2015

Comprehensive Annual Financial Report

For the years ended
June 30, 2015 & 2014

North Dakota Retirement and Investment Office

An Agency of the State of North Dakota

North Dakota

Retirement and Investment Office

An Agency of the State of North Dakota

Comprehensive Annual Financial Report

Prepared by the ND Retirement and Investment Office Staff
1930 Burnt Boat Drive, P.O. Box 7100
Bismarck, ND 58507-7100
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www.nd.gov/rio

For the Fiscal Years Ended June 30, 2015 and 2014

All printed materials can be made available in alternate formats.
Contact the administrative office should this be necessary.

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INTRODUCTORY SECTION

ND Retirement and Investment Office

State Investment Board
Teachers' Fund for Retirement

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December 1, 2015

Members of the
North Dakota State Investment Board
North Dakota Teachers' Fund for Retirement Board

Dear Board Members:

With pleasure we present to you the June 30, 2015, Comprehensive Annual Financial Report (CAFR) for the North Dakota Retirement and Investment Office (RIO). The report is a complete review of the financial, investment, and actuarial conditions of the two programs for which you are responsible. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of RIO.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. RIO's MD&A can be found immediately following the report of the independent auditors in the Financial Section.

RIO is an agency of the State of North Dakota. The agency was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of two important long-standing state programs – the retirement program of the Teachers' Fund for Retirement (TFFR) and the investment program of the State Investment Board (SIB).

Established in 1913, TFFR is one of the oldest retirement plans in the nation. TFFR is a qualified defined benefit public pension plan covered under Section 401(a) of the Internal Revenue Code. North Dakota Century Code Chapter 15-39.1 contains the actual language governing the fund. The plan covers North Dakota public school teachers and administrators. The TFFR plan is funded on an actuarial reserve basis. Benefit funding comes from member and employer contributions and investment earnings. TFFR serves over 10,500 teachers from 216 employer groups and pays benefits to more than 8,000 retirees and beneficiaries. High quality member services and outreach programs are offered to members and employers as part of the continuing effort to keep them informed about the retirement program.

The SIB is responsible for setting policies and procedures guiding the investment of over $10.7 billion in assets for seven pension funds and 16 other insurance-type funds. Their investments are divided into two investment trust funds and two individual investment accounts. Individual investment guidelines for each fund can be found in the Investment Section. These guidelines include goals and objectives, risk tolerance, liquidity constraints, asset allocation and portfolio restrictions specific to each fund's unique circumstances. When creating investment pools to implement the asset allocations for each client fund, the SIB takes all of these guidelines into consideration in order to best meet the objectives of each fund and safeguard fund assets. The following table details the participants in each trust fund as of June 30, 2015:

	Fair Value in millions	% Of Pool	FY2015 Return		Fair Value in millions	% Of Pool	FY2015 Return
PENSION POOL PARTICIPANTS				INSURANCE POOL PARTICIPANTS			
Teachers' Fund for Retirement	$2,103.81	43.8%	3.52%	Workforce Safety & Insurance Fund	$1,762.66	71.2%	3.27%
Public Employees Retirement System	2,422.58	50.4%	3.53%	State Fire and Tornado Fund	23.42	0.9%	3.16%
Bismarck City Employee Pension Fund	81.75	1.7%	3.69%	State Bonding Fund	3.18	0.1%	1.25%
Bismarck City Police Pension Fund	35.89	0.7%	3.56%	Petroleum Tank Release Fund	7.16	0.3%	1.13%
Job Service of North Dakota	96.39	2.0%	3.30%	Insurance Regulatory Trust Fund	2.64	0.1%	2.04%
City of Fargo Pension Fund	0.00	0.0%	0.06%	State Risk Management Fund	6.85	0.3%	4.08%
City of Grand Forks Pension Fund	59.23	1.2%	3.53%	State Risk Management Workers Comp	6.22	0.3%	4.57%
Grand Forks Park District Pension Fund	6.04	0.1%	4.22%	Cultural Endowment Fund	0.38	0.0%	5.22%
Subtotal Pension Pool Participants	$4,805.68	100.0%		Budget Stabilization Fund	574.01	23.2%	1.86%
				ND Assoc. of Counties (NDACo) Fund	3.83	0.2%	2.77%
				City of Bismarck Deferred Sick Leave	0.87	0.0%	2.95%
INDIVIDUAL INVESTMENT ACCOUNTS				PERS Group Insurance	39.65	1.6%	0.01%
Legacy Fund	$3,328.63		3.31%	State Board of Medical Examiners	2.17	0.1%	2.70%
Retiree Health Insurance Credit Fund	97.67		3.06%	City of Fargo FargoDome Permanent Fund	41.01	1.7%	3.38%
				Subtotal Insurance Pool Participants	2,474.06	100.0%	
TOTAL ASSETS UNDER MANAGEMENT					$10,706.05		

Columns may not foot due to rounding.

The pension investment pool is made up of only qualified pension funds whose monies must be invested exclusively for the benefit of their participants. The insurance investment pool is made up of mainly insurance-type funds, but also includes other funds that do not qualify as pension funds and would like to benefit from the cost savings of being pooled with other funds' assets. All of these funds are invested in accordance with the "Prudent Investor Rule."

An important aspect of the prudent investor rule is that individual investments are considered not in isolation but in the context of the trust portfolio as a whole. Some new opportunities may appear risky when viewed alone. However, when part of a diversified mix of investments in stocks, bonds and other assets, they can increase returns often without increasing the overall portfolio risk and, in some cases, may help decrease the overall portfolio's risk.

The pension investment pool was created in July 1989 with the pooling of selected investments of TFFR and the Public Employees Retirement System (PERS). Assets from the City of Bismarck Employees and Police pension funds were added later that same fiscal year. In April 1994, Job Service of North Dakota made their initial contribution to the pool. The City of Fargo Employees pension plan joined the pension pool in December 2007 and the City of Grand Forks Employees pension plan in May 2009. Most recently, the Grand Forks Park District pension plan began participating in the pension pool in December 2009. The City of Fargo Employees pension plan withdrew the bulk of their assets from the SIB in December 2013. Their balance at June 30, 2015, represents residual cash needed to pay final expenses.

The insurance investment pool began in December 1993 with the pooling of the assets of the WSI, Fire and Tornado, Bonding, Insurance Regulatory, and Petroleum Tank Release funds.

Other additions to this pool have occurred as follows:

- The Risk Management Fund was added in October 1996.
- Two North Dakota Association of Counties (NDACo) funds were added during fiscal year 1999, in January and March.
- The City of Bismarck Deferred Sick Leave and PERS Group Insurance funds were both added in July 1999.
- The City of Fargo FargoDome Permanent Fund was added in October 2002.
- The Risk Management Workers Compensation Fund was added in October 2003.

- The Cultural Endowment Fund was added by the 2005 legislature and funded in July 2005.
- The Budget Stabilization Fund joined the pool in September 2005 upon reaching statutorily designated levels.
- The State Board of Medical Examiners Fund joined the pool in April, 2014.

Seven funds have left the insurance investment pool after having been included in it at some point during its existence - the Veterans' Home Improvement Fund was added in July 1996 and removed in August 1997, the National Guard Tuition Waiver Fund was added in June 1996 and removed in June 1999, the Veterans Post War Trust Fund was added in December 1997 and left the pool in September 2005, the Veterans Cemetery Trust joined the pool in August 1997 and was removed in August 2007, the ND Health Care Trust Fund was added to the pool in July 2001 and left the pool in June 2012, and the National Board Certification Fund joined in July 2009 and was removed in September 2011. Additionally, the two NDACo funds were combined into one fund in July, 2010. And most recently, the Legacy Fund assets were removed from the insurance investment pool during fiscal year 2015 after being added to SIB management in September 2011 and subsequently pooled during implementation of their diversified asset allocation in fiscal year 2014. Pooling the assets during implementation allowed for a more efficient realization of the Legacy Fund's target asset allocation. However, after implementation, it was determined that better transparency could be achieved and the investment objectives of this endowment-like fund could be more effectively achieved outside of the insurance pool structure.

MAJOR INITIATIVES

TFFR Retirement Program

- Governor Dalrymple made the following TFFR Board appointments:
  - ✓ Kim Franz was reappointed for another 5-year term from July 1, 2014 – June 30, 2019.
  - ✓ Mike Burton was appointed in December 2014 to complete the unexpired term of former trustee Clarence Corneil through June 30, 2017.

- Developed joint plan to implement new Government Accounting Standards Board (GASB) pension accounting and financial reporting standards (GASB 67 and 68) with NDTFFR, NDPERS, and ND State Auditor's Office. The implementation plan included working with TFFR and PERS plan actuaries and auditors to develop necessary financial information and note disclosures, and coordinate census data audits. Additionally, the team created a communications and training program to assist participating employers and auditors implement the new pension reporting requirements. Added GASB information to TFFR website.
- Reviewed and adopted recommendations from 5-year Actuarial Experience Study conducted by Segal Consultants. Actuarial assumption changes effective with the July 1, 2015 actuarial valuation include:
  - ✓ Investment return assumption lowered from 8.00% to 7.75%.
  - ✓ Inflation assumption lowered from 3.00% to 2.75%.
  - ✓ Total salary scale rates lowered by 0.25% due to lower inflation.
  - ✓ Explicit administrative expense assumption added, equal to prior year expenses plus inflation.
  - ✓ Rates of turnover and retirement were changed to better reflect anticipated future experience.
  - ✓ Mortality assumptions updated to the "RP-2014" mortality tables with generational improvement.

SIB Investment Program

- Investment details by trust fund can be found in the Investment Section.
- Initiatives completed by the SIB during the year included:
  - ✓ Completed 18 month implementation plan for Legacy Fund asset allocation and transitioned out of insurance investment pool to individual investment account.

- ✓ Assisted Public Employees Retirement System Board with asset/liability study for Job Service Pension Plan and accepted new asset allocation, with full implementation expected in first half of FY2016.
- ✓ Continued to successfully renegotiate investment management fees throughout the year resulting in a decrease in overall investment fees for FY2015.
- ✓ Conducted a review of custody services which resulted in custody fee reductions and third-party verification of satisfactory custody services.
- ✓ Conducted governance policy review and updated policies as necessary.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to RIO for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the seventeenth consecutive year that RIO has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

TFFR also received the 2015 Public Pension Standards Award for Funding and Administration from the Public Pension Coordinating Council. To receive the award, the retirement system must certify that it meets specific professional standards for a comprehensive benefit program, actuarial valuations, financial reporting, investments, communications to members, and funding adequacy.

FINANCIAL INFORMATION

RIO is subject to very strict operational controls. Well-established internal controls are in place, segregation of duties is maintained, and an internal audit program is in effect. In addition, an annual external financial audit is performed and the results are reported to the Legislative Audit and Fiscal Review Committee (LAFRC). Although internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives, RIO believes the internal controls that are in place have been designed to reduce risks of material misstatements.

CliftonLarsonAllen LLP conducted the external financial audit under the direction of the North Dakota State Auditor. The auditor's opinion was unmodified for the agency for the year ended June 30, 2015.

The tables below summarize RIO's additions and deductions for the current and prior fiscal years:

Pension Trust Fund (TFFR)	6/30/2015 (in millions)	6/30/2014 (in millions)	Incr/(Decr) $ (in millions)	Incr/(Decr) %
Additions	$ 226	$ 415	$ (190)	-45.7%
Deductions	174	164	10	6.3%
Net Change	$ 52	$ 251	$ (200)	-79.5%

In the pension trust fund, additions decreased due to weaker financial markets. Deductions increased because the average benefit increased from the previous year, as did the number of retirees receiving benefits throughout the year.

Investment Trust Funds	6/30/2015 (in millions)	6/30/2014 (in millions)	Incr/(Decr) $ (in millions)	Incr/(Decr) %
Additions	$ 1,507	$ 2,054	$ (547)	-26.6%
Deductions	250	352	$ (102)	-28.9%
Net Change	$ 1,257	$ 1,702	$ (445)	-26.2%

In the investment trust funds, additions also decreased due to weaker financial markets. Deductions decreased due to a decrease in the amount of unit redemptions requested from the individual funds. Those requests are highly dependent on each funds' needs.

FUNDING STATUS

The objective of the TFFR pension fund is to accumulate sufficient funds to meet all expected future obligations to participants. The member and employer contribution rates are established by statute. The member rate increased from 9.75% to 11.75% effective July 1, 2014. The employer rate increased from 10.75% to 12.75% effective July 1, 2014. The 11.75% member contribution rate and 12.75% employer contribution rate will remain in effect until TFFR is 100% funded on an actuarial basis. At that point, the employer and member contribution rates will revert to 7.75%. The rates are intended to be sufficient to pay TFFR's normal cost and to amortize TFFR's unfunded actuarial accrued liability (UAAL) over a period of 28 years beginning July 1, 2015, although at any given time the statutory rates may be insufficient.

In order to determine the adequacy of the 12.75% statutory employer contribution rate, it is compared to the actuarially determined contribution (ADC). The ADC is equal to the sum of the employer normal cost rate, and the level percentage of pay required to amortize the UAAL over a closed 30-year period that began July 1, 2013 (28 years remaining as of July 1, 2015). For this calculation, payroll is assumed to increase 3.25% per year. As of July 1, 2015, the ADC is 13.04%, compared to 11.57% last year. This is greater than the 12.75% rate currently required by law.

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) decreased from last year. The funded ratio at July 1, 2014, was 61.8%, while it is 61.6% as of July 1, 2015. Based on market values rather than actuarial values of assets, the funded ratio decreased to 62.1 %, compared to 66.6% last year. The increase in ADC and decrease in funded ratio are primarily driven by changes to the actuarial assumptions that were adopted by the TFFR Board and effective July 1, 2015. A summary of the changes is shown in the Actuarial Section of this report.

