

2025 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1184

2025 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee Room JW327C, State Capitol

HB 1184
1/14/2025

A BILL for an Act to create and enact a new section to chapter 15-01, a new section to chapter 21-10, and a new section to chapter 54-11 of the North Dakota Century Code, relating to digital asset and precious metal investments.

9:00 a.m. Chairman Warrey opened the meeting.

Members Present: Chairman Warrey, Vice Chairman Ostlie, Vice Chairman Johnson, Representatives Bahl, Christy, Grindberg, Kasper, Koppelman, Ruby, Schatz, Schauer, Vollmer

Discussion Topics:

- Market issues & risks
- Government bond strategy
- Precious metals and bitcoin investments
- Experts in mining
- Cash management study
- Prudent investor rule
- Floating rate debt with inflation
- Fintech exchange custodian

9:03 a.m. Representative Nathan Toman, District 34, Mandan, ND introduced and testified in favor.

9:10 a.m. Eric Peterson, Director of Asset Management, Satoshi Action Fund, testified in favor and submitted testimony #29006.

9:28 a.m. Aaron Hall, Chief Mining Officer, SunDog Mining testified in favor.

9:37 a.m. Jason Frye, Government Relations Consultant, Founder of Terrapin, Grand Forks, ND, testified in favor.

9:43 a.m. Thomas Beadle, Treasurer, North Dakota Treasurer's Office, testified as neutral.

9:53 a.m. Frank Mihail, Chief Investment Officer, ND Department of Trust Lands, testified as neutral and submitted testimony #28902.

9:57 a.m. Scott Anderson, Chief Investment Officer, ND Retirement and Investment Office (RIO) testified as neutral and submitted testimony #29010.

10:06 a.m. Don Morgan, President & CEO, Bank of North Dakota testified as neutral.

10:14 a.m. Rick Clayburgh, President & CEO, ND Bankers Association, testified in opposition.

10:25 a.m. Andrew Alexis Varvel, Bismarck ND testified in opposition and submitted testimony #28931.

Additional written testimony:

Dustin Amundson, Bismarck ND submitted testimony as neutral #28430

10:28 a.m. Chairman Warrey closed the hearing.

Diane Lillis, Committee Clerk

Hi. My name is Dustin Amundson, I live in Bismarck (District 30). Thank you for your time. The North Dakota Constitution requires that state funds be invested in a safe and prudent manner. Digital assets, such as cryptocurrencies, are highly volatile and speculative in nature. I ask you to give this bill a do not pass recommendation, or to amend it to remove cryptocurrencies. Thanks



**TESTIMONY OF FRANK MIHAIL
CHIEF INVESTMENT OFFICER
North Dakota Department of Trust Lands**

House Bill 1184

House Industry, Business and Labor Committee
January 14, 2025

Chairman Warrey and members of the Committee, I am Frank Mihail, Chief Investment Officer for North Dakota Department of Trust Lands and I am here to testify neutral to House Bill 1184.

The Board of University and School Lands (Board), as established by the North Dakota Constitution, is charged with overseeing the management of state trust lands and investing the revenue generated therefrom to grow as a source of long-term income for the support of certain trust beneficiaries. The Board is comprised of the Governor, Secretary of State, Attorney General, State Treasurer, and Superintendent of Public Instruction. The Department of Trust Lands (Department) is the administrative arm of the Land Board, serving under its direction and authority. The Board is also responsible for managing various trust funds established by the North Dakota Constitution and/or statute, the largest of which is the Common Schools Trust Fund (CSTF).

House Bill 1184 is well-intentioned in its goal of making North Dakota a leader in technology and innovation investments as well as broadening the asset allocation scope to produce diversification benefits for state investments. However, even absent the legislation proposed in this HB 1184, the Board already has full authority to invest in digital assets and precious metals.

The grant of land to the State of North Dakota in the Enabling Act for educational purposes was in trust and the terms of the grant required the state, as trustee, to maintain the permanency of the funds acquired through the grant. The legislature has granted the board “[f]ull control of the investment of the permanent funds” derived from the sale and management of state trust lands

and such investments must be made in accordance with the prudent investor rule. N.D.C.C. §§ 15-01-02, 15-03-04.

