

HOUSE BILL NO. 1512

Introduced by

Representatives Nathe, D. Anderson, Bosch, Headland, Lefor, Martinson

Senators Bell, Hogue, Meyer

(Approved by the Delayed Bills Committee)

1 A BILL ~~for an Act to amend and reenact subsection 3 of section 21-10-11 of the North Dakota~~
2 ~~Century Code, relating to the asset allocation plan of the legacy fund; and to provide an~~
3 ~~effective date for an Act to amend and reenact section 21-10-11 of the North Dakota Century~~
4 ~~Code, relating to the legacy and budget stabilization fund advisory board; to provide for the~~
5 ~~selection of a chairman; and to provide for an effective date.~~

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

7 ~~SECTION 1. AMENDMENT. Subsection 3 of section 21-10-11 of the North Dakota Century~~
8 ~~Code is amended and reenacted as follows:~~

9 ~~3. The board shall determine the asset allocation for the investment of the principal of the~~
10 ~~legacy fund including:~~

11 ~~a. A target allocation of ten percent to fixed income investments within the state, of~~
12 ~~which:~~

13 ~~(1) Up to forty percent must be targeted for infrastructure loans to political~~
14 ~~subdivisions under section 6-09-49.1. The net return to the legacy fund~~
15 ~~under this paragraph must be fixed at a target rate of one and one-half~~
16 ~~percent;~~

17 ~~(2) Up to sixty percent, with a minimum of four hundred million dollars, must be~~
18 ~~designated to the Bank of North Dakota's certificate of deposit match~~
19 ~~program with an interest rate fixed at the equivalent yield of United States~~
20 ~~treasury bonds having the same term, up to a maximum term of twenty~~
21 ~~years; and~~

22 ~~(3) Any remaining amounts must be designated for other qualified fixed income~~
23 ~~investments within the state.~~

24 ~~b. A target allocation of ten percent to equity investments in the state, of which at:~~

1 ~~(1) At least three percent may be targeted for investment in one or more equity~~
2 ~~funds, venture capital funds, or alternative investment funds with a primary~~
3 ~~strategy of investing in emerging or expanding companies in the state.~~

4 ~~Equity investments under this subdivision paragraph must:~~

5 ~~(1)(a) Be managed by qualified investment firms, financial institutions, or~~
6 ~~equity funds which have a strategy to invest in qualified companies~~
7 ~~operating or seeking to operate in the state and which have a direct~~
8 ~~connection to the state; and~~

9 ~~(2)(b) Have a benchmark investment return equal to the five-year average~~
10 ~~net return for the legacy fund, excluding in-state investments.~~

11 ~~(2) Up to seven percent may be targeted for investment as recommended by~~
12 ~~the in-state impact investment committee. The in-state impact investment~~
13 ~~committee consists of the governor or the governor's designee, the state~~
14 ~~treasurer or the state treasurer's designee, and the insurance commissioner~~
15 ~~or the insurance commissioner's designee. The committee shall develop~~
16 ~~guidelines for eligible investments under this paragraph. The committee~~
17 ~~shall receive and review proposals for eligible investments under this~~
18 ~~paragraph, and the committee may consult with industry representatives,~~
19 ~~financial professionals, or other technical advisors to review the proposed~~
20 ~~investments. The committee shall submit recommendations for investments~~
21 ~~under this paragraph to the state investment board. The retirement and~~
22 ~~investment office shall provide or arrange for administrative services to~~
23 ~~assist the committee.~~

24 ~~**SECTION 2. EFFECTIVE DATE.** This Act becomes effective on December 1, 2021.~~

25 **SECTION 1. AMENDMENT.** Section 21-10-11 of the North Dakota Century Code is
26 amended and reenacted as follows:

27 **21-10-11. Legacy and budget stabilization fund advisory board.**

- 28 1. The legacy and budget stabilization fund advisory board is created to develop
29 recommendations for the investment of funds in the legacy fund and the budget
30 stabilization fund to present to the state investment board.

