

House Bill 1231

North Dakota Retirement and Investment Office (RIO)

Neutral Testimony regarding HB 1231

House Government and Veterans Affairs Committee

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The Teachers' Fund for Retirement (TFFR) is a qualified defined benefit public pension plan established under N.D.C.C. Ch. 15-39.1. The plan is managed by a seven-member board of trustees which consists of the State Treasurer, State Superintendent, with two active teachers, two retired teachers and one school administrator all appointed by the Governor. The program is administered by the ND Retirement and Investment Office.

The plan covers North Dakota public school educators. Benefit funding comes from member and employer contributions and investment earnings. During the past decade, active membership has increased 13.4% from 10,004 to nearly 11,347 participants, while retirees and beneficiaries have increased 30.3% from less than 6,933 to over 9,036.

Under N.D.C.C. 15-39.1-05.2 and N.D.C.C. 21-10-02.1 the TFFR Board is responsible for setting the investment policy of the trust fund. A heightened protection for the investment policy of the pension trust may be found in the last sentence of N.D.C.C. 21-10-07 which states:

"...The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives."

The TFFR Board is requesting clarity regarding whether HB 1231 is intended to apply to pension trust funds? HB 1231 amends the duties of the investment director at RIO to require this individual to consider the benefits of investing in state before investing out of state. The placement of this language in N.D.C.C. 21-10-05 appears to result in this directive applying to all of the funds under management of the SIB; as opposed to directly targeting funds relating to the investment of state monies. For example, the TFFR Board is aware of ongoing discussions regarding in state investment of Legacy Fund monies as illustrated in bills such as HB1425.

The Board wishes to highlight the distinction between the investment of monies collected on behalf of the State, and the TFFR pension trust funded by the deferred wages of our North Dakota educators. The Board is concerned that if the intent of HB 1231 is to impose social investing policy favoring in state investment on the pension trust, doing so may erode or compromise the the exclusive benefit rule as set forth in N.D.C.C. 21-10-07 and the fiduciary responsibility of the Board of Trustees in setting investment policy under N.D.C.C. 15-39.1-05.2 and N.D.C.C. 21-10-02.1. The Board acknowledges the proposed language appears flexible in its requirement to provide a preference, but questions whether the additional due diligence required to give effect to the provision may result in increased cost to the administration of the Fund?

The TFFR Board respectfully requests the Committee consider these requests for further clarification on the intent, scope, and expectations of implementation prompted by H.B. 1231.

