that?

Darren Schulz The state investment board has retained a general consultant headquartered in San Francisco. We actually work with a consultant who is based in Denver. They do provide us with their expertise as far as the overall performing asset and

liability studies on behalf of these various clients, manager research, and provide us with some research software that we use as part of our manager research. They provide us with comprehensive performance reports, a condensed version which does go to the board which is reviewed on a quarterly basis as well as a very large extensive staff report which is reviewed by staff regularly.

The hearing was closed on HB 1249.

2013 HOUSE STANDING COMMITTEE MINUTES

House Government and Veterans Affairs Committee
Fort Union Room, State Capitol

HB 1249
January 25, 2013
17771

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the membership of the state investment board

Minutes:

You may make reference to "attached testimony."

Attachment 1 was information provided by Darren Schulz that was requested by Chairman Kasper at the hearing on 1-24-13.

Chairman Jim Kasper opened the session on HB 1249.

Rep. Marie Strinden had an amendment. **Attachment 2.** I really liked what Rep. Gail Mooney had said about making sure that the entire Senate and House was reflected in this language. I worked with the intern and came up with one member appointed jointly by the majority and minority leader of the Senate and one member appointed jointly by the majority and minority leader of the House of Representatives.

Chairman Jim Kasper It is a joint appointment by the minority and majority leader of both the House and the Senate. Correct?

Chairman Jim Kasper It would stay as one person by each chamber.

Rep. Karen Karls If you have two people deciding, who breaks the tie?

Rep. Marie Strinden Good question. How do they choose who is on committees?

Chairman Jim Kasper The legislative management committee is elected under rules. The majority party has so many on the legislative management and the minority party have so many. Those folks come together and they will have an election and elect the leadership. That entire committee will meet after the session and they will determine what bills are going to be heard by the interim committees and who will be sitting on those committees as well. I think there are 17 members so there is a way to break a tie. Rep. Karen Karls' concern is well taken.

Rep. Marie Strinden Perhaps we could mix amendments and have it be majority and minority leader from the chamber with a member of legislative management.

Rep. Jason Dockter If you look at the bill sponsors, there is a bipartisan sponsor of the bill.

Rep. Marie Strinden I did ask Rep. Onstad and Kelsh about this. They seemed fine with the amendment.

Rep. Gary Paur presented an amendment. **Attachment 3.** I think this amendment addresses Rep. Marie Strinden's concerns because of the make up in the legislative council. What it would do is remove the inserted language and in place of that insert one member appointed from the Senate and one member appointed from the House of Representatives by legislative management which is composed of majority and minority, etc.

Vice Chair Randy Boehning I am trying to find the language in 1060 that was brought up on the floor. We hear a lot where legislative management appoints members to the committee and not the House and not the Senate.

Rep. Gary Paur This would follow basically the established procedures.

Rep. Karen Rohr Do we need to reconsider the amendment to the language that Rep. Boehning just indicated?

Vice Chair Randy Boehning I am trying to find language on this other bill. It is typical language that we normally use around here.

Rep. Marie Strinden I would be willing to withdraw my amendment, but I don't know how to do that according to Robert's Rules of Order.

Chairman Jim Kasper You don't have to withdraw it since we have taken it up. If we make a motion and Rep. Paur's amendment is adopted, we don't introduce yours. Then we are fine.

Rep. Ben Koppelman This shows a fiscal note of \$22,200 to appoint two members to a committee. The per diem for daily pay plus FICA and everything is \$7,600. Travel reimbursement, \$9,600. Additional salary expenses, \$17,200. Travel for education, \$4,000. There is a lot in this fiscal note for two members.

Chairman Jim Kasper Under Item B, they have to meet 11 times per year, and they have been 12 times per year. In the biennium you have 24 trips and 24 days of per diem, travel, meals, and so on.

Vice Chair Randy Boehning read this language from the other bill. A member of the House and a member of the Senate who represent Devils Lake Basin appointed by the chairman of the legislative management... Basically, a member from the House and a member from the Senate shall be appointed by the chairman of legislative management or by legislative management if you don't want to put chairman in.

Rep. Jason Dockter I think this amendment is fine because in our instance here, it is the assembly. It would be consistent language with how we have the amendment right now.

Vice Chair Randy Boehning made a motion to adopt the Paur amendment.

Rep. Jason Dockter seconded the motion.

A voice vote was taken. Motion carried to adopt the amendment.

Rep. Vernon Laning made a motion for a **do pass as amended and rerefer to appropriations.**

Rep. Karen Rohr seconded the motion.

Rep. Steven Zaiser I am going to resist this motion and the primary reason is there has been a gradual encroachment of the legislative branch into the administrative branch. Both federally and statewide it has been a strong point of view that we have a separation of powers between the people that make the laws and the people that administer the laws and people that interpret the laws.

