

**Retirement and Investment Office  
Budget No. 190  
Senate Bill No. 2022**

	FTE Positions	General Fund	Other Funds	Total
<b>2023-25 legislative appropriations</b>	<b>34.00</b>	<b>\$0</b>	<b>\$11,979,984</b>	<b>\$11,979,984</b>
2023-25 base budget	25.00	0	8,209,367	8,209,367
Legislative increase (decrease) to base budget	9.00	\$0	\$3,770,617	\$3,770,617

**SUMMARY OF LEGISLATIVE CHANGES TO THE BASE BUDGET AND MAJOR FUNDING ITEMS  
Changes to Base Budget**

	FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Adjusted funding for base payroll changes			\$41,345	\$41,345
Added funding to provide employee salary increases of 6 percent on July 1, 2023, and 4 percent on July 1, 2024			549,864	549,864
Added funding for employee health insurance premiums to reflect a revised premium estimate of \$1,643 per month			128,580	128,580
Added 2 FTE investment assistant positions	2.00		374,621	374,621
Added 7 FTE positions with funding for the 2 <sup>nd</sup> year of the biennium for an internal investment management program, including 5 FTE investment positions, 1 FTE fiscal position, and 1 FTE administrative position	7.00		1,173,326	1,173,326
Added funding for other salary adjustments, including \$506,929 related to FTE positions approved during the November 2021 special legislative session, \$383,540 for salary equity increases, and \$122,358 for other salary increases and internships			1,012,827	1,012,827
Transferred funding for new FTE positions and estimated savings from vacant FTE positions to a new and vacant FTE funding pool in the Office of Management and Budget			(1,786,076)	(1,786,076)
Transferred \$143,721 of other funds appropriation authority from the operating expenses line item to the salaries and wages line item related to cost-savings from operating expenses and increases in salaries			0	0
Added funding for operating expenses, including \$6,721 for Information Technology Department rate increases, \$100,000 for executive search expenses, \$167,500 for inflationary			1,551,230	1,551,230

increases, \$977,419 for pension administration software fees, \$32,750 for staff development and marketing materials, and \$266,840 for other operating expense increases related to rent, travel, and data processing

Increased funding for contingencies to provide total funding of \$200,000			100,000	100,000
Added <b>one-time funding</b> , including \$436,000 for temporary salaries to implement new pension administration software, \$50,000 for additional temporary salaries, and \$138,900 for operating expenses related to the implementation of new pension administration software			624,900	624,900
Total	<u>9.00</u>	<u>\$0</u>	<u>\$3,770,617</u>	<u>\$3,770,617</u>

#### FTE Changes

The Legislative Assembly approved 34 FTE positions for the Retirement and Investment Office for the 2023-25 biennium, an increase of 9 FTE positions from the 2021-23 biennium authorized level of 25 FTE positions. The Legislative Assembly added 2 FTE investment assistant positions, 5 FTE investment positions, 1 FTE fiscal position, and 1 FTE administrative position.

#### One-Time Funding

The Legislative Assembly provided \$624,900 of one-time funding from other funds for temporary salaries to implement new pension administration software (\$436,000), additional temporary salaries (\$50,000), and operating expenses related to the implementation of new pension administration software (\$138,900).

#### Other Sections in Senate Bill No. 2022

**Incentive compensation** - Section 3 amends North Dakota Century Code Section 54-44.3-20 to exempt investment and fiscal operations positions of the Retirement and Investment Office staff from the state employee classification system. Section 5 creates a new section to Chapter 54-52.5 relating to an incentive compensation program for investment and fiscal operations positions. Section 7 requires the Retirement and Investment Office to report to the Budget Section prior to the implementation of the incentive compensation program, and Section 8 provides an emergency clause related to the report.

**Agency operating costs** - Section 4 amends Section 54-52.5-03 to clarify the Retirement and Investment Office administrative expenses are from the earnings available from the funds under management.

**Exemption for information technology project** - Section 6 provides an exemption to continue unspent prior biennium appropriations into the 2023-25 biennium related to an information technology project.

#### Related Legislation

**House Bill No. 1227 (2023)** - Requires the Retirement and Investment Office to arrange for a cost-benefit analysis of any measures affecting the asset allocation or investment policy of the legacy fund and requires the Legislative Management to adopt a procedure for identifying measures and proposed measures affecting the legacy fund.

**Senate Bill No. 2015 (2023) - Funding pools** - Includes funding pools from which the agency may receive allocations, including the:

- Employer retirement contribution pool from which the agency is to receive \$42,355 from other funds in accordance with provisions of Section 23 of Senate Bill No. 2015 for the 1 percent employer retirement contribution increase provided for in House Bill No. 1040 (2023);
- New and vacant FTE funding pool from which the agency may request funding when hiring new FTE positions or if the agency does not realize sufficient savings from vacant FTE positions in accordance with provisions of Section 22 of Senate Bill No. 2015; and

- Targeted market equity pool from which the agency may receive an allocation as determined by the Office of Management and Budget in accordance with provisions of Section 20 of Senate Bill No. 2015.

**Senate Bill No. 2015 - Legacy fund earnings report** - Section 62 of Senate Bill No. 2015 requires the Retirement and Investment Office to provide a report regarding the amount of legacy fund earnings above the percent of market value that would have been transferred to the legacy earnings fund had Senate Bill No. 2330 (2023) not been approved by the 68<sup>th</sup> Legislative Assembly.

**Senate Bill No. 2330 - Legacy fund investments and earnings** - Changes the asset allocation of the legacy fund investments from a 20 percent designation to in-state investments to a fixed amount designation of \$1.3 billion for in-state investments, including \$700 million for fixed income investments and \$600 million for equity investments, and changes the definition of legacy fund earnings from realized earnings to a percent of market value calculation based on 7 percent of the 5-year average value of the legacy fund. Senate Bill No. 2015 increased the percent of market value calculation increasing the definition from 7 to 8 percent; however, **the Governor vetoed the increase.**