Furthermore, the Board has authority to set asset allocation targets and does so at a minimum cadence of every four years through the review of its Investment Policy Statement which governs the strategic asset allocation. A strategic asset allocation review process uses capital market assumption inputs to optimize portfolio allocations with the goal of maximizing return per unit of risk. Current allocations include public equity, private equity, public fixed income, private credit, hedge funds, real estate, and infrastructure. At the Board's discretion, allocations may change over the next decade, as they have done during the previous decade.

For example, in 2015, the CSTF portfolio invested in diversified commodity strategies which included exposures to energy, agriculture, livestock, industrial metals, and precious metals. This position was divested in 2020 because of high correlation to the revenue generated from the Department's surface and mineral leases.

The Board already has full legislative authority to revisit a dedicated allocation to precious metals or explore the possible fit for digital assets in the portfolio at any time.

Thank you for your time and consideration. I would be happy to answer any questions you may have.

House Industry, Business, & Labor Committee

House Bill 1184

Andrew Alexis Varvel

Written Testimony

North Dakota State Capitol

Room 327C

Tuesday

January 14, 2025

9:00AM

Chairman Warrey and Members of the Committee:

My name is Andrew Alexis Varvel. I live in Bismarck.

No. From my point of view, this legislation is unnecessary and unwise.

If you have already read my testimony on HCR 3001, it might look like I'm sounding like a broken record on cryptocurrency. Well, that's because I am.

Cryptocurrency is a relatively new, highly volatile, and unstable asset. We should not trust such an asset to hold its value over a long period of time.

Cryptocurrency consumes electricity. That is the main point behind schemes such as Bitcoin. So, creating a financial incentive for cryptocurrency could potentially lead to rising electricity rates for local consumers.

North Dakota should not be opening itself up to outfits such as FTX.

Whether precious metals are a wise investment depends on one's prediction of future interest rates. If you think interest rates will go up, treasuries would make more sense. Precious metals only become a hedge if the Federal Reserve tries to push more money through our financial system.

Please give House Bill 1184 a **DO NOT PASS** recommendation.

Thank you.

Eric Peterson
HB 1184

Inflation Protection Act of 2025:

SAFEGUARDING STATE FUNDS AGAINST INFLATION

How the Legislation Works

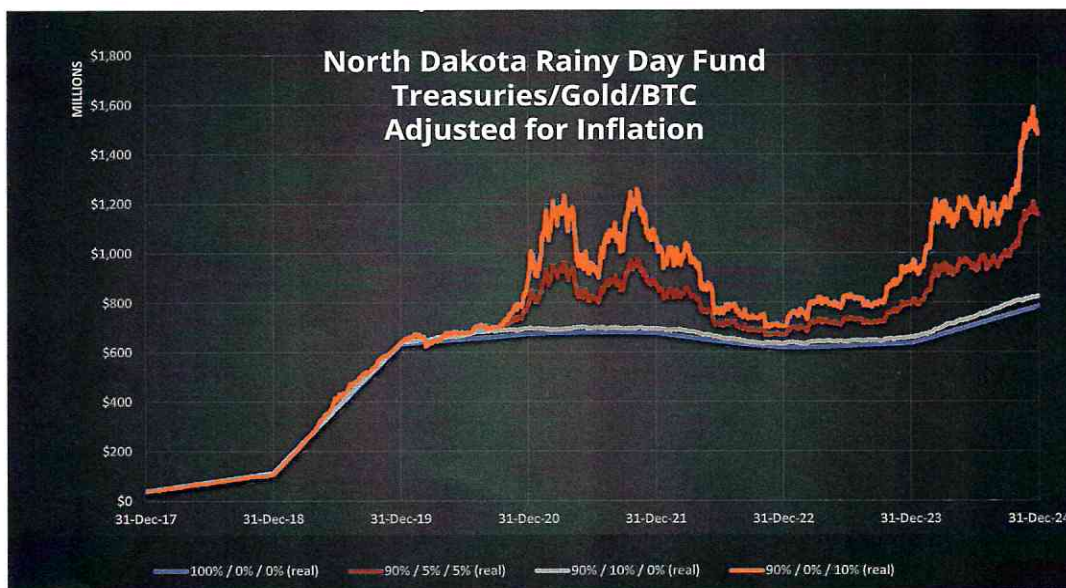
- 1 Diversified Asset Authorization:**


Permits investment of up to 10% of selected government funds in:

