

2023 HOUSE GOVERNMENT AND VETERANS AFFAIRS

HB 1088

2023 HOUSE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Pioneer Room, State Capitol

HB 1088
1/12/2023

Relating to membership of the state investment board.

Meeting called to order by Chairmen Schauer at 10:15AM.

Members present: Chairmen Austen Schauer, Vice Chairmen Bernie Satrom, Reps. Landon Bahl, Claire Cory, Jeff A. Hoverson, Jorin Johnson, Karen Karls, Scott Louser, Carrie McLeod, Karen M. Rohr, Vicky Steiner, Steve Vetter, Mary Schneider. All present.

Discussion Topics:

- State Investment Board (SIB)
- Teacher's Fund for Retirement (TFFR)
- Insurance Regulatory Trust Fund
- SIB Investment Subcommittee
- SIB Investment Subcommittee appointee selection process
- SIB Member Composition
- SIB elected and appointed officials
- SIB auditing
- SIB funding

Janilyn Murtha, Executive Director, Retirement and Investment Office (RIO): # 13021

Scott Anderson, Chief Investment Officer, RIO: oral testimony, answered questions

Dr. Amy Copas, Executive Director, NDCEL: # 12860

John Arnold, Deputy Commissioner, North Dakota Insurance Department: # 12979

Thomas Beadle, ND State Treasurer: oral testimony, answered questions

Scott Miller, Executive Director, ND Public Employees Retirement System: #12630

Additional written testimony:

Chairman Schauer, proposed amendments: #14821, #15725

Chairman Schauer adjourned the meeting at 11:10AM.

Phillip Jacobs, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Pioneer Room, State Capitol

HB 1088
1/19/2023

Relating to membership of the state investment board.

Meeting called to order by **Chairmen Schauer at 11:20 AM**

Chairmen Austen Schauer, Vice Chairmen Bernie Satrom, Reps. Landon Bahl, Claire Cory, Jeff A. Hoverson, Jorin Johnson, Karen Karls, Scott Louser, Carrie McLeod, Karen M. Rohr, Vicky Steiner, Steve Vetter, Mary Schneider. All present.

Discussion Topics:

- Proposed Amendment

Representative Vetter Move to amend HB 1088 by changing finance & investment to 1 member, change nonvoting to voting member and two voting members appointed by legislative council, one from House and Senate, change term from 3 years to 5 (Testimony #15725)

Representative Bahl Second the motion

Roll call vote was taken:

Representatives	Vote
Representative Austen Schauer	Y
Representative Bernie Satrom	Y
Representative Landon Bahl	Y
Representative Claire Cory	Y
Representative Jeff A. Hoverson	Y
Representative Jorin Johnson	Y
Representative Karen Karls	Y
Representative Scott Louser	Y
Representative Carrie McLeod	Y
Representative Karen M. Rohr	Y
Representative Mary Schneider	Y
Representative Vicky Steiner	Y
Representative Steve Vetter	Y

Motion Carries 13-0-0

Representative Schauer Closed the meeting for HB 1088 at 11:35 AM

Phillip Jacobs, Committee Clerk by Risa Berube

2023 HOUSE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Pioneer Room, State Capitol

HB 1088
1/20/2023

Relating to membership of the state investment board.

Meeting called to order by **Chairmen Schauer at 11:25 AM**

Chairmen Austen Schauer, Vice Chairmen Bernie Satrom, Reps. Landon Bahl, Claire Cory, Jeff A. Hoverson, Jorin Johnson, Karen Karls, Scott Louser, Carrie McLeod, Karen M. Rohr, Vicky Steiner, Steve Vetter, Mary Schneider. All present.

Discussion Topics:

- Proposed Amendment 23.8025.01001

Representative Vetter- Moves the amendment 23.8025.01001 #14821

Representative Holverson-Seconds the motion.

Roll Call Vote was Taken:

Representatives	Vote
Representative Austen Schauer	Y
Representative Bernie Satrom	Y
Representative Landon Bahl	Y
Representative Claire Cory	Y
Representative Jeff A. Hoverson	Y
Representative Jorin Johnson	Y
Representative Karen Karls	Y
Representative Scott Louser	Y
Representative Carrie McLeod	Y
Representative Karen M. Rohr	Y
Representative Mary Schneider	Y
Representative Vicky Steiner	Y
Representative Steve Vetter	Y

Motion Carries 13-0-0

Representative Vetter- Move for a Do Pass as Amended

Representative Bahl- Seconds the Motion

Roll call vote was taken:

Representatives	Vote
Representative Austen Schauer	Y
Representative Bernie Satrom	Y
Representative Landon Bahl	Y
Representative Claire Cory	Y
Representative Jeff A. Hoverson	Y
Representative Jorin Johnson	Y
Representative Karen Karls	Y
Representative Scott Louser	Y
Representative Carrie McLeod	Y
Representative Karen M. Rohr	Y
Representative Mary Schneider	Y
Representative Vicky Steiner	Y
Representative Steve Vetter	Y

Motion Carries 13-0-0 Representative Bahl will carry the bill.

