

**2025 HOUSE INDUSTRY, BUSINESS AND LABOR**

**HB 1330**

# 2025 HOUSE STANDING COMMITTEE MINUTES

## Industry, Business and Labor Committee Room JW327C, State Capitol

HB 1330  
1/28/2025

A BILL for an Act to create and enact a new section to chapter 21-10 of the North Dakota Century Code, relating to divestment from legacy fund investments in Chinese companies.

3:19 p.m. Chairman Warrey opened the hearing.

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:

- Transparency
- Prudent investor rule
- Actionable steps
- Invest in ND, 450 million.
- Government at risk
- Practical and actionable
- Fiduciary duty
- Federal foreign policy controls
- Economic considerations
- Country risk management

3:19 p.m. Representative Bernie Satrom, District 12, Jamestown, ND, introduced and testified.

3:43 p.m. Thomas Beadle, State Treasurer, ND Office of the State Treasurer, testified in opposition.

4:15 p.m. Scott M. Anderson, Chief Investment Officer, ND Retirement and Investment Office (RIO), testified in opposition and submitted testimony #32143 and #36229.

4:42 p.m. Representative Keith Kempenich, District 39, Legacy Fund Advisory Board Bowman, ND, testified in opposition.

4:47 p.m. Chairman Warrey closed the meeting.

*Diane Lillis, Committee Clerk*

**House Bill 1330**  
**North Dakota Retirement and Investment Office (RIO)**  
**Testimony before 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 (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 SIB 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. Testimony Opposed to H.B. 1330**

Pursuant to NDCC Section 54-03-35, any bill which potentially affects the Legacy Fund, the advisory board shall request the state RIO to arrange for the preparation and submission of a cost-benefit analysis (CBA). The investment consultancy RVK has been retained to provide business cases for this purpose.

That CBA analysis is attached and provides an analysis for two scenarios:

- 1) The bill as currently written includes the definition:  
"Chinese company" means a company publicly known to be majority-owned by, controlled by, or subject to the jurisdiction or direction of China.

Many global companies, likely representing most global market capitalization, can be considered "subject to the jurisdiction of China" simply by selling products or otherwise conducting business in China. The scope of this definition would have a large cost, increase the complexity of managing investment portfolios and impact the ability to invest in developed market companies in an agile way. The bill would impact more than \$6 billion of the current investment funds in RIO's care and have a fee cost of more than \$5.6 million per biennium in addition to adding to the complexity of operations and the inability to separately manage developed market funds.

- 2) If the language in the bill can be edited to clarify only a prohibition of direct investment in securities of companies “domiciled in China,” the portion of the portfolio impacted could be reduced considerably. The definition of a “Chinese company” may be changed to:

"Chinese company" means a company domiciled in China.

Bloomberg defines domicile as the place where a majority of company executives are located. The cost in fees would be reduced considerably to about \$1.9 million per year and the change of portfolios would be much easier to implement and maintain as the legislation would not impact developed market company equity portfolios. The bill would meet the requirements of divesting of Chinese domiciled direct investments.

### **III. Other Considerations**

The SIB complies with state and federal law as well as investor best practices. There are several other considerations regarding a China divestment bill:

- **Fiduciary duty**  
Due to the size of the Chinese economy, its exposure in the markets, and its prominence in the major indexes, it is difficult as a fiduciary to exclude China from a portfolio if there is no directive from U.S. Treasury or federal legislation. Two of our investment consultants have stated that the “Prudent Investor Rule” requires fiduciaries consider the long-term health of investments and the portfolio as a whole and not individual investments; removing Chinese holdings for reasons not supported by long-term risk-adjusted returns seems to run counter to this guidance. The country exposure of funds managed by the SIB is a byproduct of and determined as part of the asset allocation process and the benchmark assignment considering long term risk adjusted returns and best practice.
- **Federal Foreign Policy Controls**  
The Office of Foreign Asset Control (OFAC), a division of the US Department of the Treasury, administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States. OFAC provides directive and enforcement of actions for national interest that an investment organization would not be able to determine. Investors normally refer to OFAC to determine legal restrictions on investing in securities. Index providers and investment managers also comply with OFAC directives. Over 700 Chinese entities are restricted from investments by the OFAC. Further, the US government has banned 11 Chinese firms from investment due to Human Rights Violations of the Uyghurs.
- **Economic Considerations**  
China continues to represent a meaningful share of the world’s population, GDP and capital markets. Prominent developed market companies like Apple, Tesla, Air Products, General Electric, etc. have revenue and operations in China. According to two investment consultants, not investing in China reduces the expected overall return per risk of a fully diversified portfolio. The Chinese market offers significant diversification benefits.

Investment managers consider the directives from OFAC, political risks and economic prospects of Chinese companies when investing.

- **Country Risk Management**

After the Russian invasion of Ukraine, the RIO investment team has developed a country risk framework and tool for the SIB to monitor and manage country risk. In addition to the development of the country risk assessment tools, RIO has begun to structure the international portfolios in its care to be more flexible to international events.

#### **IV. Summary**

The SIB is in opposition in its current version based on the CBA outlining the significant cost per biennium, increase the complexity of managing investment portfolios and impact the ability to invest in developed market companies in an agile way.

If the bill's definition of a Chinese company were to be amended to: "Chinese company" means a company domiciled in China, then the SIB would support the bill.

25.0779.01000

Sixty-ninth  
Legislative Assembly  
of North Dakota

**HOUSE BILL NO. 1330**

Introduced by

Representatives Satrom, Grueneich, Ostlie

Senators Conley, Lemm

1 A BILL for an Act to create and enact a new section to chapter 21-10 and to amend and reenact  
2 section 21-10-07.1 of the North Dakota

Century Code, relating to divestment from legacy fund investments in Chinese companies.

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

4 **SECTION 1.** A new section to chapter 21-10 of the North Dakota Century Code is created  
5 and enacted as follows:

**6 Prohibition against Chinese investment.**

7 1. As used in this section:

8 a. "China" means the government of the People's Republic of China, the Chinese  
9 Communist Party, the Chinese military, or any instrumentality thereof.

10 b. "Chinese company" means a company ~~publicly known to be majority-owned by,~~  
11 ~~controlled by, or subject to the jurisdiction or direction of~~ domiciled in China.

12 c. "Company" means a sole proprietorship, an organization, an association, a  
13 corporation, a partnership, a joint venture, a limited partnership, a limited liability  
14 partnership, a limited liability company, or any other entity or business  
15 association, including all wholly owned subsidiaries, majority-owned subsidiaries,  
16 and parent companies, or an affiliate of such entity or business associate which  
17 exists for the purpose of making a profit.

18 d. "Direct holdings" means all securities of a company which are held directly by the  
19 legacy fund or in an account or fund in which the legacy fund owns all shares or  
20 interests. The term does not include indirect holdings in actively managed  
21 investment funds, including a private equity fund, or holdings in exchange-traded  
22 funds.

23 e. "Indirect holdings" means all securities of a company which are held in a

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24 commingled fund or other collective investment, such as a mutual fund, in which

Sixty-ninth  
Legislative Assembly

1 the legacy fund owns shares or interests, together with other investors not  
2 subject to this chapter.

3 f. "Majority-owned" means to have ownership of more than fifty percent of the  
4 outstanding equity interests of a company.

5 2. The legacy fund investments may not consist of direct holdings in a Chinese company.

6 3. The state investment board shall:

7 a. Initiate a review of all direct holdings of legacy fund investments to determine  
8 which direct holdings, if any, include securities of a Chinese company;

9 b. Develop a divestment plan for all direct holdings in Chinese companies, which  
10 must divest at least twenty percent of the total value of Chinese investments held  
11 as of August 1, 2025, per year; and

12 c. Complete divestment from direct holdings in Chinese companies under the  
13 divestment plan pursuant to subdivision b no later than August 1, 2030.

14 SECTION 2. AMENDMENT. Section 21-10-07.1 is amended and reenacted as follows:

1315 Notwithstanding section 21-10-07, for purposes of investment of the legacy fund,  
the state investment board shall give preference to qualified investment firms and  
financial institutions with a presence in the state. The state investment board may  
divest from Chinese companies as defined in chapter 21-10, for the purposes of  
investment of the legacy funds.

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# 2025 HOUSE STANDING COMMITTEE MINUTES

## Industry, Business and Labor Committee Room JW327C, State Capitol

HB 1330  
2/10/2025

A BILL for an Act to create and enact a new section to chapter 21-10 of the North Dakota Century Code, relating to divestment from legacy fund investments in Chinese companies.

10:04 a.m. Chairman Warrey opened the meeting.