 - ◆ Precious metals (gold, silver, platinum).
 - ◆ Digital assets with a sufficiently high market cap (Bitcoin).
 - ◆ Stablecoins backed by dollars or short term government bonds and approved by United States regulators.
- 2 Secure Custody and Regulatory Compliance:**


Requires all digital assets to be held:

 - ◆ Directly by the state treasurer using Secure Custody Solutions.
 - ◆ By Qualified Custodians, such as federal or state chartered banks, digital asset exchanges or through regulated Exchange Traded Products (ETPs).
 - ◆ Ensures Stablecoins are backed by dollars and regulated by an American government.
 - ◆ Provides solutions to safely store gold precious medals.



Benefits of the Legislation



Protects Against Inflation:

Diversifying into inflation-resistant assets safeguards the value of public funds and enhances financial stability.



Modernizes Investment Strategies:

Incorporates emerging technologies like digital assets, ensuring the state remains competitive.

Inflation Protection Act of 2025:

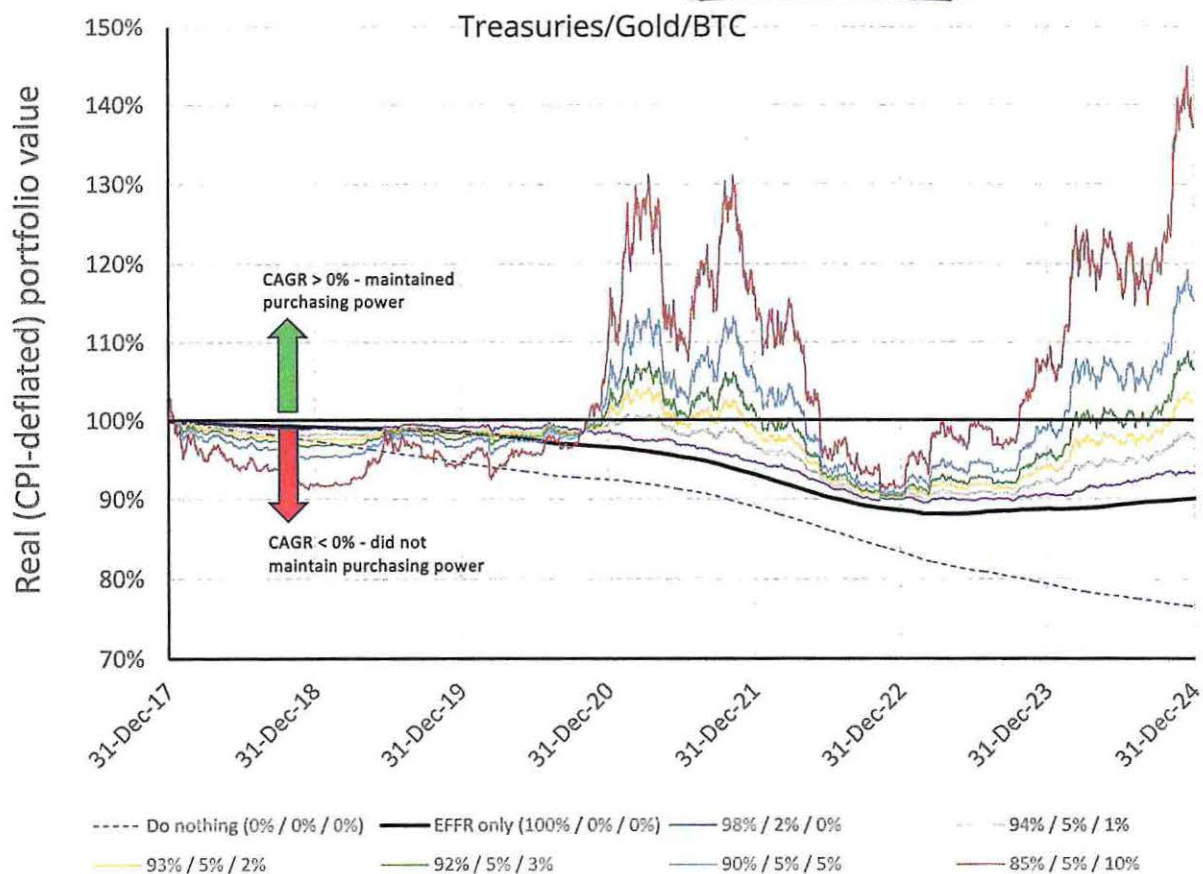
SAFEGUARDING STATE FUNDS AGAINST INFLATION