The plan had a net asset gain of $17 million from previous years that has not yet been recognized in the actuarial value of assets because of the five-year smoothing. This unrecognized asset gain is due to market gains during FY2013 and FY2014 offset by market losses in FY2012 and FY2015. As these gains are recognized over the next four years, the funded ratio is expected to improve, assuming the plan earns 7.75% in the future.

The following table summarizes the actuarial valuation of the TFFR plan. A detailed discussion of funding is provided in the Actuarial Section of this report.

	July 1, 2015 (in millions)	July 1, 2014 (in millions)
Actuarial Accrued Liability (AAL)	$ 3,449.8	$ 3,138.8
Actuarial value of assets (AVA)	2,125.0	1,940.5
Unfunded actuarial accrued liability (UAAL)	1,324.8	1,198.3
Funded ratio	61.6%	61.8%

FINANCIAL REPORTING FOR PENSIONS

Government Accounting Standards Board (GASB) Statement 67 for accounting and financial reporting of pension liabilities became effective in FY 2014. The GASB rules only define pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for actual pension funding purposes.

The following table summarizes the components of the net pension liability of TFFR. A detailed discussion is provided in the Financial Section of this report.

	July 1, 2015 (in millions)	July 1, 2014 (in millions)
Total pension liability (TPL)	$ 3,449.8	$ 3,138.8
Plan fiduciary net position (FNP)	2,141.9	2,091.0
Net pension liability (NPL)	1,307.9	1,047.8
Plan FNP as % of TPL	62.1%	66.6%

INVESTMENT ACTIVITIES

The investment policies and strategies for each of the funds under the SIB can be found in the Investment Section of this report. Each fund's policy is determined by the individual fund's governing body and presented to the SIB for acceptance. Once accepted, the policy is used as a guide to determine participation in the applicable pools. The policies are designed to provide safeguards on assets while optimizing return based on each fund's risk parameters. Additionally, each investment manager is given explicit guidelines identifying the types of investments that are acceptable within each portfolio, based on asset allocation expectations of the individual funds in the pools.

The return information presented in the Investment Section is calculated with the assistance of our consultant, Callan Associates, based on data supplied by our custodian, The Northern Trust Company, and the individual investment managers. The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon market values and are subject to independent review.

PROFESSIONAL SERVICES

Professional consultants are selected by the TFFR Board and the SIB to perform professional services that are essential to the effective and efficient operation of the retirement and investment programs. An opinion from the certified public accountant and the actuary are included in this report. The consultants chosen by the boards are listed in the Introductory Section of this report.

Respectfully yours,

DAVID HUNTER
Executive Director/
Chief Investment Officer

FAY KOPP
Deputy Executive Director/
Chief Retirement Officer

CONNIE L. FLANAGAN
Fiscal & Investment Operations Mgr

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
As of June 30, 2015

Mission

The North Dakota Retirement and Investment Office exists in order that:

- SIB clients receive investment returns, consistent with their written investment policies and market variables, in a cost-effective investment manner and under the Prudent Investor Rule.
- Potential SIB clients have access to information regarding the investment services provided by the SIB.
- TFFR benefit recipients receive their retirement benefits in a cost effective and timely manner.
- TFFR members have access to information which will allow them to become knowledgeable about the issues and process of retirement.
- SIB clients and TFFR benefit recipients receive satisfactory services from the boards and staff of the office.

Administrative Staff

David Hunter
Executive Director
Chief Investment Officer

Fay Kopp
Deputy Executive Director/
Chief Retirement Officer

Darren Schulz, CFA
Deputy CIO

Supervisory Staff

Connie L. Flanagan
Fiscal Management

Shelly Schumacher
Retirement Services

Terra Miller Bowley
Audit Services

Bonnie Heit
Administrative Services

Richard Nagel
Information Services

NORTH DAKOTA STATE INVESTMENT BOARD
Board Members as of June 30, 2015

Investment Program

Investment Process

The ND State Investment Board believes that an investment program must be built and managed like any good business, with a clear statement of mission, overall objectives, roles and responsibilities, and policies and guidelines. Major issues include:

Asset allocation targets:

- Setting appropriate benchmarks.
- Finding the right managers.
- Monitoring the program.
- Searching for appropriate new opportunities.

To ensure rigorous attention to all aspects of the investment program, the SIB follows an established investment process. This process involves three phases:

- Investment policy development/modification
- Implementation/monitoring
- Evaluation

Drew Wrigley
Chair
Lt. Governor

Mike Sandal
Vice Chair
PERS Trustee

Kelly Schmidt
State Treasurer

Adam Hamm
State Insurance Commissioner

Cindy Ternes, CPA
Workforce Safety & Insurance Designee

Lance Gaebe
University and School Land Commissioner

Rob Lech
TFFR Trustee

Mike Gessner
TFFR Trustee

Mel Olson
TFFR Trustee

Yvonne Smith
PERS Trustee

Tom Trenbeath
PERS Trustee

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
Board of Trustees as of June 30, 2015

Retirement Program

Mission

The mission of the Teachers' Fund for Retirement, a trust fund, is to advocate for, develop, and administer a comprehensive retirement program for all trust fund members within the resources available.

Goals

Investment and Funding Goals:

- Improve the Plan's funding status to protect and sustain current and future benefits.
- Minimize the employee and employer contributions needed to fund the Plan over the long term.
- Avoid substantial volatility in required contribution rates and fluctuations in the Plan's funding status.
- Accumulate a funding surplus to provide increases in retiree annuity payments to preserve the purchasing power of their retirement benefits.

Service Goals:

- Administer accurate, prompt, and efficient pension benefits program.
- Deliver high quality, friendly service to members and employers.
- Provide educational outreach programs including pre-retirement seminars and individual counseling sessions.

Mike Gessner
President
(active teacher)

Rob Lech
Vice President
(active administrator)

Kim Franz
Trustee
(active teacher)

Mike Burton
Trustee
(retired member)

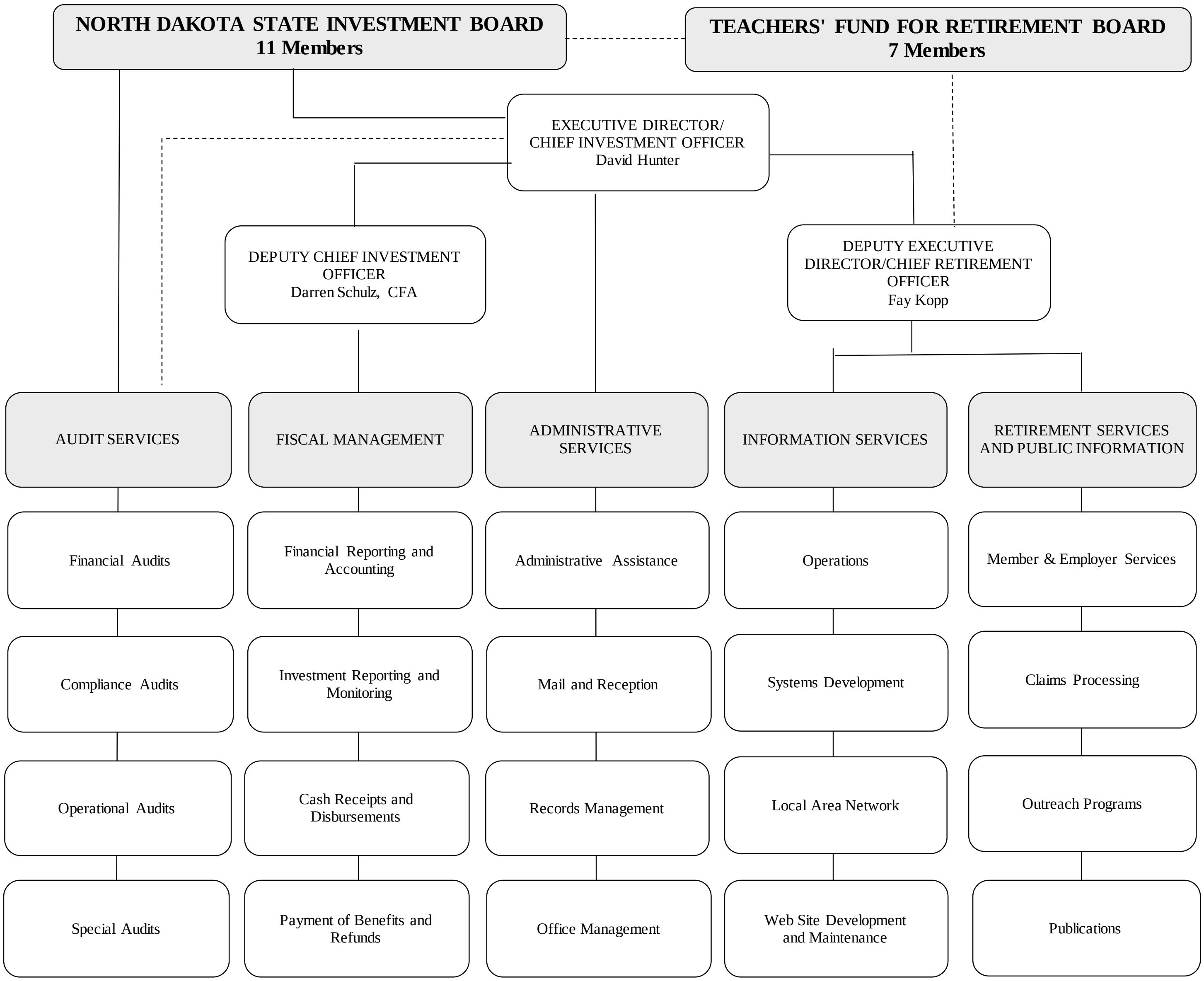
Mel Olson
Trustee
(retired member)

Kelly Schmidt
State Treasurer

Kirsten Baisler
State Superintendent
of Public Instruction

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

ADMINISTRATIVE ORGANIZATION
JUNE 30, 2015



See page 82 in the Investment Section for a summary of fees paid to investment professionals and pages 176-180 in the Statistical Section for a detailed list of the investment professionals who provide services to the State Investment Board and their corresponding fees.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

CONSULTING AND PROFESSIONAL SERVICES
AS OF JUNE 30, 2015

Actuary

The Segal Company
Chicago, Illinois

Auditor

CliftonLarsonAllen LLP
Baltimore, Maryland

Legal Counsel

North Dakota Attorney General's Office
Bismarck, North Dakota

Ice Miller
Chicago, Illinois

K&L Gates
Boston, Massachusetts

Information Technology

Advent Software, Inc.
San Francisco, CA

CPAS Systems Inc.
Toronto, Ontario

Master Custodian

The Northern Trust Company
Chicago, Illinois

Investment Consultant and Performance Measurement

Callan Associates Inc.
San Francisco, California

Investment Consulting (Fee Analysis)

Novarca North America LLC
Palo Alto, California

Investment Consulting (Private Equity Monitoring)

Adams Street Partners, LLC
Chicago, Illinois

Investment Managers

Adams Street Partners, LLC
Chicago, Illinois

Axiom International Investors
Greenwich, Connecticut

Investment Managers (cont.)

Babson Capital Management LLC
Boston, Massachusetts

Brandywine Asset Management
Wilmington, Delaware

Callan Associates
San Francisco, California

Capital Group
Los Angeles, California

Corsair Capital
New York, New York

Declaration Mgmt & Research, LLC
McLean, Virginia

Dimensional Fund Advisors
Chicago, Illinois

EIG Energy Partners
Los Angeles, California

Epoch Investment Partners, Inc.
New York, New York

Goldman Sachs Asset Mgmt
New York, New York

Grosvenor Capital Management
New York, NY

Hearthstone Homebuilding Investors, LLC
Encino, California

INVESCO Realty Advisors
Dallas, Texas

InvestAmerica L&C, LLC
Cedar Rapids, Iowa

J.P. Morgan Invest. Mgmt, Inc.
New York, New York

Loomis Sayles & Company
Boston, Massachusetts

Los Angeles Capital Management
Los Angeles, California

LSV Asset Management
Chicago, Illinois

Matlin Patterson Global Advisers LLC
New York, New York

Northern Trust Asset Management
Chicago, Illinois

Investment Managers (cont.)

Parametric Portfolio Associates
DBA The Clifton Group
Minneapolis, Minnesota

PIMCO
Newport Beach, California

Prudential Investment Management
Newark, New Jersey

Quantum Energy Partners
Houston, Texas

Quantum Resources Mgmt, LLC
Denver, Colorado

Research Affiliates, LLC
Newport Beach, California

SEI Investments Management Co.
Oaks, Pennsylvania

State Street Global Advisors
Boston, Massachusetts

Timberland Investment Resources, LLC
Atlanta, Georgia

UBS Global Asset Management
Chicago, Illinois

The Vanguard Group
Valley Forge, Pennsylvania

Wellington Trust Company, NA
Boston, Massachusetts

Wells Capital Management, Inc.
Menomonee Falls, Wisconsin

Western Asset Management Co.
Pasadena, California

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

North Dakota Retirement and Investment Office

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2014

Jeffrey R. Emer

Executive Director/CEO

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
_2015_

Presented to

North Dakota Teachers' Fund For Retirement

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle

Alan H. Winkle
Program Administrator

FINANCIAL SECTION

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.claconnect.com

Independent Auditors' Report

Governor Jack Dalrymple
The Legislative Assembly
David Hunter, Executive Director/CIO
State Investment Board
Teachers' Fund for Retirement Board
North Dakota Retirement and Investment Office

Report on the Financial Statements

We have audited the accompanying financial statements of the North Dakota Retirement and Investment Office (RIO), a department of the State of North Dakota, which comprise the statements of net position – fiduciary funds as of June 30, 2015 and 2014, and the related statements of changes in net position – fiduciary funds for the years then ended, and the related notes to the financial statements, which collectively comprise RIO's basic financial statements, and the combining and individual fund financial statements as of and for the years ended June 30, 2015 and 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RIO as of June 30, 2015 and 2014, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of RIO as of June 30, 2015 and 2014, and the results of the changes in financial position of such funds for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

NEXIA INTERNATIONAL

An independent member of Nexia International

Emphasis of Matter

As discussed in Note 1, the financial statements of RIO are intended to present the financial position and the changes in financial position of only that portion of the State of North Dakota that is attributable to the transactions of RIO. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2015 and 2014, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in NPL and related ratios - ND Teachers' Fund for Retirement and employer contributions - ND Teachers' Fund for Retirement, investment returns - ND Teachers' Fund for Retirement, employer's share of NPL – ND Public Employees Retirement System and employer contributions – ND Public Employees Retirement System and related notes, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RIO's basic financial statements and the combining and individual fund financial statements. The schedules of administrative expenses, consultant expenses, investment expenses, and appropriations – budget basis – fiduciary funds, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory, Investment, Actuarial and Statistical Section, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Audit Standards*, we have also issued our report dated November 9, 2015, on our consideration of RIO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RIO's internal control over financial reporting.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
November 9, 2015

North Dakota Retirement and Investment Office
Management's Discussion and Analysis
June 30, 2015 and 2014

Our discussion and analysis of the ND Retirement and Investment Office's (RIO) financial performance provides an overview of RIO's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the basic financial statements, which follow this discussion.