Rep. Gail Mooney Is there a reason why we would want to have representation on the executive branch decision making board?

Rep. Jason Dockter It was noted due to the creation of the legacy fund and that the legislature is the one that appropriates the funds. That is the reason for having some representation by the legislature on this board.

Rep. Gail Mooney We would be two voices out of 13. It would become a 15 member board?

Chairman Jim Kasper It expands the board by two. It does not take anybody away.

Rep. Gail Mooney It doesn't actually sway as far as the decision making part necessarily on the executive side. Correct?

Chairman Jim Kasper We are roughly 13 or so members on that board. The legislative branch would have two of those. We are the policy making branches. There are a lot of dollars that are being spent and invested in these funds and decisions are being made. I don't see any reason why the legislature could not be represented on these boards.

Rep. Gary Paur Not all the representatives are from the executive. We have the state treasurer, etc.

Chairman Jim Kasper We have three members of TFFR, two members representing the PERS board, one member of PERS as selected by the board, and other members as well.

Rep. Steven Zaiser I certainly understand that, but all those individuals are either members of the administration or appointed by administrative folks. They are not a portion of the legislative branch. It is like we don't want the Governor voting. It is time to begin to establish that separation of powers.

Rep. Ben Koppelman I had a similar thought, Rep. Zaiser. I think when we are managing the funds that the legislature has invested, put aside, and set up funds for retirement, we gave a lot of our authority away in the law by putting all those administrative appointees and branches in the first place. I look at this as us taking a little bit of the reign back. I think it is a correction more than a giveaway or a blurring of separation of powers.

Rep. Karen Rohr I think that Rep. Zaiser is taking a philosophical viewpoint on this from a broad perspective. This is just one bill that would perhaps move your thoughts to that direction. If I am not mistaken, wasn't there an initiated measure that the citizens voted on the legacy fund, and we represent the citizens. That is how I see our representation on this committee.

A roll call vote was taken and it resulted in a DO PASS AS AMENDED AND REREFERRED TO APPROPRIATIONS, 12-1, 1 ABSENT.

Rep. Jason Dockter is the carrier of the bill.

As notified by the front desk and approved by Chairman Kasper, a new standing committee report was prepared on 1-29-13. It did not have to be rereferred to appropriations because the fiscal note was less than \$50,000.

FISCAL NOTE
Requested by Legislative Council
01/15/2013

Bill/Resolution No.: HB 1249

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$22,200	\$0	\$22,200
Appropriations	\$0	\$0	\$0	\$22,200	\$0	\$22,200

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill would add two members to the state investment board who would be eligible to receive \$148 per meeting plus travel, as well as investment related education requiring travel and tuition costs.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The State Investment Board meets a minimum of 11 times per year. In recent years, a 12th meeting was necessary. Therefore, for budget purposes we are assuming 24 meetings per biennium. The cost is \$148 per meeting per person plus travel reimbursement for members who reside outside of Bismarck/Mandan. A cost of \$200 per trip is used for budgeting purposes. Each board member is also allowed at least one out of state trip for educational purposes. A cost of \$2,000 per trip plus \$500 for conference fees/tuition is used for budget purposes. Per Diem: $2 \times \$148 \times 24 + \text{FICA} = \$7,600$ Travel Reimbursement: $2 \times \$200 \times 24 = \$9,600$ Subtotal Add'l Salary Expenses for Fund 207 = \$17,200 Travel for Education: $2 \times \$2,000 = \$4,000$ Professional Development fees: $2 \times \$500 = \$1,000$ Subtotal Add'l Operating Expenses for Fund 207 = \$5,000 Total Add'l Expenses for Fund 207 = \$22,200

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Not applicable

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Per Diem: $2 \times \$148 \times 24 + \text{FICA} = \$7,600$ Travel Reimbursement: $2 \times \$200 \times 24 = \$9,600$ Subtotal Add'l Salary Expenses for Fund 207 = \$17,200 Travel for Education: $2 \times \$2,000 = \$4,000$ Professional Development fees: $2 \times \$500 = \$1,000$ Subtotal Add'l Operating Expenses for Fund 207 = \$5,000 Total Add'l Expenses for Fund 207 = \$22,200

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

RIO would request an additional appropriation of \$22,200 for Fund 207 as detailed below: Per Diem: $2 \times \$148 \times 24 + \text{FICA} = \$7,600$ Travel Reimbursement: $2 \times \$200 \times 24 = \$9,600$ Subtotal Add'l Salary Appropriation for Fund 207 = \$17,200 Travel for Education: $2 \times \$2000 = \$4,000$ Professional Development fees: $2 \times \$500 = \$1,000$ Subtotal Add'l Operating Appropriation for Fund 207 = \$5,000 Total Add'l Appropriation for Fund 207 = \$22,200

