

**2023 HOUSE FINANCE AND TAXATION**

**HB 1227**

# 2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee  
Room JW327E, State Capitol

HB 1227  
1/18/2023

A bill relating to a cost-benefit analysis for a measure or policy affecting the legacy fund.

**Chairman Headland** opened the hearing at 9:00AM.

**Members present:** Chairman Headland, Vice Chairman Hagert, Representative Anderson, Representative Bosch, Representative Dockter, Representative Fisher, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Toman, Representative Finley-DeVilleville, and Representative Ista. **Members absent:** Representative Grueneich, Representative Steiner.

## Discussion Topics:

- Cost-benefit analysis on measures
- Legacy fund changes
- Initiated measures
- Proposed amendment 23.0202.02001

**Representative Kempenich** verbally introduced the bill in support.

**Jan Murtha, Executive Director for the Retirement and Investment Office**, neutral testimony (#14148).

**Representative Kempenich** provided written testimony, #14197.

**Scott Anderson, Chief Investment Officer with the Retirement and Investment Office**, verbally testified in neutral capacity, further explained testimony of Jan Murtha, and proposed an amendment (#14273).

**Chairman Headland** closed the hearing at 9:19AM.

**Representative Bosch** moved the proposed amendment 23.0202.02001.

**Representative Fisher** seconded the motion.

## Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Lisa Finley-DeVilleville	Y

Representative Jay Fisher	Y
Representative Jim Grueneich	AB
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	AB
Representative Nathan Toman	Y

**Motion carried 12-0-2**

**Representative Bosch moved a Do Pass as Amended.**

**Representative Hagert seconded the motion.**

**Roll call vote:**

<b>Representatives</b>	<b>Vote</b>
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	Y
Representative Jason Dockter	Y
Representative Lisa Finley-DeVilleville	Y
Representative Jay Fisher	Y
Representative Jim Grueneich	AB
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	AB
Representative Nathan Toman	Y

**Motion carried 12-0-2**

**Representative Bosch is the bill carrier.**

Meeting adjourned at 9:22AM.

*Mary Brucker, Committee Clerk*

January 18, 2023

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1227

*JA 1-18-23*

Page 1, line 10, remove the first "measure"

Page 1, line 10, replace the second "or" with "for"

Renumber accordingly

**REPORT OF STANDING COMMITTEE**

**HB 1227: Finance and Taxation Committee (Rep. Headland, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1227 was placed on the Sixth order on the calendar.

Page 1, line 10, remove the first "measure"

Page 1, line 10, replace the second "or" with "for"

Renumber accordingly

**2023 SENATE INDUSTRY AND BUSINESS**

**HB 1227**

# 2023 SENATE STANDING COMMITTEE MINUTES

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

HB 1227  
3/7/2023

An act relating to a cost-benefit analysis for a measure or policy affecting the legacy fund.

10:45 AM Chairman D. Larsen opened the meeting. Members present: Chairman D. Larsen, Vice Chairman Kessel, Senator Barta, Senator Klein, Senator Boehm.

### Discussion Topics:

- Legislative management
- Cost of long-term money
- Cost saving
- Legacy fund

10:52 AM Representative Keith Kempenich, District 39, introduced HB 1227 and testified in favor. No written testimony.

11:03 AM Janylyn Murtha, JD, MPAP, Executive Director, Retirement, and Investment Office, testified neutral on HB 1227. #22501

11:09 AM Chairman D. Larsen closed the hearing on HB 1227.

11:10 AM Vice Chairman Kessell moved to DO PASS HB 1227. Senator Barta seconded the motion.

Roll call vote:

Senators	Vote
Senator Doug Larsen	Y
Senator Greg Kessel	Y
Senator Jeff Barta	Y
Senator Keith Boehm	Y
Senator Jerry Klein	Y

Vote: 5-0-0 DO PASS HB 1227

Senator Kessel will carry the bill.

11:15 Chairman D. Larsen adjourned the meeting.

*Brenda Cook, Committee Clerk*

**REPORT OF STANDING COMMITTEE**

**HB 1227, as engrossed: Industry and Business Committee (Sen. Larsen, Chairman)**  
recommends **DO PASS** (5 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).  
Engrossed HB 1227 was placed on the Fourteenth order on the calendar. This bill  
does not affect workforce development.