RIO administers two fiduciary funds, a pension trust fund for the ND Teachers' Fund for Retirement (TFFR) and an investment trust fund for the ND State Investment Board (SIB) consisting of 23 investment clients in two investment pools and two individual investment accounts.

Financial Highlights

Total net position increased in the fiduciary funds by $1.31 billion or 13.9% from the prior year. Approximately 85% of that increase is due to the growth of the Legacy Fund. The Legacy Fund was created by a constitutional amendment in 2010. The amendment provides that 30% of oil and gas gross production and oil extraction taxes on oil produced after June 30, 2011, be transferred to the Legacy Fund. Transfers into the Legacy Fund totaled $1.01 billion during the fiscal year.

Additions in the fiduciary funds for the year decreased $736.6 million or 29.8% from the previous year. Net investment income decreased by $647.5 million and total contributions increased $31.5 million.

Deductions in the fiduciary funds decreased over the prior year by $91.2 million or 17.7%. Payments to TFFR members in the form of benefits and refunds increased by $9.9 million or 6.2%. This increase represented a rise in the total number of retirees drawing retirement benefits from the pension fund as well as an increase in the retirement salaries on which the benefits of new retirees are based. The redemption of units from the investment trust decreased by $101.8 million or 29.0%.

As of June 30, 2015, the TFFR pension plan had a Net Pension Liability (NPL) of $1.3 billion and Plan Fiduciary Net Position as a percent of Total Pension Liability (TPL) of 62.1%.

Overview of the Financial Statements

This report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and additional supplementary information that presents combining statements for the investment trust funds. The basic financial statements include fund financial statements that focus on individual parts of RIO's activities (fiduciary funds).

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included additional supplementary information, including combining statements that provide details about our investment trust funds, each of which are added together and presented in single columns in the basic financial statements.

Fund Financial Statements

The fund financial statements provide detailed information about RIO's activities. Funds are accounting devices that RIO uses to keep track of specific sources of funding and spending for particular purposes.

RIO uses fiduciary funds as RIO is the trustee, or fiduciary, for TFFR (a pension plan) and SIB (investment trust funds). RIO is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of RIO's fiduciary activities are reported in a statement of net position and a statement of changes in net position.

Financial Analysis

RIO's fiduciary fund total assets as of June 30, 2015, were $10.7 billion and were comprised mainly of investments. Total assets increased by $1.3 billion or 13.9% from the prior year primarily due to the growth of the Legacy Fund.

Total liabilities as of June 30, 2015, were $13.2 million. The majority of the liabilities was comprised of investment expenses payable of $11.4 million and accrued expenses of $1.5 million. The accrued expenses include the net pension liability (NPL) of $773,000 that is required to be reported under GASB statement 68. This amount represents RIO's proportionate share of the ND Public Employees Retirement System (NDPERS) Main Plan's NPL measured as of June 30, 2014. Total liabilities increased by $2.5 million or 23.4% from the prior year due mainly to an increase in investment expenses payable at June 30, 2015, caused by the timing of the payment of those expenses.

RIO's fiduciary fund total net position was $10.7 billion at the close of fiscal year 2015.

North Dakota Retirement and Investment Office
Net Position – Fiduciary Funds
(In Millions)

	2015	2014	Total % Change
Assets			
Investments	10,668.6	9,373.5	13.8%
Receivables	61.1	48.2	26.9%
Cash & Other	19.0	17.1	11.1%
Total Assets	10,748.7	9,438.8	13.9%
Deferred Outflows of Resources			
Deferred outflows related to pensions	0.1	-	100.0%
Liabilities			
Total Liabilities	13.2	10.7	23.4%
Deferred Inflows of Resources			
Deferred inflows related to pensions	0.2	-	100.0%
Total Net Position	$ 10,735.5	$ 9,428.1	13.9%

Note: RIO posted prior period adjustments in fiscal year 2015 in order to comply with Governmental Accounting Standards Board (GASB) Statements 68 and 71 related to certain defined benefit pension plan participation. The adjustment amounts, totaling just under $822,000, recognize the initial balances of net pension liability and deferred outflows of resources associated with RIO's participation in the ND Public Employees Retirement System (NDPERS) Main Plan. The adjustments were made to the beginning net position for fiscal year 2015.

North Dakota Retirement and Investment Office
Management's Discussion and Analysis
June 30, 2015 and 2014

	2014	2013	Total % Change
Assets			
Investments	$ 9,373.5	$ 7,421.8	26.3%
Receivables	48.2	44.1	9.2%
Cash & Other	17.1	16.2	5.5%
Total Assets	9,438.9	7,482.1	26.2%
Liabilities			
Total Liabilities	10.7	7.5	42.4%
Total Net Position	$ 9,428.2	$ 7,474.6	26.1%

North Dakota Retirement and Investment Office
Changes in Net Position – Fiduciary Funds
(In Millions)

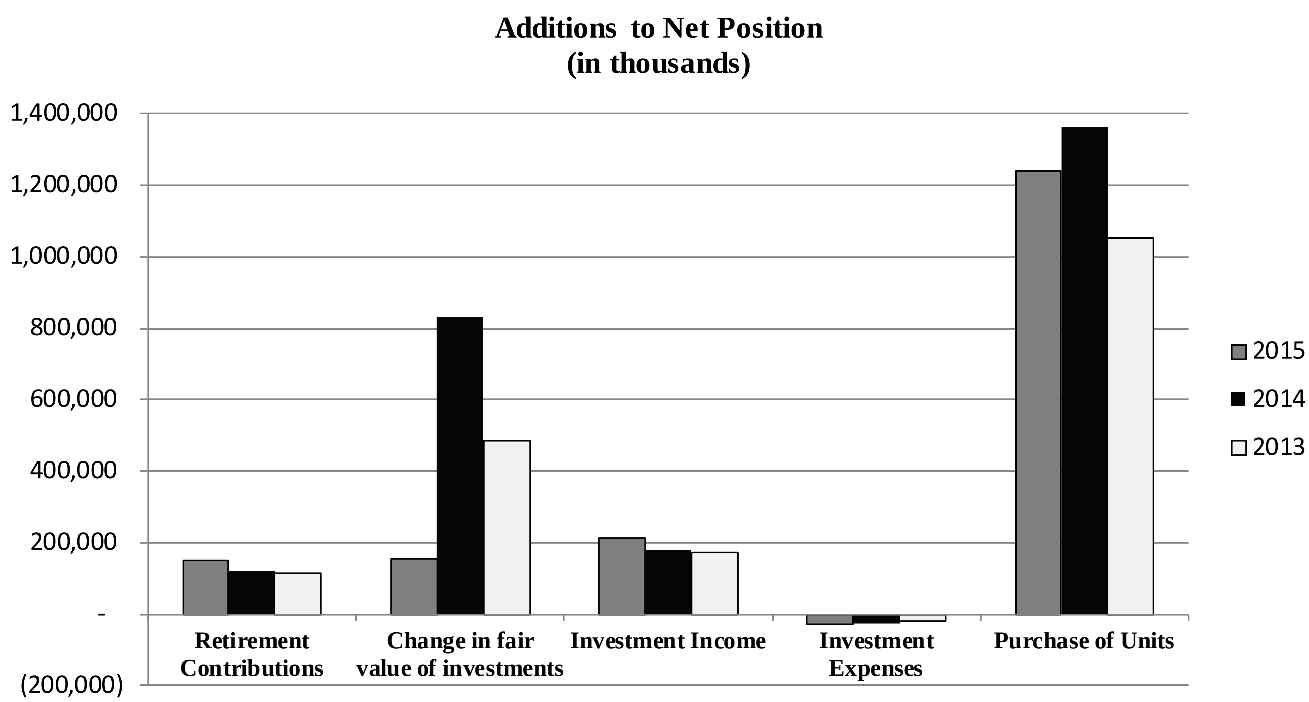
	2015	2014	Total % Change
Additions:			
Contributions	$ 152.5	$ 121.0	26.0%
Investment Income	340.0	987.5	-65.6%
Purchase of Units	1,239.9	1,360.5	-8.9%
Total Additions	1,732.4	2,469.0	-29.8%
Deductions:			
Payments to TFFR members	172.2	162.2	6.2%
Administrative Expenses	2.9	2.3	25.6%
Redemption of Units	249.1	350.9	-29.0%
Total Deductions	424.2	515.4	-17.7%
Total change in net position	$ 1,308.2	$ 1,953.6	-33.0%

North Dakota Retirement and Investment Office
Management's Discussion and Analysis
June 30, 2015 and 2014

	2014	2013	Total % Change
Additions:			
Contributions	$ 121.0	$ 115.8	4.4%
Investment Income	987.5	637.8	54.8%
Purchase of Units	1,360.5	1,053.3	29.2%
Total Additions	2,469.0	1,806.9	36.6%
Deductions:			
Payments to TFFR members	162.2	149.0	8.9%
Administrative Expenses	2.3	2.2	4.4%
Redemption of Units	350.9	234.8	49.4%
Total Deductions	515.4	386.0	33.5%
Total change in net position	$ 1,953.6	$ 1,420.9	37.5%

Statement of Changes in Net Position – Additions

Contributions and net investment income are the two components of the fiduciary fund additions. Contributions collected by the pension trust fund increased by $31.5 million or 26.0% over the previous fiscal year due to a 2% contribution rate increase for both the employers and members that took effect 7/1/2014. Net investment income (net of investment expenses) decreased by $647.5 million or 65.6% from last year. This was the result of weakening financial markets during the fiscal year.

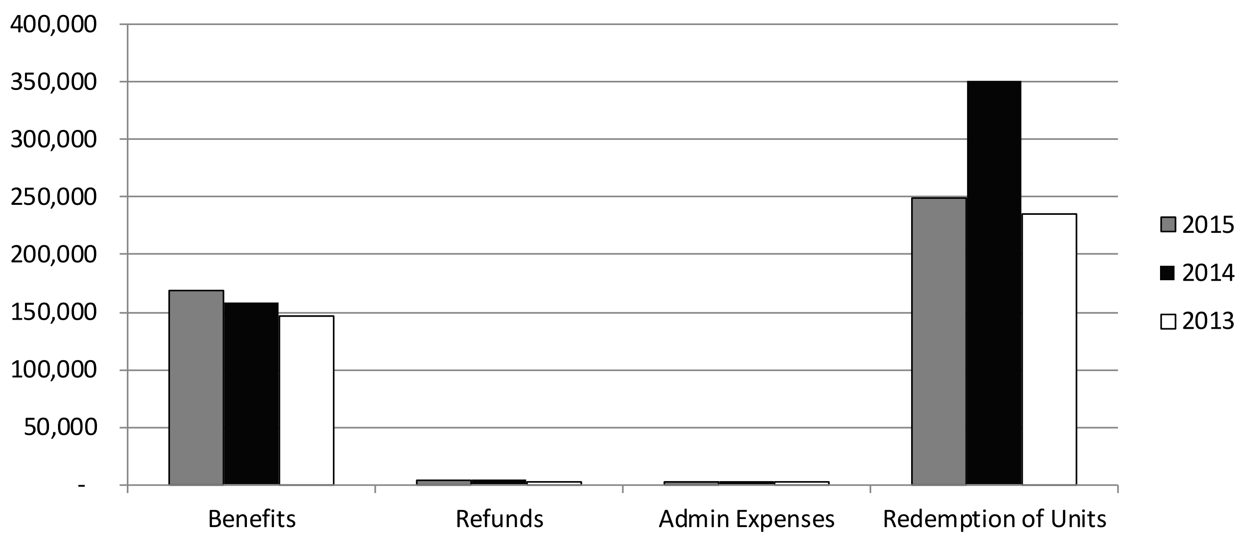


Statement of Changes in Net Position – Deductions

Benefits paid to TFFR plan participants, including partial lump-sum distributions, increased by $9.9 million or 6.2% during the fiscal year ended June 30, 2015. This was due to an increase in the total number of retirees in the plan as well as an increased retirement salary on which the benefits are based upon. Refunds decreased slightly in fiscal year 2015, by $19,000 or 0.5%.

Administrative expenses increased by $583,000 or 25.6%. This increase is mainly due to an increase in salary expense due to being fully staffed, including the addition of an investment analyst position, and an increase in audit and actuary fees due to the implementation of GASB Statements 67 and 68.

