

**2015 HOUSE GOVERNMENT AND VETERANS AFFAIRS**

**HB 1063**

# 2015 HOUSE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee  
Fort Union, State Capitol

HB 1063  
1/8/2015  
21772

- Subcommittee  
 Conference Committee

Committee Clerk Signature

*Carmen Hart*

## Explanation or reason for introduction of bill/resolution:

Relating to modifications to investment policies for and funds under management of the State Investment Board.

## Minutes:

Attachment #1

**Chairman Kasper** opened the hearing on HB 1063.

**Dave Hunter**, Executive Director/Chief Investment Officer, ND Retirement and Investment Office appeared and presented Testimony #1 attached. (6:00-8:53)

**Rep. Wallman** You do not hear bills in chronological order?

**Chairman Kasper** These bills were assigned by Legislative Management for the first week. From here on out, I will be assigning the bills usually based upon their technical needs of that bill and the complexity.

**Rep. Wallman** I wasn't aware the State Investment Board takes clients, and I assume, receives revenue. Why do we do that?

**Dave Hunter** The State Investment Board was actually created under the Century Code to handle investment actions that any agency can be brought to the board. There is a new client acceptance policy that when we go through it, we would briefly meet with the client, get their investment understanding and knowledge, and go back to the State Investment Board and say this is something that fits within our wheel house of existing investment products. It is a way for us to leverage our resources within the state. One of the biggest advantages that we have been able to take by collecting all of our funds together for the various pension plans, the legacy fund, and all the various

insurance agencies is we have better leverage with our investment managers. It allows an investment client, even a small client, to benefit from significant larger dollars.

**Rep. Wallman** Would we find that list in the Century Code?

**Dave Hunter** It is Century Code 22-10.

**Rep. M. Johnson** What was the reason for the January 1 deadline historically? Did it have anything to do with the legislative session convening?

**Dave Hunter** I really know why it went back to January 1. It may have been an arbitrary decision. The Century Code should be 21-10.

No opposition.

The hearing was closed.

**Rep. Laning** Moved for a Do Pass.

**Rep. Louser** Seconded.

**Chairman Kasper** It looks like an innocent bill but there is quite a large number of ramifications by this bill.

A roll call vote was taken. 14 yeas, 0 nays, 0 absent.

Rep. Steiner will carry the bill.

**Rep. Karls** Occasionally chairmen will also like to group bills so people coming to testify on one topic would want to stay and testify on the same topic on another bill.

**Chairman Kasper** Certainly. Like veterans' bills.

Date: ~~1-8-15~~ 1-8-15  
 Roll Call Vote #: 1

**2015 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1063**

House Government and Veterans Affairs Committee

Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation:  Adopt Amendment  
 Do Pass  Do Not Pass  Without Committee Recommendation  
 As Amended  Rerefer to Appropriations  
 Place on Consent Calendar

Other Actions:  Reconsider  \_\_\_\_\_

Motion Made By Laning Seconded By Louser

Representatives	Yes	No	Representatives	Yes	No
Chairman Jim Kasper	X		Rep. Bill Amerman	X	
Vice Chair Karen Rohr	X		Rep. Gail Mooney	X	
Rep. Jason Dockter	X		Rep. Mary Schneider	X	
Rep. Mary C. Johnson	X		Rep. Kris Wallman	X	
Rep. Karen Karls	X				
Rep. Ben Koppelman	X				
Rep. Vernon Laning	X				
Rep. Scott Louser	X				
Rep. Jay Seibel	X				
Rep. Vicky Steiner	X				

Total (Yes) 14 No 0

Absent \_\_\_\_\_

Floor Assignment Steiner

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1063: Government and Veterans Affairs Committee (Rep. Kasper, Chairman)**  
recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).  
HB 1063 was placed on the Eleventh order on the calendar.

