

2021 JOINT TECHNICAL CORRECTIONS

HB 1512

2021 JOINT STANDING COMMITTEE MINUTES

Technical Corrections Committee Pioneer Room, State Capitol

HB 1512
11/9/2021
AM

A BILL for an Act to amend and reenact subsection 3 of section 21-10-11 of the North Dakota Century Code, relating to the asset allocation plan of the legacy fund; and to provide an effective date.

Co-Chair Weisz called the hearing to order, Vice Chair Porter, Representative Dockter, Richter, Louser, O'Brian, Roers Jones, Hanson Co-Chair J. Lee, Vice Chair Patten, Senators H. Anderson, Schaible, Dwyer, Kannianen, Vedaa, Bakke, present [9:57]

Discussion Topics:

- Legacy fund investments
- State Investment Boards investments and asset allocations
- Investment transparency
- Money managers

Representative Nathe, introduced the bill and provided testimony #12206 [9:58]

Rick Clayburgh, President and CEO, North Dakota Bankers Association provided testimony #11937 [10:10]

Barry Haugen, President of the Independent Banks of North Dakota testified. [10:15]

Representative Kempenich, testified [10:16]

Additional written testimony:

Jennifer Greuel, Executive Director provided testimony #11852.

Delore Zimmerman, The Valley Prosperity Partnership provided testimony #11874

Brian Ritter, President, Bismarck Mandan Chamber EDC provided testimony #11919

Luke Heck, Resident of Fargo provided testimony #11927

Co-Chair Weisz adjourned the hearing [10:51]

Sheldon Wolf, Committee Clerk

- Bill would create an In-State Impact Investment Committee that would then consult with industry and financial experts to vet legacy fund investment proposals for the 7% of in-state funds still left without a process for application and disbursement to interested projects.
- Three constitutionally elected officers from SIB will now have the expedited authority to set up an application process, consult with industry and financial experts to vet these investment proposals, and move forward with granting investments under the authority of HB 1425.
- The State Investment Board still has full control over investing the principal of the legacy fund, per the Constitution.
- This is a transparent process that removes political influence by utilizing industry experts, based on what the constitution already allows.
- It merely further defines the “how” of getting this money out the door to viable investments.
- The time has come to execute 1425 and this bill is a key step in the process.



#11937

NORTH DAKOTA
Bankers
ASSOCIATION

November 9, 2021

Good morning,

Chairman Lee and Chairman Weisz and Members of the Joint Technical Corrections Committee, for the record, I am Rick Clayburgh, President and CEO of the North Dakota Bankers Association. NDBA supports HB 1512, which establishes the "In-State Impact Investment Committee". We believe the make-up of the of the committee in relations to the State Investment Board is critical to fulfilling the goals of HB 1425.

We urge your favorable support of HB 1512.

Thank you,

Rick Clayburgh
President and CEO



PO Box 1091 • Bismarck, ND 58502
701-355-4458 • www.ednd.org

**Testimony of Jennifer Greuel
Economic Development Association of North Dakota
In Support of HB 1512
Joint Technical Corrections Committee
Nov. 9, 2021**

Chair Lee, Chair Weisz and members of the Joint Technical Corrections Committee:

My name is Jennifer Greuel and I am the executive director of the Economic Development Association of North Dakota (EDND). EDND represents more than 80 state economic development organizations and businesses on the front line of economic development efforts throughout North Dakota. The primary purpose of the organization is to promote the creation of new wealth throughout North Dakota, develop more vibrant communities and improve quality of life. I would like to express our support for the Legacy Fund investment process outlined in HB 1512.

EDND believes Legacy Fund dollars were intended for legacy purposes and should therefore be invested in long-term strategies to benefit future generations. Currently North Dakota is sending its investments out of state and out of country to help others complete projects and other businesses succeed. North Dakotans deserve, and overwhelmingly want, their money to stay in state and help North Dakota succeed. One major disadvantage North Dakota has when competing with other states and trying to diversify its economy is that other states offer cash or other upfront incentives that can be tailored to meet a targeted prospect's needs. An example of this is neighboring South Dakota's Future Fund, which provides flexible grants in discretionary amounts dependent on the company's needs (workforce training, wage base, real estate development, infrastructure, and broader financial assistance needs). Our state has a lot to offer and investing in our own businesses would help retain and attract businesses to help diversify the economy.

Businesses and economic developers have expressed frustration that although HB 1425 passed during the 2021 Legislative Session, companies seeking major investment have been left without a process to submit proposals to access the seven percent of equity investments. This bill would speed up the process begun by the Legacy and Budget Stabilization Fund Advisory Board and give stakeholders more clarity.

Thank you for the opportunity to express our support for in state investing and for your continued commitment to keeping North Dakota globally competitive and diversifying the economy.



Testimony
Joint Technical Corrections Committee (JTCC)
HB 1512

November 9, 2021

Members of the Joint Technical Corrections Committee (JTCC). The Valley Prosperity Partnership (VPP) is an initiative led by business executives, joined by economic development and higher education leaders, to advance and advocate for shared strategic economic development opportunities for the Red River Valley region and for North Dakota.

The business executives that comprise the VPP desire to strengthen and diversify our economy. They feel that one of the best means of doing so is by investing state dollars into the research, development, and commercialization enterprise of the state and into entrepreneurial companies in emerging, technology-driven industries.

The LIFT program has already impacted North Dakota's economy by investing meaningful resources into many innovative companies with exciting ideas and high potential. Adding additional resources to the legacy innovation fund to support technology advancement makes a lot of sense and we wholeheartedly support this investment in research, development, and commercialization.

Thank you for your consideration, and please know that business leaders throughout the state support funding for research and development to strengthen and diversify our economy.

VALLEY PROSPERITY PARTNERSHIP STEERING COMMITTEE

Marshal Albright,
President & CEO,
Cass County Electric
Cooperative
VPP Committee Co-Chair

Steve Burian
President & CEO
Burian & Associates
VPP Committee Co-Chair

Judd Graham, CEO, Fargo
Region, Bremer Bank
VPP Committee Vice-Chair

Brian Johnson, CEO
Choice Financial Group
VPP Committee Vice Chair

Andrew Armacost
President, University of
North Dakota

Tom Astrup,
President & CEO,
American Crystal
Sugar

Dean Bresciani, President
North Dakota State
University

Dan Conrad, President &
CEO, Blue Cross Blue
Shield ND

Tim Curoe, CEO
RDO Equipment

Mylo Einarson, President
& CEO, Nodak Electric
Cooperative

Chad Flanagan, Partner
Eide Bailly

Shawn Gaddie
Director of Infrastructure
Management Services,
AE2S

Jim Galloway, Principal
JLG Architects

Tony Grindberg, North
Dakota Principal
Manager, Xcel Energy

Keith Lund, President &
CEO, Grand Forks Region
EDC

William C. Marcil,
Chairman, Forum
Communications Co.