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

Member Absent: Representative Christy

### Discussion Topics:

- May/shall divest
- Domiciled in China
- Direct holdings
- Prudent investment rule
- Trust companies in ND

10:04 a.m. Chairman Warrey lead a overview on a proposed amendment and fiscal note.

10:18 a.m. Chairman Warrey closed the meeting.

*Diane Lillis, Committee Clerk*



# 2025 HOUSE STANDING COMMITTEE MINUTES

## Industry, Business and Labor Committee Room JW327C, State Capitol

HB 1330  
2/10/2025

A BILL for an Act to create and enact a new section to chapter 21-10 of the North Dakota Century Code, relating to divestment from legacy fund investments in Chinese companies.

11:15 a.m. Chairman Warrey opened the meeting.

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

Member Absent: Representative Christy

### Discussion Topics:

- In-State investing
- Loopholes
- Performance
- Mandates on investing

11:23 a.m. Representative Koppelman moved to amend Page 1 line 10 and 11 strike "publicly known to be majority owned by, controlled by, or subject to the jurisdiction or direction of" then add "formed and domiciled in" China. Page 2, tack on "May divest from Chinese companies as defined under section 1 of this Act.

11:24 a.m. Representative Kasper seconded the motion.

Voice vote.

Motion passed.

11:25 a.m. Representative Koppelman moved Do Pass as amended.

11:25 a.m. Representative Kasper seconded the motion.

Representatives	Vote
Representative Jonathan Warrey	N
Representative Mitch Ostlie	Y
Representative Landon Bahl	Y
Representative Collette Brown	AB
Representative Josh Christy	AB
Representative Lisa Finley-DeVille	Y
Representative Karen Grindberg	N
Representative Jorin Johnson	N

Representative Jim Kasper	Y
Representative Ben Koppelman	Y
Representative Dan Ruby	Y
Representative Mike Schatz	Y
Representative Austin Schauer	Y
Representative Daniel R. Vollmer	Y

Motion passed 9-3-2

11:33 a.m. Representative Koppelman will carry the bill.

11:33 a.m. Chairman Warrey closed the meeting.

*Diane Lillis, Committee Clerk*

Sixty-ninth  
Legislative Assembly  
of North Dakota

## PROPOSED AMENDMENTS TO

### HOUSE BILL NO. 1330

Introduced by

Representatives Satrom, Grueneich, Ostlie

Senators Conley, Lemm

- 1 A BILL for an Act to create and enact a new section to chapter 21-10 of the North Dakota  
2 Century Code, relating to divestment from legacy fund investments in Chinese companies; and  
3 to amend and reenact section 21-10-07.1.

#### 4 BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

- 5 **SECTION 1.** A new section to chapter 21-10 of the North Dakota Century Code is created  
6 and enacted as follows:

#### 7 **Prohibition against Chinese investment.**

##### 8 1. As used in this section:

- 9 a. "China" means the government of the People's Republic of China, the Chinese  
10 Communist Party, the Chinese military, or any instrumentality thereof.  
11 b. "Chinese company" means a company ~~publicly known to be majority owned by,~~  
12 ~~controlled by, or subject to the jurisdiction or direction of~~formed and domiciled in  
13 China.  
14 c. "Company" means a sole proprietorship, an organization, an association, a  
15 corporation, a partnership, a joint venture, a limited partnership, a limited liability  
16 partnership, a limited liability company, or any other entity or business  
17 association, including all wholly owned subsidiaries, majority-owned subsidiaries,  
18 and parent companies, or an affiliate of such entity or business associate which  
19 exists for the purpose of making a profit.

RS 2012

- 1           d. "Direct holdings" means all securities of a company which are held directly by the  
2           legacy fund or in an account or fund in which the legacy fund owns all shares or  
3           interests. The term does not include indirect holdings in actively managed  
4           investment funds, including a private equity fund, or holdings in exchange-traded  
5           funds.
- 6           e. "Indirect holdings" means all securities of a company which are held in a  
7           commingled fund or other collective investment, such as a mutual fund, in which  
8           the legacy fund owns shares or interests, together with other investors not  
9           subject to this chapter.
- 10          f. "Majority-owned" means to have ownership of more than fifty percent of the  
11          outstanding equity interests of a company.
- 12          2. The legacy fund investments may not consist of direct holdings in a Chinese company.
- 13          3. The state investment board shall:
- 14           a. Initiate a review of all direct holdings of legacy fund investments to determine  
15           which direct holdings, if any, include securities of a Chinese company;
- 16           b. Develop a divestment plan for all direct holdings in Chinese companies, which  
17           must divest at least twenty percent of the total value of Chinese investments held  
18           as of August 1, 2025, per year; and
- 19           c. Complete divestment from direct holdings in Chinese companies under the  
20           divestment plan pursuant to subdivision b no later than August 1, 2030.

21          **SECTION 2. AMENDMENT.** Section 21-10-07.1 of the North Dakota Century Code is  
22          amended and reenacted as follows:

23          **21-10-07.1. Prudent investor rule - Exception.**

24          Notwithstanding section 21-10-07, for purposes of investment of the legacy fund, the state  
25          investment board ~~shall~~:

- 26          1. Shall give preference to qualified investment firms and financial institutions with a  
27          presence in the state; and
- 28          2. May divest from Chinese companies as defined under section 1 of this Act.

**REPORT OF STANDING COMMITTEE  
HB 1330**

**Industry, Business and Labor Committee (Rep. Warrey, Chairman)** recommends **AMENDMENTS (25.0779.01001)** and when so amended, recommends **DO PASS** (9 YEAS, 3 NAYS, 2 ABSENT AND NOT VOTING). HB 1330 was placed on the Sixth order on the calendar.

**2025 SENATE INDUSTRY AND BUSINESS**

**HB 1330**

# 2025 SENATE STANDING COMMITTEE MINUTES

## Industry and Business Committee Fort Union Room, State Capitol

HB 1330  
3/25/2025

A bill relating to the prudent investor rule.
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9:34 a.m. Chairman Barta opened the hearing.

Members present: Chairman Barta, Vice-Chair Boehm, Senator Klein, Senator Kessel, Senator Enget

### Discussion Topics:

- Chinese investments and the Chinese Communist Party
- Infrastructure
- Primary sector business investments
- Economic development of ND
- Agriculture Diversification and Development Fund (ADD)
- ND startup businesses and associated risk
- Oil production and the state's economy
- Venture capital and risk analysis
- Current in-state investment program
- Definition of qualified firms
- Legacy Fund Advisory Board
- History of the legacy fund

9:34 a.m. Representative Bernie Satrom, District 12, testified in favor, introduced the bill, and submitted testimony #43762.

10:01 a.m. Jodi Smith, Interim Executive Director, Retirement and Investment Office, testified in neutral and submitted testimony #43761.

10:10 a.m. Scott Anderson, ND Retirement and Investment Office, testified in neutral, and answered the committee's questions.

10:18 a.m. Jodi Smith, Interim Executive Director, Retirement and Investment Office, testified in neutral and answered the committee's questions.

10:36 a.m. Thomas Beadle, ND State Treasurer, testified in neutral, and answered the committee's questions.

10:42 a.m. Chairman Barta recessed the meeting.

10:52 a.m. Chairman Barta reconvened the meeting.

10:52 a.m. Senator Klein moved to adopt Amendment LC# 25.0779.02000.

10:53 a.m. Senator Boehm seconded the motion.

11:03 a.m. Senator Klein withdrew his motion to adopt Amendment LC# 25.0779.02000.

11:03 a.m. Senator Boehm withdrew his second.

11:03 a.m. Senator Klein moved to adopt Amendment LC# 25.0779.02000 with the additional inclusion of a sunset clause ending on July 31<sup>st</sup>, 2027.

11:04 a.m. Senator Boehm seconded the motion.

<b>Senators</b>	<b>Vote</b>
Senator Jeff Barta	Y
Senator Keith Boehm	Y
Senator Mark Enget	Y
Senator Greg Kessel	Y
Senator Jerry Klein	Y

Motion passed 5-0-0.

11:07 a.m. Senator Boehm moved a Do Pass as Amended.

11:07 a.m. Senator Enget seconded the motion.

<b>Senators</b>	<b>Vote</b>
Senator Jeff Barta	Y
Senator Keith Boehm	Y
Senator Mark Enget	Y
Senator Greg Kessel	Y
Senator Jerry Klein	Y

Motion passed 3-2-0.

Senator Enget will carry the bill.

11:08 a.m. Chairman Barta adjourned the meeting.