Representative Schauer Closed the meeting for HB 1088 at 11:34 AM

Phillip Jacobs, Committee Clerk by Risa Berube

OK
1-20-23

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1088

Page 1, line 16, remove the overstrike over "~~One member~~"

Page 1, line 17, replace "Two members, each of whom by experience is familiar with institutional" with "who has expertise in finance and"

Page 1, line 18, remove the underscored comma

Page 1, line 18, remove "One initial appointee shall serve a term"

Page 1, line 19, replace "of three years, and one initial" with "The"

Page 1, line 19, remove the underscored period

Page 1, line 20, remove "Subsequent appointees shall serve five-year terms"

Page 1, line 20, overstrike "and"

Page 1, line 22, overstrike ", to serve as a nonvoting member" and insert immediately thereafter "and

- i. A member of the senate and a member of the house of representatives appointed by the legislative management"

Renumber accordingly

REPORT OF STANDING COMMITTEE

HB 1088: Government and Veterans Affairs Committee (Rep. Schauer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1088 was placed on the Sixth order on the calendar.

Page 1, line 16, remove the overstrike over "~~One member~~"

Page 1, line 17, replace "~~Two members, each of whom by experience is familiar with institutional~~" with "who has expertise in finance and"

Page 1, line 18, remove the underscored comma

Page 1, line 18, remove "One initial appointee shall serve a term"

Page 1, line 19, replace "of three years, and one initial" with "The"

Page 1, line 19, remove the underscored period

Page 1, line 20, remove "Subsequent appointees shall serve five-year terms"

Page 1, line 20, overstrike "and"

Page 1, line 22, overstrike ", to serve as a nonvoting member" and insert immediately thereafter "; and

- j. A member of the senate and a member of the house of representatives appointed by the legislative management"

Renumber accordingly

2023 SENATE INDUSTRY AND BUSINESS

HB 1088

2023 SENATE STANDING COMMITTEE MINUTES

Industry and Business Committee Fort Union Room, State Capitol

HB 1088
3/6/2023

A bill relating to membership of the state investment board and the legacy and budget stabilization fund advisory board.

2:17 PM Chairman D. Larsen called the meeting to order. Members present: Chairman D. Larsen, Vice Chairman Kessel, Senator Barta, Senator Klein, Senator Boehm.

Discussion Topics:

- Future plans
- Pension funds
- Structure of board

2:17 PM Janilyn Murtha, JD, MPAP, Executive Director, Retirement and Investment Office, testified in favor of HB 1088. #21825

2:46 PM John Arnold, Deputy Insurance Commissioner, testified in favor of HB 1088. #22257

2:49 PM Chairman D. Larsen closed the hearing on 1088.

Brenda Cook, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Industry and Business Committee Fort Union Room, State Capitol

HB 1088
3/6/2023

A bill relating to membership of the state investment board and the legacy and budget stabilization fund advisory board.
--

3:11 PM Chairman D. Larsen opened the Committee Work on HB 1088.

Members present: Chairman D. Larsen, Vice Chairman Kessel, Senator Barta, Senator Klein, Senator Boehm.

Discussion Topics:

- Committee discussion on HB 1088
- Members on the board

Senator Klein would like to go back to the way the original bill was drafted and strike out Section 2 of HB 1088. No written testimony.

Chairman Larson suggested that the Legal Intern draft an amendment to HB 1088 and bring it back to the committee. No written testimony.

3:22 PM Chairman Larsen closed the Committee Work on HB 1088.

Brenda Cook, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Industry and Business Committee Fort Union Room, State Capitol

HB 1088
3/7/2023

A bill relating to membership of the state investment board and the legacy and budget stabilization fund advisory board.
--

11:13 AM Chairman D. Larsen called the Committee Work to order on HB 1088.

Members present: Chairman D. Larsen, Vice Chairman Kessel, Senator Barta, Senator Klein, Senator Boehm.

Discussion Topics:

- Committee discussion on HB 1088

Chairman Larsen discussed HB 1088.

Legislative Intern, Victoria Christian asked Chairman Larsen if he got an Amendment from Legislative Council.

Chairman D. Larsen would like to wait with further discussing HB 1088 until he and the committee have had a chance to look at the amendment. #22779

11:15 AM Chairman D. Larsen closed the Committee Work on HB 1088.

Brenda Cook, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Industry and Business Committee Fort Union Room, State Capitol

HB 1088
3/7/2023

A bill relating to membership of the state investment board and the legacy and budget stabilization fund advisory board.

3:11 PM Chairman D. Larsen opened the Committee Work on HB 1088. Members present: Chairman D. Larsen, Vice Chairman Kessel, Senator Barta, Senator Klein, Senator Boehm.

Discussion Topics:

- Committee action
- State Investment Board
- Legacy fund

3:14 PM Senator Klein moved to ADOPT Amendment LC 23.8025.02001.
Senator Kessel 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 TO ADOPT THE AMENDMENT 23.8025.02001 to HB 1088.

3:15 PM Senator Klein moved to DO PASS as Amended.
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 1088 as AMENDED.

Senator Klein will carry the bill.

3:16 PM Chairman D. Larsen closed the meeting.

Brenda Cook, Committee Clerk

March 6, 2023

44
3-7-23

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1088

Page 1, line 1, after "21-10-01" insert "and subsection 4 of section 21-10-11"

Page 1, line 2, after "board" insert "and the legacy and budget stabilization fund advisory board"

Page 1, line 16, overstrike "One member"

Page 1, line 17, replace "who has expertise in finance and" with "Two members, each of whom by experience is familiar with institutional"

Page 1, line 17, after "investments" insert an underscored comma

Page 1, line 18, replace "The" with "One initial"

Page 1, line 18, replace "five" with "three"

Page 1, line 18, after "years" insert ", and one initial appointee shall serve a term of five years. Subsequent appointees shall serve five-year terms"

Page 1, line 18, remove the overstrike over "and"

Page 1, line 20, remove "; and"

Page 1, remove line 21

Page 1, line 22, remove "by the legislative management"

Page 1, after line 22, insert:

"SECTION 2. AMENDMENT. Subsection 4 of section 21-10-11 of the North Dakota Century Code is amended and reenacted as follows:

4. The board consists of three members of the senate appointed by the senate majority leader, three members of the house of representatives appointed by the house majority leader, the president of the Bank of North Dakota or designee, the tax commissioner or designee, the ~~insurance commissioner~~ director of the office of management and budget or designee, and the state treasurer or designee. The board shall select a member from the senate or house of representatives to serve as chairman for no more than one consecutive year and must meet at the call of the chairman."