Deductions from Net Position
(in thousands)



Conclusion

Improving U.S. labor markets and generally favorable economic policy were responsible for generating positive investment returns in the U.S. On the other hand, returns on foreign assets were hampered by a stronger dollar, economic uncertainty in the Eurozone, and slower growth prospects in the emerging markets. For the fiscal year ended June 30, 2015, the TFFR pension plan generated net investment returns of over 3.5% which exceeded the investment policy benchmark of 2.2% by over 1.3%. Strong returns in U.S. equities (up 8.5%) and U.S. fixed income (up 3.2%) were partially offset by disappointing results in international equities (down 2.7%) and international fixed income (down 10%). Impressive real asset returns including real estate (up 15%) were partially offset by disappointing results in our private equity portfolio (down 5%) and timber investments (up 4%).

While cumulative returns in the post-credit crisis era have been robust, investors today face numerous challenges in the future that may limit the potential for high market returns and amplify market risk. First, one could argue that many asset classes and strategies no longer offer compelling valuations for investors. Second, the ever-growing debt burden from unprecedented monetary policy and muted economic growth in a range of economies makes it less and less likely that authorities will be in a position to provide a cushion in a downturn when it occurs. Finally, the specter of the Federal Reserve raising short-term interest rates in the near future does pose a challenge to certain asset classes and strategies to varying degrees. To meet this challenge, the State

Investment Board will continue to research strategies and investment options that mitigate and diversify the sources of risk accepted to address funding issues in the challenging years ahead.

TFFR's funding objective is to meet long-term pension benefit obligations through contributions and investment income. To address TFFR's funding shortfall, the ND State Legislature took action in 2011 and approved legislation to increase contributions (4% member and 4% employer) and modify certain benefits for non-grandfathered members. Increased contribution rates will be in effect until TFFR reaches 100% funding on an actuarial basis. This comprehensive funding recovery plan, along with solid investment performance in the future, is expected to improve TFFR's funding level over the long term.

As of July 1, 2015, TFFR's funding level was 61.6% on an actuarial basis. TFFR's funding level reflects modified actuarial assumptions which were approved by the Board in 2015 after an Actuarial Experience Study was conducted. Although TFFR's unfunded liability increased from the previous year, the plan is projected to become nearly fully funded in approximately 30 years, if all actuarial assumptions are met. Protecting the long term solvency of the pension plan is the TFFR Board's fiduciary responsibility. The Board will continue to proactively address TFFR funding issues so the plan will be financially strong and sustainable for past, present, and future ND educators.

Contacting RIO Financial Management

This financial report is designed to provide our Boards, our membership, our clients and the general public with a general overview of RIO's finances and to demonstrate RIO's accountability for the money we receive. If you have any questions about this report or need additional information, contact the North Dakota Retirement and Investment Office, PO Box 7100, Bismarck, ND 58507-7100.

North Dakota Retirement and Investment Office
Statement of Net Position – Fiduciary Funds
June 30, 2015 and 2014

	Pension Trust		Investment Trust	
	2015	2014	2015	2014
Assets:				
Investments, at fair value				
Equities	$ -	$ -	$ 1,708,243,680	$ 55,112,752
Equity pool	1,114,412,547	1,089,067,377	1,899,373,890	2,787,747,097
Fixed income	-	-	1,186,979,426	533,078,401
Fixed income pool	480,175,754	478,677,486	2,202,727,271	3,083,559,151
Real assets	-	-	509,958,485	-
Real assets pool	389,351,436	369,078,739	843,179,560	645,467,366
Private equity pool	81,662,078	97,357,862	95,675,581	114,064,794
Cash pool	29,631,182	20,045,640	127,180,135	100,251,550
Total investments	2,095,232,997	2,054,227,104	8,573,318,028	7,319,281,111
Receivables:				
Investment income	8,574,358	7,457,808	28,925,179	24,467,745
Contributions	23,591,127	16,233,852	-	-
Miscellaneous	20,646	4,362	13,084	11,316
Total receivables	32,186,131	23,696,022	28,938,263	24,479,061
Due from other state agency	142	-	57	-
Cash and cash equivalents	18,964,646	17,012,740	90,692	145,652
Total assets	2,146,383,916	2,094,935,866	8,602,347,040	7,343,905,824
Deferred outflows of resources				
Deferred outflows related to pensions	76,002	-	47,146	-
Liabilities:				
Accounts payable	142,372	58,356	49,697	39,232
Investment expenses payable	3,101,713	3,262,454	8,326,400	6,599,159
Accrued expenses	1,193,136	631,740	342,998	70,572
Miscellaneous payable	-	-	16,497	14,804
Due to other state agencies	8,722	6,260	2,314	1,169
Total liabilities	4,445,943	3,958,810	8,737,906	6,724,936
Deferred inflows of resources				
Deferred inflows related to pensions	93,175	-	57,796	-
Net position:				
Restricted for pensions	2,141,920,800	2,090,977,056	-	-
Held in trust for external investment pool participants:				
Pension pool	-	-	2,697,830,841	2,603,764,672
Insurance pool	-	-	2,472,333,924	4,643,121,726
Held in trust for individual investment accounts	-	-	3,423,433,719	90,294,490
Total net position	$ 2,141,920,800	$ 2,090,977,056	$ 8,593,598,484	$ 7,337,180,888
Each participant unit is valued at $1.00				
Participant units outstanding			8,593,598,484	7,337,180,888

The accompanying notes are an integral part of the financial statements.

North Dakota Retirement and Investment Office
Statement of Changes in Net Position – Fiduciary Funds
Years Ended June 30, 2015 and 2014

	Pension Trust		Investment Trust	
	2015	2014	2015	2014
Additions:				
Contributions:				
Employer contributions	$ 78,422,098	$ 62,355,146	$ -	$ -
Member contributions	72,268,451	56,554,767	-	-
Purchased service credit	1,600,739	2,034,289	-	-
Interest, penalties and other	172,474	47,766	-	-
Total contributions	152,463,762	120,991,968	-	-
Investment income:				
Net change in fair value of investments	39,635,140	264,759,565	115,453,148	567,151,376
Interest, dividends and other income	40,486,496	36,744,024	173,270,874	144,142,458
	80,121,636	301,503,589	288,724,022	711,293,834
Less investment expenses	6,916,830	7,257,140	21,929,066	18,023,588
Net investment income	73,204,806	294,246,449	266,794,956	693,270,246
Purchase of units ($1 per unit)	-	-	1,239,909,653	1,360,499,546
Total additions	225,668,568	415,238,417	1,506,704,609	2,053,769,792
Deductions:				
Benefits paid to participants	167,792,430	157,529,892	-	-
Partial lump-sum distributions	557,332	820,463	-	-
Refunds	3,889,671	3,908,921	-	-
Administrative expenses	1,923,392	1,586,045	939,798	693,895
Redemption of units ($1 per unit)	-	-	249,087,335	350,900,674
Total deductions	174,162,825	163,845,321	250,027,133	351,594,569
Change in net position	51,505,743	251,393,096	1,256,677,476	1,702,175,223
Net position:				
Beginning of year	2,090,977,056	$ 1,839,583,960	$ 7,337,180,888	$ 5,635,005,665
Restatement due to implementation of GASB 68	(561,999)	-	(259,880)	-
Beginning of year, as restated	2,090,415,057	1,839,583,960	7,336,921,008	5,635,005,665
End of Year	$ 2,141,920,800	$ 2,090,977,056	$ 8,593,598,484	$ 7,337,180,888

The accompanying notes are an integral part of the financial statements.

Note 1 - Summary of Significant Accounting Policies

RIO is an agency of the State of North Dakota operating through the legislative authority of North Dakota Century Code (NDCC) Chapter 54-52.5 and is considered part of the State of North Dakota financial reporting entity and included in the State of North Dakota's Comprehensive Annual Financial Report.

For financial reporting purposes, RIO has included all funds, and has considered all potential component units for which RIO is financially accountable, and other organizations for which the nature and significance of their relationship with RIO are such that exclusion would cause RIO's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of RIO to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on RIO.

Based upon these criteria, there are no component units to be included within RIO as a reporting entity and RIO is part of the State of North Dakota as a reporting entity.

Fund Financial Statement

All activities of RIO are accounted for within the pension and investment trust funds and are shown, by fund, in the fiduciary fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of RIO are reported using the economic resources measurement focus and the accrual basis of accounting.

This measurement focus includes all assets and liabilities associated with the operations of the fiduciary funds on the statements of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Restatement

The June 30, 2014, ending net position of the Pension and Investment Trusts was restated by ($561,999) and ($259,880), respectively. RIO posted prior period adjustments in fiscal year 2015 in order to comply with Governmental Accounting Standards Board (GASB) Statements 68 and 71 related to certain defined benefit pension plan participation. The adjustment amounts recognize the initial balances of net pension liability and deferred outflows of resources associated with RIO's participation in the ND Public Employees Retirement System (NDPERS) Main Plan.

	Pension Trust	Investment Trust
Net Position – June 30, 2014, as previously reported	$2,090,977,056	$7,337,180,888
Restatement due to implementation of GASB 68, effect on net position	(561,999)	(259,880)
Net Position – June 30, 2014, as restated	$2,090,415,057	$7,336,921,008

Fiduciary Fund

A pension trust fund and investment trust funds have been established to account for the assets held by RIO in a trustee capacity for TFFR and as an agent for other governmental units or funds which have placed certain investment assets under the management of SIB. The SIB manages two external investment pools and two individual investment accounts. The two external investment pools consist of a pension pool and insurance pool. SIB manages the investments of the North Dakota Public Employees Retirement System, Job Service of North Dakota, Bismarck City Employees and Police, City of Grand Forks Employees and Grand Forks Parks Employees pension plans in the pension pool. The investments of Workforce Safety and Insurance, State Fire & Tornado, State Bonding, Petroleum Tank Release Compensation Fund, Insurance Regulatory Trust, North Dakota Association of Counties Fund, Risk Management, Risk Management Workers Comp, PERS Group Insurance, City of Bismarck Deferred Sick Leave, City of Fargo FargoDome Permanent Fund, Cultural Endowment Fund, ND State Board of Medical Examiners, and Budget Stabilization Fund are managed in the insurance pool. The Legacy Fund and PERS Retiree Health investments are managed by SIB in individual investment accounts; except for a small portion of the Legacy Fund fixed income assets that will remain pooled until they are liquidated at a future date and their cash allocation that will remain pooled for operational efficiency.

RIO has no statutory authority over, nor responsibility for, these investment trust funds other than the investment responsibility provided for by statute or through contracts with the individual agencies. The funds that are required to participate according to statute are: Public Employees Retirement System, Workforce Safety and Insurance, State Fire and Tornado, State Bonding, Petroleum Tank Release Compensation Fund, Insurance Regulatory Trust, Risk Management, Risk Management Workers Comp, Cultural Endowment Fund, Legacy Fund and Budget Stabilization Fund.

RIO follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States of America for governmental entities.

Pension and Investment Trust Funds are accounted for using the accrual basis of accounting. Member contributions are recognized in the period in which they are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the NDCC.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RIO utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of net position.

Budgetary Process

RIO operates through a biennial appropriation, which represents appropriations recommended by the Governor and presented to the General Assembly (the Assembly) at the beginning of each legislative session. The Assembly enacts RIO's budget through passage of a specific appropriation bill. The State of North Dakota's budget is prepared principally on a modified accrual basis. The Governor has line item veto power over all legislation, subject to legislative override.

Once passed and signed, the appropriation bill becomes RIO's financial plan for the next two years. Changes to the appropriation are limited to Emergency Commission authorization, initiative, or referendum action. The Emergency Commission can authorize receipt of federal or other moneys not appropriated by the Assembly if the Assembly did not indicate intent to reject the money. The Emergency Commission may authorize pass-through federal funds from one state agency to another. The Emergency Commission may authorize the transfer of expenditure authority between appropriated line items, however RIO has specific authority as a special fund to transfer between the contingency line item and other line items. Unexpended appropriations lapse at the end of each biennium, except certain capital expenditures covered under the NDCC section 54-44.1-11.

RIO does not use encumbrance accounting. The legal level of budgetary control is at the agency, appropriation and expenditure line item level. RIO does not formally budget revenues and it does not budget by fund. The statement of revenues, expenditures and changes in fund balances - budget and actual is not prepared because revenues are not budgeted.

Capital Assets and Depreciation

Capital asset expenditures greater than $5,000 are capitalized at cost in accordance with Section 54-27-21 of the NDCC. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

	Years
Office equipment	5
Furniture and fixtures	5

Investments

NDCC Section 21-10-07 states that the SIB shall apply the prudent investor rule when investing funds under its supervision. The prudent investor rule means that in making investments, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

The pension fund belonging to TFFR and investment trust funds attributable to the City of Bismarck Employee Pension Plan, the City of Bismarck Police Pension Plan, Job Service of North Dakota, City of Grand Forks Employee Pension Plan, Grand Forks Parks Pension Plan and the Public Employees Retirement System (PERS) must be invested exclusively for the benefit of their members. All investments are made in accordance with the respective fund's long-term investment objectives and performance goals.

Pooled Investments

Most funds whose investments are under the supervision of the SIB participate in pooled investments. The agencies transfer money into the investment pools and receive an appropriate percentage ownership of the pooled portfolio based upon fair value. All activities of the investment pools are allocated to the agencies based upon their respective ownership percentages. Each participant unit is valued at $1.00 per unit.

Investment Valuation and Income Recognition

Investments are reported at fair value. Quoted market prices, when available, have been used to value investments. The fair values for securities that have no quoted market price represent estimated fair value. International securities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at June 30. In general, corporate debt securities have been valued at quoted market prices or, if not available, values are based on yields currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments, including timberland, is based on appraisals plus fiscal year-to-date capital transactions. Publicly traded alternative investments are valued based on quoted market prices. When not readily available, alternative investment securities are valued using current estimates of fair value from the investment manager. Such valuations consider variables such as financial performance of the issuer, comparison of comparable companies' earnings multiples, cash flow analysis, recent sales prices of investments, withdrawal restrictions, and other pertinent information. Because of the inherent uncertainty of the valuation for these other alternative investments, the estimated fair value may differ from the values that would have been used had a ready market existed.