*Audrey Oswald, Committee Clerk*



Sixty-ninth  
Legislative Assembly  
of North Dakota

**PROPOSED AMENDMENTS TO  
FIRST ENGROSSMENT**

VC 3/25/25  
1 of 3

**ENGROSSED HOUSE BILL NO. 1330**

Introduced by

Representatives Satrom, Grueneich, Ostlie

Senators Conley, Lemm

1 A BILL for an Act to create and enact a new section to chapter 21-10 and a new subsection to  
2 section 21-10-11 of the North Dakota Century Code, relating to divestment from legacy fund  
3 investments in Chinese companies and the legacy and budget stabilization fund advisory board;  
4 ~~and~~ to amend and reenact section 21-10-07.1 of the North Dakota Century Code, relating to the  
5 prudent investor rule; and to provide an expiration date.

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

7 **SECTION 1.** A new section to chapter 21-10 of the North Dakota Century Code is created  
8 and enacted as follows:

**Prohibition against Chinese investment.**

**1. As used in this section:**

- 11 a. "China" means the government of the People's Republic of China, the Chinese  
12 Communist Party, the Chinese military, or any instrumentality thereof.  
13 b. "Chinese company" means a company formed and domiciled in China.  
14 c. "Company" means a sole proprietorship, an organization, an association, a  
15 corporation, a partnership, a joint venture, a limited partnership, a limited liability  
16 partnership, a limited liability company, or any other entity or business  
17 association, including all wholly owned subsidiaries, majority-owned subsidiaries,  
18 and parent companies, or an affiliate of such entity or business associate which  
19 exists for the purpose of making a profit.

- 1           d. "Direct holdings" means all securities of a company which are held directly by the  
2           legacy fund or in an account or fund in which the legacy fund owns all shares or  
3           interests. The term does not include indirect holdings in actively managed  
4           investment funds, including a private equity fund, or holdings in exchange-traded  
5           funds.
- 6           e. "Indirect holdings" means all securities of a company which are held in a  
7           commingled fund or other collective investment, such as a mutual fund, in which  
8           the legacy fund owns shares or interests, together with other investors not  
9           subject to this chapter.
- 10          f. "Majority-owned" means to have ownership of more than fifty percent of the  
11          outstanding equity interests of a company.
- 12          2. The legacy fund investments may not consist of direct holdings in a Chinese company.
- 13          3. The state investment board shall:
- 14           a. Initiate a review of all direct holdings of legacy fund investments to determine  
15           which direct holdings, if any, include securities of a Chinese company;
- 16           b. Develop a divestment plan for all direct holdings in Chinese companies, which  
17           must divest at least twenty percent of the total value of Chinese investments held  
18           as of August 1, 2025, per year; and
- 19           c. Complete divestment from direct holdings in Chinese companies under the  
20           divestment plan pursuant to subdivision b no later than August 1, 2030.

21          **SECTION 2. AMENDMENT.** Section 21-10-07.1 of the North Dakota Century Code is  
22          amended and reenacted as follows:

23          **21-10-07.1. Prudent investor rule - Exception.**

24          Notwithstanding section 21-10-07, for purposes of investment of the legacy fund, the state  
25          investment board shall:

- 26           1. Shall give preference to qualified investment firms and financial institutions with a  
27           presence in the state; and
- 28           2. May divest from Chinese companies as defined under section 1 of this Act.

29          **SECTION 3.** A new subsection to section 21-10-11 of the North Dakota Century Code is  
30          created and enacted as follows:

1        The legacy fund may be invested in large-scale infrastructure projects under  
2        paragraph 2 of subdivision b of subsection 3 when deemed beneficial to the state. The  
3        legacy fund advisory board and state investment board prudently shall diversify the  
4        investments of the legacy fund unless the boards reasonably determine that, because  
5        of special circumstances, the purposes of the state are better served without  
6        diversification of the legacy fund investments.

7        **SECTION 4. EXPIRATION DATE.** This Act is effective through July 31, 2027, and after that  
8        date is ineffective.

**REPORT OF STANDING COMMITTEE  
ENGROSSED HB 1330**

**Industry and Business Committee (Sen. Barta, Chairman)** recommends **AMENDMENTS** ([25.0779.02001](#)) and when so amended, recommends **DO PASS** (3 YEAS, 2 NAYS, 0 ABSENT OR EXCUSED AND NOT VOTING). HB 1330 was placed on the Sixth order on the calendar. This bill does not affect workforce development.





**House Bill 1330**  
**North Dakota Retirement and Investment Office (RIO)**  
**Testimony before Senate Industry & Business**  
**Senator Jeff Barta, Chair**

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

## **I. RIO STATUTORY AUTHORITY AND RESPONSIBILITIES**

The Retirement and Investment Office (RIO) was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of the State Investment Board (SIB) and Teachers' Fund for Retirement (TFFR) programs. RIO's statutory authority is found in North Dakota Century Code (NDCC) chapter 54-52.5.

The SIB was created by the 1963 Legislative Assembly to invest five funds: State bonding fund; Teachers' insurance and retirement fund; State fire and tornado fund; Workmen's compensation fund; and Highway patrolmen's retirement fund. The SIB's statutory authority is found in NDCC chapter 21-10.

The TFFR was created in 1913 to provide retirement income to North Dakota public school educators. It is a qualified defined benefit public pension plan covered under Section 401(a) of the Internal Revenue Code. NDCC Chapter 15-39-1 contains the statutory language governing TFFR. It is supplemented by Title 82 of the North Dakota Administrative Code.

## **II. LEGACY FUND OVERVIEW**

The **North Dakota Legacy Fund** was established in 2010 following the passage of a constitutional amendment approved by North Dakota voters. The fund was created to ensure that a portion of the state's tax revenues from oil and gas production would be set aside for the long-term benefit of North Dakotans, securing financial stability for future generations.

The Legacy Fund operates as a sovereign wealth fund, receiving 30% of all oil and gas tax revenues collected in the state. It serves as a strategic financial resource for the state, generating investment earnings that can be utilized for various purposes including legislative appropriations, infrastructure investments, economic diversification initiatives, and maintaining financial reserves to mitigate economic downturns.

The Legacy Fund is overseen by the Legacy and Budget Stabilization Fund Advisory Board (Advisory Board) whose duty is to recommend for the investment of funds to present to the SIB. The SIB governs investment decisions regarding the fund, ensuring that assets are allocated prudently across diverse asset classes to maximize long-term returns while managing risk.

potential. Twenty North Dakota businesses are reported to have received \$89 million in funding commitments.

To tap additional in-state opportunities, the SIB will add another investment manager to the program's roster later this year.

### **International Investments**

The SIB's international benchmark, the MSCI All Country World Index IMI, is widely recognized and used by investors globally. This benchmark includes over 6,000 constituents. As index holders, the SIB maintains exposure to all companies in the index. If any company becomes subject to federal sanctions by the U.S. Department of the Treasury's Office of Foreign Asset Control (OFAC), it is promptly removed from the index and from the SIB's portfolio.

The Legacy Fund's investment practices align with those of other major sovereign wealth funds including Alaska's Permanent Fund and Norway's Government Pension Fund Global. For the Legacy Fund, this approach currently includes a careful 2.1% allocation to China, the world's second-largest economy. (Norway invests about 3% of its fund in China.) By comparison, 8% of the Legacy Fund's assets are allocated to investment in North Dakota (\$700 million to in-state fixed income and \$600 million to in-state equity).

### **State Initiatives with Carveouts for Commingled Funds or Indirect Investments such as Private Equity Funds**

State	Legal Direction Provided	Divestment Strategy
Indiana	Law Passed	Divest from direct holdings. Indirect holdings only re-directed if similar fund is consistent with prudent investing standards.
Missouri	Investment Board Direction	Divestment specifics unavailable.
Florida	Law Passed	Divest from direct holdings. Commingled funds not subject to the law.
Oklahoma	Executive Order	Develop divestment plan and submit to Governor's office.
Kansas	Law Passed	Divestment of direct holdings.
Texas	Governor Order	Divestment of current holding at first available opportunity.

The Legacy Fund is one of many institutional investors (i.e., an organization that invests money on behalf of others) in each of these commingled funds. The funds have a range of geographies from domestic, to international, to global. The total China direct and indirect exposure in the Legacy Fund is \$245 Million or 2.1% while the benchmark exposure is about 2.07%. Note that the date of exposures is 11/30/2024.

consultants, not investing in China reduces the expected overall return per risk of a fully diversified portfolio. The Chinese market offers significant diversification benefits. Investment managers consider the directives from OFAC, political risks and economic prospects of Chinese companies when investing.

