

Introduced by

Representatives Satrom, Grueneich, Headland, Lefor, S. Olson, Ostlie, Schauer, Steiner
Senators Conley, Wanzek

1 A BILL for an Act to amend and reenact sections 21-10-02, 21-10-06.1, 21-10-08.1, and
2 subsection 10 of section 54-44.4-02 of the North Dakota Century Code, relating to the powers
3 and duties of the state investment board, restrictions on perpetual contracts, required reports,
4 and the prohibition on social investments; and to provide for a legislative management study.

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

6 **SECTION 1. AMENDMENT.** Section 21-10-02 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **21-10-02. Board - Powers and duties.**

- 9 1. The board is charged with the investment of the funds enumerated in section
10 21-10-06. It shall approve general types of securities for investment by these funds
11 and set policies and procedures regulating securities transactions on behalf of the
12 various funds. Representatives of the funds enumerated in section 21-10-06 may
13 make recommendations to the board in regard to investments.
- 14 2. The board or its designated agents must be custodian of securities purchased on
15 behalf of funds under the management of the board.
- 16 3. The board may appoint an investment director or advisory service, or both, who must
17 be experienced in, and hold considerable knowledge of, the field of investments. The
18 investment director or advisory service shall serve at the pleasure of the board. The
19 investment director or advisory service may be an individual, corporation, limited
20 liability company, partnership, or any legal entity which meets the qualifications
21 established herein. The board may authorize the investment director to lend securities
22 held by the funds. These securities must be collateralized as directed by the board.
- 23 4. The board may create investment fund pools in which the funds identified in section
24 21-10-06 may invest.

1 5. For purposes of investment of the legacy fund, the board shall give preference to
2 investment firms and financial institutions with a presence in the state.

3 6. The board may use the services of external investment managers and establish
4 policies and procedures for internal investment management of client funds under
5 section 21-10-06.

6 **SECTION 2. AMENDMENT.** Section 21-10-06.1 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **21-10-06.1. Board - Investment reports - Report to legislative audit and fiscal review**
9 **committee.**

10 1. The board ~~shall~~ annually shall prepare reports on the investment performance of each
11 fund under its control. The reports must be uniform and must include:

12 1. a. A list of the advisory services managing investments for the board.

13 2. b. A list of investments at market value, compared to previous reporting period, of
14 each fund managed by each advisory service.

15 3. c. Earnings, percentage earned, and change in market value of each fund's
16 investments.

17 4. d. Comparison of the performance of each fund managed by each advisory service
18 to other funds under the board's control and to generally accepted market
19 indicators.

20 e. A list of countries in which the funds are invested.

21 2. On an annual basis, or if requested, the board shall provide investment reports to the
22 legislative audit and fiscal review committee.

23 3. On an annual basis, or if requested, the board shall provide investment reports on the
24 investment performance of the in-state investment program under section 21-10-11 to
25 the legacy and budget stabilization fund advisory board.

26 **SECTION 3. AMENDMENT.** Section 21-10-08.1 of the North Dakota Century Code is
27 amended and reenacted as follows:

28 **21-10-08.1. Social investment - Prohibition.**

29 1. As used in this section, "social investment" means the consideration of socially
30 responsible criteria and environmental, social, and governance impact criteria in the

1 investment or commitment of public funds for the purpose of obtaining an effect other
2 than a maximized return at a prudent level of risk to the state.

3 2. Except as otherwise provided in a state investment policy relating to the investment of
4 the legacy fund and unless the state investment board, or any other state entity
5 investing public funds, can demonstrate a social investment would provide an
6 equivalent or superior rate of return compared to a similar investment that is not a
7 social investment and environmental, social, and governance impact investment and
8 has a similar time horizon and risk, the state investment board, or any state entity, may
9 not invest state funds for the purpose of social investment.

10 **SECTION 4. AMENDMENT.** Subsection 10 of section 54-44.4-02 of the North Dakota
11 Century Code is amended and reenacted as follows:

12 10. Employee benefit services, trust-related services, and investment management
13 services obtained by an agency with a fiduciary responsibility regarding those
14 services. Nothing in this subsection may be construed to allow an agency to create or
15 renew a contract perpetually and without limitation.

16 **SECTION 5. LEGISLATIVE MANAGEMENT STUDY - ENVIRONMENTAL, SOCIAL, AND**
17 **CORPORATE GOVERNANCE.** During the 2023-24 interim, the legislative management shall
18 study current environmental, social, and corporate governance trends, issues, policies, and
19 impacts to citizens, businesses, and industries of this state. The study must include input from
20 representatives from state government with industry-specific expertise in the areas of
21 investment, insurance, economic development, and finance. The legislative management shall
22 report its findings and recommendations, together with any legislation required to implement the
23 recommendations, to the sixty-ninth legislative assembly.