Pat McAdaragh, President
& CEO, Midco

Jeff Melgaard, Vice
President, Construction
Engineers

Bryan Nermoe, President,
Sanford Medical Center
Fargo

Joe Raso, President & CEO
Greater Fargo Moorhead
EDC

John Richman, President
North Dakota State
College of Science

Jim Roers, President &
CEO, Roers Construction
& Development

Thomas Shorma,
President & CEO,
WCCO Belting, Inc.

Richard Solberg, Board
Chairman & CEO
Bell State Bank & Trust

Steve Swiontek, Executive
Chair, Gate City Bank

Steven Weiser, MD,
President
Altru Health System

David White, President
Border States Electric

Chris Wolf,
Northern Valley Market
President, Alerus

Delore Zimmerman
Executive Director



Joint Technical Corrections Committee – HB 1512

Representative Robin Weisz and Senator Judy Lee, Chairs

November 9, 2021

Chairs Weisz and Lee:

My name is Brian Ritter and I am the President of the Bismarck Mandan Chamber EDC. Please accept the following testimony on behalf of our organization's nearly 1,200 members in support of the technical corrections proposed in bill HB 1512

Our organization is dedicated to growing Bismarck-Mandan through business advocacy, economic development and other business-related activities. To help carry out that mission, we supported HB 1425 during the 2021 Legislative Session in hopes that it would create access to even more capital for growing businesses in Bismarck-Mandan. Fortunately, that critical piece of legislation was passed and signed into law by Governor Burgum in early April.

Since then however, there has been little activity associated with the funds made available through HB 1425 despite the fact that there are North Dakota companies who are prepared to apply for them. The changes proposed in HB 1512 would simply clarify how these funds would be applied for, awarded, etc. and thus be deployed for the benefit of businesses across Bismarck-Mandan and North Dakota.

As such, we stand in support of the technical corrections proposed in HB 1512.

Respectfully,

Brian Ritter, President

Bismarck Mandan Chamber EDC

November 9, 2021

Joint Technical Corrections Committee

Re: Written Testimony in Support of H.B. 1512.

Dear Members of the Joint Technical Corrections Committee:

My name is Luke Heck, and I am a resident of Fargo, ND. I submit this written testimony in support of H.B. 1512. Simply put, this proposed amendment to N.D.C.C. § 21-10-11 is necessary in order to make in-state investing through the Legacy Fund happen. Currently, there is no real plan, guidelines, or procedures in place to address the newly implemented law. Rather, the same issue persists that H.B. 1425 was meant to address: a lack of investing in-state, and increased investments out-of-state and out-of-country. The bill was intended to provide opportunity to individuals and businesses to invest within our state, for the benefit of our state.

Yet here we are, with nothing but roadblocks that continue to be put up by out-of-state investment firms that persist in their apparent belief that we, North Dakotans, are too stupid to invest our money wisely. In order to be able to invest in-state under N.D.C.C. § 21-10-11, the current policy **requires** you to be a venture capital firm. I would encourage you to see if you can identify how many venture capital firms are currently in North Dakota.

Moreover, the first “in-state investment” made by 50 South Capital is in a **Missouri** venture capital firm. It’s important to keep in mind here that 50 South is a wholly owned subsidiary of Northern Trust. The State Investment Board actually chose Northern Trust, a favorite of the San Francisco-based consultant Callan, when they signed off on 50 South Capital. It is unclear whether the SIB was aware that Northern Trust had paid their dues to Callan at the time they chose them. It is also unclear whether SIB was advised of, or looked into, the **\$75 million in federal financial offenses** and out-of-court settlements Northern Trust has had to pay, mostly in the last five years alone, let alone the fact that employees of Northern Trust recently sued their own company for mismanaging their pension plan.

More specifically, the recent investment that has been approved by 50 South/Northern Trust was into Lewis & Clark AgriFood, a “venture capital firm with a specialized expertise in a core industry in North Dakota,” according to their press release. But we don’t get to see what that “specialized expertise” in North Dakota is because they won’t turn over the list. And we don’t get to see how much of our money they invested in this St. Louis firm because, based on their recent statements, they don’t believe North Dakotans have a right to know where their tax dollars are going.

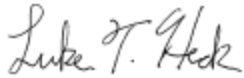
November 9, 2021

Page 2

Multiple investment opportunities from within this state, or from companies who have a presence in this state, have been waiting for the opportunity to be given a chance to make their case for in-state investment funds, but are instead scratching their heads trying to figure out how to navigate these frankly absurd requirements. But rather than make things workable, these inquiries fall on deaf ears, all while the out-of-state investment managers continue to invest more of our money out-of-country, doubling down on foreign investments such as Tencent, Alibaba, and the Chinese government-owned oil company despite criticisms of such investments during last legislative session.

H.B. 1512 would bring some structure to the law, and more importantly some guardrails to ensure our state's legacy fund dollars are being used as they were intended under H.B. 1425. It's unfortunate this discussion even has to occur, but the harsh reality is that we need North Dakotans to have meaningful control of this program. We cannot continue to allow the wool to be pulled over our eyes on how our money is being invested by entities that, by their actions, seem to clearly not care about what North Dakotans want, or what our legislature wanted when the bill was passed. I respectfully request you recommend a "do pass" on this proposed amendment.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Luke T. Heck". The signature is fluid and cursive, with the first name "Luke" and last name "Heck" clearly distinguishable.

Luke T. Heck

LTH

Attachments

2021 JOINT STANDING COMMITTEE MINUTES

Technical Corrections Committee Pioneer Room, State Capitol

HB 1512
11/10/2021
PM

A BILL for an Act to amend and reenact subsection 3 of section 21-10-11 of the North Dakota Century Code, relating to the asset allocation plan of the legacy fund; and to provide an effective date.