After the Russian invasion of Ukraine, RIO's investment team developed a country risk framework and tool for the SIB to monitor and manage country risk. In addition to the development of the country risk assessment tools, RIO has begun to structure the international portfolios in its care to be more flexible to international events by creating a structure with Ex-China and China indexes and pursuing authorization to trade securities in emerging market countries so that more flexible Ex-China or Ex-any country separately managed funds can be created. The flexibility would allow exiting China and other countries if there were OFAC requirements to do so.

Pursuant to NDCC Section 54-03-35, any bill which potentially affects the Legacy Fund, the advisory board shall request the state RIO to arrange for the preparation and submission of a cost-benefit analysis (CBA). The investment consultancy RVK has been retained to provide CBAs for this purpose.

The CBA provided by RVK estimates that the cost of divesting of the direct China investments of the Legacy Fund to be between \$100 thousand and \$1.9 million over the biennium beginning in 2025 and between \$100 thousand and \$2.3 million for the biennium beginning in 2027. The cost is primarily driven by the higher cost of investment estimated to maintain the strategic asset allocation of the Legacy Fund.

### **III. SUMMARY**

The SIB is neutral in its current version based on the CBA outlining the cost per biennium and impact the ability to invest in developed market companies in an agile way.



25.0779.02000

**ENGROSSED HOUSE BILL NO. 1330**

Sixty-ninth  
Legislative Assembly  
of North Dakota

**FIRST ENGROSSMENT**

Introduced by

Representatives Satrom, Grueneich, Ostlie

Senators Conley, Lemm

1 A BILL for an Act to create and enact a new section to chapter 21-10 and a new subsection to  
2 section 21-10-11 of the North Dakota Century Code, relating to divestment from legacy fund  
3 investments in Chinese companies and the legacy and budget stabilization fund advisory board;  
4 and to amend and reenact section 21-10-07.1 of the North Dakota Century Code, relating to the  
5 prudent investor rule.

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

7 SECTION 1. A new section to chapter 21-10 of the North Dakota Century Code is created  
8 and enacted as follows:

**9 Prohibition against Chinese investment.****10 1. As used in this section:**

- 11 a. "China" means the government of the People's Republic of China, the Chinese  
12 Communist Party, the Chinese military, or any instrumentality thereof.  
13 b. "Chinese company" means a company formed and domiciled in China.  
14 c. "Company" means a sole proprietorship, an organization, an association, a  
15 corporation, a partnership, a joint venture, a limited partnership, a limited liability  
16 partnership, a limited liability company, or any other entity or business  
17 association, including all wholly owned subsidiaries, majority-owned subsidiaries,  
18 and parent companies, or an affiliate of such entity or business associate which  
19 exists for the purpose of making a profit.  
20 d. "Direct holdings" means all securities of a company which are held directly by the  
21 legacy fund or in an account or fund in which the legacy fund owns all shares or  
22 interests. The term does not include indirect holdings in actively managed



- 1 investment funds, including a private equity fund, or holdings in exchange-traded  
2 funds.
- 3 e. "Indirect holdings" means all securities of a company which are held in a  
4 commingled fund or other collective investment, such as a mutual fund, in which  
5 the legacy fund owns shares or interests, together with other investors not  
6 subject to this chapter.
- 7 f. "Majority-owned" means to have ownership of more than fifty percent of the  
8 outstanding equity interests of a company.
- 9 2. The legacy fund investments may not consist of direct holdings in a Chinese company.
- 10 3. The state investment board shall:
- 11 a. Initiate a review of all direct holdings of legacy fund investments to determine  
12 which direct holdings, if any, include securities of a Chinese company;
- 13 b. Develop a divestment plan for all direct holdings in Chinese companies, which  
14 must divest at least twenty percent of the total value of Chinese investments held  
15 as of August 1, 2025, per year; and
- 16 c. Complete divestment from direct holdings in Chinese companies under the  
17 divestment plan pursuant to subdivision b no later than August 1, 2030.

18 **SECTION 2. AMENDMENT.** Section 21-10-07.1 of the North Dakota Century Code is  
19 amended and reenacted as follows:

20 **21-10-07.1. Prudent investor rule - Exception.**

21 Notwithstanding section 21-10-07, for purposes of investment of the legacy fund, the state  
22 investment board shall:

- 23 1. Shall give preference to qualified investment firms and financial institutions with a  
24 presence in the state; and
- 25 2. May divest from Chinese companies as defined under section 1 of this Act.

26 **SECTION 3.** A new subsection to section 21-10-11 of the North Dakota Century Code is  
27 created and enacted as follows:

28 The legacy fund may be invested in large-scale infrastructure projects under  
29 paragraph 2 of subdivision b of subsection 3 when deemed beneficial to the state. The  
30 legacy fund advisory board and state investment board shall prudently diversify the  
31 investments of the legacy fund unless the boards reasonably determine that, because

1 of special circumstances, the purposes of the state are better served without  
2 diversification of the legacy fund investments.

3  
4  
5  
6

**2025 SENATE APPROPRIATIONS**

**HB 1330**

# 2025 SENATE STANDING COMMITTEE MINUTES

## Appropriations - Government Operations Division Red River Room, State Capitol

HB 1330  
4/4/2025

A BILL for an Act to create and enact a new section to chapter 21-10 and a new subsection to section 21-10-11 of the North Dakota Century Code, relating to divestment from legacy fund investments in Chinese companies and the legacy and budget stabilization fund advisory board; to amend and reenact section 21-10-07.1 of the North Dakota Century Code, relating to the prudent investor rule; and to provide an expiration date.

8:33 a.m. Chairman Wanzek opened the meeting.

Members present: Chairman Wanzek, Vice-Chair Dwyer, Senator Burckhard, Senator Erbele, and Senator Sickler.

### Discussion Topics:

- Legacy Fund investments
- Actions of other states
- Investment in foreign oil and gas companies
- Comingled funds - lack of transparency
- ND budget reliance on commodity market - need for diversification
- Sunset clause
- Complexities of divestiture in global economy; financial consequences
- Prudent Investor Rule
- Potential of in-state investments - risks and benefits
- Portfolio diversification - best return adjusted for risk - within bounds of what other prudent investors do - cost of limiting diversification
- Effects of moral and ethical guidance for investments may not be financially beneficial
- Reasons for international diversification
- Definition of "Chinese investment"
- US Treasury Office of Foreign Asset Control guidance
- VIX Index

8:33 a.m. Representative Satrom, District 12, testified in favor and submitted testimony #44662.

8:53 a.m. Jodi Smith, Interim Executive Director, ND Retirement and Investment Office, testified in favor and submitted testimony #44651.

9:03 a.m. Scott Anderson, Chief Investment Officer, ND Retirement and Investment Office, testified neutrally.

9:34 a.m. Chairman Wanzek closed the hearing.

*Carol Thompson, Committee Clerk*



**House Bill 1330**  
**North Dakota Retirement and Investment Office (RIO)**  
**Testimony before Senate Government Operations Division**  
**Senator Terry Wanzek, Chair**

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

**I. RIO Statutory Authority and Responsibilities**

The Retirement and Investment Office (RIO) was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of the State Investment Board (SIB) and Teachers' Fund for Retirement (TFFR) programs. RIO's statutory authority is found in North Dakota Century Code (NDCC) chapter 54-52.5.

The SIB was created by the 1963 Legislative Assembly to invest five funds: State bonding fund; Teachers' insurance and retirement fund; State fire and tornado fund; Workmen's compensation fund; and Highway patrolmen's retirement fund. The SIB's statutory authority is found in NDCC chapter 21-10.

The TFFR was created in 1913 to provide retirement income to North Dakota public school educators. It is a qualified defined benefit public pension plan covered under Section 401(a) of the Internal Revenue Code. NDCC Chapter 15-39-1 contains the statutory language governing TFFR. It is supplemented by Title 82 of the North Dakota Administrative Code.

**II. IN-STATE INVESTMENT PROGRAM**

In 2021, state legislation established an In-State Investment program requiring a portion of Legacy Fund assets be invested in North Dakota and empowering the SIB, as advised by the Advisory Board, to administer the program. Since the program's inception, more than **\$450 million** has been committed to 40 North Dakota businesses and communities. (See attached document for an illustration these in-state investments.)

Among the fixed-income investments reported, more than \$311 million has been committed through Bank of North Dakota's Match Loan Program funding 9 loans used to attract and retain companies with investment-grade ratings by offering financing at below-prime interest rates. An additional \$50 million is invested through the bank's Infrastructure Revolving Loan Fund supporting 11 loans to political subdivisions by

providing affordable financing for infrastructure projects, most frequently road improvements.