Renumber accordingly

REPORT OF STANDING COMMITTEE

HB 1088, as engrossed: Industry and Business Committee (Sen. Larsen, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (5 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1088 was placed on the Sixth order on the calendar. This bill does not affect workforce development.

Page 1, line 1, after "21-10-01" insert "and subsection 4 of section 21-10-11"

Page 1, line 2, after "board" insert "and the legacy and budget stabilization fund advisory board"

Page 1, line 16, overstrike "One member"

Page 1, line 17, replace "who has expertise in finance and" with "Two members, each of whom by experience is familiar with institutional"

Page 1, line 17, after "investments" insert an underscored comma

Page 1, line 18, replace "The" with "One initial"

Page 1, line 18, replace "five" with "three"

Page 1, line 18, after "years" insert ", and one initial appointee shall serve a term of five years. Subsequent appointees shall serve five-year terms"

Page 1, line 18, remove the overstrike over "and"

Page 1, line 20, remove ": and"

Page 1, remove line 21

Page 1, line 22, remove "by the legislative management"

Page 1, after line 22, insert:

"SECTION 2. AMENDMENT. Subsection 4 of section 21-10-11 of the North Dakota Century Code is amended and reenacted as follows:

4. The board consists of three members of the senate appointed by the senate majority leader, three members of the house of representatives appointed by the house majority leader, the president of the Bank of North Dakota or designee, the tax commissioner or designee, the ~~insurance commissioner~~director of the office of management and budget or designee, and the state treasurer or designee. The board shall select a member from the senate or house of representatives to serve as chairman for no more than one consecutive year and must meet at the call of the chairman."

Renumber accordingly

2023 CONFERENCE COMMITTEE

HB 1088

2023 HOUSE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Pioneer Room, State Capitol

HB 1088
4/13/2023
Conference Committee

Relating to membership of the state investment board and the legacy and budget stabilization fund advisory board.

Chairman Bahl called the meeting to order at 11:05 AM.

Chairman Landon Bahl, Reps. Claire Cory, Bernie Satrom, Chairman Keith Boehm, Sens. Jerry Klein, and Jeff Barta present.

Discussion Topics:

- Number of members on board
- Governor's appointees
- Legislative oversight
- Fiduciary board.

Chairman Bahl called for a discussion on HB 1088.

Chairman Boehm discussed the changes made in the Senate amendments.

Sen. Klein explained the membership on the state investment board.

Chairman Bahl explained the structure of the state investment board as proposed in the House.

Chairman Bahl adjourned the meeting at 11:24 AM.

Phillip Jacobs, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Pioneer Room, State Capitol

HB 1088
4/17/2023
Conference Committee

Relating to membership of the state investment board and the legacy and budget stabilization fund advisory board.

Chairman Bahl called the meeting to order at 10:00 AM.

Chairman Landon Bahl, Reps. Claire Cory, Bernie Satrom, Chairman Keith Boehm, Sens. Jerry Klein, and Jeff Barta present.

Discussion Topics:

- Number of members on board
- Governor's appointees
- Legislative oversight
- Fiduciary board.

Rep. Bahl called for a discussion on HB 1088.

Rep. Cory asked questions relating to the appointees to the state investment board.

Sen. Klein discussed the changes made in the Senate amendments.

Chairman Bahl discussed proposed changes to HB 1088.

Chairman Bahl called for a five-minute recess at 10:20 AM.

Chairman Bahl reconvened the meeting at 10:23 AM.

Jan Murtha, Executive Director of the Retirement Office, answered questions from the committee.

Chairman Bahl adjourned the meeting at 10:29 AM.

Phillip Jacobs, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Pioneer Room, State Capitol

HB 1088
4/18/2023
Conference Committee

Relating to membership of the state investment board and the legacy and budget stabilization fund advisory board.

Chairman Bahl called the meeting to order at 1:30 PM.

Chairman Landon Bahl, Reps. Claire Cory, Bernie Satrom, Chairman Keith Boehm, Sens. Jerry Klein, and Jeff Barta present.

Discussion Topics:

- Amendment
- Board appointees
- Legacy advisory board
- Communication
- Fiduciary responsibility

Chairman Bahl called for a discussion on HB 1088 and proposed amendment (#23.8025.02002) (#27927).

Rep. Satrom discussed communication on the investment board.

Rep. Satrom moved that the senate recede and amend as follows (#23.8025.02002) (#27927).

Seconded by Rep. Cory.

Motion fails 3-3-0.

Chairman Bahl adjourned the meeting at 1:57 PM.