- 1 2. The goal of investment for the legacy fund is principal preservation while maximizing
2 total return and to provide a direct benefit to the state by investing a portion of the
3 principal in the state. Preference must be given to qualified investment firms and
4 financial institutions with a presence in the state for investment of the legacy fund.
- 5 3. The board shall determine the asset allocation for the investment of the principal of the
6 legacy fund including:
- 7 a. A target allocation of ten percent to fixed income investments within the state, of
8 which:
- 9 (1) Up to forty percent must be targeted for infrastructure loans to political
10 subdivisions under section 6-09-49.1. The net return to the legacy fund
11 under this paragraph must be fixed at a target rate of one and one-half
12 percent;
- 13 (2) Up to sixty percent, with a minimum of four hundred million dollars, must be
14 designated to the Bank of North Dakota's certificate of deposit match
15 program with an interest rate fixed at the equivalent yield of United States
16 treasury bonds having the same term, up to a maximum term of twenty
17 years; and
- 18 (3) Any remaining amounts must be designated for other qualified fixed income
19 investments within the state.
- 20 b. A target allocation of ten percent to equity investments in the state, of which ~~at:~~
21 (1) At least three percent may be targeted for investment in one or more equity
22 funds, venture capital funds, or alternative investment funds with a primary
23 strategy of investing in emerging or expanding companies in the state.
24 Equity investments under this ~~subdivision~~paragraph must:
- 25 ~~(1)~~(a) Be managed by qualified investment firms, financial institutions, or
26 equity funds which have a strategy to invest in qualified companies
27 operating or seeking to operate in the state and which have a direct
28 connection to the state; and
- 29 ~~(2)~~(b) Have a benchmark investment return equal to the five-year average
30 net return for the legacy fund, excluding in-state investments.

1 (2) The legacy and budget stabilization fund advisory board shall develop
2 guidelines for eligible investments under this paragraph. The advisory board
3 shall receive and review proposals for eligible investments under this
4 paragraph, and the advisory board shall consult with industry
5 representatives, financial professionals, or other technical advisors to review
6 the proposed investments. The advisory board shall submit
7 recommendations for investments under this paragraph to the state
8 investment board.

- 9 4. The board consists of ~~two~~three members of the senate appointed by the senate
10 majority leader, ~~two~~three members of the house of representatives appointed by the
11 house majority leader, ~~the director of the office of management and budget or~~
12 ~~designee~~, the president of the Bank of North Dakota or designee, ~~and~~ the tax
13 commissioner or designee, the insurance commissioner or designee, and the state
14 treasurer or designee. The board shall select a member from the senate or house of
15 representatives to serve as chairman for no more than one consecutive year and must
16 meet at the call of the chairman.
- 17 5. The board shall report at least semiannually to the budget section.
- 18 6. Legislative members are entitled to receive compensation and expense
19 reimbursement as provided under section 54-03-20 and reimbursement for mileage as
20 provided by law for state officers. The legislative council shall pay the compensation
21 and expense reimbursement for the legislative members.
- 22 7. The legislative council shall provide staff services to the legacy and budget
23 stabilization fund advisory board.
- 24 8. The staff and consultants of the state retirement and investment office shall advise the
25 board in developing asset allocation and investment policies.
- 26 9. The board ~~shall~~may develop a process to select a member of the board who is not a
27 member of the state investment board to serve on the state investment board in a
28 nonvoting capacity.

29 **SECTION 2. LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD -**

30 **SELECTION OF CHAIRMAN.** Pursuant to the requirement for the legacy and budget

31 stabilization fund advisory board to select a chairman under subsection 4 of section 21-10-11,

1 the advisory board shall select a new chairman during its first meeting after the effective date of
2 this Act.

3 **SECTION 3. EFFECTIVE DATE.** This Act becomes effective on December 1, 2021.