Through the North Dakota Growth Fund, which is managed by 50 South Capital, the Legacy Fund supports the development of the state's entrepreneurial ecosystem by making private equity and venture capital investments with a strong risk-adjusted return potential. Twenty North Dakota businesses are reported to have received \$89 million in funding commitments.

To tap additional in-state opportunities, the SIB will add another investment manager to the program's roster later this year.

The proposed amendment will be added to the following portion of the century code:

21-10-11. Legacy and budget stabilization fund advisory board.

1. The legacy and budget stabilization fund advisory board is created to develop recommendations for the investment of funds in the legacy fund and the budget stabilization fund to present to the state investment board.
2. The goal of investment for the legacy fund is principal preservation and growth while maximizing total return for an appropriate level of risk and to provide a direct benefit to the state by investing a portion of the principal in the state. Preference must be given to qualified investment firms and financial institutions with a presence in the state for investment of the legacy fund.
3. The board shall determine the asset allocation for the investment of the principal of the legacy fund including:
  - a. A target allocation of seven hundred million dollars to fixed income investments within the state, including:
    - (1) Up to one hundred fifty million dollars for infrastructure loans to political subdivisions under section 6-09-49.1. The net return to the legacy fund under this paragraph must be fixed at a target rate of one and one-half percent;
    - (2) A minimum of four hundred million dollars for the Bank of North Dakota's certificate of deposit match program with an interest rate fixed at the equivalent yield of United States treasury bonds having the same term, up to a maximum term of twenty years; and
    - (3) Other qualified fixed income investments within the state based on guidelines developed by the legacy and budget stabilization fund advisory board.

b. A target allocation of six hundred million dollars to equity investments in the state, including:

(1) Investments in one or more equity funds, venture capital funds, or alternative investment funds with a primary strategy of investing in emerging or expanding companies in the state. Equity investments under this paragraph must:

(a) Be managed by qualified investment firms, financial institutions, or equity funds which have a strategy to invest in qualified companies operating or seeking to operate in the state and which have a direct connection to the state; and

(b) Have a benchmark investment return equal to the five-year average net return for the legacy fund, excluding in-state investments; and

(2) Other eligible investments under this subdivision based on guidelines developed by the legacy and budget stabilization fund advisory board. The legacy fund may be invested in large-scale infrastructure projects under paragraph 2 of subdivision b of subsection 3 underwritten and managed by a qualified investment management firm or financial institution when deemed beneficial to the state. The legacy fund advisory board and state investment board shall prudently diversify the investments of the legacy fund per the legacy fund investment policy unless the boards reasonably determine that, because of special circumstances, the purposes of the state are better served with a more concentrated strategy for the in-state infrastructure funds without diversification of the legacy fund investments.

### III. Summary

In summary, RIO stands in a neutral position on HB 1330, which proposes amendments to section 21-10-11 of the North Dakota Century Code under paragraph 2 of subdivision b of subsection 3.



4-4-25 Bernia Satrom  
HB 1330

## Some of the Most Egregious Legacy Fund Investments

Previous open records requests of the State Investment Board have exposed highly controversial Legacy Fund investments around the world – in some 89 different countries. The latest open records request, however, now hides over \$800 million in international investments from public view.

Over the past three years, here are some of the most egregious investments the State Investment Board has made with our tax dollars in the Legacy Fund:

### Russia

**Russian Federation/Government Bonds** – The state lost millions of dollars in the legacy fund and other pension funds when they were forced to divest from these bonds following Vladimir Putin's invasion of Ukraine. We were directly supporting Putin's government before he invaded Ukraine. The taxpayers of North Dakota have never received a full accounting of how many millions of dollars were lost in Russian government bonds.

**GazCap** – this is a subsidiary of Gazprom, the largest natural gas company in the world and the largest company in Russia. Besides holding Europe hostage, the company reportedly supports a mercenary force helping Putin fight his war in Ukraine.

### China

**Billibili, Inc.** – this online "entertainment" company has featured pornographic and pedophilic content including a 34-year old man molesting a 9 year old girl and video streaming of gynecological surgery on a woman who was unaware of the procedure being filmed and livestreamed on the company's website.

**Sinopec** – The Trump administration accused this company of refining oil from Iran – helping Iran get around U.S. sanctions. Under pressure, Sinopec "voluntarily" delisted its stock on the NYSE.

**Chinese National Offshore Oil Company (CNNOC)** Former Commerce Secretary Wilbur Ross said the company supports the Chinese military and "acts as a bully for the People's Liberation Army." The company has since been delisted from the US stock exchange.

**Tencent** – owns two of the world's largest social media platforms that the CCP has used to spy on its citizens and root out "unauthorized religious activity." In particular, the CCP has used Tencent to surveil its Uyghur ethnic minority and move them to Chinese concentration camps.

**Pax Global Technologies** – The FBI and the Department of Homeland Security raided the Florida offices of this Chinese company after reports that PAX's terminals may be involved in cyber-attacks on US and EU organizations. Bloomberg has reported that the company was transmitting encrypted data to unknown third parties in China.

**APT Satellite Holdings** – China recently declared space as a "military domain." Two of the largest shareholders in this company are Chinese controlled aerospace companies that both the Trump and Biden administration have warned investors away from – calling them part of the "military-industrial complex of the People's Republic of China."



**China Merchants Bank** – the Wall Street Journal called this bank “China’s Most Dangerous Bank” because it has hundreds of billions in “bad loans and dodgy investment products,” much of which “they have recorded off their balance sheets.”

**Baidu and Weibo** – Two other Chinese technology giants that have been accused of assisting the CCP with its espionage efforts to steal personal information and U.S. military secrets.

**12 Chinese Real Estate/Property Development Companies** – I have included these at the end of this document. Most of these companies began defaulting on their bond payments while we owned the bonds and some have since gone out of business, The point here is that we invested our legacy fund in developing the housing industry in China but not in North Dakota.

### **Investing in Foreign Oil and Gas Competitors**

These are some of the current Legacy Fund investments in competitors to our own oil and gas industry. They are all state-owned or state-controlled companies except the Canadian one:

Saudi Arabian Oil Company  
Ecopetrol (Columbia))  
Petrobras Global (Brazil)  
Equate (Kuwait)  
Petroleos Mexicanos (Mexico)  
Korea National Oil Co (South Korea)  
Cenovus Energy (Canada)

Past Investments in Competitors:

Pemex (Mexico)  
Sinopec (China)  
Gazcap (Russia)  
Qatar Petroleum (Qatar)

(Note: Because at least \$800 million is now being hidden from public view, we just don’t know what other Legacy Fund investments are being made in competitors to our own industry here in North Dakota)

### **International Banking Industry/Net Zero Banking Alliance – Investing in Our Own Destruction**

Previously supplied list of 23 banks in 12 countries.

### **In-state Investment Program**

All we know is that the State Investment Board has given \$38.5 million to Chicago-based 50 South Capital. They have, in turn, hired five out-of-state managers. We do not know how much money has been distributed to each of the five subcontractors or how much has been invested back into North

Dakota. Getting this information is now the subject of a request for a formal opinion from the Attorney General.

**(February 26, 2022)**

## **12 Real Estate/Property Development Companies**

**SIB is invested in these companies – most defaulting on their bond payments**

### **Companies defaulting on bond payments to investors:**

China Aoyuan Group  
China Evergrande  
Fantasia Holdings Group  
Kaisa Group  
Shaimo Group Holdings  
Sunac China Holdings  
Yuzhou Group Holdings  
Zhenro Properties Group

### **Companies being watched for possible defaults:**

Agile Group Holdings  
Central China Real Estate  
Country Garden Holdings  
Times China Holdings

While we were invested in the bonds of these companies, not the stocks, it is still important to note that the stock prices of these companies have declined by an average of 77% over the last year. The stock prices point to the viability of these companies going forward.

# 2025 SENATE STANDING COMMITTEE MINUTES

## Appropriations - Government Operations Division Red River Room, State Capitol

HB 1330  
4/7/2025

A BILL for an Act to create and enact a new section to chapter 21-10 and a new subsection to section 21-10-11 of the North Dakota Century Code, relating to divestment from legacy fund investments in Chinese companies and the legacy and budget stabilization fund advisory board; to amend and reenact section 21-10-07.1 of the North Dakota Century Code, relating to the prudent investor rule; and to provide an expiration date.

3:03 p.m. Chairman Wanzek opened the hearing.

Members present: Chairman Wanzek, Vice-Chair Dwyer, Senator Burckhard, Senator Erbele, and Senator Sickler.