The net change in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment sold. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current fiscal year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

Unrealized gains and losses are computed based on changes in the fair value of investments between years. Security transactions are accounted for on a trade date basis. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the ND Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2 - Cash and Cash Equivalents

Custodial Credit Risk

State law generally requires that all state funds be deposited in the Bank of North Dakota. NDCC 21-04-01 provides that public funds belonging to or in the custody of the state shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, "[a]ll state funds … must be deposited in the Bank of North Dakota" or must be deposited in accordance with constitutional and statutory provisions.

Pension Trust Fund

Deposits held by the Pension Trust Fund at June 30, 2015 and 2014 were deposited in the Bank of North Dakota. At June 30, 2015 and 2014, the carrying amount of TFFR's deposits was $18,964,646 and $17,012,740, respectively, and the bank balance was $18,795,430 and $17,015,906 respectively. The difference results from checks outstanding or deposits not yet processed by the bank. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, these deposits at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

Investment Trust Funds

Certificates of deposit are recorded as investments and have a cost and carrying value of $93,980,286 and $106,948,787 at June 30, 2015 and 2014, respectively. In addition these funds carry cash and cash equivalents totaling $90,692 and $145,652 at June 30, 2015 and 2014, respectively. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, these deposits held at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

Note 3 - Investments

The investment policy of the SIB is governed by NDCC 21-10. The SIB shall apply the prudent investor rule in investing for funds under its supervision. The "prudent investor rule" means that in making investments, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees' retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The SIB does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates.

At June 30, 2015 and 2014, the following tables show the investments by investment type and maturity (expressed in thousands).

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2015	Total Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years
Asset Backed Securities	$ 174,485	$ 165	$ 48,233	$ 21,321	$ 104,766
Bank Loans	5,376	-	4,579	797	-
Collateralized Bonds	-	-	-	-	-
Commercial Mortgage-Backed	146,924	-	811	676	145,437
Commercial Paper	9,999	9,999	-	-	-
Corporate Bonds	1,189,871	64,297	441,078	342,993	341,503
Corporate Convertible Bonds	18,154	4,215	8,777	3,355	1,807
Government Agencies	100,126	11,858	76,856	542	10,870
Government Bonds	512,353	17,649	261,191	135,057	98,456
Gov't Mortgage Backed and CMB	634,153	-	18,174	38,542	577,437
Repurchase Agreements	138,070	138,070	-	-	-
Index Linked Government Bonds	29,232	8,109	-	14,323	6,800
Municipal/Provincial Bonds	22,950	66	3,165	6,463	13,256
Non-Government Backed CMOs	61,920	-	5,621	4,331	51,968
Other Fixed Income	11,710	3,286	8,424	-	-
Short Term Bills and Notes	7,045	7,045	-	-	-
Funds/Pooled Investments	1,658,568	40,199	284,027	875,517	458,825
Total Debt Securities	$ 4,720,936	$ 304,958	$ 1,160,936	$ 1,443,917	$ 1,811,125

2014	Total Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years
Asset Backed Securities	$ 176,669	$ 284	$ 70,094	$ 20,166	$ 86,125
Bank Loans	5,064	-	2,364	2,700	-
Collateralized Bonds	-	-	-	-	-
Commercial Mortgage-Backed	99,632	-	971	534	98,127
Commercial Paper	94,092	94,092	-	-	-
Corporate Bonds	1,091,736	48,549	543,307	254,173	245,707
Corporate Convertible Bonds	23,368	2,237	11,021	3,176	6,934
Government Agencies	114,149	7,696	92,328	3,027	11,098
Government Bonds	555,494	110,533	245,140	117,872	81,949
Gov't Mortgage Backed and CMB	555,576	-	6,919	12,327	536,330
Repurchase Agreements	21,700	21,700	-	-	-
Index Linked Government Bonds	7,854	1,663	-	5,109	1,082
Municipal/Provincial Bonds	25,393	1,813	1,795	2,002	19,783
Non-Government Backed CMOs	35,264	-	3,587	3,312	28,365
Other Fixed Income	13,191	1,926	11,265	-	-
Short Term Bills and Notes	58,075	58,075	-	-	-
Funds/Pooled Investments	1,312,173	4,223	228,429	689,626	389,895
Total Debt Securities	$ 4,189,430	$ 352,791	$ 1,217,220	$ 1,114,024	$ 1,505,395

In the tables above, the fair values of inflation indexed bonds are reflected in the columns based on their stated maturity dates. The principal balances of these bonds are adjusted every six months based on the inflation index for that period.

Some investments are more sensitive to interest rate changes than others. Variable and floating rate collateralized mortgage obligations (CMOs), asset-backed securities (ABS), interest-only and principal-only securities are examples of investments whose fair values may be highly sensitive to interest rate changes.

Interest-only (IO) and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors, which may result from a decline in interest rates. The SIB held IOs valued at $10.2 million and $6.6 million, and POs valued at $4.1 million and $3.3 million at June 30, 2015 and 2014 respectively. The SIB has no policy regarding IO or PO strips.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Investment Board maintains a highly diversified portfolio of debt securities encompassing a wide range of credit ratings. Although the SIB has no overall policy regarding credit risk, each debt securities manager is given a specific set of guidelines to invest within based on the mandate for which it was hired. The guidelines specify in which range of credit the manager may invest. These ranges include investment grade and below investment grade categories. The following tables present the SIB's ratings as of June 30, 2015 and 2014 (expressed in thousands).

		Credit Rating*												
2015	Total Fair Value	A-1	A-2	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	$ 173,747	$ 625	$ -	$ 91,848	$ 17,692	$ 21,744	$ 12,112	$ 3,591	$ 4,161	$11,097	$ 2,057	$ -	$ 592	$ 8,228
Bank Loans	5,376	-	-	-	-	-	801	2,947	1,203	-	-	-	-	425
Commercial Mortgage Backed	120,818	-	-	65,357	14,429	9,834	6,127	6,611	12,310	817	-	-	1,772	3,561
Commercial Paper	9,999	-	-	-	-	-	-	-	-	-	-	-	-	9,999
Corporate Bonds	1,189,871	-	-	2,013	38,678	227,129	683,105	164,638	61,167	11,739	197	-	91	1,114
Corporate Convertible Bonds	18,154	-	-	-	-	1,238	2,789	5,884	1,340	-	-	-	-	6,903
Gov't Agencies	94,358	-	-	8,016	72,342	7,084	6,916	-	-	-	-	-	-	-
Gov't Bonds	112,497	-	-	-	9,908	28,722	55,193	13,433	-	283	-	-	-	4,958
Gov't Issued Commercial & Gov't Mortgage Backed	439,981	-	-	-	439,981	-	-	-	-	-	-	-	-	-
Index Linked Bonds	61	-	-	-	-	-	-	-	-	-	-	-	-	61
Municipal/Provincial Bonds	22,950	-	-	4,757	9,711	4,613	3,574	295	-	-	-	-	-	-
Non-Gov't Backed CMOs	59,964	-	-	5,368	9,764	7,606	5,069	456	2,612	4,454	2,258	-	3,691	18,686
Other Fixed Income	11,710	-	-	-	-	748	-	-	-	-	-	-	-	10,962
Repurchase Agreements	138,070	-	-	-	-	-	-	-	-	-	-	-	-	138,070
Short Term Bills & Notes	5,500	-	-	-	5,500	-	-	-	-	-	-	-	-	-
Funds/Pooled Investments	1,658,568	-	-	88,438	557,304	456,964	258,847	37,639	188,607	70,769	-	-	-	-
Total Credit Risk of Debt Securities	4,061,624	$ 625	$ -	$265,797	$ 1,175,309	$765,682	$ 1,034,533	$235,494	$ 271,400	$99,159	$ 4,512	$ -	$ 6,146	$ 202,967
US Gov't & Agencies **	659,312													
Total Debt Securities	$ 4,720,936													

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2014	Total Fair Value	Credit Rating*												
		A-1	A-2	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	$ 176,669	$ -	$ -	$ 91,996	$ 33,423	$ 23,358	$ 13,390	$ 2,085	$ 2,789	$ 8,881	$ 285	$ -	$ 462	$ -
Bank Loans	5,064	-	-	-	-	-	745	3,169	1,150	-	-	-	-	-
Commercial Mortgage Backed	82,222	-	-	45,984	13,950	5,659	8,276	1,890	5,949	302	-	-	212	-
Commercial Paper	94,092	-	55,026	-	-	11,372	27,694	-	-	-	-	-	-	-
Corporate Bonds	1,091,736	-	-	4,268	38,299	230,481	597,349	156,864	42,974	21,107	-	-	394	-
Corporate Convertible Bonds	23,368	-	-	-	-	1,634	3,017	10,451	7,565	701	-	-	-	-
Gov't Agencies	109,616	-	-	4,682	94,785	4,413	5,736	-	-	-	-	-	-	-
Gov't Bonds	110,146	-	-	-	14,875	33,686	47,799	13,089	697	-	-	-	-	-
Gov't Issued Commercial & Gov't Mortgage Backed	395,225	-	-	-	395,225	-	-	-	-	-	-	-	-	-
Index Linked Bonds	169	-	-	-	-	169	-	-	-	-	-	-	-	-
Municipal/Provincial Bonds	25,393	-	-	6,161	6,089	8,292	4,434	417	-	-	-	-	-	-
Non-Gov't Backed CMOs	34,576	-	-	3,224	6,513	6,912	8,193	560	2,772	3,108	182	-	3,112	-
Other Fixed Income	13,191	-	-	974	8,211	488	3,277	241	-	-	-	-	-	-
Repurchase Agreements	21,700		-	21,700	-	-	-	-	-	-	-	-	-	-
Short Term Bills & Notes	56,219	-	-	-	49,394	5,438	500	-	887	-	-	-	-	-
Funds/Pooled Investments	1,312,173	-	-	362,413	368,683	361,285	18,038	22,714	19,107	-	-	159,933	-	-
Total Credit Risk of Debt Securities	3,551,559	$ -	$ 55,026	$541,402	$ 1,029,447	$693,187	$738,448	$211,480	$83,890	$34,099	$ 467	$159,933	$ 4,180	$ -
US Gov't & Agencies **	637,871													
Total Debt Securities	$ 4,189,430													

* Ratings are determined in the following order:

1. S&P rating
2. Moody's rating
3. Fitch rating
4. Manager-determined rating (internal rating)
5. If no ratings available using steps 1-4, then shown as not rated.

** US government agency securities explicitly guaranteed by the US government are categorized here. Credit ratings of US government agency securities that are only implicitly guaranteed by the US government are categorized accordingly in the main body of this table. Implicitly guaranteed agency securities included in the *Gov't Issued Commercial & Gov't Mortgage Backed, Gov't Agencies, Non-Gov't Backed CMOs,* and *Short Term Bills and Notes* categories are issued by FNMA, FDIC, FHLB, FHLMC, FICO, FAMC and Federal Farm Credit.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in a single issuer. As of June 30, 2015 and 2014, the SIB's portfolio has no single issuer exposure that comprises 5% or more of the overall portfolio, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments. Therefore, there is no concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Although the SIB does not have a formal investment policy governing foreign currency risk, the SIB does manage its exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios to limit foreign currency and security risk. The SIB's exposure to foreign currency risk is presented in the following tables as of June 30, 2015 and 2014 (expressed in thousands).

2015

Currency	Short-Term	Debt	Equity	Total
Australian dollar	$ 78	$ 10,616	$ 33,382	$ 44,076
Brazilian real	(392)	8,744	5,569	13,921
British pound sterling	(530)	741	184,992	185,203
Canadian dollar	(132)	-	30,690	30,558
Chilean peso	9,468	907	195	10,570
Chinese yuan renminbi	1	-	-	1
Czech koruna	9	-	1,015	1,024
Israeli shekel	33	-	6,357	6,390
Danish krone	-	-	17,527	17,527
Euro	(21,035)	18,006	338,061	335,032
Hong Kong dollar	443	-	51,796	52,239
Hungarian forint	16	5,005	1,036	6,057
Indian rupee	-	7,516	-	7,516
Indonesian Rupiah	-	5,935	-	5,935
Japanese yen	(1,707)	307	202,657	201,257
Malaysian Ringgit	63	3,658	-	3,721
Mexican peso	1,694	25,152	-	26,846
New Zealand dollar	(4,036)	4,276	1,270	1,510
Norwegian krone	4,373	-	15,197	19,570
Peruvian nuevo sol	(7)	-	-	(7)
Philippine peso	-	2,087	-	2,087
Polish zloty	15	2,790	1,967	4,772
Singapore dollar	(463)	-	8,291	7,828
South African rand	(44)	5,457	4,067	9,480
South Korean won	(1,269)	5,633	9,471	13,835
Swedish krona	4,223	-	28,593	32,816
Swiss franc	24	-	88,206	88,230
Taiwan dollar	-	-	679	679
Thai baht	239	-	3,952	4,191
Turkish lira	-	-	1,789	1,789
International commingled funds (various currencies)	-	99,367	739,304	838,671
Total international investment securities	$ (8,936)	$ 206,197	$ 1,776,063	$ 1,973,324

Negative amounts represent short positions.