Co-Chair J. Lee called the hearing to order, Vice Chair Patten, Senators H. Anderson, Schaible, Dwyer, Kannianen, Vedaa, Bakke, Co-Chair Weisz, Vice Chair Porter, Representative Dockter, Richter, Louser, O'Brian, Roers Jones, Hanson present [5:07]

Discussion Topics:

- State Investment Board
- Asset allocation study
- Agency staffing

Jan Murtha, Interim Executive Director for ND Retirement and Investment Office provides testimony 12238. [5:08]

Representative Weisz submitted amendments 21.1117.01002 (#12234) and 21.1117.01003 (#12233) on behalf of Representative Nathe. [5:31]

Representative Weisz moved amendment 21.1117.01002 [5:33]
Representative Dockter seconds
Motion passed by voice vote

Representative Weisz moved amendment 21.1117.01003 [5:36]
Representative O'Brien seconds
Motion carries by voice vote

Representative Weisz moves DO PASS as Amended [5:37]
Representative Porter seconds

Jan Murtha, Interim Executive Director for ND Retirement and Investment Office testifies. [5:41]

Senators	Vote
Chair Judy Lee	Y
Vice Chair Dale Patten	Y
Senator Howard Anderson	Y
Senator Donald Schaible	Y

Senator Michael Dwyer	Y
Senator Jordon Kannianen	Y
Senator Shawn Vedaa	Y
Senator JoNell Bakke	Y
Representatives	
Chair Robin Weisz	Y
Vice Chair Todd Porter	Y
Representative Jason Dockter	Y
Representative David Richter	Y
Representative Scott Louser	Y
Representative Emily O'Brien	Y
Representative Shannon Roers Jones	Y
Representative Karla Rose Hanson	Y

Motion passed 16-0-0

Senator Patten and Representative Dockter carriers

Co-Chair Lee adjourned the hearing [10:51]

Sheldon Wolf, Committee Clerk

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1512

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 21-10-11 of the North Dakota Century Code, relating to the legacy and budget stabilization fund advisory board; and to provide for an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 21-10-11 of the North Dakota Century Code is amended and reenacted as follows:

21-10-11. Legacy and budget stabilization fund advisory board.

1. The legacy and budget stabilization fund advisory board is created to develop recommendations for the investment of funds in the legacy fund and the budget stabilization fund to present to the state investment board.
2. The goal of investment for the legacy fund is principal preservation while maximizing total return and to provide a direct benefit to the state by investing a portion of the principal in the state. Preference must be given to qualified investment firms and financial institutions with a presence in the state for investment of the legacy fund.
3. The board shall determine the asset allocation for the investment of the principal of the legacy fund including:
 - a. A target allocation of ten percent to fixed income investments within the state, of which:
 - (1) Up to forty percent must be targeted for infrastructure loans to political subdivisions under section 6-09-49.1. The net return to the legacy fund under this paragraph must be fixed at a target rate of one and one-half percent;
 - (2) Up to sixty percent, with a minimum of four hundred million dollars, must be designated to the Bank of North Dakota's certificate of deposit match program with an interest rate fixed at the equivalent yield of United States treasury bonds having the same term, up to a maximum term of twenty years; and
 - (3) Any remaining amounts must be designated for other qualified fixed income investments within the state.
 - b. A target allocation of ten percent to equity investments in the state, of which at least three percent may be targeted for investment in one or more equity funds, venture capital funds, or alternative investment funds with a primary strategy of investing in emerging or expanding companies in the state. Equity investments under this subdivision must:

- (1) Be managed by qualified investment firms, financial institutions, or equity funds which have a strategy to invest in qualified companies operating or seeking to operate in the state and which have a direct connection to the state; and
 - (2) Have a benchmark investment return equal to the five-year average net return for the legacy fund, excluding in-state investments.
4. The board consists of ~~two~~three members of the senate appointed by the senate majority leader, ~~two~~three members of the house of representatives appointed by the house majority leader, ~~the director of the office of management and budget or designee,~~ the president of the Bank of North Dakota or designee, and the tax commissioner or designee, the insurance commissioner or designee, and the state treasurer or designee. The board shall select a member from the senate or house of representatives to serve as chairman for no more than one consecutive year and must meet at the call of the chairman.
 5. The board shall report at least semiannually to the budget section.
 6. Legislative members are entitled to receive compensation and expense reimbursement as provided under section 54-03-20 and reimbursement for mileage as provided by law for state officers. The legislative council shall pay the compensation and expense reimbursement for the legislative members.
 7. The legislative council shall provide staff services to the legacy and budget stabilization fund advisory board.
 8. The staff and consultants of the state retirement and investment office shall advise the board in developing asset allocation and investment policies.
 9. The board ~~shall~~may develop a process to select a member of the board who is not a member of the state investment board to serve on the state investment board in a nonvoting capacity.

SECTION 2. EFFECTIVE DATE. This Act becomes effective on December 1, 2021."

Renumber accordingly

HOUSE BILL NO. 1512

Introduced by

Representatives Nathe, D. Anderson, Bosch, Headland, Lefor, Martinson

Senators Bell, Hogue, Meyer

(Approved by the Delayed Bills Committee)

1 A BILL for an Act to amend and reenact subsection 3 of section 21-10-11 of the North Dakota
2 Century Code, relating to the asset allocation plan of the legacy fund; to provide for the
3 selection of a chairman; and to provide an effective date.

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

5 **SECTION 1. AMENDMENT.** Subsection 3 of section 21-10-11 of the North Dakota Century
6 Code is amended and reenacted as follows:

7 3. The board shall determine the asset allocation for the investment of the principal of the
8 legacy fund including:

9 a. A target allocation of ten percent to fixed income investments within the state, of
10 which:

11 (1) Up to forty percent must be targeted for infrastructure loans to political
12 subdivisions under section 6-09-49.1. The net return to the legacy fund
13 under this paragraph must be fixed at a target rate of one and one-half
14 percent;

15 (2) Up to sixty percent, with a minimum of four hundred million dollars, must be
16 designated to the Bank of North Dakota's certificate of deposit match
17 program with an interest rate fixed at the equivalent yield of United States
18 treasury bonds having the same term, up to a maximum term of twenty
19 years; and

20 (3) Any remaining amounts must be designated for other qualified fixed income
21 investments within the state.

22 b. A target allocation of ten percent to equity investments in the state, of which at:

23 (1) At least three percent may be targeted for investment in one or more equity
24 funds, venture capital funds, or alternative investment funds with a primary

strategy of investing in emerging or expanding companies in the state.

Equity investments under this ~~subdivision~~paragraph must:

(1)(a) Be managed by qualified investment firms, financial institutions, or equity funds which have a strategy to invest in qualified companies operating or seeking to operate in the state and which have a direct connection to the state; and

(2)(b) Have a benchmark investment return equal to the five-year average net return for the legacy fund, excluding in-state investments.