Name: Connie Flanagan

Agency: Retirement and Investment Office

Telephone: 701-328-9892

Date Prepared: 01/18/2013

January 25, 2013

95/1/1
C/S/K

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1249

Page 1, line 9, remove "appointed by the majority leader"

Page 1, line 9, replace the underscored comma with "and"

Page 1, line 9, remove the second "appointed"

Page 1, line 10, remove "by the majority leader"

Page 1, line 10, after "representatives" insert "appointed by the chairman of the legislative
management"

Renumber accordingly

Date: 1-25-13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1249

House Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Paul Amendment

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Boehning Seconded By Dockter

Representatives	Yes	No	Representatives	Yes	No
Chairman Jim Kasper			Rep. Bill Amerman		
Vice Chairman Randy Boehning			Rep. Gail Mooney		
Rep. Jason Dockter			Rep. Marie Strinden		
Rep. Karen Karls			Rep. Steven Zaiser		
Rep. Ben Koppelman					
Rep. Vernon Laning					
Rep. Scott Louser					
Rep. Gary Paur					
Rep. Karen Rohr					
Rep. Vicky Steiner					

*Unice
Vote
motion
carried*

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 1-25-13
Roll Call Vote #: 2

**2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1249**

House Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☒ Do Pass ☐ Do Not Pass ☒ Amended ☐ Adopt Amendment
☒ Rerefer to Appropriations ☐ Reconsider

Motion Made By

Lanning

Seconded By

Rohr

Representatives	Yes	No	Representatives	Yes	No
Chairman Jim Kasper	<input checked="" type="checkbox"/>		Rep. Bill Amerman	<input checked="" type="checkbox"/>	
Vice Chairman Randy Boehning	<input checked="" type="checkbox"/>		Rep. Gail Mooney	<input checked="" type="checkbox"/>	
Rep. Jason Dockter	<input checked="" type="checkbox"/>		Rep. Marie Strinden	<input checked="" type="checkbox"/>	
Rep. Karen Karls	<input checked="" type="checkbox"/>		Rep. Steven Zaiser		<input checked="" type="checkbox"/>
Rep. Ben Koppelman	<input checked="" type="checkbox"/>				
Rep. Vernon Lanning	<input checked="" type="checkbox"/>				
Rep. Scott Louser	<input checked="" type="checkbox"/>				
Rep. Gary Paur	<input checked="" type="checkbox"/>				
Rep. Karen Rohr	<input checked="" type="checkbox"/>				
Rep. Vicky Steiner					

Total (Yes) 12 No 1

Absent 1

Floor Assignment

Dockter

If the vote is on an amendment, briefly indicate intent:

*Referred to Approp's was later removed
per Rep Kasper.*

REPORT OF STANDING COMMITTEE

HB 1249: Government and Veterans Affairs Committee (Rep. Kasper, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING). HB 1249 was placed on the Sixth order on the calendar.

Page 1, line 9, remove "appointed by the majority leader"

Page 1, line 9, replace the underscored comma with "and"

Page 1, line 9, remove the second "appointed"

Page 1, line 10, remove "by the majority leader"

Page 1, line 10, after "representatives" insert "appointed by the chairman of the legislative management"

Renumber accordingly

2013 HOUSE APPROPRIATIONS

HB 1249

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1249

2/6/13

18415

☐ Conference Committee

Committee Clerk Signature

Meredit Tracholt

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact section 21-10-01 of the North Dakota Century Code, relating to the membership of the state investment board.

Minutes:

You may make reference to "attached testimony."

Rep. Jim Kasper, District 46: Introduced the bill.

Chairman Delzer: This probably wouldn't have come to us, but Rep. Kempenich has amendments that he was unable to bring up when this was in Government and Veterans Affairs. The amendments clarify that the Council will pay for these two members, instead of the investment board.

Rep. Kempenich: Allen Knudson (Legislative Council) thought that wasn't clear, since in the Fiscal Note RIO board looked at it as if they were going to pay for it. However, if it's Council appointees, Council pays, so we offer the amendment .02001.

Rep. Guggisberg: As far as the other board members, who pays?

Rep. Kempenich: For the elected officials, it's part of their salary; the appointed ones are paid by the RIO board. We have language in Council that if it's appointed by Council, it pays. This just make sure there isn't any question of who pays.

Chairman Delzer: The FN seems high, but if it's Council members they'll have to get approval from Council before they can make the trip, so that would affect that. Further questions?

Rep. Dosch: What is the intent of adding these additional members?