2014

Currency	Short-Term	Debt	Equity	Total
Australian dollar	$ (5,730)	$ 13,470	$ 33,756	$ 41,496
Brazilian real	(300)	8,533	7,204	15,437
British pound sterling	(128)	7,322	161,777	168,971
Canadian dollar	568	-	27,981	28,549
Chilean peso	9,453	1,051	-	10,504
Chinese yuan renminbi	380	-	-	380
Columbian peso	1	-	-	1
Czech koruna	2	-	1,491	1,493
Israeli shekel	57	-	3,121	3,178
Danish krone	(435)	-	6,918	6,483
Euro	(22,927)	20,730	246,579	244,382
Hong Kong dollar	152	-	38,146	38,298
Hungarian forint	50	4,188	1,325	5,563
Iceland krona	34	-	-	34
Indian rupee	377	-	-	377
Indonesian Rupiah	-	4,155	198	4,353
Japanese yen	(5,479)	576	156,421	151,518
Malaysian Ringgit	310	2,375	-	2,685
Mexican peso	2,735	25,359	-	28,094
New Zealand dollar	(2,657)	3,339	923	1,605
Norwegian krone	142	-	12,972	13,114
Peruvian nuevo sol	(56)	-	-	(56)
Philippine peso	-	2,209	-	2,209
Polish zloty	(4,162)	4,987	2,853	3,678
Russian ruble	359	-	-	359
Singapore dollar	355	-	6,904	7,259
South African rand	345	3,734	3,967	8,046
South Korean won	33	5,052	12,814	17,899
Swedish krona	(233)	-	19,287	19,054
Swiss franc	222	54	63,763	64,039
Thai baht	103	-	1,997	2,100
Turkish lira	288	1,529	1,483	3,300
International commingled funds (various currencies)	-	115,294	697,197	812,491
Total international investment securities	$ (26,141)	$ 223,957	$ 1,509,077	$ 1,706,893

Negative amounts represent short positions.

Derivative Securities

Derivatives are financial arrangements between two parties whose payments are based on, or "derived" from, the performance of some agreed upon benchmark. The investment policies of the SIB's clients allow the use of derivative securities to hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative instruments. The fair value of all derivative securities is reported in the statements of net position. At June 30, 2015 and 2014, the SIB had four types of derivative securities: futures, options, swaps and currency forwards.

Futures

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specific price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the SIB's counterparty risk. The net change in the futures contracts' value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included in net change in fair value of investments in the statements of changes in net position and totaled $43.1 million for fiscal year 2015 and $101.2 million for fiscal year 2014. At June 30, 2015 and 2014, the SIB investment portfolio had the notional futures balances shown below (expressed in thousands).

Futures	Notional Value	
	June 30, 2015	June 30, 2014
Cash & Cash Equivalent Derivative Futures		
Long	$ -	$ 35,663
Short	(1,035,636)	(511,036)
Equity Derivative Futures		
Long	604,691	486,293
Short	-	-
Fixed Income Derivative Futures		
Long	246,728	27,888
Short	(95,736)	(61,524)
Total Futures	$ (279,953)	$ (22,716)

Options

Options represent or give buyers the right, but not the obligation, to buy (call) or sell (put) an asset at a preset price over a specified period. Options are traded on organized exchanges (exchange traded) thereby minimizing the SIB's counterparty credit risk. The option's price is usually a small percentage of the underlying asset's value. As a seller of a financial option, the SIB, through its investment manager, receives a premium at the beginning of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a buyer of a financial option, the SIB, through its investment manager, pays a premium at the beginning of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Gains and losses on options are determined based on fair values and recorded with the net change in fair value of investments in the statements of changes in net position and totaled $2.5 million for fiscal year 2015 and $801,500 for fiscal year 2014. At June 30, 2015 and 2014, the SIB investment portfolio had the following option balances (expressed in thousands).

Options	Fair Value June 30, 2015	Fair Value June 30, 2014
Cash & Other Options		
Call	$ (36)	$ 988
Put	(84)	(39)
Fixed Income Options		
Call	(223)	(170)
Put	(27)	(11)
Total Options	$ (370)	$ 768

Swaps

A swap is a derivative in which counterparties exchange certain benefits of one party's financial instrument for those of the other party's financial instrument. Specifically, the two counterparties agree to exchange one stream of cash flows for another stream. The SIB, through its investment managers, has entered into various swap agreements in an attempt to manage its exposure to interest rate, inflation, credit and currency risk.

Interest rate risk represents the exposure to fair value losses arising from future changes in prevailing market interest rates. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty, who in turn agrees to make return interest payments that float with some reference rate.

Inflation risk represents the exposure to fair value losses arising from future changes in prevailing market inflation. In an inflation swap, one party pays a fixed rate on a notional principal amount, while the other party pays a floating rate linked to an inflation index, such as the Consumer Price Index (CPI).

Credit risk represents the exposure to fair value losses arising from a credit event such as default, failure to pay, restructuring or bankruptcy. In a credit default swap (CDS) contract, the protection buyer of the CDS makes a series of payments to the protection seller and, in exchange, receives a payoff if the credit instrument experiences a credit event. CDS contracts are also used to establish exposure to a desired credit instrument.

Currency risk represents the exposure to fair value losses arising from the change in price of one currency against another. A currency swap is a foreign-exchange agreement between two parties to exchange principal and interest in one currency for the same in another currency.

Gains and losses on swaps are determined based on fair values and are recorded with the net change in fair value of investments in the statements of changes in net position and totaled $(1.3) million for fiscal year 2015 and $17 thousand for fiscal year 2014. The maximum loss that would be recognized at June 30, 2015 and 2014, if all counterparties failed to perform as contracted is $3.25 million and $3.25 million respectively. Swap fair values are determined by a third party pricing source. At June 30, 2015 and 2014, the SIB's investment portfolio had the swap fair value balances as shown below (expressed in thousands).

Credit Default Swaps

Counterparty/Moody's Rating	Notional Amount June 30, 2015	Notional Amount June 30, 2014	Expiration Date Range	Fair Value June 30, 2015	Fair Value June 30, 2014
Bank of America/A2 (4 contracts)	$ (3,700)	$ -	9/2015 - 9/2019	$ 32	$ -
Bank of America/A2		(500)	6/2019		(7)
Barclays/A2 (5 contracts)	(3,350)		6/2019 - 9/2019	48	
Barclays/A2 (6 contracts)		(1,400)	6/2019		35
BNP Paribas/A2	(400)		6/2019	(43)	
BNP Paribas/A2 (2 contracts)		(800)	6/2019		(25)
Citibank/A3 (5 contracts)	(13,300)		12/2018 - 12/2019	311	
Citibank/A3 (4 contracts)		(6,300)	6/2016 - 6/2019		64
Citigroup Global Markets/A1	(6,500)		12/2018	105	
Citigroup Global Markets/A1		(6,500)	12/2018		142
Credit Suisse First Boston/A1 (8 contracts)	(13,200)		6/2020	463	
Credit Suisse First Boston/A1 (9 contracts)		(13,993)	12/2017 - 6/2019		347
Credit Suisse International/A1	(800)		9/2016	-	
Credit Suisse International/A1 (3 contracts)		(560)	12/2016 - 6/2019		(4)
Deutsche Bank/A2 (4 contracts)	3,600		12/2016 - 6/2017	(100)	
Deutsche Bank/A2 (7 contracts)		3,860	12/2016 - 6/2019		(211)
Goldman Sachs/A3 (9 contracts)	(7,342)		9/2015 - 10/2052	(208)	
Goldman Sachs/A3 (5 contracts)		(4,900)	6/2019		30
HSBC Bank/A1 (3 contracts)	(4,200)		6/2019 - 9/2019	(26)	
HSBC Bank/A1 (4 contracts)		(4,450)	6/2019 - 9/2019		32
JP Morgan Chase/Aa3 (12 contracts)	25,726		11/2016 - 11/2024	(292)	
JP Morgan Chase/Aa3 (12 contracts)		4,212	3/2017 - 10/2052		78
Total Credit Default Swaps	$ (23,466)	$ (31,331)		$ 290	$ 481

The notional amount may be positive or negative, depending on whether the position is long or short, respectively.

Currency Swaps

Counterparty/Moody's Rating	Notional Amount June 30, 2015	Notional Amount June 30, 2014	Expiration Date Range	Fair Value June 30, 2015	Fair Value June 30, 2014
Barclays/A2 (2 contracts)	$ -	$ 640	7/2018	$ -	$ (15)
Citibank N.A. NY/A3		49	5/2015		2
Deutsche Bank London/A2	281		5/2017	46	
Deutsche Bank London/A2		281	5/2017		(2)
Goldman Sachs/A3	150		1/2017	3	
HSBC Bank USA/A1	500		9/2015	(45)	
HSBC Bank USA/A1		500	9/2015		11
JP Morgan Chase/Aa3 (5 contracts)	177,287		11/2016 - 11/2024	27	
Total Currency Swaps	178,218	$ 1,470		$ 31	$ (4)

The notional amount may be positive or negative, depending on whether the position is long or short, respectively.

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Interest Rate Swaps

	Notional Amount			Fair Value	
Counterparty/Moody's Rating	June 30, 2015	June 30, 2014	Expiration Date Range	June 30, 2015	June 30, 2014
Bank of America/A2 (3 contracts)	$ 10,529	$ -	1/2018 - 1/2021	$ (64)	
Bank of Nova Scotia/Aa2		(315)	10/19		8
Barclays/A2 (3 contracts)	3,325		7/2015 - 12/2032	6	
Barclays/A2 (26 contracts)		2,029,119	7/2014 - 12/2032		(62)
BNP Paribas/A2 (3 contracts)	2,869		1/2021	(12)	
BNP Paribas/A2		5,957	1/2017		103
Citibank/A3 (9 contracts)	5,826		7/2015 - 12/2032	188	
Citibank/A3 (18 contracts)		3,626	11/2014 - 5/2023		317
Citigroup Global Markets/A1 (4 contracts)	(5,455)		9/2015 - 8/2020	(90)	
Citigroup Global Markets/A1 (4 contracts)		(7,855)	9/2015 - 8/2020		(97)
Credit Suisse First Boston/A1 (28 contracts	162,650		6/2016 - 12/2045	(222)	
Credit Suisse First Boston/A1 (26 contracts)		280,000	9/2014 - 9/2044		9
Credit Suiss International/A1 (6 contracts)	(16,944)		6/2018 - 5/2023	(18)	
Deutsche Bank/A2 (8 contracts)	163,610		11/2018 - 1/2021	(16)	
Deutsche Bank/A2 (5 contracts)		268,701	11/2018 - 10/2023		37
Goldman Sachs/A3 (3 contracts)	10,671		1/2018 - 4/2024	(8)	
Goldman Sachs/A3 (4 contracts)		(48,140)	8/2018 - 4/2024		(186)
HSBC Bank/A1 (9 contracts)	178,144		7/2015 - 9/2033	(22)	
HSBC Bank/A1 (6 contracts)		15,807	6/2015 - 9/2033		(218)
JP Morgan Chase/Aa3 (50 contracts)	160,790		9/2015 - 7/2034	771	
JP Morgan Chase/Aa3 (22 contracts)		113,840	9/2015 - 3/2044		205
Morgan Stanley/Baa1 (2 contracts)	7,400		12/2015 - 5/2022	9	
Morgan Stanley/Baa1 (2 contracts)		7,400	1/2015 - 5/2022		18
Total Interest Rate Swaps	$ 683,415	$ 2,668,140		$ 522	$ 135

The notional amount may be positive or negative, depending on whether the position is long (fixed rate payer) or short (floating rate payer), respectively.

Inflation Swaps

	Notional Amount			Fair Value	
Counterparty/Moody's Rating	June 30, 2015	June 30, 2014	Expiration Date Range	June 30, 2015	June 30, 2014
Bank of America/A2 (9 contracts)	$ 740	$ -	1/2020 - 12/2044	$ 31	
BNP Paribas/A2 (4 contracts)	620		1/2020 - 12/2044	26	
Citibank/A3 (4 contracts)	520		3/2020 - 6/2030	4	
Credit Suisse International/A1 (3 contracts)	42		11/2044 - 12/2044	3	
Goldman Sachs/A3 (11 contracts)	4,430		1/2020 - 1/2030	99	
Total Inflation Swaps	$ 6,352	$ -		$ 163	$ -

The notional amount may be positive or negative, depending on whether the position is long (fixed rate payer) or short (floating rate payer), respectively.

Currency Forwards

Currency forwards represent forward exchange contracts that are entered into in order to manage the exposure to changes in currency exchange rates on the currency denominated portfolio holdings. A forward exchange contract is a commitment to purchase (positive) or sell (negative) a currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net change in fair value of investments in the statements of changes in net position and totaled $6.3 million for fiscal year 2015 and $(2.2) million for fiscal year 2014. At June 30, 2015 and 2014, the SIB's investment portfolio included the currency forwards balances shown below (expressed in thousands).

				Fair Value	
Currency	Cost	Purchases	Sales	6/30/2015	6/30/2014
Australian dollar	$ (977)	$ -	$ (977)	$ (986)	$ (6,290)
Brazilian real	(295)	651	(946)	(290)	293
British pound sterling	(724)	36	(760)	(751)	(181)
Canadian dollar	(136)	49	(185)	(136)	643
Chilean peso	9,614	9,614	-	9,468	9,451
Chinese yuan renminbi	-	-	-	-	379
Colombian peso	-				-
Czech koruna	-				-
Euro	(20,429)	6,293	(26,722)	(20,211)	(23,813)
Hungarian forint	(20)	42	(62)	(19)	(55)
Indian rupee	6,360	6,572	(212)	6,426	377
Israeli shekel	-	-	-	-	(23)
Japanese yen	(3,174)	3,737	(6,911)	(3,199)	(5,890)
South Korean won	(1,632)	170	(1,802)	(1,600)	240
Malaysian ringgit	-	-	-	-	236
Mexican peso	1,476	3,744	(2,268)	1,485	(2,820)
New Zealand dollar	(4,448)	-	(4,448)	(4,073)	(2,653)
Norwegian krone	4,064	4,064	-	4,027	135
Peruvian nuevo sol	(7)	-	(7)	(7)	(56)
Polish zloty	-	-	-	-	(4,219)
Russian ruble	-	-	-	-	379
Singapore dollar	(487)	-	(487)	(483)	291
South African rand	(391)	-	(391)	(390)	80
Swedish krona	4,052	4,052	-	4,220	(6)
Swiss franc	-	-	-	-	(58)
Turkish lira	(194)	-	(194)	(199)	(287)
United States dollar	7,349	45,949	(38,600)	7,349	33,700
Total forwards subject to currency risk				$ 631	$ (147)

Derivative Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an interest rate-based derivative investment. The SIB does not have a formal investment policy regarding such derivative investments. At June 30, 2015 and 2014, the tables below show the SIB's derivative investments subject to interest rate risk (expressed in thousands).

