

## LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD - ROLE OF RETIREMENT AND INVESTMENT OFFICE

This memorandum discusses the role of the Retirement and Investment Office in advising the Legacy and Budget Stabilization Fund Advisory Board in developing asset allocation and investment policies for the legacy fund and the budget stabilization fund. Section 3 of Senate Bill No. 2302 (2011) (codified as North Dakota Century Code Section 21-10-11) established the Legacy and Budget Stabilization Fund Advisory Board. This section provides:

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. The goal of investment for the legacy fund is principal preservation while maximizing total return. The board consists of two members of the senate appointed by the senate majority leader, two members of the house of representatives appointed by the house majority leader, the director of the office of management and budget or designee, the president of the Bank of North Dakota or designee, and the tax commissioner or designee. The board shall select a chairman and must meet at the call of the chairman. The board shall report at least semiannually to the budget section. Legislative members are entitled to receive compensation and expense reimbursement as provided under section 54-03-20 and reimbursement for mileage as provided by law for state officers. The legislative council shall pay the compensation and expense reimbursement for the legislative members. The legislative council shall provide staff services to the legacy and budget stabilization fund advisory board. The staff and consultants of the state retirement and investment office shall advise the board in developing asset allocation and investment policies.

The section provides that the 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. The section provides that the Legislative Council is to provide staff services to the board, and the staff and consultants of the Retirement and Investment Office are to advise the board in developing asset allocation and investment policies.

This section charges the board with responsibility to develop recommendations for the investment of funds in the legacy fund and the budget stabilization fund to present to the State Investment Board utilizing the staff and consultants of the Retirement and Investment Office. The section provides that the staff and consultants of the Retirement and Investment Office are to advise the board in developing the asset allocation and investment policies. *Webster's New World Dictionary* defines the term "advise" as to "give advice or an opinion to; counsel" or to "offer as advice; recommend." Based upon the statutory language, the Legacy and Budget Stabilization Fund Advisory Board is responsible in developing the asset allocation and investment policies for the legacy fund and the budget stabilization fund to present to the State Investment Board for implementation. To fulfill its statutory responsibilities it follows that if the board is dissatisfied with the choice of consultants by the Retirement and Investment Office, it could request the office to provide additional recommendations or a new consultant to fulfill its advisory responsibilities. However, the statute does not contain authority for the Legacy and Budget Stabilization Fund Advisory Board to hire and retain its own consultants. Once the asset allocation and investment policies are formulated, then it is the responsibility of the board to forward them to the State Investment Board for implementation.