Chairman Delzer: This is Rep. Kempenich's bill, we can ask him when we discuss it. The committee continued on to the next bill.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1249

2/7/13

18539

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact section 21-10-01 of the North Dakota Century Code, relating to the membership of the state investment board.

Minutes:

You may make reference to "attached testimony."

Rep. Kempenich: I passed out an amendment yesterday, .02001.

Chairman Delzer: This bill adds two members to the investment board; the amendment clarifies that the Legislative Council would pay for these two legislators on the board.

Rep. Kempenich: It's assumed in there, but this clarifies.

Chairman Delzer: On page 2 of the bill, it looks like we've got \$148/day in there. Where did that come from? Do the legislators get paid the legislative rate?

Rep. Kempenich: Reading through the section, this \$148 is for non-elected members.

Rep. Skarphol: Why the \$148? It seems like it should be whatever the legislators get paid. Why should we pay these folks less than we get paid?

Chairman Delzer: I think in the past we have chained some of these to be worded such that they are compensated the same as elected legislators. If we want to make the change, that's the wording we should use instead of putting a dollar figure in there.

Rep. Kempenich: That's part of the law now. That all comes out of their fund.

Chairman Delzer: I would guess this was changed not too long ago to match what legislators were getting paid.

Sheila Sandness, Legislative Council: That's possible, I'm not sure when this language was drafted. We have changed some of these to reference that section where the legislative pay is.

Rep. Kempenich moved amendment .02001, seconded by **Rep. Kreidt**.

Rep. Glassheim: I think we should not have legislators on executive boards. I think it is absolutely improper. We ought to stop doing it. If you want on boards, then resign from the legislature, which is a policy-making branch and which votes on overall policy. A legislator has no particular qualifications for any of these things, like investing. I know where this is going, but I think it's really improper to do it.

Rep. Kempenich: We've had this discussion, and the thing is this is a statutorily created board. Until this legacy and budget stabilization money, we created an advisory board, but this board is more where things actually happen with this money. This board is not directly investing; they hire managers and see the mechanics of it. In the past, I would have agreed with Rep. Glassheim. At this point, I think this is relevant because the legislature does have a vested interest in what is happening with this; by the constitution, that's where this legacy money is being invested.

Rep. Skarphol: I'm not sure that any of the people appointed to this board necessarily have the expertise or qualifications to serve on it.

Chairman Delzer asked if there was further discussion on the motion to amend. Seeing none, a voice vote was done and the motion carried.

Rep. Kempenich moved Do Pass as Amended, seconded by **Rep. Brandenburg**.

Chairman Delzer: Discussion? Rep. Glassheim, you raise a good point, and I dislike statutory boards, but this one is there. When we created the legacy fund, I think we created a bit of a different situation with the overlook of it. That's the reason I'll support the bill.

Seeing no further discussion, a roll call vote was done. The motion carried 14 Yes, 4 No, 4 Absent. **Rep. Kempenich** will be the carrier.

FISCAL NOTE
Requested by Legislative Council
01/30/2013

Amendment to: HB 1249

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$21,902	\$0	\$21,902
Appropriations	\$0	\$0	\$0	\$21,902	\$0	\$21,902

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill adds two legislators to the State Investment Board.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

This bill adds two legislators to the State Investment Board. The legislators would be eligible for per diem and expense reimbursement from the Legislative Council for attendance at State Investment Board and related meetings.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The amount shown for expenditures reflects estimated per diem and travel expenses for the 2 legislative members to attend 24 meetings during the biennium.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Funding for the additional expenditures relating to per diem and related travel expenses as explained above should be added to the 2013-15 budget for the Legislative Council.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

RIO would request an additional appropriation of \$22,200 for Fund 207 as detailed below: Per Diem:

$2 \times \$148 \times 24 + \text{FICA} = \$7,600$ Travel Reimbursement: $2 \times \$200 \times 24 = \$9,600$ Subtotal Add'l Salary Appropriation for Fund 207 = \$17,200 Travel for Education: $2 \times \$2000 = \$4,000$ Professional Development fees: $2 \times \$500 = \$1,000$ Subtotal Add'l Operating Appropriation for Fund 207 = \$5,000 Total Add'l Appropriation for Fund 207 = \$22,200

Name: Connie Flanagan

Agency: Retirement and Investment Office

Telephone: 701-328-9892

Date Prepared: 01/18/2013

FISCAL NOTE
Requested by Legislative Council
01/15/2013

Bill/Resolution No.: HB 1249

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$22,200	\$0	\$22,200
Appropriations	\$0	\$0	\$0	\$22,200	\$0	\$22,200