2015

	Total Notional Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	Greater than 5 years
Futures-interest rate contracts	$ (884,643)	$ (797,624)	$ 144,609	$ (165,051)	$ (66,577)	$ -

	Total Fair Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	Greater than 5 years
Options on interest rate futures	$ (303)	$ (257)	$ (46)	$ -	$ -	$ -
Options - interest rate contracts	8	-	-	-	8	-
Swaps - interest rate contracts	684	203	(4)	(140)	(468)	1,093
Total	$ 389	$ (54)	$ (50)	$ (140)	$ (460)	$ 1,093

2014

	Total Notional Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	Greater than 5 years
Futures-interest rate contracts	$ (509,009)	$ (454,788)	$ (55,927)	$ -	$ 1,706	$ -

	Total Fair Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	Greater than 5 years
Options on interest rate futures	$ (166)	$ (51)	$ (115)	$ -	$ -	$ -
Options - interest rate contracts	(15)	(15)	-	-	-	-
Swaps - interest rate contracts	135	27	18	10	(43)	123
Total	$ (46)	$ (39)	$ (97)	$ 10	$ (43)	$ 123

Alternative Investments

The AICPA defines Alternative Investments for the purpose of performing audits. The definition includes investments for which a readily determinable fair value does not exist (that is, investments not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not available from sources such as financial publications, the exchanges, or NASDAQ). These types of investments can be held within any of the asset classes used by the SIB based on underlying portfolio holdings and analysis of risk and return relationships. These investments can be structured in different ways, including limited partnerships, limited liability companies, common trusts and mutual funds. Some are closed-ended with a specific life and capital commitment while others are open-ended with opportunity for ad hoc contributions or withdrawals and termination upon proper notice.

Commingled/Mutual Funds — These types of funds are generally open-ended funds and may be utilized in equity or fixed income asset classes. They are funds made up of underlying securities that have readily available fair values (publicly traded stocks or bonds). The SIB owns units of these funds rather than the individual securities. Contributions or withdrawals from these funds can be made as needed.

Private Equity — Private Equity investments are typically private interests in corporations across different areas of the capital structure and in different stages of the corporations' development via limited partnership vehicles. Private Equity investments are illiquid and long term in nature (10-12 years), typically held until maturity. Private Equity portfolios generally have a "J-Curve Effect" whereby there are low to negative returns in the initial years due to the payment of investment management fees and initial funding of investments made by the General Partner during a period when investments are typically carried at cost and returns have not been realized. To diversify the program, Private Equity investments are made across business cycles, vintage years, and different strategies. The SIB has a dedicated asset class for private equity investments.

Venture Capital — these include investments in companies in a range of stages of development from start-up/seed stage, early stage, and later/expansion stage. Investments are typically made in years one through six and returns typically occur in years four through ten.

Buyouts — these include investments in funds that seek out and purchase underperforming or undervalued companies in order to improve them and sell them or take them public many years later. These funds are also often involved in management buyouts, which are buyouts conducted by the management of the company being purchased, and they often play key roles in leveraged buyouts, which are buyouts that are funded with borrowed money.

Distressed Debt — these include investments in the debt instruments of companies which may be publicly traded or privately held that are financially distressed and are either in bankruptcy or likely candidates for bankruptcy. Typical holdings are senior and subordinated debt instruments, mortgages and bank loans. The SIB is including these types of investments in its private equity asset class.

Mezzanine Debt — This strategy is a hybrid of debt and equity financing. It is basically debt capital that gives the lender the rights to convert to an ownership or equity interest in the company if the loan is not paid back in time and in full. It is generally subordinated to senior debt. The SIB utilizes this strategy, through a limited partnership structure, in its below investment grade fixed income allocation.

Equity Long/Short — This strategy is a combination of long and short positions, primarily in publicly traded equities. The SIB utilizes this strategy, through a limited partnership structure, within its US equity allocations.

Real Estate and Real "Tangible" Assets — These investments are intended to provide allocations to tangible assets that are expected to be inflation protected and provide performance above the inflation rate as indicated by the CPI. Investments are generally structured as limited partnerships or limited liability companies. Investments in Real Estate and Real Assets include:

Real Estate — includes investments in private vehicles through limited partnerships or commingled vehicles that have an ownership interest in direct real estate properties. The investment strategies may include "value added" strategies, which derive their return from both income and appreciation, "opportunistic", which derive their return primarily through appreciation, and "alternative" which invest in less traditional types of property. Both domestic and international real estate funds are utilized. The SIB has a dedicated asset class for these types of investments.

Timberland — includes investments in limited liability companies that have an ownership interest in properties where the value of the property is derived mainly from income-producing timber but also from the "higher and better use" value of the underlying land. The SIB has a dedicated asset class for these types of investments.

Infrastructure — includes investments in limited partnerships that have an ownership interest in transportation assets such as toll roads, tunnels and bridges; and regulated assets such as electricity transmission, gas and oil distribution and wastewater collection. Other possible investments would include communication assets and social infrastructure. The SIB has a dedicated asset class for these types of investments.

Note 4 - Capital Assets

	June 30, 2013	Additions	Retirements	June 30, 2014	Additions	Retirements	June 30, 2015
Office equipment	$19,321	$ -	$ -	$19,321	$ -	$ -	$19,321
Less accumulated depreciation on office equipment	(19,321)	-	-	(19,321)	-	-	(19,321)
Software	1,213,500	-	-	1,213,500	-	-	1,213,500
Less accumulated depreciation on software	(1,213,500)	-	-	(1,213,500)	-	-	(1,213,500)
	$0			$0			$0

Note 5 - State Agency Transactions

Due From/To Other State Agencies

Amounts due from/to other state agencies are as follows as of June 30, 2015 and 2014:

	2015	2014
Due To		
Information Technology Department	$ 6,809	$ 6,605
Office of Attorney General	2,966	468
Office of Management and Budget	1,261	281
University System	-	75
Total due to other state agencies	$ 11,036	$ 7,429
Due From		
Surplus Property	$ 200	$ -
Total due from other state agencies	$ 200	$ -

These balances are a result of a time lag between the dates that services are provided, the payments are made, and the transactions are entered into the accounting system.

Note 6 - Operating Leases

RIO leases office space under an operating lease effective July 1, 2013 through June 30, 2015. RIO also incurs rent expense at other locations on a temporary basis to sponsor retirement education for TFFR members. Rent expense totaled $81,130 for fiscal 2015 and $79,667 for fiscal 2014. Minimum payments under the lease for fiscal 2015 are $78,467.

Note 7 - Changes in Noncurrent Liabilities

Changes in noncurrent liabilities for the years ended June 30, 2015 and 2014 are summarized as follows:

	Beginning Balance 7/1/2014	Additions	Reductions	Ending Balance 6/30/2015	Amounts Due Within One Year
Accrued Leave	$130,567	$116,435	($91,559)	$155,443	$84,499

	Beginning Balance 7/1/2013	Additions	Reductions	Ending Balance 6/30/2014	Amounts Due Within One Year
Accrued Leave	$147,115	$91,844	($108,392)	$130,567	$80,686

Pension and Investment Trust Funds liquidate the accrued annual leave.

Note 8 - North Dakota Teachers' Fund for Retirement

Administration

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information.

TFFR is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

Responsibility for administration of the TFFR benefits program is assigned to a seven-member Board of Trustees (Board). The Board consists of the State Treasurer, the Superintendent of Public Instruction, and five members appointed by the Governor. The appointed members serve five-year terms which end on June 30 of alternate years. The appointed Board members must include two active teachers, one active school administrator, and two retired members. The TFFR Board submits any necessary or desirable changes in statutes relating to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contribution rates.

Membership

As of June 30, 2015 and 2014, the number of participating employer units was 216 and 219, respectively, consisting of the following:

	June 30, 2015	June 30, 2014
Public School Districts	177	178
County Superintendents	6	7
Special Education Units	19	19
Vocational Education Units	5	5
Other	9	10
Total	216	219

TFFR's membership consisted of the following:

	2015	2014
Retirees and beneficiaries currently receiving benefits	8,025	7,747
Terminated employees - vested	1,607	1,509
Terminated employees - nonvested	660	661
Total	10,292	9,917
Current employees		
Vested	7,369	7,406
Nonvested	3,145	2,899
Total	10,514	10,305

Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A nonvested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

Pension Benefits

For purposes of determining pension benefits, members are classified within one of three categories. Tier 1 grandfathered and Tier 1 non-grandfathered members are those with service credit on file as of July 1, 2008. Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008.

Tier 1 Grandfathered

A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 1 Non-grandfathered

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 2

A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Death and Disability Benefits

Death benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

Investment Policy

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates. The following was the TFFR Board's adopted asset allocation policy as of June 30, 2015 and 2014.

Asset Class	Target Allocation
Global Equity	57.0%
Global Fixed Income	22.0%
Global Real Assets	20.0%
Cash Equivalents	1.0%
Total	100.0%

Private equity is included in the Global Equity asset class.

Investment Rate of Return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.56% and 16.35% for the years ended June 30, 2015 and 2014, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Realized Gains and Losses

Realized gains and losses on sales of investments are components of net appreciation in fair value of investments and are computed as described in Note 1. For the years ended June 30, 2015 and 2014, TFFR had net realized gains of $47,831,625 and $129,815,358 respectively.

Net Pension Liability

The components of the net pension liability of TFFR at June 30, 2015 and 2014, were as follows:

	June 30, 2015	June 30, 2014
Total pension liability	3,449,775,982	3,138,799,773
Plan fiduciary net position	(2,141,920,800)	(2,090,977,056)
Net pension liability (NPL)	1,307,855,182	1,047,822,717
Plan fiduciary net position as a percentage of the total pension liability	62.1%	66.6%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, using the following actuarial assumptions:

Valuation date	July 1, 2015	July 1, 2014
Inflation	2.75%	3.00%
Salary increases	4.25% to 14.50%; varying by service, including inflation and productivity	4.50% to 14.75%; varying by service, including inflation and productivity
Cost of living adjustments	None	None
Investment rate of return	7.75% net of investment expenses	8% net of investment expenses

Mortality rates were based on the following:

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study dated April 30, 2015, for the period July 1, 2009 – June 30, 2014. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study dated January 21, 2010, for the period July 1, 2004 – June 30, 2009. An actuarial experience study is generally conducted every five years.

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of June 30, 2015 and 2014 (see the discussion of TFFR investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Global Equity	7.5%
Global Fixed Income	1.3%
Global Real Assets	5.4%
Cash Equivalents	0.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2015 and 8.00% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at rates equal to those based on the July 1, 2015 and 2014 Actuarial Valuation Reports. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, TFFR's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of July 1, 2015 and 2014. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015 and 2014.

Sensitivity of Net Pension Liability

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.75% as of June 30, 2015 and 8.00% as of June 30, 2014, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

2015

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Employers' net pension liability	$ 1,728,392,470	$ 1,307,855,182	$ 957,135,967

2014

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employers' net pension liability	$ 1,414,755,083	$ 1,047,822,717	$ 739,221,908

Note 9 - Public Employees Retirement System (PERS)

Permanent employees of RIO participate in PERS, which is also an agency of the State of North Dakota financial reporting entity and is included in the State of North Dakota's Comprehensive Annual Financial Report. The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions (Main System). NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor, one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees.

Pension Benefits

Benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the main system are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The Plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the member's accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, life-time monthly payment in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's beneficiary.

Eligible members, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of $100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the System in the North Dakota Administrative Code.

Refunds of Member Contributions

Upon termination, if a member is not vested (is not 65 or does not have three years of service credited for the NDPERS) they will receive the accumulated member contributions plus interest, or may elect to receive this amount at a later date. If a member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contributions and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, RIO reported a liability of $773,402 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. RIO's proportion of the net pension liability was based on RIO's share of covered payroll in the pension plan relative to the covered payroll of all participating NDPERS Main System employers. At June 30, 2014, RIO's proportion was 0.121849 percent.

For the year ended June 30, 2015, RIO recognized pension expense of $77,420. At June 30, 2015, RIO reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 25,075	$ -
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	150,971
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	98,071	-
Total	$ 123,146	$ 150,971

Deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date in the amount of $98,071 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

Year Ended June 30		
2016	$	(32,408)
2017		(32,408)
2018		(32,408)
2019		(32,408)
2020		3,736
	$	(125,896)

Actuarial assumptions. The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increase (Payroll Growth)	3.85% per annum for four years, then 4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses
Cost of Living Adjustment	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and projected arithmetic real rates of return, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57%	7.5%
Global Fixed Income	22%	1.4%
Global Real Assets	20%	5.4%
Cash Equivalents	1%	0.0%

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employers' net pension liability	$ 1,192,814	$ 773,402	$ 422,715

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

Note 10 - Related Parties

As stated in Note 1, RIO is an agency of the State of North Dakota; as such, other agencies of the state are related parties.

