

**House Bill 1278**  
**North Dakota Retirement and Investment Office (RIO)**  
**Testimony in support of Engrossed HB 1278 before the Senate Industry and**  
**Business Committee**  
**Senator Doug Larsen Chair**  
**Senator Greg Kessel, Vice Chair**

**Janilyn Murtha, JD, MPAP – Executive Director**

**I. Introduction**

The Retirement and Investment Office (hereinafter “RIO”) was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of the investment program of the State Investment Board (SIB) and the retirement program of the Teachers’ Fund for Retirement (TFFR). Statutory authority for the agency is found in North Dakota Century Code chapter 54-52.5 and the programs are governed by chapters 21-10 (SIB) and 15-39.1 (TFFR).

The State Investment Board has the statutory responsibility to administer the investment program for 28 funds including the Legacy Fund, TFFR, PERS, and WSI. It also maintains contractual relationships for the investment management of multiple political subdivisions and governmental funds. Currently SIB is responsible for the investment of the Legacy Fund, seven pension funds and 20 other non-pension funds for a total of 28 separate client funds with an overall fund value of approximately \$19.2 billion as of January 31, 2023.

These assets under management have grown from about \$4 billion in 2010 and continue to grow from investment returns and contributions to the Legacy Fund, pension plans, and insurance funds. The combination of the growth of AUM, the number of individually managed funds, and the complexity of mandates such as the Legacy Fund have increased the need for staff resources, infrastructure and new scalable investment processes that can enhance the performance of client funds while reducing the net cost of management of those funds when manager fees are considered.

Currently, the SIB relies entirely on an external investment manager structure; ie RIO does not have internal investment management authority or operations. RIO contracts with over forty investment managers, vendors, and consultants in the administration of our two programs.

**II. Engrossed HB 1278**

The SIB recognizes the importance of the energy and agriculture sectors for a thriving economy and continues to invest in companies in this sector and implements business practices that would not restrict any investment or business activities within these sectors for non-pecuniary reasons. The investment program as a matter of policy and in compliance with North Dakota law as set forth under NDCC Ch. 21-10, only invests for the exclusive benefit of its beneficiaries in a way that seeks to maximize return for a given level of risk. As such any restriction of its

investment or commercial set of opportunities for non-pecuniary reasons such as restricting investment in either of these sectors is already prohibited by policy and law.

RIO opposed the original version of H.B. 1278 due to concerns related to the potential conflict this bill may create with other existing or future legislation, or mandated business practices, the cost and complexity of implementing the bill, and the potential that the bill may unintentionally reduce commercial opportunities with vendors who support these sectors because of the cost the bill imposes on the vendor. Engrossed H.B. 1278 incorporates amendments that eliminated these concerns and therefore the agency supports the amendments to H.B. 1278 while recognizing that the public policy reflected is decision for the legislature.

### **III. Summary**

Pursuant to both North Dakota law and SIB policy, RIO implements business practices that would not restrict any investment or business activities within either the energy and agriculture sectors for non-pecuniary reasons. Engrossed H.B. 1278 incorporates amendments that eliminated initial concerns with implementation. The agency supports the amendments made to H.B. 1278 while recognizing that the public policy reflected is a decision for the legislature.