



Kelly L. Schmidt
State Treasurer

STATE OF NORTH DAKOTA

OFFICE OF STATE TREASURER

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APPENDIX O

Government Services Committee

Tuesday, August 17, 2010

Status of Veterans Postwar Trust Fund

The value of the Veteran's Postwar Trust fund (cost basis) is as follows:

7-1-09:	\$ 4,171,535.11
6-30-10:	\$ 4,197,508.48

Income from the fund is paid to ACOVA for use for grants benefiting veterans. Income, defined by the Uniform Principal and Income Act (1997, NDCC 59-04.2), is interest income, dividends and realized gains, minus management fees, taxes and realized losses. Unrealized losses and gains do not factor into income declaration.

The net income for fiscal year 2010 was **\$137,106.85**.

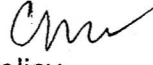
Attached, you will find a copy of the Office of State Treasurer's policy toward determining and paying out income. To summarize, the State Treasurer has determined that approximately \$200,000 of income will be available during the 2009-2011 biennium. At the end of the biennium, if more income is available, the Office of the State Treasurer will release additional funding at that time.

To compare this amount with previous biennia, funds spent on grants previously are as follows:

2007-2009	\$307,084.35
2005-2007	\$143,039.96
2003-2005	\$38,758.19
2001-2003	\$157,000.00

A complete analysis of the fund, including value, income and disbursements, can be found on the State Treasurer's website: www.nd.gov/ndtreas

Memorandum

To: State Treasurer Kelly Schmidt
From: Deputy State Treasurer Carlee McLeod 
Re: Post War Trust Fund Income Distribution Policy
Date: September 8, 2009

Pursuant to the recently completed analysis of the Post War Trust Fund (PWTF) and the attached letter from Assistant Attorney General Edward Erickson, please find the following summary and policy regarding the distribution of any funds from the PWTF.

- According to the letter from Mr. Erickson dated September 2, 2009, the State Treasurer is the sole trustee and fiduciary of the PWTF. As a trustee and fiduciary, the State Treasurer invests the funds and distributes the income to a beneficiary. ACOVA is the beneficiary who receives trust income. As beneficiary, ACOVA has the right to spend money given to it from the trustee, but it does not have the right to direct either the amount which it is given or the way the fund is invested. To this point, ACOVA often determined the amount of the fund which they planned to spend without giving weight to the income as declared by the trustee. Further, ACOVA has sought to guide investment of the fund through assumed "reserve funds." Neither of these practices are consistent with the law.
- To be consistent with law and to clarify your policy moving forward, the State Treasurer's policy for distributing income from the PWTF shall be as follows:
 1. As the trustee of the fund, the State Treasurer will continue to invest the fund in accordance with the prudent investor standard set in N.D.C.C. 21-10-07 and clarified by the letters from Mr. Erickson dated June 4, 2002 and September 2, 2009.
 2. ACOVA will receive a guaranteed amount of \$200,000 from the PWTF for the 2009-2011 biennium, resulting from the interest gained from CDs and dividends. Any expenditures occurring between July 1, 2009 and June 30, 2011, inclusive, will be paid out of this guaranteed income regardless of the date of obligation. If funds are requested for obligations remaining from the 2007-2009 biennium, those expenditures will be paid from the 2009-2011 guaranteed income. For example, if \$18,000 is needed to clear up unpaid bills from last biennium, only \$182,000 will remain for expenditures in 2009-2011.
 3. It is possible that ACOVA will receive funds in addition to the guaranteed amount of \$200,000. The State Treasurer will determine the status of the fund at the end of each fiscal year to determine if there is income beyond CD interest and dividends. The State Treasurer will distribute funds to ACOVA if she determines that there is further income beyond the CD

interest and dividends. ACOVA will be notified if additional income is expected at the close of each fiscal year.

4. Interest, dividends, and any other income will only be distributed as funds become available with no penalty. The State Treasurer will not sell any securities to make distribution of income to ACOVA.
5. The State Treasurer will inform ACOVA of the guaranteed amount of distribution for each biennium within a reasonable period from each biennial start date.
6. ACOVA will be informed monthly of the status of the fund through email. Further, all income and distribution information will be posted to the State Treasurer's website monthly.