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Title.

Fiscal No. 1

Prepared by the Legislative Council
staff for Senate Appropriations - Human
Resources Division Committee
March 14, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO FIRST ENGROSSMENT

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 section 54-52.5-04 of the North Dakota Century Code.
3 relating to an incentive compensation plan for the state retirement and investment office; and to
4 provide a report.

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

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

	Adjustments or		
	Base Level	Enhancements	Appropriation
12 Salaries and wages	\$8,552,467	\$3,539,528	\$12,091,995
13 New and vacant FTE pool	0	470,466	470,466
14 Operating expenses	2,731,037	1,029,096	3,760,133
15 Contingencies	200,000	0	200,000
16 Total special funds	\$11,483,504	\$5,039,090	\$16,522,594
17 Full-time equivalent positions	34.00	1.00	35.00
18 <u>Salaries and wages</u>	<u>\$8,552,467</u>	<u>\$3,539,528</u>	<u>\$12,091,995</u>
19 <u>New and vacant FTE pool</u>	<u>0</u>	<u>260,561</u>	<u>260,561</u>
20 <u>Operating expenses</u>	<u>2,731,037</u>	<u>836,112</u>	<u>3,567,149</u>

1	<u>Contingencies</u>	<u>200,000</u>	<u>0</u>	<u>200,000</u>
2	<u>Total special funds</u>	<u>\$11,483,504</u>	<u>\$4,636,201</u>	<u>\$16,119,705</u>
3	<u>Full-time equivalent positions</u>	<u>34.00</u>	<u>0.00</u>	<u>34.00</u>

4 **SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO**

5 **SEVENTIETH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time funding
6 items included in the appropriation in section 1 of this Act which are not included in the entity's
7 base budget for the 2027-29 biennium and which the entity shall report to the appropriations
8 committees of the seventieth legislative assembly regarding the use of this funding:

9	<u>One-Time Funding Description</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
10	Information technology consulting	\$0	\$250,000	\$250,000
11	Total	\$0	\$250,000	\$250,000
12	<u>Information technology consulting</u>	<u>\$0</u>	<u>\$200,000</u>	<u>\$200,000</u>
13	<u>Total</u>	<u>\$0</u>	<u>\$200,000</u>	<u>\$200,000</u>

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

20 **SECTION 4. AMENDMENT.** Section 54-52.5-04 of the North Dakota Century Code is
21 amended and reenacted as follows:

22 **54-52.5-04. Incentive compensation program - Report to legislative management.**

23 1. The state retirement and investment office may develop an incentive compensation
24 program for full-time equivalent investment ~~and fiscal operations~~ positions necessary
25 for the management of the investment of funds under the control of the state
26 investment board. The program must promote profitability, productivity, and
27 responsible fund management.

28 2. The provisions of the program must be approved annually by the state investment
29 board. The provisions must ensure that the payouts do not ~~occur~~.

30 a. Occur unless the risk-based performance of the investments that are internally
31 managed exceed the risk-based performance of policy benchmarks.

1 b. Exceed seventy-five percent of the base annual pay for each eligible full-time
2 equivalent position.

3 3. Any amounts paid under this program must be considered compensation and not
4 personal profit on behalf of the employee.

5 4. Each interim, the state retirement and investment office shall provide at least one
6 report to the legislative management regarding the status of the program, including the
7 provisions of the program; the total amount of incentives paid out to employees each
8 year; and the minimum, maximum, and average payout per eligible full-time equivalent
9 position.

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

15 **SECTION 5. INTERNAL INVESTMENT MANAGEMENT PLAN - REPORT.** The retirement
16 and investment office shall report to the appropriations committees of the seventieth legislative
17 assembly regarding the agency's plan to internally manage fifty percent of the investments
18 under the control of the state investment board. The report must include information on:

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

STATEMENT OF PURPOSE OF AMENDMENT:**House Bill No. 1022 - Retirement and Investment Office - Senate Action**

	Base Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$8,552,467	\$12,091,995		\$12,091,995
New and vacant FTE pool		470,466	(\$209,905)	260,561
Operating expenses	2,731,037	3,760,133	(192,984)	3,567,149
Contingencies	200,000	200,000		200,000
Total all funds	\$11,483,504	\$16,522,594	(\$402,889)	\$16,119,705
Less estimated income	11,483,504	16,522,594	(402,889)	16,119,705
General fund	\$0	\$0	\$0	\$0
FTE	34.00	35.00	(1.00)	34.00

Department 190 - Retirement and Investment Office - Detail of Senate Changes

	Removes Internal Auditor FTE Position ¹	Adjusts Funding for Operating Expenses ²	Total Senate Changes
Salaries and wages			
New and vacant FTE pool	(\$209,905)		(\$209,905)
Operating expenses	(16,650)	(\$176,334)	(192,984)
Contingencies			
Total all funds	(\$226,555)	(\$176,334)	(\$402,889)
Less estimated income	(226,555)	(176,334)	(402,889)
General fund	\$0	\$0	\$0
FTE	(1.00)	0.00	(1.00)

¹ Funding of \$226,555 from special funds, which was added in the House version, is removed for 1 FTE internal auditor position, including \$209,905 from the new and vacant FTE pool line item and \$16,650 from the operating expenses line item.

² Funding for operating expenses is adjusted as follows:

- Decreased by \$151,334, from \$751,334 to \$600,000, for information technology software hosting fees. The House provided \$751,334.
- Increased by \$25,000 to provide funding for a retirement education initiative. The House did not include this funding.
- Decreased by \$50,000, from \$250,000 to \$200,000, for a one-time funding item related to information technology consulting.

The Senate also added two sections, which were not included in the House version, to:

- Amend the incentive compensation program to remove fiscal operations positions and to limit the incentives to 75 percent of an employee's regular base compensation.
- Provide for a report to the Appropriations Committees during the 2027 regular legislative session regarding an internal investment management plan.