Phillip Jacobs, Committee Clerk

**2023 HOUSE CONFERENCE COMMITTEE
 ROLL CALL VOTES**

BILL NO. 1088 as engrossed

House Government and Veteran’s Affairs Committee

- Action Taken** **HOUSE accede to Senate Amendments**
 HOUSE accede to Senate Amendments and further amend
 SENATE recede from Senate amendments
 SENATE recede from Senate amendments and amend as follows
- Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Rep. Satrom Seconded by: Rep. Cory

Representatives	<i>4/13</i>	<i>4/17</i>	<i>4/18</i>	Yes	No		Senators	<i>4/13</i>	<i>4/17</i>	<i>4/18</i>	Yes	No
Chairman Bahl	X	X	X	Y			Chairman Boehm	X	X	X		N
Rep. Cory	X	X	X	Y			Sen. Klein	X	X	X		N
Rep. Satrom	X	X	X	Y			Sen. Barta	X	X	X		N
Total Rep. Vote				3	0		Total Senate Vote				0	3

Vote Count Yes: 3 No: 3 Absent: 0

House Carrier _____ Senate Carrier _____

LC Number 23.8025 . 02002 of amendment

LC Number _____ . _____ of engrossment

Statement of purpose of amendment

To appoint a total of three members of the Senate and three members of the House of Representatives to the state investment board.

2023 HOUSE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Pioneer Room, State Capitol

HB 1088
4/19/2023
Conference Committee

Relating to membership of the state investment board and the legacy and budget stabilization fund advisory board.

Chairman Bahl called the meeting to order at 9:32 AM.

Chairman Landon Bahl, Reps. Claire Cory, Bernie Satrom, Senate Chairman Keith Boehm, Sens. Jerry Klein, Jeff Barta present.

Discussion Topics:

- Client representation
- North Dakota taxpayers
- Legacy fund
- Governor appointee

Chairman Bahl called for a discussion on HB 1088.

Sen. Klein proposed amendment (#23.8025.02003) to HB 1088 (#27710) and explained the proposed changes.

Rep. Satrom discussed representation from legislative management on the state investment board.

Sen. Klein discussed the transparency of the state investment board.

Chairman Bahl adjourned the meeting at 10:01 AM.

Phillip Jacobs, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Government and Veterans Affairs Committee Pioneer Room, State Capitol

HB 1088
4/19/2023
Conference Committee

Relating to membership of the state investment board and the legacy and budget stabilization fund advisory board.

Chairman Bahl called the meeting to order at 12:00 PM.

Chairman Landon Bahl, Reps. Claire Cory, Bernie Satrom, Chairman Keith Boehm, Sens. Jerry Klein, Jeff Barta present.

Discussion Topics:

- Amendment
- Governor appointee
- Legislative representation

Chairman Bahl called for a discussion on HB 1088 and the proposed amendment 23.8025.02003 (#27710)

Sen. Klein moved that the Senate recede from its amendments and amend as follows with 23.8025.02003 (#27710).

Seconded by Chairman Boehm.

Motion carries 6-0-0.

Sen. Boehm to carry in the Senate.

Rep. Bahl to carry in the House.

Chairman Bahl adjourned the meeting at 12:05 PM.

Phillip Jacobs, Committee Clerk

April 18, 2023

AK
lf1
4-19-23

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1088

That the Senate recede from its amendments as printed on pages 1193 and 1194 of the House Journal and pages 906 and 907 of the Senate Journal and that Engrossed House Bill No. 1088 be amended as follows:

Page 1, line 1, after "21-10-01" insert "and subsection 4 of section 21-10-11"

Page 1, line 2, after "board" insert "and the legacy and budget stabilization fund advisory board; to provide an effective date; and to declare an emergency"

Page 1, line 16, overstrike "One member"

Page 1, line 17, replace "who has expertise in finance and investments" with "Two members, each of whom by experience is familiar with institutional investments."

Page 1, line 18, replace "The" with "One initial appointee shall serve a term of three years, one initial"

Page 1, line 18, after "years" insert ", and all subsequent appointees shall serve five-year terms"

Page 1, line 18, remove the overstrike over "and"

Page 1, line 19, overstrike "One member of" and insert immediately thereafter "Two members, one from the senate and one from the house of representatives, or the member's designee, who serve on"

Page 1, line 20, replace "; and" with "to represent that board"

Page 1, remove line 21

Page 1, line 22, remove "by the legislative management"

Page 1, after line 22, insert:

"SECTION 2. AMENDMENT. Subsection 4 of section 21-10-11 of the North Dakota Century Code is amended and reenacted as follows:

4. The board consists of three members of the senate appointed by the senate majority leader, three members of the house of representatives appointed by the house majority leader, the president of the Bank of North Dakota or designee, the tax commissioner or designee, the ~~insurance commissioner~~ director of the office of management and budget or designee, and the state treasurer or designee. The board shall select a member from the senate or house of representatives to serve as chairman for no more than one consecutive year and must meet at the call of the chairman.

SECTION 3. EFFECTIVE DATE. This Act becomes effective July 1, 2023.

SECTION 4. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

**2023 HOUSE CONFERENCE COMMITTEE
ROLL CALL VOTES**

BILL NO. 1088 as engrossed

House Government and Veteran’s Affairs Committee

- Action Taken** **HOUSE accede to Senate Amendments**
 HOUSE accede to Senate Amendments and further amend
 SENATE recede from Senate amendments
 SENATE recede from Senate amendments and amend as follows
- Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Sen. Klein Seconded by: Sen. Boehm

Representatives	4/19	4/19		Yes	No		Senators	4/19	4/19		Yes	No
Chairman Bahl	X	X		X			Chairman Boehm	X	X		X	
Rep. Cory	X	X		X			Sen. Klein	X	X		X	
Rep. Satrom	X	X		X			Sen. Barta	X	X		X	
Total Rep. Vote							Total Senate Vote					

Vote Count Yes: 6 No: 0 Absent: 0

House Carrier Rep. Bahl Senate Carrier Sen. Boehm

LC Number 23.8025 . 02003 of amendment

LC Number 23.8025 . 04000 of engrossment

Statement of purpose of amendment:

To include membership of the legacy and budget stabilization advisory board and increase the number of governor appointees on the board to two members.