(2) ~~Up to seven percent may be targeted for investment as recommended by the in-state impact investment committee. The in-state impact investment committee consists of the governor or the governor's designee, the state treasurer or the state treasurer's designee, and the insurance commissioner or the insurance commissioner's designee. The committee legacy and budget stabilization fund advisory board shall develop guidelines for eligible investments under this paragraph. The committee advisory board shall receive and review proposals for eligible investments under this paragraph, and the committee may advisory board shall consult with industry representatives, financial professionals, or other technical advisors to review the proposed investments. The committee advisory board shall submit recommendations for investments under this paragraph to the state investment board. The retirement and investment office shall provide or arrange for administrative services to assist the committee.~~

SECTION 2. LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD -

SELECTION OF CHAIRMAN. Pursuant to the requirement for the legacy and budget stabilization fund advisory board to select a chairman under subsection 4 of section 21-10-11, the advisory board shall select a new chairman during its first meeting after the effective date of this Act.

SECTION 3. EFFECTIVE DATE. This Act becomes effective on December 1, 2021.

November 10, 2021

DO 11/10/21
1 of 3

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1512

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 21-10-11 of the North Dakota Century Code, relating to the legacy and budget stabilization fund advisory board; to provide for the selection of a chairman; and to provide for an effective date.

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1. The legacy and budget stabilization fund advisory board is created to develop recommendations for the investment of funds in the legacy fund and the budget stabilization fund to present to the state investment board.
2. The goal of investment for the legacy fund is principal preservation while maximizing total return and to provide a direct benefit to the state by investing a portion of the principal in the state. Preference must be given to qualified investment firms and financial institutions with a presence in the state for investment of the legacy fund.
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 - (1) Up to forty percent must be targeted for infrastructure loans to political subdivisions under section 6-09-49.1. The net return to the legacy fund under this paragraph must be fixed at a target rate of one and one-half percent;
 - (2) Up to sixty percent, with a minimum of four hundred million dollars, must be designated to the Bank of North Dakota's certificate of deposit match program with an interest rate fixed at the equivalent yield of United States treasury bonds having the same term, up to a maximum term of twenty years; and
 - (3) Any remaining amounts must be designated for other qualified fixed income investments within the state.
 - b. A target allocation of ten percent to equity investments in the state, of which at:
 - (1) At least three percent may be targeted for investment in one or more equity funds, venture capital funds, or alternative investment funds with a primary strategy of investing in

emerging or expanding companies in the state. Equity investments under this ~~subdivision~~paragraph must:

- ~~(1)~~(a) Be managed by qualified investment firms, financial institutions, or equity funds which have a strategy to invest in qualified companies operating or seeking to operate in the state and which have a direct connection to the state; and
- ~~(2)~~(b) Have a benchmark investment return equal to the five-year average net return for the legacy fund, excluding in-state investments.

(2) The legacy and budget stabilization fund advisory board shall develop guidelines for eligible investments under this paragraph. The advisory board shall receive and review proposals for eligible investments under this paragraph, and the advisory board shall consult with industry representatives, financial professionals, or other technical advisors to review the proposed investments. The advisory board shall submit recommendations for investments under this paragraph to the state investment board.

- 4. The board consists of ~~two~~three members of the senate appointed by the senate majority leader, ~~two~~three members of the house of representatives appointed by the house majority leader, ~~the director of the office of management and budget or designee,~~ the president of the Bank of North Dakota or designee, and the tax commissioner or designee, ~~the insurance commissioner or designee,~~ and the state treasurer or designee. The board shall select a member from the senate or house of representatives to serve as chairman for no more than one consecutive year and must meet at the call of the chairman.
- 5. The board shall report at least semiannually to the budget section.
- 6. Legislative members are entitled to receive compensation and expense reimbursement as provided under section 54-03-20 and reimbursement for mileage as provided by law for state officers. The legislative council shall pay the compensation and expense reimbursement for the legislative members.
- 7. The legislative council shall provide staff services to the legacy and budget stabilization fund advisory board.
- 8. The staff and consultants of the state retirement and investment office shall advise the board in developing asset allocation and investment policies.
- 9. The board ~~shall~~may develop a process to select a member of the board who is not a member of the state investment board to serve on the state investment board in a nonvoting capacity.

SECTION 2. LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD - SELECTION OF CHAIRMAN. Pursuant to the requirement for the legacy and budget stabilization fund advisory board to select a chairman under subsection 4

of section 21-10-11, the advisory board shall select a new chairman during its first meeting after the effective date of this Act.

SECTION 3. EFFECTIVE DATE. This Act becomes effective on December 1, 2021."

Renumber accordingly

REPORT OF STANDING COMMITTEE

HB 1512: Joint Technical Corrections Committee (Rep. Weisz, Co-Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (16 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1512 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 21-10-11 of the North Dakota Century Code, relating to the legacy and budget stabilization fund advisory board; to provide for the selection of a chairman; and to provide for an effective date.

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operate in the state and which have a direct connection to the state; and

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5. The board shall report at least semiannually to the budget section.
6. Legislative members are entitled to receive compensation and expense reimbursement as provided under section 54-03-20 and reimbursement for mileage as provided by law for state officers. The legislative council shall pay the compensation and expense reimbursement for the legislative members.
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SECTION 2. LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD - SELECTION OF CHAIRMAN. Pursuant to the requirement for the legacy and budget stabilization fund advisory board to select a chairman under subsection 4 of section 21-10-11, the advisory board shall select a new chairman during its first meeting after the effective date of this Act.

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REPORT OF STANDING COMMITTEE

HB 1512: Joint Technical Corrections Committee (Sen. Lee, Co-Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (16 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1512 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 21-10-11 of the North Dakota Century Code, relating to the legacy and budget stabilization fund advisory board; to provide for the selection of a chairman; and to provide for an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 21-10-11 of the North Dakota Century Code is amended and reenacted as follows:

21-10-11. Legacy and budget stabilization fund advisory board.