### Discussion Topics:

- Prudent Investment Rule
- Appropriate financial returns
- Private equity
- Portfolio diversification
- Third-party review of in-state investments
- Comingled funds
- Federal Office of Foreign Asset Control
- In-State investments

3:05 p.m. Brady Larson, Assistant Legislative Budget Analyst, distributed testimony #44744, the proposed amendments.

3:06 p.m. Jodi Smith, Interim Executive Director, ND Retirement and Investment Board, testified in favor and referenced testimony #44744, the proposed amendments.

3:44 p.m. Senator Dwyer moved to Adopt the Proposed Amendments, 25.0779.02002, for HB 1330.

3: p.m. Senator Sickler seconded the motion.

Senators	Vote
Senator Terry M. Wanzek	Y
Senator Randy A. Burckhard	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Jonathan Sickler	Y

Motion passed 5-0-0.

3:55 p.m. Senator Dwyer moved to further amend the proposed amendments by removing lines 12-20 of Section 1 on page 2 of Amended HB 1330.

<b>Senators</b>	<b>Vote</b>
Senator Terry M. Wanzek	N
Senator Randy A. Burckhard	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Jonathan Sickler	Y

Motion passed 4-1-0.

4:00 p.m. Chairman Wanzek closed the meeting.

*Carol Thompson, Committee Clerk*

25.0779.02002  
Title.

Prepared by the Legislative Council  
staff for Senator Dwyer  
April 7, 2025

Sixty-ninth  
Legislative Assembly  
of North Dakota

## PROPOSED AMENDMENTS TO FIRST ENGROSSMENT

### ENGROSSED HOUSE BILL NO. 1330

Introduced by

Representatives Satrom, Grueneich, Ostlie

Senators Conley, Lemm

1 A BILL for an Act to create and enact a new section to chapter 21-10 of the North Dakota  
2 Century Code, relating to divestment from legacy fund investments in Chinese companies; and  
3 to amend and reenact section 21-10-07.1 and paragraph 2 of subdivision b of subsection 3 of  
4 section 21-10-11 of the North Dakota Century Code, relating to the prudent investor rule and  
5 other eligible in-state equity investments under the legacy fund.

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

7 **SECTION 1.** A new section to chapter 21-10 of the North Dakota Century Code is created  
8 and enacted as follows:

9 **Prohibition against Chinese investment.**

10 1. As used in this section:

- 11 a. "China" means the government of the People's Republic of China, the Chinese  
12 Communist Party, the Chinese military, or any instrumentality thereof.
- 13 b. "Chinese company" means a company formed and domiciled in China.
- 14 c. "Company" means a sole proprietorship, an organization, an association, a  
15 corporation, a partnership, a joint venture, a limited partnership, a limited liability  
16 partnership, a limited liability company, or any other entity or business  
17 association, including all wholly owned subsidiaries, majority-owned subsidiaries,  
18 and parent companies, or an affiliate of such entity or business associate which  
19 exists for the purpose of making a profit.

- 1           d. "Direct holdings" means all securities of a company which are held directly by the  
2           legacy fund or in an account or fund in which the legacy fund owns all shares or  
3           interests. The term does not include indirect holdings in actively managed  
4           investment funds, including a private equity fund, or holdings in exchange-traded  
5           funds.  
6           e. "Indirect holdings" means all securities of a company which are held in a  
7           commingled fund or other collective investment, such as a mutual fund, in which  
8           the legacy fund owns shares or interests, together with other investors not  
9           subject to this chapter.  
10          f. "Majority-owned" means to have ownership of more than fifty percent of the  
11          outstanding equity interests of a company.

12          2. The legacy fund investments may not consist of direct holdings in a Chinese company.

13          3. The state investment board shall:

14           a. Initiate a review of all direct holdings of legacy fund investments to determine  
15           which direct holdings, if any, include securities of a Chinese company;

16           b. Develop a divestment plan for all direct holdings in Chinese companies, which  
17           must divest at least twenty percent of the total value of Chinese investments held  
18           as of August 1, 2025, per year; and

19           c. Complete divestment from direct holdings in Chinese companies under the  
20           divestment plan pursuant to subdivision b no later than August 1, 2030.

21          **SECTION 2. AMENDMENT.** Section 21-10-07.1 of the North Dakota Century Code is  
22          amended and reenacted as follows:

23          **21-10-07.1. Prudent investor rule - Exception.**

24          Notwithstanding section 21-10-07, for purposes of investment of the legacy fund, the state  
25          investment board ~~shall~~:

26           1. Shall give preference to qualified investment firms and financial institutions with a  
27           presence in the state; and

28           2. May divest from Chinese companies as defined under section 1 of this Act.

29          **SECTION 3. AMENDMENT.** Paragraph 2 of subdivision b of subsection 3 of section  
30          21-10-11 of the North Dakota Century Code is amended and reenacted as follows:



- 1                   (2) Other eligible investments under this subdivision based on guidelines  
2                   developed by the legacy and budget stabilization fund advisory board. Other  
3                   eligible investments under this paragraph must:  
4                   (a) Be managed by qualified investment firms, financial institutions, or  
5                   equity funds which have a strategy to invest in qualified companies  
6                   operating or seeking to operate in the state and which have a direct  
7                   connection to the state;  
8                   (b) Have a benchmark investment return equal to the five-year average  
9                   net return for the legacy fund, excluding in-state investments; and  
10                  (c) Be diversified unless the legacy and budget stabilization fund advisory  
11                  board approves a strategy allowing concentrated investments for  
12                  in-state infrastructure.

# 2025 SENATE STANDING COMMITTEE MINUTES

## Appropriations - Government Operations Division Red River Room, State Capitol

HB 1330  
4/9/2025

A BILL for an Act to create and enact a new section to chapter 21-10 and a new subsection to section 21-10-11 of the North Dakota Century Code, relating to divestment from legacy fund investments in Chinese companies and the legacy and budget stabilization fund advisory board; to amend and reenact section 21-10-07.1 of the North Dakota Century Code, relating to the prudent investor rule; and to provide an expiration date.

10:53 a.m. Chairman Wanzek opened the hearing.

Members present: Chairman Wanzek, Vice-Chair Dwyer, Senator Burckhard, Senator Erbele, and Senator Sickler.

### Discussion Topics:

- move "mandatory" language and replace with "may" in lines 12-28 on page 2
- In-state investments
- Fiscal note written by third-party
- Committee Action

10:53 a.m. Brady Larson, Assistant Legislative Budget Analyst, distributed budget Information, testimony #44783, 25.0779.02003, the amendments for HB 1330.

10:57 a.m. Senator Dwyer moved a Do Pass for Amendments 25.0779.02003.

10:57 a.m. Senator Sickler seconded the motion.

10:59 a.m. Jodi Smith, Interim Executive Director, ND Retirement and Investment Office, answered committee questions.

Senators	Vote
Senator Terry M. Wanzek	Y
Senator Randy A. Burckhard	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Jonathan Sickler	Y

Motion passed 5-0-0.

11:10 a.m. Senator Burckhard moved a Do Not Pass as Amended for HB 1330.

11:11 a.m. Senator Erbele seconded the motion.

Senators	Vote
Senator Terry M. Wanzek	N
Senator Randy A. Burckhard	Y



Senator Michael Dwyer	Y
Senator Robert Erbele	Y
Senator Jonathan Sickler	Y

Motion passed 4-1-0.

Senator Dwyer will carry this bill.

11:11 a.m. Chairman Wanzek closed the hearing.

*Carol Thompson, Committee Clerk*

4-8-25 Brady

25.0779.02003  
Title.

Prepared by the Legislative Council  
staff for Senate Appropriations -  
Government Operations Division  
Committee

April 8, 2025

Sixty-ninth  
Legislative Assembly  
of North Dakota

## PROPOSED AMENDMENTS TO FIRST ENGROSSMENT

### ENGROSSED HOUSE BILL NO. 1330

Introduced by

Representatives Satrom, Grueneich, Ostlie

Senators Conley, Lemm

*In place of the amendments (25.0779.02001) adopted by the Senate, House Bill No. 1330 is amended by amendments (25.0779.02003) as follows:*

- 1 A BILL for an Act ~~to create and enact a new section to chapter 21-10 of the North Dakota~~
- 2 ~~Century Code, relating to divestment from legacy fund investments in Chinese companies; and~~
- 3 to amend and reenact section 21-10-07.1 and paragraph 2 of subdivision b of subsection 3 of
- 4 section 21-10-11 of the North Dakota Century Code, relating to the prudent investor rule and
- 5 other eligible in-state equity investments under the legacy fund.