REPORT OF CONFERENCE COMMITTEE

HB 1088, as engrossed: Your conference committee (Sens. Boehm, Klein, Barta and Reps. Bahl, Cory, Satrom) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1193-1194, adopt amendments as follows, and place HB 1088 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1193 and 1194 of the House Journal and pages 906 and 907 of the Senate Journal and that Engrossed House Bill No. 1088 be amended as follows:

Page 1, line 1, after "21-10-01" insert "and subsection 4 of section 21-10-11"

Page 1, line 2, after "board" insert "and the legacy and budget stabilization fund advisory board; to provide an effective date; and to declare an emergency"

Page 1, line 16, overstrike "One member"

Page 1, line 17, replace "who has expertise in finance and investments" with "Two members, each of whom by experience is familiar with institutional investments."

Page 1, line 18, replace "The" with "One initial appointee shall serve a term of three years, one initial"

Page 1, line 18, after "years" insert ", and all subsequent appointees shall serve five-year terms"

Page 1, line 18, remove the overstrike over "and"

Page 1, line 19, overstrike "One member of" and insert immediately thereafter "Two members, one from the senate and one from the house of representatives, or the member's designee, who serve on"

Page 1, line 20, replace ": and" with "to represent that board"

Page 1, remove line 21

Page 1, line 22, remove "by the legislative management"

Page 1, after line 22, insert:

"SECTION 2. AMENDMENT. Subsection 4 of section 21-10-11 of the North Dakota Century Code is amended and reenacted as follows:

4. The board consists of three members of the senate appointed by the senate majority leader, three members of the house of representatives appointed by the house majority leader, the president of the Bank of North Dakota or designee, the tax commissioner or designee, the ~~insurance commissioner~~ director of the office of management and budget or designee, and the state treasurer or designee. The board shall select a member from the senate or house of representatives to serve as chairman for no more than one consecutive year and must meet at the call of the chairman.

SECTION 3. EFFECTIVE DATE. This Act becomes effective July 1, 2023.

SECTION 4. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

Engrossed HB 1088 was placed on the Seventh order of business on the calendar.

TESTIMONY

HB 1088

TESTIMONY OF SCOTT MILLER

House Bill 1088 – State Investment Board Members

Good Afternoon, my name is Scott Miller. I am the Executive Director of the North Dakota Public Employees Retirement System, or NDPERS. I am here to testify in a neutral position regarding House Bill 1088.

The NDPERS Board is aware of the proposal, and understands the reasoning behind it. Otherwise we have no additional input.



1 HB 1088

2 Testimony in Support

3 Chairman Schauer and members of the House Government and Veterans Affairs Committee – my
4 name is Dr. Aimee Copas and I am here representing NDCEL and our school leaders around the
5 state in support of HB 1088.

6 This bill adjusts the membership of the State Investment Board (SIB) that NDCEL believes is in
7 the best interest of North Dakota. While we are cautious in the loss of educational professionals
8 representing the Teachers’ Fund for Retirement (TFFR), we recognize that the evolution of the
9 various assets under management of the SIB suggests that a change to the membership is both
10 reasonable and appropriate. We believe that the suggested membership in HB 1088 recognizes
11 the necessary balance between funds while also continuing to prioritize the perspective of those
12 representing the pension funds.

13 It is further noted that in conversations with Dr. Rob Lech (Superintendent of the Jamestown Public
14 Schools and the representative of the school administrators) that the Governance and Policy
15 Review (GPR) Committee of the State Investment Board completed due diligence in reviewing
16 various options and making these membership revisions as a future-focused recommendation that
17 better represents all funds invested by the SIB. The State Investment Board, as a whole, also
18 approved this recommendation, as outlined in HB 1088.

19 The State Investment Board has done outstanding work for the State of North Dakota, and we are
20 appreciative that HB 1088 recognizes the important role of all perspectives in making these crucial
21 investment decisions in what is a quite successful fund supporting our educators.

22 We encourage you to consider this information as you consider this bill.

23

House Bill No. 1088

Presented by: John Arnold
Deputy Commissioner
North Dakota Insurance Department

Before: House Government and Veterans Affairs
Representative Austen Schauer, Chairman

Date: January 12, 2023

Chairman Schauer and members of the committee, my name is John Arnold, Deputy Insurance Commissioner, and I am here testifying on behalf of Insurance Commissioner Jon Godfread, in support of House Bill 1088.

House Bill 1088 originated out of the State Investment Board, Commissioner Godfread currently serves on that board as well as the subcommittee on Policy and Governance. This bill has been vetted by the subcommittee, the board, and ultimately gained a favorable approval from the board.

Commissioner Godfread wanted to offer his support for the replacement of the Insurance Commissioner with the Director of the Office of Management and Budget. Positions on this board should never consider the individuals currently holding those positions, but rather be about the offices which those individuals represent and ultimately the people we all represent.

Back when the State Investment Board was created, the insurance portfolio was a larger portion of the overall funds under management, and thus, it made a great deal of sense to have the Insurance Commissioner on the board to adequately represent those interests.