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill would add two members to the state investment board who would be eligible to receive \$148 per meeting plus travel, as well as investment related education requiring travel and tuition costs.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The State Investment Board meets a minimum of 11 times per year. In recent years, a 12th meeting was necessary. Therefore, for budget purposes we are assuming 24 meetings per biennium. The cost is \$148 per meeting per person plus travel reimbursement for members who reside outside of Bismarck/Mandan. A cost of \$200 per trip is used for budgeting purposes. Each board member is also allowed at least one out of state trip for educational purposes. A cost of \$2,000 per trip plus \$500 for conference fees/tuition is used for budget purposes. Per Diem: $2 \times \$148 \times 24 + \text{FICA} = \$7,600$ Travel Reimbursement: $2 \times \$200 \times 24 = \$9,600$ Subtotal Add'l Salary Expenses for Fund 207 = \$17,200 Travel for Education: $2 \times \$2000 = \$4,000$ Professional Development fees: $2 \times \$500 = \$1,000$ Subtotal Add'l Operating Expenses for Fund 207 = \$5,000 Total Add'l Expenses for Fund 207 = \$22,200

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Not applicable

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Per Diem: $2 \times \$148 \times 24 + \text{FICA} = \$7,600$ Travel Reimbursement: $2 \times \$200 \times 24 = \$9,600$ Subtotal Add'l Salary Expenses for Fund 207 = \$17,200 Travel for Education: $2 \times \$2000 = \$4,000$ Professional Development fees: $2 \times \$500 = \$1,000$ Subtotal Add'l Operating Expenses for Fund 207 = \$5,000 Total Add'l Expenses for Fund 207 = \$22,200

Name: Allen Knudson
Agency: Legislative Council
Telephone: 328-2916
Date Prepared: 01/31/2013



PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1249

Page 2, line 4, after the period insert "The board members who are appointed by the chairman of the legislative management are entitled to receive compensation and expense reimbursement for attending meetings of the board in the manner provided under section 54-35-10. The legislative council shall pay the compensation and expense reimbursement for the legislative members."

Renumber accordingly

Date: 2/7/13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1249

House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Amend 02001

Motion Made By Rep. Kempenich Seconded By Rep. Kreidt

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarpol					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

voice vote carried

Date: 2/7/13
Roll Call Vote #: 2

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1249

House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken

DLA

Motion Made By Rep. Kempenich Seconded By Rep. Brandenburg

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Rep. Streyle	X	
Vice Chairman Kempenich	X		Rep. Thoreson		
Rep. Bellew	X		Rep. Wieland	X	
Rep. Brandenburg	X				
Rep. Dosch	X				
Rep. Grande	X		Rep. Boe		
Rep. Hawken	X		Rep. Glassheim		X
Rep. Kreidt	X		Rep. Guggisberg		X
Rep. Martinson		X	Rep. Holman		X
Rep. Monson	X		Rep. Williams		
Rep. Nelson					
Rep. Pollert	X				
Rep. Sanford	X				
Rep. Skarpol	X				

Total Yes 14 No 4

Absent 4

Floor Assignment Rep. Kempenich

If the vote is on an amendment, briefly indicate intent:

Motion carries

REPORT OF STANDING COMMITTEE

HB 1249, as engrossed: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 4 NAYS, 4 ABSENT AND NOT VOTING). Engrossed HB 1249 was placed on the Sixth order on the calendar.

Page 2, line 4, after the period insert "The board members who are appointed by the chairman of the legislative management are entitled to receive compensation and expense reimbursement for attending meetings of the board in the manner provided under section 54-35-10. The legislative council shall pay the compensation and expense reimbursement for the legislative members."

Renumber accordingly

2013 SENATE GOVERNMENT AND VETERANS AFFAIRS

HB 1249

2013 SENATE STANDING COMMITTEE MINUTES

Senate Government and Veterans Affairs Committee

Missouri River Room, State Capitol

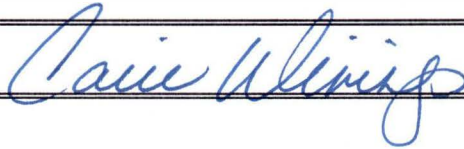
HB 1249

3/7/2013

Job Number 19550

☐ Conference Committee

Committee Clerk Signature



Minutes:

A BILL for an Act relating to the membership of the state investment board.

Senator Dick Dever - Chairman

Chairman Dever - Opened the hearing on HB 1249.

Representative Keith Kempenich - District 39 -Testified as sponsor and in support of the bill. He explained that this bill adds two members to the Investment Board and because the Board makes the final decision for allocations he feels there should be legislators on the Board. He further explains that the fiscal note covers the costs of having legislators on the Board. He also explains why the amendments were put on in the House. He says the Investment Board makes allocation recommendations for other groups depending on the group's goals. Senator Nelson asks about the make-up of the Board and what guarantee there is that the two legislators are part of one of the groups. Rep. Kempenich replies there isn't any but it will probably be that they are representative of the group but they have left it wide open. He goes on to say that this is a statutory board that the legislature has created and does affect what the legislature will be doing in the future.