1. The legacy and budget stabilization fund advisory board is created to develop recommendations for the investment of funds in the legacy fund and the budget stabilization fund to present to the state investment board.
2. The goal of investment for the legacy fund is principal preservation while maximizing total return and to provide a direct benefit to the state by investing a portion of the principal in the state. Preference must be given to qualified investment firms and financial institutions with a presence in the state for investment of the legacy fund.
3. The board shall determine the asset allocation for the investment of the principal of the legacy fund including:
 - a. A target allocation of ten percent to fixed income investments within the state, of which:
 - (1) Up to forty percent must be targeted for infrastructure loans to political subdivisions under section 6-09-49.1. The net return to the legacy fund under this paragraph must be fixed at a target rate of one and one-half percent;
 - (2) Up to sixty percent, with a minimum of four hundred million dollars, must be designated to the Bank of North Dakota's certificate of deposit match program with an interest rate fixed at the equivalent yield of United States treasury bonds having the same term, up to a maximum term of twenty years; and
 - (3) Any remaining amounts must be designated for other qualified fixed income investments within the state.
 - b. A target allocation of ten percent to equity investments in the state, of which at:
 - (1) At least three percent may be targeted for investment in one or more equity funds, venture capital funds, or alternative investment funds with a primary strategy of investing in emerging or expanding companies in the state. Equity investments under this subdivision paragraph must:
 - (1)(a) Be managed by qualified investment firms, financial institutions, or equity funds which have a strategy to invest in qualified companies operating or seeking to

operate in the state and which have a direct connection to the state; and

(2)(b) Have a benchmark investment return equal to the five-year average net return for the legacy fund, excluding in-state investments.

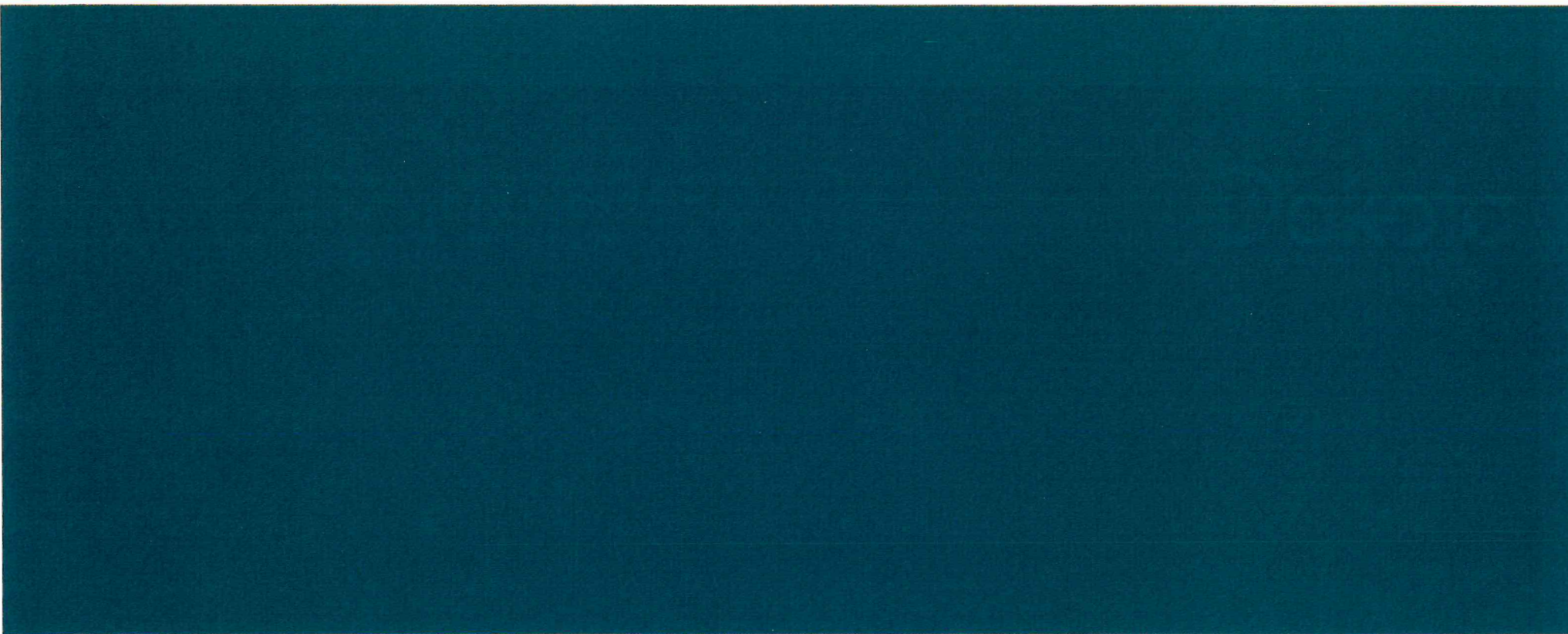
(2) The legacy and budget stabilization fund advisory board shall develop guidelines for eligible investments under this paragraph. The advisory board shall receive and review proposals for eligible investments under this paragraph, and the advisory board shall consult with industry representatives, financial professionals, or other technical advisors to review the proposed investments. The advisory board shall submit recommendations for investments under this paragraph to the state investment board.

4. The board consists of ~~two~~three members of the senate appointed by the senate majority leader, ~~two~~three members of the house of representatives appointed by the house majority leader, ~~the director of the office of management and budget or designee, the president of the Bank of North Dakota or designee, and the tax commissioner or designee, the insurance commissioner or designee, and the state treasurer or designee.~~ The board shall select a member from the senate or house of representatives to serve as chairman for no more than one consecutive year and must meet at the call of the chairman.
5. The board shall report at least semiannually to the budget section.
6. Legislative members are entitled to receive compensation and expense reimbursement as provided under section 54-03-20 and reimbursement for mileage as provided by law for state officers. The legislative council shall pay the compensation and expense reimbursement for the legislative members.
7. The legislative council shall provide staff services to the legacy and budget stabilization fund advisory board.
8. The staff and consultants of the state retirement and investment office shall advise the board in developing asset allocation and investment policies.
9. The board ~~shall~~may develop a process to select a member of the board who is not a member of the state investment board to serve on the state investment board in a nonvoting capacity.

SECTION 2. LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD - SELECTION OF CHAIRMAN. Pursuant to the requirement for the legacy and budget stabilization fund advisory board to select a chairman under subsection 4 of section 21-10-11, the advisory board shall select a new chairman during its first meeting after the effective date of this Act.

SECTION 3. EFFECTIVE DATE. This Act becomes effective on December 1, 2021."

Renumber accordingly



STATE INVESTMENT BOARD
RETIREMENT & INVESTMENT OFFICE
IN-STATE PROGRAM ROLL-OUT

NORTH
Dakota
Be Legendary.