As of September 30, 2022, the Insurance Regulatory Trust Fund accounted for approximately .006% of the more than \$17 billion total assets under management. Even within the insurance pool itself, which is comprised of the WSI fund, the Budget Stabilization Fund, PERS Group Insurance, and many others, the Insurance Regulatory Trust fund makes up approximately .04% of the insurance pool.

Currently the board consists of the director of WSI, two members from PERS, and other representatives who can provide better oversight to the insurance pool funds. By replacing the Insurance Commissioner with the Director of the Office of Management and Budget, the board will gain significant insight into the broader state budget, PERS, and the Budget Stabilization Fund. Commissioner Godfread has enjoyed his time on the board, but believes it is in the best interest of the State to make these changes.

I am happy to answer any questions you might have for me, but I am sure there are other members of the board, or the Retirement and Investment Office present who might be better able to answer questions should you have them.

House Bill 1088
North Dakota Retirement and Investment Office (RIO)
Testimony in support of HB 1088 before the House Government and Veterans
Affairs Committee
Representative Austen Schauer, Chair
Representative Bernie Satrom, Vice Chair

Janilyn Murtha, JD, MPAP – Executive Director

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).

During this past biennium RIO underwent a strategic review and plan initiative to evolve both programs and the agency to better serve the needs of our clients, members, stakeholders, and the State of North Dakota. This review has resulted in changes to our board and agency governance, identifying and implementing improvements to our infrastructure, and a concerted focus on the development of our workforce.

The RIO team worked closely with the SIB and TFFR Boards to evolve the governance structure of both Boards and Board staff relations to establish a foundation of governance that supported program growth. During this past biennium the State Investment Board established two new committees to support this growth including a Governance and Policy Review Committee as well as an Investment Committee to better support the needs of the program. These changes in particular occurred over the course of many meetings as through board discussion the SIB recognized the need to evolve its own governance to provide the agility and ability needed to manage a growing amount of assets in complex investment strategies.

Review of SIB membership was referred to the Governance and Policy Review Committee and recommendations were brought forward to the full SIB. The SIB discussion focused on whether the current membership appropriately represented the funds under management and included fiduciaries with sufficient expertise in institutional investing given the complexity of the program. HB 1088 is submitted as a result of the review and discussion conducted by the State Investment Board.

II. State Investment Board (SIB) Member Composition

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.

These assets under management have grown from about \$4 billion in 2010 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. Throughout this program growth the composition of the SIB has remained largely unchanged.

Currently the following members comprise the SIB:

The Lt. Governor, in place of the Governor, the State Treasurer, the Commissioner of University and School Lands, the Director of Workforce Safety and Insurance (WSI), the Insurance Commissioner, three representatives of the TFFR Board, three representatives of the Public Employees Retirement System (PERS) Board, and one member of the Legacy and Budget Stabilization Fund Advisory Board as a nonvoting member.

At the time the RIO agency was established in 1989, the SIB composition appropriately reflected the governance needed to serve the assets under management in many ways. For example, fiduciary boards comprised of lay persons, as opposed to professionals within the investment industry, are common when the AUM is relatively small. In addition, having much of the board comprised of pension trustees reflects that pension funds, up until recently, have been the largest type of funds under management by the board. As the program complexity, AUM, and type of funds evolved the board membership has not. H.B. 1088 reflects the SIB's desire to evolve board membership in a manner consistent with the needs of the investment program as it is today.

The changes proposed in H.B. 1088 accomplish two goals: 1) to introduce experienced industry professionals onto the Board in order to address program growth and complexity; and 2) to adjust current board member composition to reflect a change in the type of assets under management.

H.B. 1088 proposed the addition of two members to the SIB that are appointed by the Governor and have experience with institutional investments. This board archetype reflects not only the growth but the evolving complexity of the investment program and the need for fiduciaries with a specific type of industry experience to participate in discussions and decisions.

H.B. 1088 further adjusts board membership by reducing the number of pension trustees from three TFFR and PERS representatives to two, respectively. This adjustment is intended to reflect

the change in the type of assets under management as pension funds are now the second largest type of funds under management.

Finally, HB 1088 replaces the Insurance Commissioner with the Director of the Office of Management and Budget (OMB). The Insurance Commissioner has been a vocal advocate for this change indicating that Insurance fund interests are adequately represented by the WSI Director. The addition of the OMB Director reflects the fact that until November 2021 the OMB Director had served on the Legacy and Budget Stabilization Fund Advisory Board and offers representation and coordination in administration of those funds.

III. Summary

The changes proposed in H.B. 1088 reflect a critical self-assessment by the current members of the SIB and a desire to support investment program growth by enhancing the SIB governance structure. The SIB believes the proposed changes to the SIB membership will enhance the program by including industry experts and rebalancing fiduciary representatives across client funds to better reflect the type of assets under management.

23.8025.01001
Title.

Prepared by the Legislative Council staff for
Representative Schauer
January 20, 2023

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1088

Page 1, line 16, remove the overstrike over "~~One member~~"

Page 1, line 17, replace "~~Two members, each of whom by experience is familiar with institutional~~" with "who has expertise in finance and"

Page 1, line 18, remove "One initial appointee shall serve a term"

Page 1, line 19, replace "of three years, and one initial" with "The"

Page 1, line 19, remove the underscored period.

Page 1, line 20, remove "Subsequent appointees shall serve five-year terms"

Page 1, line 20, overstrike "and"

Page 1, line 22, overstrike ", to serve as a nonvoting member" and insert immediately thereafter ": and

- j. A member of the senate and a member of the house of representatives appointed by the legislative management"

Renumber accordingly

1088 Suggestions:

e. ok

f. ok

g. ok

h. One member who has expertise in finance and investments appointed by the Governor.

i. Change nonvoting member to voting member.

j. Two votings member appointed by legislative management.