Opposition

Lt. Governor Drew Rigley - Testified in opposition of the bill. He relates that this same discussion was here two years ago and the legislature decided not to pass the bill. He said he and the Governor wonder what people are trying to get at with this discussion. He doesn't believe there needs to be a legislator on every committee. He says the Governor's office led the charge two years ago on creating the policy making Board for those funds and who will make the decisions on how they will be invested. He explains the State Investment Board carries out the objectives set by the various policy making boards. They do not make the policy about what to do with those funds. He said this bill violates the lines between executive function verses legislative function. He goes on to explain all meetings are recorded and they have reports on how all policies work out. He states transparency, accountability, and policy being set by the policy branch through the policy boards.

Chairman Dever closed the hearing.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Government and Veterans Affairs Committee

Missouri River Room, State Capitol

HB 1249

03/29/2013

Job Number 20681

☐ Conference Committee

Committee Clerk Signature



Minutes:

Chairman Dever: Opened HB 1249 for committee discussion.

Senator Nelson: Moved a Do Not Pass.

Senator Poolman: Seconded.

A Roll Call Vote Was Taken: 7 yeas, 0 nays, 0 absent.

Vice Chairman Berry: Carrier.

FISCAL NOTE
Requested by Legislative Council
01/30/2013

Amendment to: HB 1249

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$21,902	\$0	\$21,902
Appropriations	\$0	\$0	\$0	\$21,902	\$0	\$21,902

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill adds two legislators to the State Investment Board.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

This bill adds two legislators to the State Investment Board. The legislators would be eligible for per diem and expense reimbursement from the Legislative Council for attendance at State Investment Board and related meetings.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The amount shown for expenditures reflects estimated per diem and travel expenses for the 2 legislative members to attend 24 meetings during the biennium.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Funding for the additional expenditures relating to per diem and related travel expenses as explained above should be added to the 2013-15 budget for the Legislative Council.

Name: Allen Knudson
Agency: Legislative Council
Telephone: 328-2916
Date Prepared: 01/31/2013

FISCAL NOTE
Requested by Legislative Council
01/15/2013

Bill/Resolution No.: HB 1249

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$22,200	\$0	\$22,200
Appropriations	\$0	\$0	\$0	\$22,200	\$0	\$22,200

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill would add two members to the state investment board who would be eligible to receive \$148 per meeting plus travel, as well as investment related education requiring travel and tuition costs.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The State Investment Board meets a minimum of 11 times per year. In recent years, a 12th meeting was necessary. Therefore, for budget purposes we are assuming 24 meetings per biennium. The cost is \$148 per meeting per person plus travel reimbursement for members who reside outside of Bismarck/Mandan. A cost of \$200 per trip is used for budgeting purposes. Each board member is also allowed at least one out of state trip for educational purposes. A cost of \$2,000 per trip plus \$500 for conference fees/tuition is used for budget purposes. Per Diem: $2 \times \$148 \times 24 + \text{FICA} = \$7,600$ Travel Reimbursement: $2 \times \$200 \times 24 = \$9,600$ Subtotal Add'l Salary Expenses for Fund 207 = \$17,200 Travel for Education: $2 \times \$2000 = \$4,000$ Professional Development fees: $2 \times \$500 = \$1,000$ Subtotal Add'l Operating Expenses for Fund 207 = \$5,000 Total Add'l Expenses for Fund 207 = \$22,200

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Not applicable

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Per Diem: $2 \times \$148 \times 24 + \text{FICA} = \$7,600$ Travel Reimbursement: $2 \times \$200 \times 24 = \$9,600$ Subtotal Add'l Salary Expenses for Fund 207 = \$17,200 Travel for Education: $2 \times \$2000 = \$4,000$ Professional Development fees: $2 \times \$500 = \$1,000$ Subtotal Add'l Operating Expenses for Fund 207 = \$5,000 Total Add'l Expenses for Fund 207 = \$22,200

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

RIO would request an additional appropriation of \$22,200 for Fund 207 as detailed below: Per Diem:

$2 \times \$148 \times 24 + \text{FICA} = \$7,600$ Travel Reimbursement: $2 \times \$200 \times 24 = \$9,600$ Subtotal Add'l Salary Appropriation for Fund 207 = \$17,200 Travel for Education: $2 \times \$2000 = \$4,000$ Professional Development fees: $2 \times \$500 = \$1,000$ Subtotal Add'l Operating Appropriation for Fund 207 = \$5,000 Total Add'l Appropriation for Fund 207 = \$22,200

