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Presentation to the
Administrative Committee on Veteran's Affair
July 31, 2015
State Treasurer Kelly Schmidt

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What is the formula used for distributing annual funding?

The law requires us to follow the Uniform Principal and Income Act (UPIA) when determining what is applied to "income" and distributed to ACOVA vs. the amount allocated to "principal" and retained for future growth. The UPIA is spelled out in North Dakota Century Code 59-04.2. More specifically, NDCC 59-04.2-09 spells out the character of receipts and what is to be classified as income or principal.

In looking at the UPIA, earnings that are to be classified as "income" are interest, dividends and other miscellaneous receipts. On the other hand, earnings that are to be classified as "principal" are capital gains on the sale of stock and capital gain distributions.

Why does the interest from the yearly funding distribution go back into the general fund?

The interest does NOT go back into the general fund. All interest stays within the fund. Interest gained on dollars distributed to ACOVA are credited to the 410 account on a monthly basis, as does the Melvin Norgard fund.



What is Trust money?

Trust money are the dollars in the Veteran's Postwar Trust Fund.

Funds distributed to ACOVA are placed in a clearing account, which is referred to as the 410 account. The 410 account is NOT part of the trust fund.

What is Principal Money?

Principal money is the original sum and any additional deposits authorized by the legislature (ex. \$250,000 in 2013). What is credited to the principal from investments are defined in the UPIA.

What is earned from investing?

A reconciliation process is completed monthly by the Office of State Treasurer to determine what has been gained or lost after the close of the month.

How much from interest?

See above



Additional Information:

What are the fee's on the VPWTF?

Fees TOTAL 1% this INCLUDES transaction fees.

As a comparative: A typical mutual fund account averages 1.35% in fees and .85% in transaction costs for a total cost of 2.2%

When is the VPWTF distribution made to ACOVA?

The payment to ACOVA is defined in NDCC 37-14-14 and is typically made the first part of August once the reconciliation for the biennium is complete. This distribution schedule was brought forward by the AVOCA in a prior legislation session to address ACOVA budgeting needs.

What is the value of the fund?

As of 6/30/15 the market value of the Postwar Trust Fund was \$5.96M. Market value refers to the current or most recently-quoted price for a market-traded security.

As of 6/30/15 the cost basis value of the fund is \$5.5M. In the broadest sense, cost basis refers to the price we paid for the shares. We use the cost basis value.



Veteran's Postwar Trust Fund

For the

2013-15 Biennium

Total earnings for the Veteran's Postwar Trust Fund in the 2013-15 biennium are \$952,086.30.

ACOVA Distribution:

Fiscal Year 2014 earnings of \$146,771.47

Fiscal Year 2015 earnings of \$127,804.49

A total of \$274,575.46 will be distributed to the ACOVA for the biennium. We anticipate this transfer to be complete in the next 7-10 business days.

PRINCIPLE:

The remaining \$677,510.34 has been retained as principle of the fund for the benefit of future veterans.

FY 2014 Annual rate of return: 8.4%

FY 2015 annual rate of return: 11.49%

Melvin Norgard Memorial Fund

Balance as of June 30, 2015 \$390,396.07

This fund is invested in a CD in a ND financial institution through our BidND program with the remainder in a money market account at the Bank of North Dakota.