House Bill 1088
North Dakota Retirement and Investment Office (RIO)
Testimony in Support of HB 1088 on behalf of the State Investment Board
before the Senate Industry & Business Committee
Senator Doug Larsen, Chair
Senator Greg Kessel, Vice Chair

Janilyn Murtha, JD, MPAP – Executive Director

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).

During this past biennium RIO underwent a strategic review and plan initiative to evolve both programs and the agency to better serve the needs of our clients, members, stakeholders, and the State of North Dakota. This review has resulted in changes to our board and agency governance, identifying and implementing improvements to our infrastructure, and a concerted focus on the development of our workforce.

The RIO team worked closely with the SIB and TFFR Boards to evolve the governance structure of both Boards and Board staff relations to establish a foundation of governance that supported program growth. During this past biennium the State Investment Board established two new committees to support this growth including a Governance and Policy Review Committee as well as an Investment Committee to better support the needs of the program. These changes occurred over the course of many meetings as through board discussion the SIB recognized the need to evolve its own governance to provide the agility and ability needed to manage a growing amount of assets in complex investment strategies.

Review of SIB membership was referred to the Governance and Policy Review Committee and recommendations were brought forward to the full SIB. The SIB discussion focused on whether the current membership appropriately represented the funds under management and included fiduciaries with sufficient expertise in institutional investing given the complexity of the program. HB 1088 is submitted as a result of the review and discussion conducted by the SIB.

II. State Investment Board (SIB) Member Composition

The State Investment Board has the statutory responsibility to administer the investment program for 28 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 20 other non-pension funds for a total of 28 separate client funds with an overall fund value of over \$18 billion as of December 31, 2022.

These assets under management have grown from about \$4 billion in 2010 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. Throughout this program growth the composition of the SIB has remained largely unchanged.

Currently the following members comprise the SIB:

The Lt. Governor, in place of the Governor, the State Treasurer, the Commissioner of University and School Lands, the Director of Workforce Safety and Insurance (WSI), the Insurance Commissioner, three representatives of the TFFR Board, three representatives of the Public Employees Retirement System (PERS) Board, and one member of the Legacy and Budget Stabilization Fund Advisory Board as a nonvoting member.

At the time the RIO agency was established in 1989, the SIB composition appropriately reflected the governance needed to serve the assets under management in many ways. For example, fiduciary boards comprised of lay persons, as opposed to professionals within the investment industry, are common when the AUM is relatively small. In addition, having much of the board comprised of pension trustees reflects that pension funds, up until recently, have been the largest type of funds under management by the board. As the program complexity, AUM, and type of funds evolved the board membership has not. H.B. 1088 reflects the SIB's desire to evolve board membership in a manner consistent with the needs of the investment program as it is today.

The changes proposed in the original version of H.B. 1088 accomplish two goals: 1) to introduce experienced industry professionals onto the Board in order to address program growth and complexity; and 2) to adjust current board member composition to reflect a change in the type of assets under management.

H.B. 1088 originally proposed the addition of two members to the SIB that are appointed by the Governor and have experience with institutional investments. This board archetype reflects not only the growth but the evolving complexity of the investment program and the need for fiduciaries with a specific type of industry experience to participate in discussions and decisions. *The House GVA Committee amended this section of the bill to reduce the number of investment professionals from two to one and change the level of experience required from a specialty in "institutional" investing to a more general "finance and investments". The SIB respectfully requests that the Senate reinstate the requested two individuals as well as the requirement that these individuals have expertise in institutional investing.*

H.B. 1088 further adjusts board membership by reducing the number of pension trustees from three TFFR and PERS representatives to two, respectively. This adjustment is intended to reflect

the change in the type of assets under management as pension funds are now the second largest type of funds under management.

Finally, HB 1088 replaces the Insurance Commissioner with the Director of the Office of Management and Budget (OMB). The Insurance Commissioner has been a vocal advocate for this change indicating that Insurance fund interests are adequately represented by the WSI Director. The addition of the OMB Director reflects the fact that until November 2021 the OMB Director had served on the Legacy and Budget Stabilization Fund Advisory Board and offers representation and coordination in administration of those funds.

The House GVA Committee also added two additional members of the State Legislature to the SIB as well as amended existing language to allow the representative from the Legacy and Budget Stabilization Advisory Board to be a voting member. The SIB respectfully requests that the Senate reinstate the original Board composition request submitted in H.B. 1088, and notes that this submission reflects the discussion and analysis conducted by the Board over the course of many meetings throughout 2022.

III. Summary

The changes proposed in H.B. 1088 reflect a critical self-assessment by the current members of the SIB and a desire to support investment program growth by enhancing the SIB governance structure. The SIB believes the proposed changes to the SIB membership will enhance the program by including industry experts and rebalancing fiduciary representatives across client funds to better reflect the type of assets under management.

The House GVA Committee amended H.B. 1088 to reduce the number of investment professionals from two to one and change the level of experience required from a specialty in “institutional” investing to a more general “finance and investments”. The SIB respectfully requests that the Senate reinstate the requested two individuals as well as the requirement that these individuals have expertise in institutional investing. The House GVA Committee also added two additional members of the State Legislature to the SIB as well as amended existing language to allow the representative from the Legacy and Budget Stabilization Advisory Board to be a voting member. The SIB respectfully requests that the Senate reinstate the original Board composition request submitted in H.B. 1088, and notes that this submission reflects the discussion and analysis conducted by the Board over the course of many meetings throughout 2022.