KEY COMPONENTS OF H.B. 1425

Manager Preference

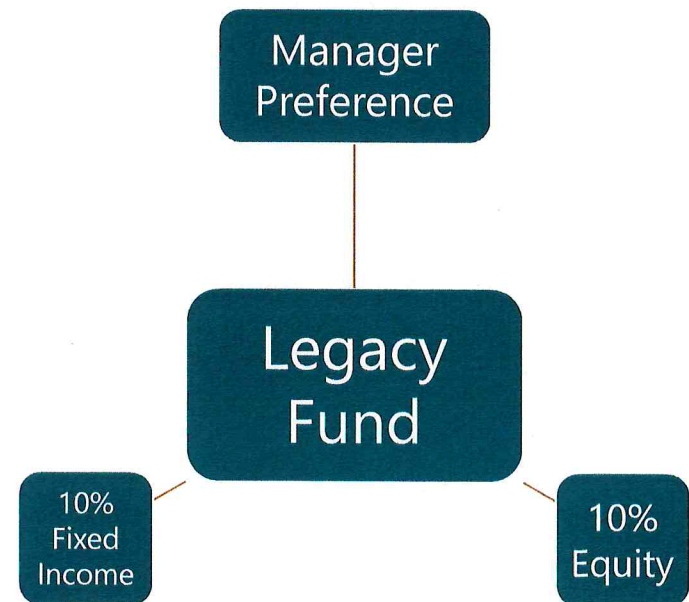
- Develop a preference program for in-state managers

10% Equity

- At least 3% private markets focus (50 South)
- Remainder of equity program likely invested in private markets given limited public equity opportunities

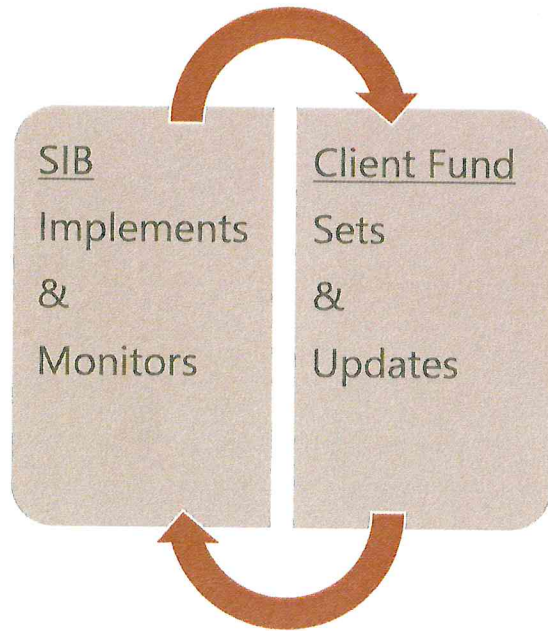
10% Fixed Income

- 40% infrastructure loans with 1.5% return
- 60% BND match loans with yields equivalent to comparable treasuries



ASSET ALLOCATIONS

- Process

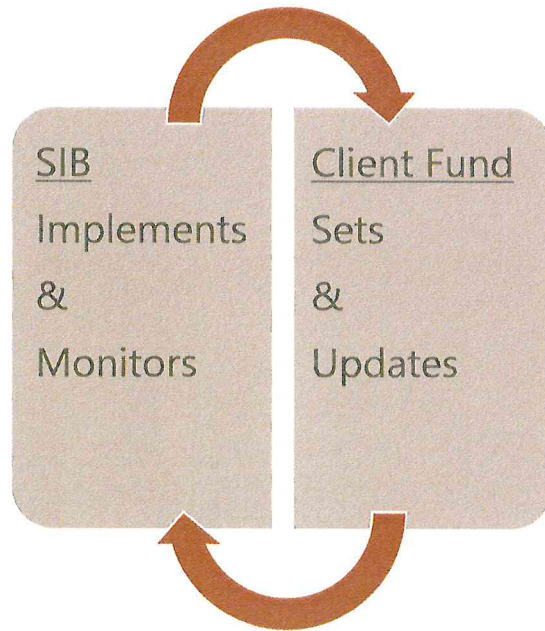


- NDCC 21-10-02.1

- The governing body of each fund... shall establish policies on investment goals and objectives and asset allocation for each respective fund..
- The asset allocation and any subsequent allocation changes for each fund must be approved by the governing body of that fund and the state investment board.

S.B. 2291 -FACTORS

■ Process



■ N.D.C.C. 21-10-08.1

- As used in this section, "**social investment**" means the consideration of socially responsible criteria in the investment or commitment of public funds for the **purpose of obtaining an effect other than a maximized return to the state.**
- 2. Except as otherwise provided in a state **investment policy relating to the investment of the legacy fund and** unless the state investment board can demonstrate a social investment would provide **an equivalent or superior rate of return compared to a similar investment** that is not a social investment and has a similar time horizon and risk, **the state investment board may not invest** state funds for the purpose of social investment.

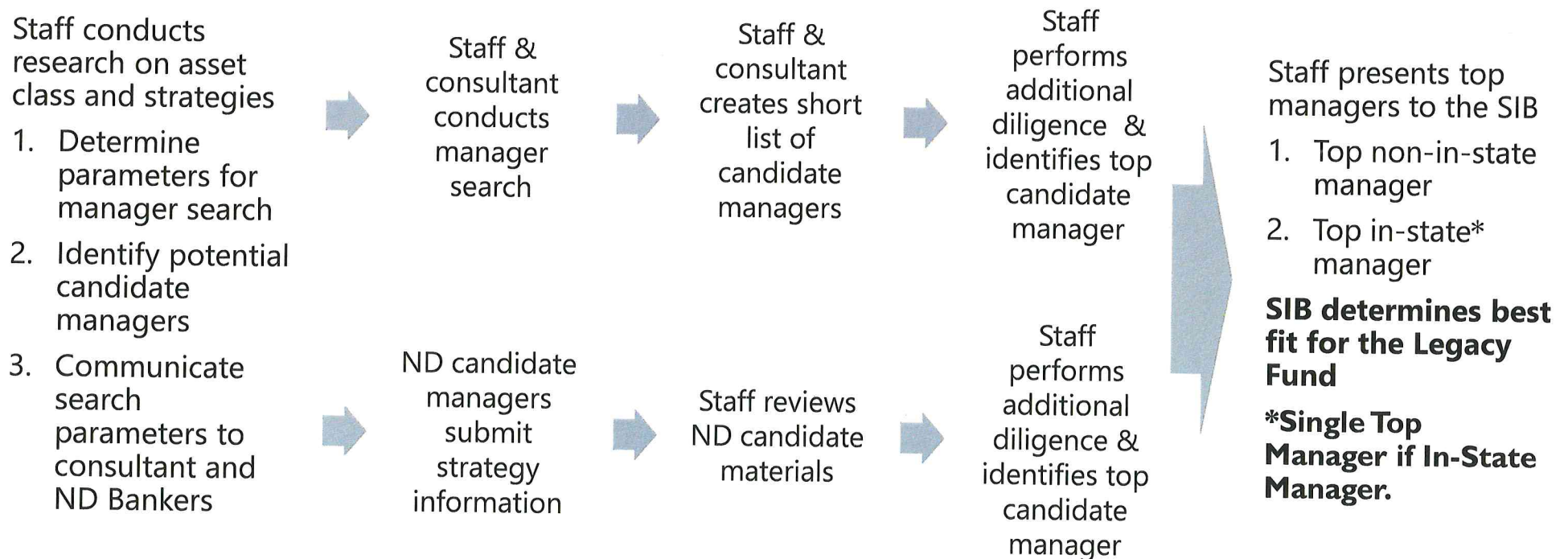
ASSET ALLOCATION STUDY – WHY NOW?