Name: Connie Flanagan

Agency: Retirement and Investment Office

Telephone: 701-328-9892

Date Prepared: 01/18/2013

Date: 3/29
Roll Call Vote #: 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1249

Senate Government and Veterans Affairs Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☐ Do Pass ☒ Do Not Pass ☐ Amended ☐ Adopt Amendment
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Senator Nelson Seconded By Senator Poolman

Senators	Yes	No	Senator	Yes	No
Chairman Dick Dever	✓		Senator Carolyn Nelson	✓	
Vice Chairman Spencer Berry	✓		Senator Richard Marcellais	✓	
Senator Dwight Cook	✓				
Senator Donald Schaible	✓				
Senator Nicole Poolman	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Berry

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1249, as reengrossed: Government and Veterans Affairs Committee (Sen. Dever, Chairman) recommends **DO NOT PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed HB 1249 was placed on the Fourteenth order on the calendar.

2013 TESTIMONY

HB 1249

Attachment 1
1249

Kasper, Jim M.

From: Flanagan, Connie L.
Sent: Thursday, January 24, 2013 10:04 AM
To: Kasper, Jim M.; NDIA, Intern 09 - Wallace, Carrie
Cc: Schulz, Darren J.
Subject: HB1249 - State Investment Board Information

Representative Kasper,

Attached to this email are the items you requested from Darren Schulz, Interim CIO of RIO and the State Investment Board (SIB), this morning during the hearing on HB1249. The first attachment (SIB Program) is a three page summary of the SIB program and process. The second attachment is a listing of all the funds managed by the SIB and their most recent reconciled valuations (November 30, 2013). I am also including a link to RIO's CAFR for the fiscal year ended June 30, 2012. The Investment Section of this report contains information on the specific investment management firms hired by the SIB along with historical performance. This section also includes the investment policies and asset allocations of all the client funds. Please do not hesitate to contact Darren Schulz or me if you have any further questions.



SIB Program.pdf SIB Funds Balance
11302013.pdf...

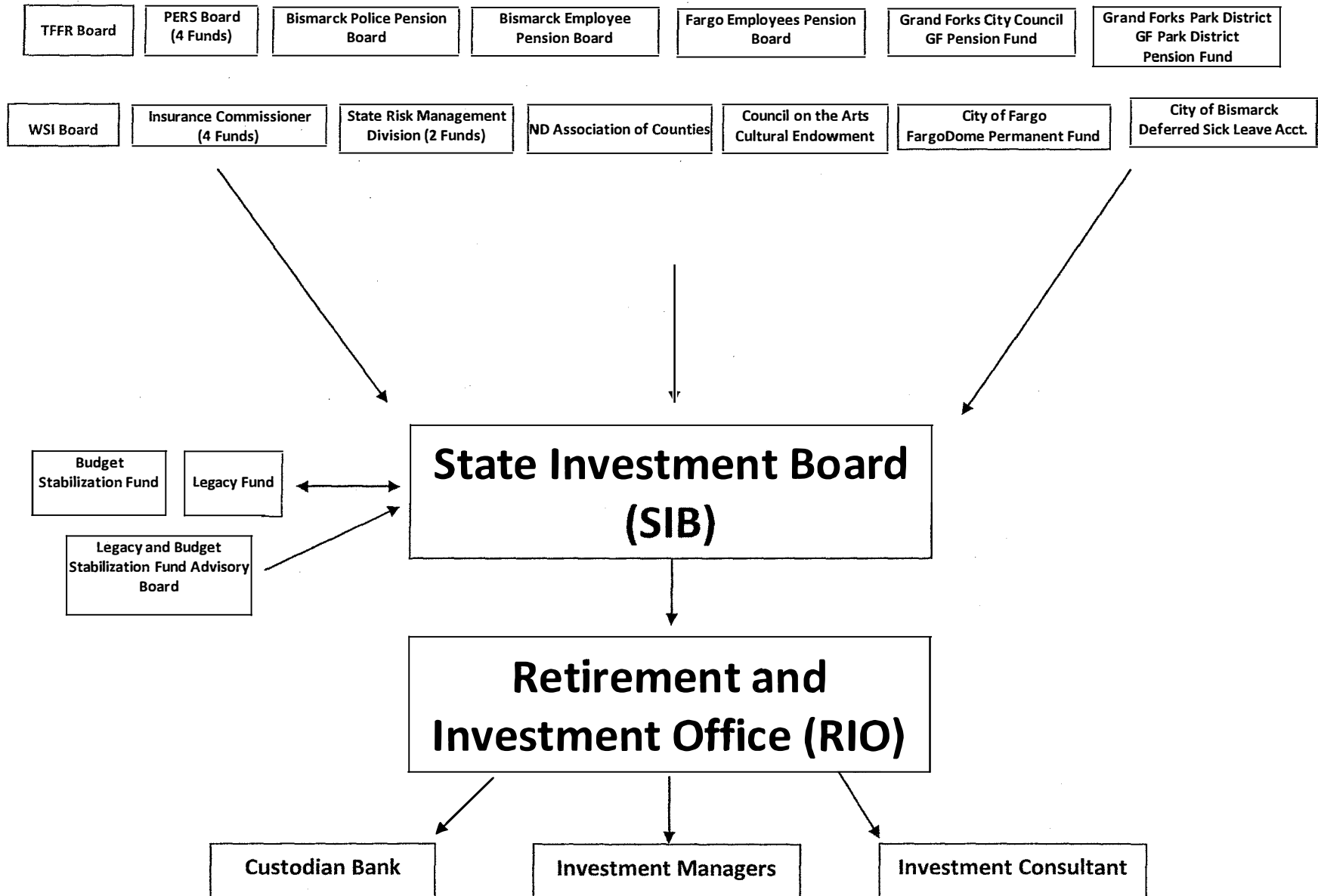
<http://www.nd.gov/rio/SIB/Publications/CAFR/2012AnnualReport.pdf>