Summary of Legislation

Inflation has eroded the purchasing power of state-managed funds. **Since 2018, the value of a dollar held by the state has declined by roughly 25%!** The Inflation Protection Act allows for a diverse set of investment tools for state fiduciaries to counter inflation's effects and bolster the state's financial security.

This legislation empowers state treasurers and pension funds to diversify investments by incorporating assets that preserve purchasing power, such as precious metals and Bitcoin which are a proven hedge against inflation and default risk.

Since 2018, the value of a dollar held by the state has declined by roughly 25%!



House Bill 1184
North Dakota Retirement and Investment Office (RIO)
Testimony before House Industry, Business and Labor
Representative Jonathan Warrey, Chair

Jodi Smith – Interim Executive Director
Scott Anderson, CFA, MBA – Chief Investment Officer

I. RIO Statutory Authority and Responsibilities

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 31 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 23 other non-pension funds for a total of 31 separate client funds with an overall fund value of roughly \$23 billion as of October 31, 2024.

II. Neutral Testimony relating to H.B. 1184

House Bill 1184 is well-intentioned in its goal of making North Dakota a leader in technology and innovation investments as well as broadening the asset allocation scope to produce diversification benefits for state investments. However, the Board already has authority to invest in digital assets and precious metals.

The client funds of RIO each have a governing board that make asset allocation and investment policy decisions. The asset allocation determines the amount invested in various asset classes that best meets the return, risk and liquidity needs of the client portfolio mandates. The range of asset classes is not limited but includes those that enable the client fund to meet the client needs. The asset allocation which is approved by the board is codified in an investment policy used to guide RIO’s investment team to implement the mandate.

We recommend two changes: (1) place under Chapter 21-10 State Investment Board and (2) remove reference to “up to ten percent”, leaving capital allocation to the respective governing boards.

WHO WE ARE

The Retirement and Investment Office (RIO) is the state agency responsible for coordinating the activities of the State Investment Board (SIB) and the Teachers' Fund for Retirement (TFFR).

34

Full-Time Team
Member Authority

1

Temporary Team
Member

68

Consultants and
Professional Services

WHAT WE DO



Investment Program

The SIB is responsible for setting the policies and procedures that guide the investment of client funds while RIO is the administrator responsible for investment program management.



Retirement Program

The TFFR program is a qualified defined benefit public pension plan. The TFFR board of trustees has statutory responsibility for the pension program, while RIO is the program administrator.

HOW WE DO IT

Mission: To provide prudent and transparent investment services for our client funds and support North Dakota public school educators with responsible benefit administration.

Vision: To be recognized as a trusted and innovative provider of investment and pension services.

Values:

- *Integrity* - We value honesty and are committed to doing what's best for our customers.

- *Accountability* - We are responsible for our actions and work as a team to produce the desired outcomes.

- *Service* - We care about the people we serve and take time to understand their unique needs.

THE PEOPLE WE SERVE

Citizens

are North Dakota residents who benefit from RIO's management of public funds including the North Dakota Legacy Fund, the state's sovereign wealth fund.