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

- 7 ~~SECTION 1. A new section to chapter 21-10 of the North Dakota Century Code is created~~
- 8 ~~and enacted as follows:~~
- 9 ~~Prohibition against Chinese investment.~~
- 10 ~~1. As used in this section:~~
- 11 ~~a. "China" means the government of the People's Republic of China, the Chinese~~
- 12 ~~Communist Party, the Chinese military, or any instrumentality thereof.~~
- 13 ~~b. "Chinese company" means a company formed and domiciled in China.~~
- 14 ~~c. "Company" means a sole proprietorship, an organization, an association, a~~
- 15 ~~corporation, a partnership, a joint venture, a limited partnership, a limited liability~~
- 16 ~~partnership, a limited liability company, or any other entity or business~~
- 17 ~~association, including all wholly owned subsidiaries, majority owned subsidiaries,~~
- 18 ~~and parent companies, or an affiliate of such entity or business associate which~~
- 19 ~~exists for the purpose of making a profit.~~

- 1 ~~d. "Direct holdings" means all securities of a company which are held directly by the~~  
2 ~~legacy fund or in an account or fund in which the legacy fund owns all shares or~~  
3 ~~interests. The term does not include indirect holdings in actively managed~~  
4 ~~investment funds, including a private equity fund, or holdings in exchange-traded~~  
5 ~~funds.~~
- 6 ~~e. "Indirect holdings" means all securities of a company which are held in a~~  
7 ~~commingled fund or other collective investment, such as a mutual fund, in which~~  
8 ~~the legacy fund owns shares or interests, together with other investors not~~  
9 ~~subject to this chapter.~~
- 10 ~~f. "Majority-owned" means to have ownership of more than fifty percent of the~~  
11 ~~outstanding equity interests of a company.~~
- 12 ~~2. The legacy fund investments may not consist of direct holdings in a Chinese company.~~  
13 ~~3. The state investment board shall:~~
- 14 ~~a. Initiate a review of all direct holdings of legacy fund investments to determine~~  
15 ~~which direct holdings, if any, include securities of a Chinese company;~~
- 16 ~~b. Develop a divestment plan for all direct holdings in Chinese companies, which~~  
17 ~~must divest at least twenty percent of the total value of Chinese investments held~~  
18 ~~as of August 1, 2025, per year; and~~
- 19 ~~c. Complete divestment from direct holdings in Chinese companies under the~~  
20 ~~divestment plan pursuant to subdivision b no later than August 1, 2030.~~

21 **SECTION 1. AMENDMENT.** Section 21-10-07.1 of the North Dakota Century Code is  
22 amended and reenacted as follows:

23 **21-10-07.1. Prudent investor rule - Exception.**

24 Notwithstanding section 21-10-07, for purposes of investment of the legacy fund, the state  
25 investment board shall:

- 26 1. Shall give preference to qualified investment firms and financial institutions with a  
27 presence in the state; and
- 28 2. May divest from Chinese companies as defined under section 1 of this Act. As used in  
29 this subsection:
- 30 a. "China" means the government of the People's Republic of China, the Chinese  
31 Communist Party, the Chinese military, or any instrumentality thereof.



1 b. "Chinese company" means a company formed and domiciled in China.

2 c. "Company" means a sole proprietorship, an organization, an association, a  
3 corporation, a partnership, a joint venture, a limited partnership, a limited liability  
4 partnership, a limited liability company, or any other entity or business  
5 association, including all wholly owned subsidiaries, majority-owned subsidiaries,  
6 and parent companies, or an affiliate of such entity or business associate which  
7 exists for the purpose of making a profit.

8 **SECTION 2. AMENDMENT.** Paragraph 2 of subdivision b of subsection 3 of section  
9 21-10-11 of the North Dakota Century Code is amended and reenacted as follows:  
10 (2) Other eligible investments under this subdivision based on guidelines  
11 developed by the legacy and budget stabilization fund advisory board. Other  
12 eligible investments under this paragraph must:  
13 (a) Be managed by qualified investment firms, financial institutions, or  
14 equity funds which have a strategy to invest in qualified companies  
15 operating or seeking to operate in the state and which have a direct  
16 connection to the state;  
17 (b) Have a benchmark investment return equal to the five-year average  
18 net return for the legacy fund, excluding in-state investments; and  
19 (c) Be diversified unless the legacy and budget stabilization fund advisory  
20 board approves a strategy allowing concentrated investments for  
21 in-state infrastructure.

# 2025 SENATE STANDING COMMITTEE MINUTES

## Appropriations Committee Harvest Room, State Capitol

HB 1330  
4/11/2025

A BILL for an Act to create and enact a new section to chapter 21-10 and a new subsection to section 21-10-11 of the North Dakota Century Code, relating to divestment from legacy fund investments in Chinese companies and the legacy and budget stabilization fund advisory board; to amend and reenact section 21-10-07.1 of the North Dakota Century Code, relating to the prudent investor rule; and to provide an expiration date.

8:05 a.m. Chairman Bekkedahl called the meeting to order.

Members Present: Chairman Bekkedahl, Vice-Chairman Erbele, and Senators Burckhard, Cleary, Conley, Davison, Dever, Dwyer, Magrum, Mathern, Meyer, Schaible, Sickler, Sorvaag, Thomas, Wanzek.

### Discussion Topics:

- Differences between Boards
- Prudent Investment Rule
- Diversification and Market Fluctuation

8:06 a.m. Senator Dwyer introduced the bill and submitted testimony #44926.

8:12 a.m. Senator Erbele moved to amend by removing section 2 of the amendment LC 25.0779.02003.

8:12 a.m. Senator Davison seconded the motion.

Senators	Vote
Senator Brad Bekkedahl	Y
Senator Robert Erbele	Y
Senator Randy A. Burckhard	N
Senator Sean Cleary	Y
Senator Cole Conley	N
Senator Kyle Davison	Y
Senator Dick Dever	Y
Senator Michael Dwyer	N
Senator Jeffery J. Magrum	Y
Senator Tim Mathern	Y
Senator Scott Meyer	Y
Senator Donald Schaible	Y
Senator Jonathan Sickler	Y
Senator Ronald Sorvaag	Y
Senator Paul J. Thomas	Y
Senator Terry M. Wanzek	N

Motion Passed 12-4-0.

8:18 a.m. Senator Dwyer moved amendment LC 25.0779.02003 without section 2.

8:18 a.m. Senator Burckhard seconded the motion.

<b>Senators</b>	<b>Vote</b>
Senator Brad Bekkedahl	Y
Senator Robert Erbele	Y
Senator Randy A. Burckhard	Y
Senator Sean Cleary	N
Senator Cole Conley	Y
Senator Kyle Davison	Y
Senator Dick Dever	Y
Senator Michael Dwyer	Y
Senator Jeffery J. Magrum	Y
Senator Tim Mathern	Y
Senator Scott Meyer	Y
Senator Donald Schaible	Y
Senator Jonathan Sickler	Y
Senator Ronald Sorvaag	Y
Senator Paul J. Thomas	N
Senator Terry M. Wanzek	N

Motion Passed 13-3-0.

8:20 a.m. Senator Dwyer moved a Do Not Pass as Amended.

8:20 a.m. Senator Erbele seconded the motion.

<b>Senators</b>	<b>Vote</b>
Senator Brad Bekkedahl	Y
Senator Robert Erbele	Y
Senator Randy A. Burckhard	Y
Senator Sean Cleary	N
Senator Cole Conley	N
Senator Kyle Davison	Y
Senator Dick Dever	Y
Senator Michael Dwyer	Y
Senator Jeffery J. Magrum	N
Senator Tim Mathern	Y
Senator Scott Meyer	Y
Senator Donald Schaible	Y
Senator Jonathan Sickler	Y
Senator Ronald Sorvaag	Y
Senator Paul J. Thomas	N
Senator Terry M. Wanzek	N

Motion Passed 11-5-0.

Senator Dwyer will carry the bill.

8:25 a.m. Chairman Bekkedahl closed the hearing.

*Elizabeth Reiten, Committee Clerk*

April 11, 2025

Sixty-ninth  
Legislative Assembly  
of North Dakota

**PROPOSED AMENDMENTS TO  
FIRST ENGROSSMENT**

VC 4/11/25  
1 of 3

**ENGROSSED HOUSE BILL NO. 1330**

Introduced by

Representatives Satrom, Grueneich, Ostlie

Senators Conley, Lemm

*In place of the amendments (25.0779.02001) adopted by the Senate, House Bill No. 1330 is amended by amendments (25.0779.02004) as follows:*

- 1 A BILL for an Act ~~to create and enact a new section to chapter 21-10 of the North Dakota~~  
2 ~~Century Code, relating to divestment from legacy fund investments in Chinese companies; and~~  
3 to amend and reenact section 21-10-07.1 of the North Dakota Century Code, relating to the  
4 prudent investor rule.