**TESTIMONY**

**HB 1227**

**House Bill 1227**  
**North Dakota Retirement and Investment Office (RIO)**  
**Neutral Testimony relating to HB 1227 before the House Finance & Taxation**  
**Committee**  
**Representative Craig Headland, Chair**  
**Representative Jerad Hagert, Vice Chair**

**Janilyn Murtha, JD, MPAP – Executive Director**  
**Scott Anderson, CFA, MBA – Chief Investment Officer**

**I. Introduction**

The Retirement and Investment Office (hereinafter “RIO”) was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of the investment program of the State Investment Board (SIB) and the retirement program of the Teachers’ Fund for Retirement (TFFR). Statutory authority for the agency is found in North Dakota Century Code chapter 54-52.5 and the programs are governed by chapters 21-10 (SIB) and 15-39.1 (TFFR).

The State Investment Board has the statutory responsibility to administer the investment program for 27 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 19 other non-pension funds for a total of 27 separate client funds with an overall fund value of roughly \$18 billion as of October 31, 2022.

**II. Neutral Testimony relating to H.B. 1227**

SIB assets under management have grown from about \$4 billion in 2010 to over \$18 billion currently and continue to grow from investment returns and contributions to the Legacy Fund, pension plans, and insurance funds. The combination of the growth of AUM, the number of individually managed funds, and the complexity of mandates such as the Legacy Fund have increased the need for staff resources, infrastructure and new scalable investment processes that can enhance the performance of client funds while reducing the net cost of management of those funds when manager fees are considered.

The Retirement and Investment office does not have any concerns with HB 1227. Providing business cases for proposed legislative, initiated or referred measures is a good practice that can lead to rational decisions and best-case outcomes for the Legacy Fund. Where decision independence is required, the hiring of an independent third party can bring external experience with precedence of similar initiatives implemented in other contexts, a fact-based analysis unencumbered by bias, and a diligent, economically grounded business case.

### **III. Summary**

The Retirement and Investment Office recognizes that the intent of H.B. 1227 provides a foundation for good business practice and due diligence processes relating to investment of the Legacy Fund and has no concerns at this time.

Based on the content and intent, it seems like the wording was meant to say that any legislative, initiated or referred measure for asset allocation affecting the legacy fund rather than legislative measure, initiated or referred measure, or asset allocation and investment policy affecting the legacy fund? The focus being on legislated, initiated or referred measures as triggering a business case analysis.

**Legacy fund - Cost-benefit analysis - Legacy and budget stabilization fund advisory board - State retirement and investment office - Legislative management procedures.**

1. The legacy and budget stabilization fund advisory board shall review any legislative ~~measure initiated, or referred measure,~~ **or for** asset allocation and investment policy affecting the legacy fund. If the advisory board determines the measure or policy affects the legacy fund, the advisory board shall request the state retirement and investment office to arrange for the preparation and submission of a cost-benefit analysis.

Please let me know if you have any questions regarding my comments.

Best Regards,

Scott

**Scott M Anderson, CFA, CIPM** | Chief Investment Officer  
ND Retirement & Investment Office | ND State Investment Board  
1600 E. Century Avenue, Suite 3 | P.O. Box 7100 | Bismarck, ND 58507-7100  
Phone: (701) 328-9889 | Mobile: (701) 390-4305 | email: [scmanderson@nd.gov](mailto:scmanderson@nd.gov)



23.0202.02001  
Title.03000

Adopted by the House Finance and Taxation  
Committee

January 18, 2023

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1227

Page 1, line 10, remove "measure"

Page 1, line 10, after "initiated" insert an underscored comma

Page 1, line 10, remove the third the comma

Page 1, line 10, replace the second "or" with "for"

Renumber accordingly

**House Bill 1227**  
**North Dakota Retirement and Investment Office (RIO)**  
**Neutral Testimony relating to HB 1227 before the Senate Industry & Business**  
**Committee**  
**Senator Doug Larsen, Chair**  
**Senator Greg Kessel, Vice Chair**

**Janilyn Murtha, JD, MPAP – Executive Director**  
**Scott Anderson, CFA, MBA – Chief Investment Officer**

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The Retirement and Investment office does not have any concerns with HB 1227. Providing business cases for proposed legislative, initiated or referred measures is a good practice that can lead to rational decisions and best-case outcomes for the Legacy Fund. Where decision independence is required, the hiring of an independent third party can bring external experience with precedence of similar initiatives implemented in other contexts, a fact-based analysis unencumbered by bias, and a diligent, economically grounded business case.

Please note that we interpret the requirements of page 1, line 17-18, which states the consultant fees shall be paid by the retirement and investment office in accordance with the requirements of N.D.C.C. 21-10-06.2. This section requires that the agency charge any investment costs associated with a particular fund to that fund. Therefore the retirement and investment office would charge the cost of a consultant preparing a cost-benefit analysis to the Legacy Fund.

### **III. Summary**

The Retirement and Investment Office recognizes that the intent of H.B. 1227 provides a foundation for good business practice and due diligence processes relating to investment of the Legacy Fund and has no concerns at this time.