

Sixty-ninth  
Legislative Assembly  
of North Dakota

**FIRST ENGROSSMENT  
with Senate Amendments**

**ENGROSSED HOUSE BILL NO. 1022**

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the retirement and  
2 investment office; to amend and reenact subdivision a of subsection 3 of section 21-10-11 and  
3 section 54-52.5-04 of the North Dakota Century Code, relating to infrastructure loan  
4 investments under the legacy fund and an incentive compensation plan for the state retirement  
5 and investment office; and to provide for a report.

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

7 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds  
8 as may be necessary, are appropriated from special funds, to the retirement and investment  
9 office for the purpose of defraying the expenses of the retirement and investment office, for the  
10 biennium beginning July 1, 2025, and ending June 30, 2027, as follows:

|    | <u>Base Level</u>              | <u>Adjustments or<br/>Enhancements</u> | <u>Appropriation</u> |
|----|--------------------------------|--|----------------------|
| 11 |                                |  |                      |
| 12 |                                |  |                      |
| 13 | Salaries and wages             | \$8,552,467                            | \$3,539,528          |
| 14 | New and vacant FTE pool        | 0                                      | 470,466              |
| 15 | Operating expenses             | 2,731,037                              | 1,054,096            |
| 16 | Contingencies                  | <u>200,000</u>                         | <u>0</u>             |
| 17 | Total special funds            | \$11,483,504                           | \$5,064,090          |
| 18 | Full-time equivalent positions | 34.00                                  | 1.00                 |
|    |                                |  | 35.00                |

19 **SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO**  
20 **SEVENTIETH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time funding  
21 items included in the appropriation in section 1 of this Act which are not included in the entity's

1 base budget for the 2027-29 biennium and which the entity shall report to the appropriations  
2 committees of the seventieth legislative assembly regarding the use of this funding:

| 3 <u>One-Time Funding Description</u> | <u>General Fund</u> | <u>Other Funds</u> | <u>Total</u> |
|---------------------------------------|---------------------|--------------------|--------------|
| 4 Information technology consulting   | \$0                 | \$250,000          | \$250,000    |
| 5 Total                               | \$0                 | \$250,000          | \$250,000    |

6 **SECTION 3. NEW AND VACANT FTE POOL - LIMITATION - TRANSFER REQUEST.** The  
7 retirement and investment office may not spend funds appropriated in the new and vacant FTE  
8 pool line item in section 1 of this Act, but may request the office of management and budget to  
9 transfer funds from the new and vacant FTE pool line item to the salaries and wages line item in  
10 accordance with the guidelines and reporting provisions included in House Bill No. 1015, as  
11 approved by the sixty-ninth legislative assembly.

12 **SECTION 4. AMENDMENT.** Subdivision a of subsection 3 of section 21-10-11 of the North  
13 Dakota Century Code is amended and reenacted as follows:

- 14 a. A target allocation of ~~seven hundred million~~seven hundred fifty million dollars to  
15 fixed income investments within the state, including:
- 16 (1) Up to ~~one hundred fifty million~~two hundred million dollars for infrastructure  
17 loans to political subdivisions under section 6-09-49.1. The net return to the  
18 legacy fund under this paragraph must be fixed at a target rate of one and  
19 one-half percent;
- 20 (2) A minimum of four hundred million dollars for the Bank of North Dakota's  
21 certificate of deposit match program with an interest rate fixed at the  
22 equivalent yield of United States treasury bonds having the same term, up  
23 to a maximum term of twenty years; and
- 24 (3) Other qualified fixed income investments within the state based on  
25 guidelines developed by the legacy and budget stabilization fund advisory  
26 board.

27 **SECTION 5. AMENDMENT.** Section 54-52.5-04 of the North Dakota Century Code is  
28 amended and reenacted as follows:

29 **54-52.5-04. Incentive compensation program - Report to legislative management.**

- 30 1. The state retirement and investment office may develop an incentive compensation  
31 program for full-time equivalent investment ~~and fiscal operations~~ positions necessary

1 for the management of the investment of funds under the control of the state  
2 investment board. The program must promote profitability, productivity, and  
3 responsible fund management.

4 2. The provisions of the program must be approved annually by the state investment  
5 board. The provisions must ensure that the payouts do not occur unless the risk-based  
6 performance of the investments that are internally managed exceed the risk-based  
7 performance of policy benchmarks.

8 3. Any amounts paid under this program must be considered compensation and not  
9 personal profit on behalf of the employee. ~~Each interim, the~~

10 4. The state retirement and investment office shall provide at least one report to the  
11 legislative management during each interim and a report to the appropriations  
12 committees during each regular legislative session regarding the status of the  
13 program, including the provisions of the program; the total amount of incentives paid  
14 out to employees each year; and the minimum, maximum, and average payout per  
15 eligible full-time equivalent position.

16 **SECTION 6. INTERNAL INVESTMENT MANAGEMENT PLAN - REPORT.** The retirement  
17 and investment office shall report to the appropriations committees of the seventieth legislative  
18 assembly regarding the agency's plan to internally manage fifty percent of the investments  
19 under the control of the state investment board. The report must include information on:

- 20 1. The impact to the agency's budget to implement the plan, including the number of  
21 full-time equivalent positions and funding for salaries and wages, operating expenses,  
22 and one-time items;
- 23 2. The estimated cost-savings from the decrease in investment expenses associated  
24 with external investment manager fees; and
- 25 3. The timeline to implement the plan.