

Bill Draft No. 135**Employee Benefits Programs Committee****June 5, 2014**

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Retirement and Investment Office (RIO)/State Investment Board (SIB).**

The changes requested in Bill Draft No. 135 to Chapter 21-10 are simply technical corrections to bring the language more in-line with current operational practices of the SIB and to correctly depict the funds under the direction of the SIB.

SECTION 1:

The first change in #1b of section 21-10-02.1 is meant to better describe the way rates of return should be determined within fund policies. Return objectives must be tied to liquidity requirements and risk tolerance and should not be viewed as absolute values. The SIB felt these changes better described that relationship.

The next change is under #2 of section 21-10-02.1. Because asset/liability studies are being conducted by the various funds at different times and under different schedules, the SIB does not require nor desire that all of these changes be brought to them at the same time. Therefore the January first deadline is being removed. Additionally, because these studies may result in changes to asset allocations after the initial allocations are set, it is important to distinguish that the original and all subsequent changes must be approved by both the governing bodies and the SIB.

SECTION 2:

The remaining changes are to section 21-10-06. The first is a correction to an incorrect reference. A change was made to this reference in the 2011 session and the error was not noticed. The reference to 21-10-01 does not make sense and should be to 21-10-02.

Next, the National Guard Tuition Trust Fund is no longer invested by the SIB so is being removed from the list. And finally, for clarification purposes, "m" is being added to the list to ensure that any fund contracted with the SIB for investment services under #3 is subject to section 21-10-02, the same as all of the funds listed above.

This concludes my testimony and I would be happy to answer any questions you may have.