\$22.3 billion total in assets under management



SIB Client Funds

are identified in statute. With the approval of the Industrial Commission, the SIB may provide services to and manage the money of any state agency, institution or political subdivision.

31 participants (15 statutory, 16 contracted)



TFFR Active Members

are licensed to teach in North Dakota and employed by public schools and state institutions.

11,945 total, average age 41.3



TFFR Retired Members

includes retired or disabled members and beneficiaries receiving a monthly benefit.

9,693 total; retired avg. age 73.6



TFFR Employers

are public schools and state institutions that employ licensed North Dakota educators.

204 employer groups

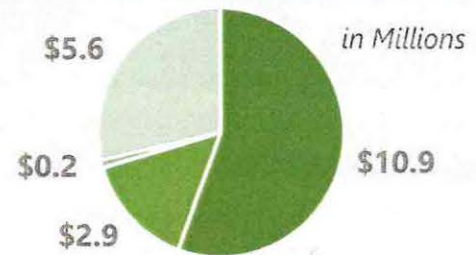


2023-2025 BIENNIAL BUDGET

\$19.6 Million Appropriation

RIO is a special fund agency and receives no general fund dollars.

- Salary
- Operating
- Contingencies
- PAS (one-time)



WHAT WE'RE PROUD OF



Pension Administration System

In Feb. 2025, RIO will release MyTFFR, a pension administration system, making employer reporting more efficient and allowing members to manage a wide range of account transactions online.



Internal Investment Program

RIO will launch an internal investment management initiative in spring 2025 that will result in significant client cost savings and provide greater control over investments.

HOW WE MEASURE SUCCESS

Actuarial Valuation

Actuarial valuation reports measure TFFR's funding progress. Based on the current valuation, the contribution rates are expected to fully fund TFFR in 2043.

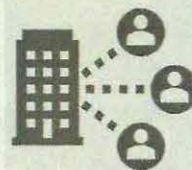


Awards

For the 26th consecutive year, RIO received the Certificate of Achievement for Excellence in Financial Reporting. In addition, the TFFR program earned the 2024 Public Pension Standards Awards for Plan Funding and Plan Administration.

Engagement

RIO's most recent Gallup Q12 engagement mean was 4.5 out of 5. Our team members are "Engaged," highly involved in and enthusiastic about their work and workplace.



Financial Audit

Our FY2024 financial audit contains an unmodified and clean opinion. This independent evaluation of our financial statements, operations, and internal controls helps to ensure transparency and accountability.

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9:23 a.m. Chairman Warrey opened the meeting.

Members Present: Chairman Warrey, Vice Chairman Ostlie, Vice Chairman Johnson, Representatives Bahl, Brown, Finley-DeVile, Grindberg, Kasper, Koppelman, D. Ruby, Schatz, Schauer, Vollmer

Member Absent: Representative Christy

Discussion Topics:

- Gold investments
- Diversification
- General fund liquidity

9:24 a.m. Representative Kasper moved a Do Not Pass.

9:24 a.m. Representative Ostlie seconded the motion.

Representatives	Vote
Representative Jonathan Warrey	Y
Representative Mitch Ostlie	Y
Representative Landon Bahl	Y
Representative Collette Brown	N
Representative Josh Christy	AB
Representative Lisa Finley-DeVile	N
Representative Karen Grindberg	Y
Representative Jorin Johnson	N
Representative Jim Kasper	Y
Representative Ben Koppelman	N
Representative Dan Ruby	N
Representative Mike Schatz	Y
Representative Austin Schauer	AB
Representative Daniel R. Vollmer	AB

Motion passed 6-5-3.

9:30 a.m. Representative Ostlie will carry the bill.

House Industry, Business and Labor Committee

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9:30 a.m. Chairman Warrey closed the meeting.

Diane Lillis, Committee Clerk

REPORT OF STANDING COMMITTEE
HB 1184 ([25.0515.03000](#))

Industry, Business and Labor Committee (Rep. Warrey, Chairman) recommends **DO NOT PASS** (6 YEAS, 5 NAYS, 3 ABSENT AND NOT VOTING). HB 1184 was placed on the Eleventh order on the calendar.