Staff recommends conducting an asset allocation study to address key issues:

- Determine allocation targets of the 80% non-in-state portion of the Legacy Fund to **meet expected biennial earnings and** account for lower returning assets in the In-State Fixed Income Program
- Ascertain maximum amount of illiquid strategies in the Legacy Fund
- Adjust allocation targets to existing illiquid strategies if necessary
- Establish a pacing schedule for the In-State Equity Program
- Determine appropriate investment guidelines for the entire In-State Equity Program.

MANAGER PREFERENCE PROGRAM

Staff conducts two separate searches to implement the In-State Preference Program



RIO STAFFING

Contingent on Legislature

- **CIO** –Search Committee Narrows Candidate Pool.
- **Personnel** Board approves CRO for unclassified status.
- **CRO** Final Interview.
- **6** New FTEs granted.

November

December

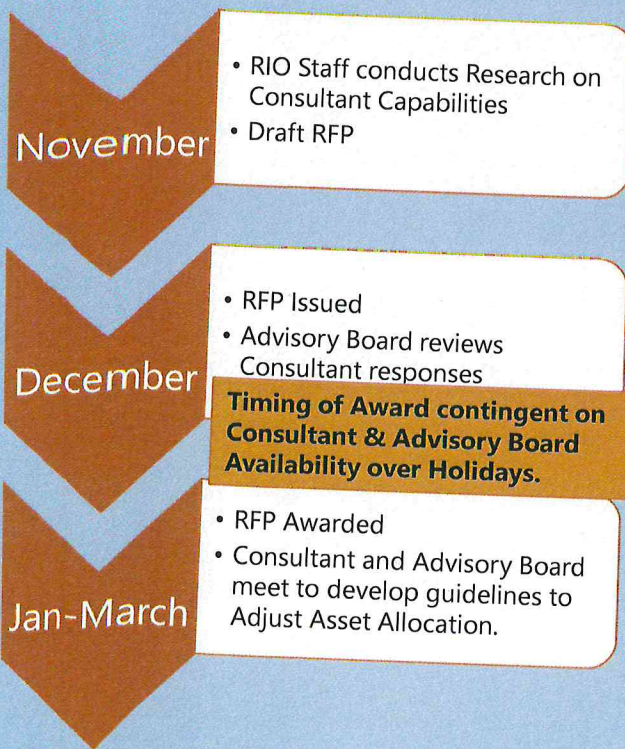
- Search Committee conducts Initial CIO Interviews.
- SIB Conducts Final CIO Interviews.
- CRO starts.
- RIO Staff work w/ HRMS to classify & post new FTEs.

- CIO Starts.
- New FTEs Interviewed/Hired.
- ED Search Initiated.

January-
March

IN-STATE PROGRAM ROLLOUT

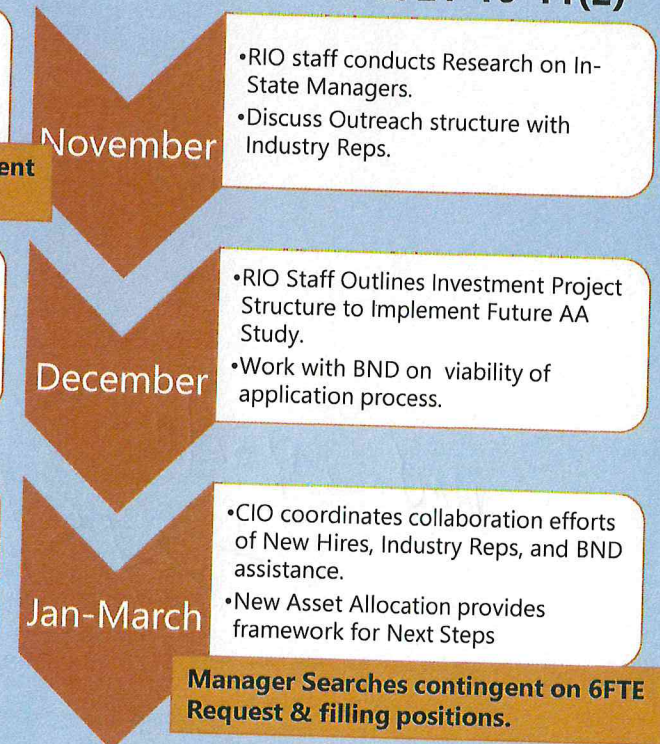
Asset Allocation Study – Required by H.B. 1425 & S.B. 2291



RIO Staffing – Required to Implement Manager Searches



Manager Preference – Required by N.D.C.C. 21-10-07.1 & 21-10-11(2)



21.1117.01002
Title.

Prepared by the Legislative Council staff for
Representative Weisz
November 10, 2021

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1512

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 21-10-11 of the North Dakota Century Code, relating to the legacy and budget stabilization fund advisory board; and to provide for an effective date.

