

**Retirement and Investment Office
Budget No. 190
House Bill Nos. 1022 and 1506**

	FTE Positions	General Fund	Other Funds	Total
2021-23 legislative appropriation	25.00	\$0	\$8,209,367	\$8,209,367
2019-21 legislative appropriation	20.00	0	14,869,164	14,869,164
2021-23 appropriation increase (decrease) to 2019-21 appropriation	5.00	\$0	(\$6,659,797)	(\$6,659,797)

Item Description

FTE changes - The 2021-23 biennium appropriation includes 25 FTE positions, an increase of 5 FTE positions from the 2019-21 biennium. In House Bill No. 1022, the Legislative Assembly added 1 FTE investment program analyst position and transferred 2 FTE positions to the Information Technology Department for an information technology unification initiative, including 1 FTE information technology administration position and 1 FTE data processing coordinator position. In House Bill No. 1506 during the special session, the Legislative Assembly added 4 FTE investment professional positions, 1 FTE investment accountant position, and 1 FTE program outreach coordinator position.

Information technology project - Senate Bill No. 2022 (2019) provided one-time funding of \$9 million from the Teachers' Fund for Retirement for an information technology project to upgrade the pension administration software. Section 3 of House Bill No. 1022 (2021) provides an exemption to continue unspent funding for the information technology project into the 2021-23 biennium.

Status of the Teachers' Fund for Retirement - The Teachers' Fund for Retirement is the retirement plan for North Dakota educators.

Status/Result

The information technology administration position and the data processing coordinator position were transferred to the Information Technology Department in July 2021. The agency replaced the investment program analyst position included in House Bill No. 1022 with a chief investment officer position, which was filled in January 2022. Pending classification approval, the agency anticipates filling the 4 FTE investment professional positions and 1 FTE investment accountant position in June 2022. The agency anticipates filling the program outreach coordinator position in the fall of 2022.

During the 2019-21 biennium, the agency spent \$331,125, and \$8,668,875 of unspent appropriation authority was continued into the 2021-23 biennium for the information technology project. Through March 2022, the agency spent \$153,695. Total expenditures for the project in the 2021-23 biennium are anticipated to be approximately \$3 million. The agency anticipates requesting an exemption to continue approximately \$5 million of appropriation authority into the 2023-25 biennium. The project is estimated to be completed by June 2025, the same as the original estimated completion date.

Provided below is a status summary of the Teachers' Fund for Retirement. Actuarial-funded levels have increased from 62 percent in June 2015 to 69 percent in June 2021 as a result of an increase in the market value of the fund's investments.

Actuarial Value of Investments		
	Fund Balance (Billions)	Actuarial Percentage Funded
June 30, 2015	\$2.13	62%
June 30, 2016	\$2.23	62%
June 30, 2017	\$2.38	64%
June 30, 2018	\$2.53	66%
June 30, 2019	\$2.64	66%
June 30, 2020	\$2.75	66%
June 30, 2021	\$2.97	69%

Market Value of Investments		
	Fund Balance (Billions)	Annual Percentage Change in Market Value
June 30, 2015	\$2.14	3.50%
June 30, 2016	\$2.12	0.39%
June 30, 2017	\$2.36	12.64%
June 30, 2018	\$2.53	9.03%
June 30, 2019	\$2.62	5.39%
June 30, 2020	\$2.65	3.33%
June 30, 2021	\$3.28	26.07%

In-state investment program - House Bill Nos. 1425 (2021) and 1512 (2021) designate 20 percent of legacy fund investments for an in-state investment program including 10 percent for fixed income investments and 10 percent for equity investments.

In March 2021, the State Investment Board selected 50 South Capital, an institutional private equity investment advisor, to manage up to 3 percent of the legacy fund investments for private equity investments in North Dakota. Through March 2022, approximately \$44.6 million of the legacy fund was invested in the Bank of North Dakota's CD match program under the 10 percent allocation for in-state fixed income investments and approximately \$22.5 million of the legacy fund was invested in equities under 50 South Capital's in-state program. In February 2022, the Retirement and Investment Office contracted with RVK, Inc., to conduct a study to determine the long-term strategic asset allocation of the legacy fund and to develop investment policies and guidelines for an in-state equity investment program under the legacy fund. The contract cost is \$295,000.