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

6 ~~**SECTION 1.** A new section to chapter 21-10 of the North Dakota Century Code is created~~  
7 ~~and enacted as follows:~~

8 ~~**Prohibition against Chinese investment.**~~

9 ~~**1.** As used in this section:~~

10 ~~**a.** "China" means the government of the People's Republic of China, the Chinese~~  
11 ~~Communist Party, the Chinese military, or any instrumentality thereof.~~

12 ~~**b.** "Chinese company" means a company formed and domiciled in China.~~

13 ~~**c.** "Company" means a sole proprietorship, an organization, an association, a~~  
14 ~~corporation, a partnership, a joint venture, a limited partnership, a limited liability~~  
15 ~~partnership, a limited liability company, or any other entity or business~~  
16 ~~association, including all wholly owned subsidiaries, majority-owned subsidiaries,~~  
17 ~~and parent companies, or an affiliate of such entity or business associate which~~  
18 ~~exists for the purpose of making a profit.~~



1 ~~d. "Direct holdings" means all securities of a company which are held directly by the~~  
2 ~~legacy fund or in an account or fund in which the legacy fund owns all shares or~~  
3 ~~interests. The term does not include indirect holdings in actively managed~~  
4 ~~investment funds, including a private equity fund, or holdings in exchange traded~~  
5 ~~funds.~~

6 ~~e. "Indirect holdings" means all securities of a company which are held in a~~  
7 ~~commingled fund or other collective investment, such as a mutual fund, in which~~  
8 ~~the legacy fund owns shares or interests, together with other investors not~~  
9 ~~subject to this chapter.~~

10 ~~f. "Majority owned" means to have ownership of more than fifty percent of the~~  
11 ~~outstanding equity interests of a company.~~

12 ~~2. The legacy fund investments may not consist of direct holdings in a Chinese company.~~

13 ~~3. The state investment board shall:~~

14 ~~a. Initiate a review of all direct holdings of legacy fund investments to determine~~  
15 ~~which direct holdings, if any, include securities of a Chinese company;~~

16 ~~b. Develop a divestment plan for all direct holdings in Chinese companies, which~~  
17 ~~must divest at least twenty percent of the total value of Chinese investments held~~  
18 ~~as of August 1, 2025, per year; and~~

19 ~~c. Complete divestment from direct holdings in Chinese companies under the~~  
20 ~~divestment plan pursuant to subdivision b no later than August 1, 2030.~~

21 **SECTION 1. AMENDMENT.** Section 21-10-07.1 of the North Dakota Century Code is  
22 amended and reenacted as follows:

23 **21-10-07.1. Prudent investor rule - Exception.**

24 Notwithstanding section 21-10-07, for purposes of investment of the legacy fund, the state  
25 investment board shall:

26 1. Shall give preference to qualified investment firms and financial institutions with a  
27 presence in the state; and

28 2. May divest from Chinese companies ~~as defined under section 1 of this Act.~~ As used in  
29 this subsection:

30 a. "Chinese company" means a company formed and domiciled in China.

- 1        b. "Company" means a sole proprietorship, an organization, an association, a  
2        corporation, a partnership, a joint venture, a limited partnership, a limited liability  
3        partnership, a limited liability company, or any other entity or business  
4        association, including all wholly owned subsidiaries, majority-owned subsidiaries,  
5        and parent companies, or an affiliate of such entity or business associate which  
6        exists for the purpose of making a profit.

**REPORT OF STANDING COMMITTEE  
ENGROSSED AND AMENDED HB 1330**

**Appropriations Committee (Sen. Bekkedahl, Chairman)** recommends **AMENDMENTS** ([25.0779.02004](#)) and when so amended, recommends **DO NOT PASS** (11 YEAS, 5 NAYS, 0 ABSENT OR EXCUSED AND NOT VOTING). Engrossed HB 1330, as amended, was placed on the Sixth order on the calendar. This bill does not affect workforce development.

25.0779.02003  
Title.

Prepared by the Legislative Council  
staff for Senate Appropriations -  
Government Operations Division  
Committee

April 8, 2025

Sixty-ninth  
Legislative Assembly  
of North Dakota

## PROPOSED AMENDMENTS TO FIRST ENGROSSMENT

### ENGROSSED HOUSE BILL NO. 1330

Introduced by

Representatives Satrom, Grueneich, Ostlie

Senators Conley, Lemm

*In place of the amendments (25.0779.02001) adopted by the Senate, House Bill No. 1330 is amended by amendments (25.0779.02003) as follows:*

- 1 A BILL for an Act to ~~create and enact a new section to chapter 21-10 of the North Dakota~~  
2 ~~Century Code, relating to divestment from legacy fund investments in Chinese companies; and~~  
3 to amend and reenact section 21-10-07.1 and paragraph 2 of subdivision b of subsection 3 of  
4 section 21-10-11 of the North Dakota Century Code, relating to the prudent investor rule and  
5 other eligible in-state equity investments under the legacy fund.

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

- 7 ~~SECTION 1. A new section to chapter 21-10 of the North Dakota Century Code is created~~  
8 ~~and enacted as follows:~~  
9 ~~Prohibition against Chinese investment.~~  
10 ~~1. As used in this section:~~  
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12 ~~Communist Party, the Chinese military, or any instrumentality thereof.~~  
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15 ~~corporation, a partnership, a joint venture, a limited partnership, a limited liability~~  
16 ~~partnership, a limited liability company, or any other entity or business~~  
17 ~~association, including all wholly owned subsidiaries, majority owned subsidiaries,~~  
18 ~~and parent companies, or an affiliate of such entity or business associate which~~  
19 ~~exists for the purpose of making a profit.~~



1 ~~d. "Direct holdings" means all securities of a company which are held directly by the~~  
2 ~~legacy fund or in an account or fund in which the legacy fund owns all shares or~~  
3 ~~interests. The term does not include indirect holdings in actively managed~~  
4 ~~investment funds, including a private equity fund, or holdings in exchange traded~~  
5 ~~funds.~~

6 ~~e. "Indirect holdings" means all securities of a company which are held in a~~  
7 ~~commingled fund or other collective investment, such as a mutual fund, in which~~  
8 ~~the legacy fund owns shares or interests, together with other investors not~~  
9 ~~subject to this chapter.~~

10 ~~f. "Majority-owned" means to have ownership of more than fifty percent of the~~  
11 ~~outstanding equity interests of a company.~~

12 ~~2. The legacy fund investments may not consist of direct holdings in a Chinese company.~~

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15 ~~which direct holdings, if any, include securities of a Chinese company;~~

16 ~~b. Develop a divestment plan for all direct holdings in Chinese companies, which~~  
17 ~~must divest at least twenty percent of the total value of Chinese investments held~~  
18 ~~as of August 1, 2025, per year; and~~

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23 **21-10-07.1. Prudent investor rule - Exception.**

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25 investment board shall:

26 1. Shall give preference to qualified investment firms and financial institutions with a  
27 presence in the state; and

28 2. May divest from Chinese companies as defined under section 1 of this Act. As used in  
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2       c. "Company" means a sole proprietorship, an organization, an association, a  
3       corporation, a partnership, a joint venture, a limited partnership, a limited liability  
4       partnership, a limited liability company, or any other entity or business  
5       association, including all wholly owned subsidiaries, majority-owned subsidiaries,  
6       and parent companies, or an affiliate of such entity or business associate which  
7       exists for the purpose of making a profit.

8       **SECTION 2. AMENDMENT.** Paragraph 2 of subdivision b of subsection 3 of section  
9       21-10-11 of the North Dakota Century Code is amended and reenacted as follows:

- 10           (2) Other eligible investments under this subdivision based on guidelines  
11           developed by the legacy and budget stabilization fund advisory board. Other  
12           eligible investments under this paragraph must:  
13           (a) Be managed by qualified investment firms, financial institutions, or  
14           equity funds which have a strategy to invest in qualified companies  
15           operating or seeking to operate in the state and which have a direct  
16           connection to the state;  
17           (b) Have a benchmark investment return equal to the five-year average  
18           net return for the legacy fund, excluding in-state investments; and  
19           (c) Be diversified unless the legacy and budget stabilization fund advisory  
20           board approves a strategy allowing concentrated investments for  
21           in-state infrastructure.