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1. The legacy and budget stabilization fund advisory board is created to develop recommendations for the investment of funds in the legacy fund and the budget stabilization fund to present to the state investment board.
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 - (2) Up to sixty percent, with a minimum of four hundred million dollars, must be designated to the Bank of North Dakota's certificate of deposit match program with an interest rate fixed at the equivalent yield of United States treasury bonds having the same term, up to a maximum term of twenty years; and
 - (3) Any remaining amounts must be designated for other qualified fixed income investments within the state.
 - b. A target allocation of ten percent to equity investments in the state, of which at least three percent may be targeted for investment in one or more equity funds, venture capital funds, or alternative investment funds with a primary strategy of investing in emerging or expanding companies in the state. Equity investments under this subdivision must:

- (1) Be managed by qualified investment firms, financial institutions, or equity funds which have a strategy to invest in qualified companies operating or seeking to operate in the state and which have a direct connection to the state; and
 - (2) Have a benchmark investment return equal to the five-year average net return for the legacy fund, excluding in-state investments.
4. The board consists of ~~two~~three members of the senate appointed by the senate majority leader, ~~two~~three members of the house of representatives appointed by the house majority leader, ~~the director of the office of management and budget or designee,~~ the president of the Bank of North Dakota or designee, and the tax commissioner or designee, the insurance commissioner or designee, and the state treasurer or designee. The board shall select a member from the senate or house of representatives to serve as chairman for no more than one consecutive year and must meet at the call of the chairman.
5. The board shall report at least semiannually to the budget section.
6. Legislative members are entitled to receive compensation and expense reimbursement as provided under section 54-03-20 and reimbursement for mileage as provided by law for state officers. The legislative council shall pay the compensation and expense reimbursement for the legislative members.
7. The legislative council shall provide staff services to the legacy and budget stabilization fund advisory board.
8. The staff and consultants of the state retirement and investment office shall advise the board in developing asset allocation and investment policies.
9. The board ~~shall~~may develop a process to select a member of the board who is not a member of the state investment board to serve on the state investment board in a nonvoting capacity.

SECTION 2. EFFECTIVE DATE. This Act becomes effective on December 1, 2021."

Renumber accordingly

21.1117.01003

Sixty-seventh
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1512

Introduced by

Representatives Nathe, D. Anderson, Bosch, Headland, Lefor, Martinson

Senators Bell, Hogue, Meyer

(Approved by the Delayed Bills Committee)

1 A BILL for an Act to amend and reenact subsection 3 of section 21-10-11 of the North Dakota
2 Century Code, relating to the asset allocation plan of the legacy fund; to provide for the
3 selection of a chairman; and to provide an effective date.

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

5 **SECTION 1. AMENDMENT.** Subsection 3 of section 21-10-11 of the North Dakota Century
6 Code is amended and reenacted as follows:

7 3. The board shall determine the asset allocation for the investment of the principal of the
8 legacy fund including:

9 a. A target allocation of ten percent to fixed income investments within the state, of
10 which:

11 (1) Up to forty percent must be targeted for infrastructure loans to political
12 subdivisions under section 6-09-49.1. The net return to the legacy fund
13 under this paragraph must be fixed at a target rate of one and one-half
14 percent;

15 (2) Up to sixty percent, with a minimum of four hundred million dollars, must be
16 designated to the Bank of North Dakota's certificate of deposit match
17 program with an interest rate fixed at the equivalent yield of United States
18 treasury bonds having the same term, up to a maximum term of twenty
19 years; and

20 (3) Any remaining amounts must be designated for other qualified fixed income
21 investments within the state.

22 b. A target allocation of ten percent to equity investments in the state, of which at:

23 (1) At least three percent may be targeted for investment in one or more equity
24 funds, venture capital funds, or alternative investment funds with a primary

strategy of investing in emerging or expanding companies in the state.

Equity investments under this ~~subdivision~~paragraph must:

(1)(a) Be managed by qualified investment firms, financial institutions, or equity funds which have a strategy to invest in qualified companies operating or seeking to operate in the state and which have a direct connection to the state; and

(2)(b) Have a benchmark investment return equal to the five-year average net return for the legacy fund, excluding in-state investments.

(2) ~~Up to seven percent may be targeted for investment as recommended by the in-state impact investment committee. The in-state impact investment committee consists of the governor or the governor's designee, the state treasurer or the state treasurer's designee, and the insurance commissioner or the insurance commissioner's designee. The committee legacy and budget stabilization fund advisory board shall develop guidelines for eligible investments under this paragraph. The committee advisory board shall receive and review proposals for eligible investments under this paragraph, and the committee may advisory board shall consult with industry representatives, financial professionals, or other technical advisors to review the proposed investments. The committee advisory board shall submit recommendations for investments under this paragraph to the state investment board. The retirement and investment office shall provide or arrange for administrative services to assist the committee.~~

SECTION 2. LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD -

SELECTION OF CHAIRMAN. Pursuant to the requirement for the legacy and budget stabilization fund advisory board to select a chairman under subsection 4 of section 21-10-11, the advisory board shall select a new chairman during its first meeting after the effective date of this Act.

SECTION 3. EFFECTIVE DATE. This Act becomes effective on December 1, 2021.

2021 JOINT STANDING COMMITTEE MINUTES

Technical Corrections Committee Pioneer Room, State Capitol

HB 1512
11/11/2021
PM

A BILL for an Act to amend and reenact subsection 3 of section 21-10-11 of the North Dakota Century Code, relating to the asset allocation plan of the legacy fund; and to provide an effective date.

Co-Chair Weisz called the hearing to order, Vice Chair Porter, Representative Dockter, Richter, Louser, O'Brian, Roers Jones, Hanson Co-Chair J. Lee, Vice Chair Patten, Senators H. Anderson, Schaible, Dwyer, Kannianen, Vedaa, Bakke, present [2:49]

Discussion Topics:

- Guideline development
- Article 10 of the Constitution

Senator Klein, submitted amendment 21.1117.02002 #12247 [2:50]

Representative Dockter moved amendment 21.1117.02002 [2:53]

Representative O'Brien seconds.

Motion carries by voice vote

Representative O'Brien moved DO PASS as Amended

Representative Roers Jones seconds

Senators	Vote
Chair Judy Lee	Y
Vice Chair Dale Patten	Y
Senator Howard Anderson	Y
Senator Donald Schaible	Y
Senator Michael Dwyer	Y
Senator Jordon Kannianen	Y
Senator Shawn Vedaa	Y
Senator JoNell Bakke	Y
Representatives	
Chair Robin Weisz	Y
Vice Chair Todd Porter	Y

Representative Jason Dockter	Y
Representative David Richter	Y
Representative Scott Louser	Y
Representative Emily O'Brien	Y
Representative Shannon Roers Jones	Y
Representative Karla Rose Hanson	Y

Motion passed 16-0-0

Senator Patten and Representative Dockter carries

Co-Chair Weisz adjourned the hearing [2:55]

Sheldon Wolf, Committee Clerk

November 11, 2021

DE 11/11/21
181

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1512

Page 2, line 17, replace "shall" with "may"

Page 2, line 18, after "for" insert "other"

Page 2, line 18, replace "paragraph" with "subdivision"

Page 2, line 18, remove "The advisory board"

Page 2, remove lines 19 through 24

Renumber accordingly

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21.1117.02002
Title.

Prepared by the Legislative Council staff for
Senator Klein

November 11, 2021

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