Prepared by
the North Dakota Insurance Department
March 6, 2023

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1088

Page 1, line 1, after "21-10-01" insert "and subsection 4 of section 21-10-11"

Page 1, after line 22 insert:

"SECTION 2. AMENDMENT. Subsection 4 of section 21-10-11 of the North Dakota Century Code is amended and reenacted as follows:

4. The board consists of three members of the senate appointed by the senate majority leader, three members of the house of representatives appointed by the house majority leader, the president of the Bank of North Dakota or designee, the tax commissioner or designee, the ~~insurance commissioner~~ director of the office of management and budget or designee, and the state treasurer or designee. The board shall select a member from the senate or house of representatives to serve as chairman for no more than one consecutive year and must meet at the call of the chairman."

Renumber accordingly

23.8025.02001
Title.

Prepared by the Legislative Council staff for
Senator Larsen
March 6, 2023

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1088

Page 1, line 1, after "21-10-01" insert "and subsection 4 of section 21-10-11"

Page 1, line 2, after "board" insert "and the legacy and budget stabilization fund advisory board"

Page 1, line 16, overstrike "One member"

Page 1, line 17, replace "who has expertise in finance and" with "Two members, each of whom by experience is familiar with institutional"

Page 1, line 17, after "investments" insert an underscored comma

Page 1, line 18, replace "The" with "One initial"

Page 1, line 18, replace "five" with "three"

Page 1, line 18, after "years" insert ", and one initial appointee shall serve a term of five years. Subsequent appointees shall serve five-year terms"

Page 1, line 18, remove the overstrike over "and"

Page 1, line 20, remove "; and"

Page 1, remove line 21

Page 1, line 22, remove "by the legislative management"

Page 1, after line 22, insert:

"SECTION 2. AMENDMENT. Subsection 4 of section 21-10-11 of the North Dakota Century Code is amended and reenacted as follows:

4. The board consists of three members of the senate appointed by the senate majority leader, three members of the house of representatives appointed by the house majority leader, the president of the Bank of North Dakota or designee, the tax commissioner or designee, the ~~insurance-~~commissionerdirector of the office of management and budget or designee, and the state treasurer or designee. The board shall select a member from the senate or house of representatives to serve as chairman for no more than one consecutive year and must meet at the call of the chairman."

Re-number accordingly

23.8025.02003

FIRST ENGROSSMENT

Sixty-eighth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1088

Introduced by

Government and Veterans Affairs Committee

(At the request of the State Investment Board)

1 A BILL for an Act to amend and reenact subsection 1 of section 21-10-01 and subsection 4 of
2 section 21-10-11 of the North Dakota Century Code, relating to membership of the state
3 investment board and the legacy and budget stabilization fund advisory board; to provide an
4 effective date; and to declare an emergency.

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

6 **SECTION 1. AMENDMENT.** Subsection 1 of section 21-10-01 of the North Dakota Century
7 Code is amended and reenacted as follows:

- 8 1. The North Dakota state investment board consists of:
 - 9 a. The governor;
 - 10 b. The state treasurer;
 - 11 c. The commissioner of university and school lands;
 - 12 d. The director of workforce safety and insurance;
 - 13 e. ~~The insurance commissioner~~director of the office of management and budget;
 - 14 f. ~~Three~~Two members of the teachers' fund for retirement board or the board's
15 designees who need not be members of the fund as selected by that board;
 - 16 g. ~~Two of the elected~~ members of the public employees retirement system board as
17 selected by that board;
 - 18 h. ~~One member of the public employees retirement system board as selected by~~
19 ~~that board who has expertise in finance and investments~~Two members, each of
20 whom by experience is familiar with institutional investments, appointed by the
21 governor. The~~One~~ initial appointee shall serve a term of three years, one initial
22 appointee shall serve a term of five years, and all subsequent appointees shall
23 serve five-year terms; and

23.8025.02002
Title.

Prepared by the Legislative Council staff for
Representative Bahl
April 17, 2023

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1088

That the Senate recede from its amendments as printed on pages 1193 and 1194 of the House Journal and pages 906 and 907 of the Senate Journal and that Engrossed House Bill No. 1088 be amended as follows:

Page 1, line 1, after "21-10-01" insert "and subsection 4 of section 21-10-11"

Page 1, line 2, after "board" insert "and the legacy and budget stabilization fund advisory board; to provide an effective date; and to declare an emergency"

Page 1, line 19, overstrike "of" and insert immediately thereafter "from"

Page 1, line 19, after "the" insert "senate or the house of representatives, who serves on the"

Page 1, line 21, replace "A" with "One"

Page 1, line 21, replace "and a member of" with "or"

Page 1, line 21, after "representatives" insert ", who serves as a member in the other house of the member serving under subdivision i."

Page 1, after line 22, insert:

"SECTION 2. AMENDMENT. Subsection 4 of section 21-10-11 of the North Dakota Century Code is amended and reenacted as follows:

4. The board consists of three members of the senate appointed by the senate majority leader, three members of the house of representatives appointed by the house majority leader, the president of the Bank of North Dakota or designee, the tax commissioner or designee, the ~~insurance-commissioner~~director of the office of management and budget or designee, and the state treasurer or designee. The board shall select a member from the senate or house of representatives to serve as chairman for no more than one consecutive year and must meet at the call of the chairman.

SECTION 3. EFFECTIVE DATE. This Act becomes effective July 1, 2023.

SECTION 4. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly