

**FIRST ENGROSSMENT
with House Amendments
ENGROSSED SENATE BILL NO. 2022**

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the retirement and
2 investment office; to create and enact a new subsection to section 54-44.3-20 and a new
3 section to chapter 54-52.5 of the North Dakota Century Code, relating to exemptions from the
4 state employee classification system and an incentive compensation program; to amend and
5 reenact section 54-52.5-03 of the North Dakota Century Code, relating to operating costs of the
6 retirement and investment office; to provide an exemption; to provide a report; and to declare an
7 emergency.

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

9 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
10 as may be necessary, are appropriated out of any moneys from special funds derived from
11 income, to the retirement and investment office for the purpose of defraying the expenses of the
12 retirement and investment office, for the biennium beginning July 1, 2023, and ending June 30,
13 2025, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
14			
15			
16	Salaries and wages	\$2,124,208	\$8,910,047
17	Operating expenses	1,546,409	2,869,937
18	Contingencies	<u>100,000</u>	<u>200,000</u>
19	Total special funds	\$3,770,617	\$11,979,984
20	Full-time equivalent positions	25.00	9.00
			34.00

21 **SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO THE**
22 **SIXTY-NINTH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time funding
23 items approved by the sixty-seventh legislative assembly for the 2021-23 biennium and the
24 2023-25 biennium one-time funding items included in the appropriation in section 1 of this Act:

	<u>One-Time Funding Description</u>	<u>2021-23</u>	<u>2023-25</u>
1			
2	Pension administration software implementation	\$0	\$574,900
3	Temporary salaries	<u>0</u>	<u>50,000</u>
4	Total special funds	\$0	\$624,900

5 The 2023-25 biennium one-time funding amounts are not a part of the entity's base budget
6 for the 2025-27 biennium. The retirement and investment office shall report to the
7 appropriations committees of the sixty-ninth legislative assembly on the use of this one-time
8 funding for the biennium beginning July 1, 2023, and ending June 30, 2025.

9 **SECTION 3.** A new subsection to section 54-44.3-20 of the North Dakota Century Code is
10 created and enacted as follows:

11 Investment and fiscal operations positions of the state retirement and investment office
12 necessary for the management of the investment of funds under the control of the
13 state investment board.

14 **SECTION 4. AMENDMENT.** Section 54-52.5-03 of the North Dakota Century Code is
15 amended and reenacted as follows:

16 **54-52.5-03. State retirement and investment fund - Cost of operation of agency.**

17 A special fund known as the "state retirement and investment fund" is established for the
18 purpose of defraying administrative expenses of the state retirement and investment office. The
19 actual amount of administrative expenses incurred by the state retirement and investment office
20 must be paid from the respective funds listed under section 21-10-06 and are hereby
21 appropriated to the state retirement and investment fund in proportion to the services rendered
22 for each fund as estimated by the state investment board. The amount necessary to pay all
23 administrative expenses of the state retirement and investment office must be paid from the
24 state retirement and investment fund in accordance with the agency's appropriation authority
25 and earnings lawfully available for such purposes. Any interest income earned on the state
26 retirement and investment fund must be credited to the fund.

27 **SECTION 5.** A new section to chapter 54-52.5 of the North Dakota Century Code is created
28 and enacted as follows:

29 **Incentive compensation program - Report to legislative management.**

30 The state retirement and investment office may develop an incentive compensation
31 program for full-time equivalent investment and fiscal operations positions necessary for the

1 management of the investment of funds under the control of the state investment board. The
2 program must promote profitability, productivity, and responsible fund management. The
3 provisions of the program must be approved annually by the state investment board. The
4 provisions must ensure that the payouts do not occur unless the risk-based performance of the
5 investments that are internally managed exceed the risk-based performance of policy
6 benchmarks. Any amounts paid under this program must be considered compensation and not
7 personal profit on behalf of the employee. Each interim, the state retirement and investment
8 office shall provide at least one report to the legislative management regarding the status of the
9 program, including the provisions of the program; the total amount of incentives paid out to
10 employees each year; and the minimum, maximum, and average payout per eligible full-time
11 equivalent position.

12 **SECTION 6. EXEMPTION - PENSION ADMINISTRATION SYSTEM PROJECT.** The sum
13 of \$9,000,000 appropriated in section 1 of chapter 47 of the 2019 Session Laws and continued
14 into the 2021-23 biennium pursuant to section 3 of chapter 22 of the 2021 Session Laws for the
15 pension administration system is not subject to the provisions of section 54-44.1-11 and any
16 unexpended funds are available for completing the project during the biennium beginning
17 July 1, 2023, and ending June 30, 2025.

18 **SECTION 7. REPORT TO BUDGET SECTION.** Prior to the implementation of the incentive
19 compensation program under section 5 of this Act and after approval of the program by the
20 state investment board, the state retirement and investment office shall provide a report to the
21 budget section regarding the provisions of the program, during the period beginning with the
22 effective date of this Act and ending June 30, 2025.

23 **SECTION 8. EMERGENCY.** Section 7 of this Act is declared to be an emergency measure.