Connie L. Flanagan
Fiscal & Investment Officer
ND Retirement and Investment Office
ND State Investment Board
1930 Burnt Boat Drive
PO Box 7100
Bismarck, ND 58507-7100

(ph) 701-328-9892
fax 701-328-9897

cflanagan@nd.gov

State Investment Board Process



State Investment Board Process

Retirement and Investment Office Staff Responsibilities (on behalf of SIB):

- Administer overall investment strategy
- Advise SIB on ways to maximize risk/return opportunities within each asset class
- Act as liaison between SIB and managers, consultant and custodian
- Monitor individual clients' investment guidelines and asset allocations
- Maintain separate accounting for client accounts

Investment Manager Responsibilities:

- Implement specific mandates or "investment missions"
- Make buy/sell decisions based on investment guidelines
- Report to RIO Staff on regular basis
- Provide education to SIB

Custodian Bank Responsibilities:

- Safe-keep assets
- Settle trades
- Record-keeper

Investment Consultant Responsibilities:

- Performance measurement of investment managers
- Manager search assistance
- Provide education to SIB
- Special projects

ND State Investment Board

Fund

Market Value as of November 30, 2012

TEACHERS' FUND FOR RETIREMENT (TFFR)	1,697,497,981
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)	1,865,214,554
BISMARCK EMPLOYEES PENSION	64,703,119
BISMARCK POLICE PENSION	28,131,027
JOB SERVICE PENSION	87,816,124
FARGO PENSION	31,195,242
GRAND FORKS PENSION	44,989,308
GRAND FORKS PARKS PENSION	4,675,442
TOTAL PENSION POOL	<hr/> 3,824,222,797
WSI	1,503,794,332
FIRE & TORNADO	25,924,877
BONDING	3,156,603
INSURANCE REGULATORY TRUST	1,003,779
PETROLEUM TANK RELEASE COMPENSATION	6,966,004
RISK MANAGEMENT	5,448,107
RISK MANAGEMENT WORKERS COMPENSATION	4,029,976
ND ASSOCIATION OF COUNTIES	2,146,824
PERS GROUP INSURANCE	43,362,959
BISMARCK DEFERRED SICK LEAVE	982,173
FARGODOME	34,047,114
CULTURAL ENDOWMENT	296,957
BUDGET STABILIZATION FUND	399,767,445
LEGACY FUND	654,044,927
TOTAL INSURANCE (NONPENSION) POOL	<hr/> 2,684,972,077
PERS RETIREE HEALTH	<hr/> 66,560,446
TOTAL FUNDS UNDER SIB - NOVEMBER 30, 2012	6,575,755,320

PROPOSED AMENDMENTS TO HOUSE BILL 1249

Page 1, Line 9 after "appointed" insert "jointly"

Page 1, Line 9 after "majority" insert "and minority"

Page 1, Line 9 after the second "appointed" insert "jointly"

Page 1, Line 10 after "majority" insert "and minority"

Therefore the proposed amendment would read: The North Dakota state investment board consists of the governor, the state treasurer, one member appointed jointly by the majority and minority leader of the senate and one member appointed jointly by the majority and minority leader of the house or representatives," the commissioner of university and school lands....

PROPOSED AMENDMENT TO HOUSE BILL 1249

So it would read: The North Dakota state investment board consists of the governor, the state treasurer, one member appointed from the senate and one member appointed from the house of representatives by legislative management, the commissioner of university and school lands.....