**2015 SENATE GOVERNMENT AND VETERANS AFFAIRS**

**HB 1063**

# 2015 SENATE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee  
Missouri River Room, State Capitol

HB 1063  
3/13/2015  
Job # 24808

- Subcommittee  
 Conference Committee

Committee Clerk Signature



## Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact sections 21-10-02.1 and 21-10-06 of the North Dakota Century Code, relating to modifications to investment policies for and funds under management of the state investment board.

## Minutes:

Attachments 1

**Chairman Dever:** Opened the hearing in HB 1063.

**David Hunter, Executive Director/Chief Investment Officer, North Dakota Retirement and Investment Office:** See Attachment #1 for testimony in support of the bill.

**(2:40)Senator Davison:** Is there a fee for someone else to come under contract with the board?

**David Hunter:** There is a fee that we would apply to any of the clients that would be available to the state investment board. There is an administrative cost and it about 2 basis points or about two one hundredth's of one percent. Of course there are investment management fees on behalf of all of the investment funds that we use for the most recent fiscal year ending June 30<sup>th</sup>, 2014. That approximated about half of a percent.

**Senator Davison:** Similar to an index fund or those kinds of things?

**David Hunter:** Index funds would generally be a little more like 10 to 20 basis points or .1 to .2 percent, but we believe that we add value by using active management to more than offset the additional fees of those costs.

**Chairman Dever:** Asked for additional testimony and there was no one else present to testify.

**Chairman Dever:** Closed the hearing on HB 1063.

**Senator Nelson:** Moved a Do Pass.

Senate Government and Veterans Affairs Committee

HB 1063

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**Senator Cook: Seconded.**

**A Roll Call Vote Was Taken: 7 yeas, 0 nays, 0 absent.**

**Motion Carried.**

**Senator Davison will carry the bill.**

Date: 3/13  
 Roll Call Vote #: 1

**2015 SENATE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1063**

Senate Government and Veterans Affairs Committee

Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation:  Adopt Amendment  
 Do Pass  Do Not Pass  Without Committee Recommendation  
 As Amended  Rerefer to Appropriations  
 Place on Consent Calendar

Other Actions:  Reconsider  \_\_\_\_\_

Motion Made By Nelson Seconded By Cook

Senators	Yes	No	Senators	Yes	No
Chairman Dever	✓		Senator Marcellais	✓	
Vice Chairman Poolman	✓		Senator Nelson	✓	
Senator Cook	✓				
Senator Davison	✓				
Senator Flakoll	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Davison

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1063: Government and Veterans Affairs Committee (Sen. Dever, Chairman)**  
recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).  
HB 1063 was placed on the Fourteenth order on the calendar.

**2015 TESTIMONY**

**HB 1063**

# 1

HB 1063

House Government and Veteran Affairs Committee  
January 8, 2015

**David Hunter – Executive Director / Chief Investment Officer  
ND Retirement and Investment Office**

The changes requested in House Bill No. 1063 to Chapter 21-10 are simply technical corrections to bring the language more in-line with current operational practices of the State Investment Board (“SIB”) and to correctly depict the funds under the direction of the SIB.

**Section 1. NDCC 21-10-02.1 Board – Policies on investment goals and objectives**

The first change in paragraph 1.b 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 second change is in paragraph 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. NDCC 21-10-06 Funds under management of board**

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 is incorrect and should be changed to 21-10-02.

Next, the National Guard Tuition Trust Fund is no longer invested by the SIB so it 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 paragraph 3) is subject to section 21-10-02, the same as all of the funds listed above.

**Summary**

The Legislative Employee Benefits Programs Committee reviewed this bill (Bill Draft No. 135) and unanimously approved this recommendation.

On behalf of the State Investment Board, we respectfully request that your Committee provide a “do pass” recommendation on HB 1063.

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

**ENGROSSED HB 1063**

**Senate Government and Veteran Affairs Committee  
March 13, 2015**

**David Hunter – Executive Director / Chief Investment Officer  
ND Retirement and Investment Office**

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