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## LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD

Wednesday, December 13, 2023  
Harvest Room, State Capitol  
Bismarck, North Dakota

Representative Glenn Bosch, Chairman, called the meeting to order at 1:00 p.m.

**Members present:** Representatives Glenn Bosch, Keith Kempenich, Jonathan Warrey; Senators Kathy Hogan, Jerry Klein, Scott Meyer\*; Citizen Members Thomas Beadle, Susan Sisk\*, Todd Steinwand

**Member absent:** Citizen Member Brian Kroshus

**Others present:** Senator Michelle Axtman, Bismarck  
See [Appendix A](#) for additional persons present.

*\*Attended remotely*

**It was moved by Senator Klein, seconded by Representative Warrey, and carried on a voice vote that the minutes of the June 21, 2023, meeting be approved as distributed.**

### ASSET ALLOCATION STUDY AND IN-STATE INVESTMENTS

Mr. Joshua R. Kevan, Senior Consultant, RVK, Inc., presented information ([Appendix B](#)) regarding the asset allocation study of the legacy fund, including the scope of the in-state investment program. He noted:

- The target size of North Dakota's in-state investment program is 0.83 percent of the annual state gross domestic product making the program one of the largest in the country relative to the size of the state's economy.
- Based on the current pace of in-state investments at approximately \$35 million per year, the program would reach its investment target of \$600 million by 2038.
- Increasing the annual in-state investments by \$45 million per year, from \$35 million to \$80 million, is recommended to reach the investment target by 2029 while balancing the overall investment risks and returns.
- Other private infrastructure or credit investments may provide an opportunity to increase the investment opportunity set for the in-state investment program.

In response to a question from an advisory board member, Mr. Kevan noted in-state investments generally are targeted at companies with \$20 million to \$100 million of annual earnings, which reflects companies with 100 to 500 employees.

In response to a question from an advisory board member, Mr. Scott Anderson, Chief Investment Officer, Retirement and Investment Office, noted the Retirement and Investment Office would conduct a manager search and would use the same due diligence process to select an investment manager for other in-state private infrastructure or credit investments if the advisory board changes the investment policy for the legacy fund to expand the in-state investment program.

Ms. Janilyn Murtha, Executive Director, Retirement and Investment Office, presented information ([Appendix C](#)) regarding the process for interested persons to request funding for an investment opportunity under the in-state equity program. She noted:

- The primary goal of the in-state investment program is to provide a return on investment to the legacy fund with economic growth for the state as a secondary consideration.

- New businesses and entrepreneurs are encouraged to seek assistance from gener8tor North Dakota, an organization that provides early stage investments, entrepreneurship training, and other assistance for new businesses.
- Growing businesses are encouraged to contact the Bank of North Dakota while selected target industries may have opportunities to obtain investment funding through 50 South Capital.

Ms. Murtha distributed information ([Appendix D](#)) regarding an overview comparing business development incentives and investments available in North Dakota for new and expanding businesses.

In response to a question from an advisory board member, Mr. Kelvin Hullet, Chief Business Development Officer, Bank of North Dakota, noted the Bank of North Dakota anticipates requesting \$50 million from the legacy fund for investment in the legacy infrastructure loan fund in the 1<sup>st</sup> quarter of calendar year 2024.

### STATUS OF FUNDS AND PROGRAMS

Mr. Anderson and Mr. George Moss, Investment Officer, Private Funds Management, Retirement and Investment Office, presented information ([Appendix E](#)) regarding the asset allocation, basis points charged by investment advisors, fund balance, and investment returns of the budget stabilization fund and legacy fund.

Mr. Anderson noted:

- The legacy fund had a balance of \$8.9 billion as of September 30, 2023, and returned 4.7 percent for calendar year 2023 to date through September 30, 2023, which exceeded the benchmark by 1.3 percent.
- The budget stabilization fund had a balance of \$927 million as of September 30, 2023, and returned 4.2 percent for calendar year 2023 to date through September 30, 2023, which exceeded the benchmark by 2.3 percent.

Mr. Moss noted:

- The Retirement and Investment Office is in the process of switching from external fund managers to an internal investment management program for certain investments.
- Investment pools will be developed by the end of calendar year 2024 for global equity, global fixed income, and global real assets to harmonize the investments for the funds managed by the Retirement and Investment Office.

Ms. Murtha presented information ([Appendix F](#)) regarding the status of agency initiatives and programs authorized by the Legislative Assembly. She noted:

- The Retirement and Investment Office is developing administrative rules with the Teachers Fund for Retirement Board related to the changes to the state's retirement plans.
- The pension system modernization information technology project is anticipated to be operational by the end of calendar year 2024.
- The Retirement and Investment Office is participating in a cash management study being conducted by a consultant and the results of which will be reported to the Government Finance Committee during the 2023-24 interim.

### SELECTION OF CHAIRMAN

**It was moved by Senator Hogan, seconded by Citizen Member Steinwand, and carried on a roll call vote that Senator Klein serve as Chairman and Representative Bosch serve as Vice Chairman of the Legacy and Budget Stabilization Fund Advisory Board pursuant to North Dakota Century Code Section 21-10-11(4).** Representatives Bosch, Kempenich, and Warrey, Senators Hogan, Klein, and Meyer, and Citizen Members Beadle and Steinwand voted "aye." No negative votes were cast.

No further business appearing, Vice Chairman Bosch adjourned the meeting at 3:15 p.m.

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Adam Mathiak  
Senior Fiscal Analyst

ATTACH:6