Note 11 - Commitments

The State Investment Board has at June 30, 2015, committed to fund certain alternative investment partnerships in the amount of $1.14 billion. Funding of $827.1 million has been provided leaving an unfunded commitment of approximately $308.8 million.

Required Supplementary Information

North Dakota Retirement and Investment Office
Required Supplementary Information
June 30, 2015 and 2014

Schedule of Changes in Net Pension Liability and Related Ratios
North Dakota Teachers' Fund for Retirement
Last 10 Fiscal Years*
(Dollars in thousands)

	2015	2014
Total pension liability		
Service cost	$ 60,618	$ 56,752
Interest	249,064	237,821
Changes of benefit terms	-	-
Differences between expected and actual experience	2,209	9,347
Changes of assumptions	171,325	-
Benefit payments, including refunds of member contributions	(172,239)	(162,259)
Net change in total pension liability	310,977	141,661
Total pension liability - beginning	3,138,800	2,997,139
Total pension liability - ending (a)	$ 3,449,777	$ 3,138,800
Plan fiduciary net position		
Contributions - employer	$ 78,422	$ 62,355
Contributions - member	72,268	56,555
Contributions - purchased service credit	1,601	2,034
Contributions - other	172	48
Net investment income	73,205	294,246
Benefit payments, including refunds of member contributions	(172,239)	(162,259)
Administrative expenses	(1,923)	(1,586)
Net change in plan fiduciary net position	51,506	251,393
Plan fiduciary net position - beginning **	2,090,415	1,839,584
Plan fiduciary net position - ending (b)	$ 2,141,921	$ 2,090,977
Plan's net pension liability - ending (a) - (b)	$ 1,307,856	$ 1,047,823
Plan fiduciary net position as a percentage of the total pension liability	62.1%	66.6%
Covered-employee payroll	$ 615,105	$ 580,053
Plan's net pension liability as a percentage of covered-employee payroll	212.6%	180.6%

Notes to Schedule:

* *Complete data for this schedule is not available prior to 2014.*
** *Restated in 2015 due to GASB 68 implementation.*

Changes of assumptions: In 2015, amounts reported as changes of assumptions resulted primarily from a decrease in the investment return assumption from 8% to 7.75% and an updated mortality improvement scale.

North Dakota Retirement and Investment Office
Required Supplementary Information
June 30, 2015 and 2014

Schedule of Employer Contributions
North Dakota Teachers' Fund for Retirement
Last 10 Fiscal Years
(Dollars in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	71,168	59,513	52,396	69,374	65,113	52,053	41,986	44,115	50,532	48,747
Contributions in relation to the actuarially determined contribution	78,422	62,355	59,301	46,126	44,545	39,837	37,488	33,684	31,865	31,171
Contribution deficiency (excess)	(7,254)	(2,842)	(6,905)	23,248	20,568	12,216	4,498	10,431	18,667	17,576
Covered-employee payroll	615,105	580,053	551,656	527,156	509,091	482,868	454,396	434,626	411,167	402,204
Contributions as a percentage of covered-employee payroll	12.75%	10.75%	10.75%	8.75%	8.75%	8.25%	8.25%	7.75%	7.75%	7.75%

Notes to Schedule

Valuation Date: Actuarially determined contributions for each fiscal year are based on the actuarial valuation as of the beginning of the year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years
Asset valuation method	5-year smoothed market
Inflation	2.75%; decreased from 3.0% prior to July 1, 2015
Salary increases	4.25% - 14.5%, including inflation and productivity; 4.5% - 14.75% prior to July 1, 2015
Investment rate of return	7.75%, net of investment expenses, including inflation; rate was decreased from 8% beginning July 1, 2015
Retirement age	In the 2015 valuation, rates of retirement were changed to better reflect anticipated future experience. In the 2010 valuation, expected retirement ages of plan members were adjusted to more closely reflect actual experience.
Mortality	In the 2015 valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 morality tables with generational improvement. In prior years, those assumptions were based on percentages of GRS post termination non-disabled tables and RP-2000 disabled-life tables.

Schedule of Investment Returns
North Dakota Teachers' Fund for Retirement
Last 10 Fiscal Years*

	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	3.56%	16.35%	13.60%

***Note**: Annual money-weighted rates of return not available prior to 2013.

North Dakota Retirement and Investment Office
Required Supplementary Information
June 30, 2015 and 2014

Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*
(Dollars in thousands)

	2015
RIO's proportion of NDPERS net pension liability (asset)	0.121849%
RIO's proportionate share of NDPERS net pension liability (asset)	$ 773
RIO's covered-employee payroll	1,026
RIO's proportionate share of NDPERS net pension liability (asset) as a percentage of its covered-employee payroll	75.34%
NDPERS Plan fiduciary net position as a percentage of the total pension liability	77.70%

Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*
(Dollars in thousands)

	2015
RIO's Statutorily required contributions	73
RIO's Contributions in relation to the actuarially determined contribution	73
Contribution deficiency (excess)	-
RIO's Covered-employee payroll	1,026
RIO's Contributions as a percentage of covered-employee payroll	7.12%

Notes to schedules:
*Complete data for these schedules is not available prior to 2015.
Amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

	Pension Pool Participants							Insurance Pool Participants			
	Public Employees Retirement System	Bismarck City Employee Pension Plan	Bismarck City Police Pension Plan	Job Service of North Dakota	City of Fargo Employee Pension Plan	City of Grand Forks Employee Pension Plan	City of Grand Forks Park District	Workforce Safety & Insurance	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund
Assets:											
Investments											
Equities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Equity pool	1,298,809,977	35,107,459	16,932,388	37,726,351	-	33,298,041	3,681,731	437,941,803	8,180,274	-	-
Fixed income	-	-	-	-	-	-	-	-	-	-	-
Fixed income pool	559,522,906	28,309,930	10,707,806	57,998,983	-	14,712,997	1,560,950	916,923,750	12,769,339	1,721,507	3,517,111
Real assets											
Real assets pool	430,520,347	15,127,299	6,529,513	-	-	7,921,385	509,157	378,384,657	-	-	-
Private equity pool	88,967,769	2,536,851	1,409,443	-	-	2,521,538	239,980	-	-	-	-
Cash pool	40,173,709	570,139	260,328	560,562	2,744	746,038	42,401	19,820,493	2,331,702	1,433,907	3,592,334
Total investments	2,417,994,708	81,651,678	35,839,478	96,285,896	2,744	59,199,999	6,034,219	1,753,070,703	23,281,315	3,155,414	7,109,445
Investment income receivable	4,584,887	94,139	50,462	106,664	(1,283)	32,376	917	9,588,435	134,917	24,609	53,392
Operating Cash	27,735	-	-	-	-	-	-	32,096	637	952	899
Miscellaneous receivable	3,922	-	-	-	-	-	-	2,891	42	5	12
Due from other state agency	17	-	-	-	-	-	-	13	-	-	-
Total assets	2,422,611,269	81,745,817	35,889,940	96,392,560	1,461	59,232,375	6,035,136	1,762,694,138	23,416,911	3,180,980	7,163,748
Deferred outflows of resources											
Deferred outflows related to pensions	14,130	-	-	-	-	-	-	10,418	150	20	43
Liabilities:											
Investment expenses payable	3,539,182	123,954	54,687	118,664	-	83,144	7,417	1,218,630	14,592	634	1,304
Accounts payable	16,636	-	-	-	-	-	-	10,441	151	20	43
Accrued expenses	120,564	-	-	-	-	-	-	89,602	1,542	175	404
Miscellaneous payable	-	2,792	1,225	3,373	2	1,940	250	-	-	-	-
Due to other state agencies	694	-	-	-	-	-	-	511	7	1	2
Total liabilities	3,677,076	126,746	55,912	122,037	2	85,084	7,667	1,319,184	16,292	830	1,753
Deferred inflows of resources											
Deferred inflows related to pensions	17,323	-	-	-	-	-	-	12,772	183	24	52
Net position held in trust for external investment pool participants	$ 2,418,931,000	$ 81,619,071	$ 35,834,028	$ 96,270,523	$ 1,459	$ 59,147,291	$ 6,027,469	$ 1,761,372,600	$ 23,400,586	$ 3,180,146	$ 7,161,986
Each participant unit is valued at $1.00											
Participant units outstanding	2,418,931,000	81,619,071	35,834,028	96,270,523	1,459	59,147,291	6,027,469	1,761,372,600	23,400,586	3,180,146	7,161,986

See Notes to Financial Statements

North Dakota Retirement and Investment Office

Combining Statement of Net Position – Investment Trust Funds – Fiduciary Funds

June 30, 2015

(With Comparative Totals for 2014)

Insurance Pool Participants										Individual Investment Accounts		Totals	
Insurance Regulatory Trust Fund	Cultural Endowment Fund	Risk Mgmt	Risk Mgmt Work Comp	ND Ass'n. of Counties Fund	PERS Group Insurance	Budget Stabilization Fund	City of Bismarck Deferred Sick Leave	City of Fargo FargoDome Fund	State Board of Medical Examiners	Legacy Fund	PERS Retiree Health Credit Fund	2015	2014
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,649,119,152	$ 59,124,528	$ 1,708,243,680	$ 55,112,752
792,427	210,268	2,058,630	2,304,331	1,151,266	-	-	262,718	20,463,235	452,991	-	-	1,899,373,890	2,787,747,097
-	-	-	-	-	-	-	-	-	-	1,148,520,834	38,458,592	1,186,979,426	533,078,401
912,577	140,764	4,405,922	3,731,715	2,185,100	-	565,388,029	565,799	15,978,096	1,673,990	-	-	2,202,727,271	3,083,559,151
										509,958,485		509,958,485	-
-	20,156	-	-	-	-	-	-	4,120,319	46,727	-	-	843,179,560	645,467,366
-	-	-	-	-	-	-	-	-	-	-	-	95,675,581	114,064,794
922,483	11,517	339,364	185,331	496,307	39,653,336	5,823,919	42,368	409,902	1,820	9,759,431	-	127,180,135	100,251,550
2,627,487	382,705	6,803,916	6,221,377	3,832,673	39,653,336	571,211,948	870,885	40,971,552	2,175,528	3,317,357,902	97,583,120	8,573,318,028	7,319,281,111
9,175	344	45,298	3,165	827	350	2,799,203	1,292	35,494	(825)	11,273,401	87,940	28,925,179	24,467,745
647	343	1,156	1,153	-	-	21,240	-	-	-	3,834	-	90,692	145,652
1	1	11	10	-	-	972	-	-	-	5,217	-	13,084	11,316
-	-	-	-	-	-	4	-	-	-	23	-	57	-
2,637,310	383,393	6,850,381	6,225,705	3,833,500	39,653,686	574,033,367	872,177	41,007,046	2,174,703	3,328,640,377	97,671,060	8,602,347,040	7,343,905,824
4	2	41	37	-	-	3,502	-	-	-	18,799	-	47,146	-
1,272	347	4,265	4,332	2,161	92	363,164	522	36,802	1,761	2,679,736	69,738	8,326,400	6,599,159
4	2	41	37	-	-	3,505	-	-	-	18,817	-	49,697	39,232
58	19	352	305	-	-	29,034	-	-	-	100,943	-	342,998	70,572
-	-	-	-	250	1,415	-	250	1,436	250	-	3,314	16,497	14,804
-	-	2	2	-	-	172	-	-	-	923	-	2,314	1,169
1,334	368	4,660	4,676	2,411	1,507	395,875	772	38,238	2,011	2,800,419	73,052	8,737,906	6,724,936
5	3	50	45	-	-	4,293	-	-	-	23,046	-	57,796	-
$ 2,635,975	$ 383,024	$ 6,845,712	$ 6,221,021	$ 3,831,089	$ 39,652,179	$ 573,636,701	$ 871,405	$ 40,968,808	$ 2,172,692	$ 3,325,835,711	$ 97,598,008	$ 8,593,598,484	$ 7,337,180,888
2,635,975	383,024	6,845,712	6,221,021	3,831,089	39,652,179	573,636,701	871,405	40,968,808	2,172,692	3,325,835,711	97,598,008	8,593,598,484	7,337,180,888

	Pension Pool Participants							Insurance Pool Participants			
	Public Employees Retirement System	Bismarck City Employee Pension Plan	Bismarck City Police Pension Plan	Job Service of North Dakota	City of Fargo Employee Pension Plan	City of Grand Forks Employee Pension Plan	City of Grand Forks Park District	Workforce Safety & Insurance	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund
Additions:											
Investment income:											
Net change in fair value of investments	$ 46,174,788	$ 1,640,168	$ 683,609	$ 1,818,431	$ -	$ 1,108,806	$ 167,018	$ 19,423,177	$ 249,666	$ (3,765)	$ (10,166)
Interest, dividends and other income	45,848,042	1,580,510	686,314	1,721,361	12	1,076,573	100,269	40,772,394	513,284	43,443	86,302
	92,022,830	3,220,678	1,369,923	3,539,792	12	2,185,379	267,287	60,195,571	762,950	39,678	76,136
Less investment expenses	7,859,071	277,192	121,765	279,285	50	187,677	17,396	4,227,205	42,304	2,562	5,171
Net investment income	84,163,759	2,943,486	1,248,158	3,260,507	(38)	1,997,702	249,891	55,968,366	720,646	37,116	70,965
Purchase of units ($1 per unit)	6,600,000	-	-	-	-	4,075,989	289,276	25,500,000	-	-	-
Total Additions	90,763,759	2,943,486	1,248,158	3,260,507	(38)	6,073,691	539,167	81,468,366	720,646	37,116	70,965
Deductions:											
Administrative Expenses	317,959	-	-	-	-	-	-	208,895	3,187	1,013	1,027
Redemption of units ($1 per unit)	500,000	-	-	4,672,143	8,156	4,731,927	442,354	23,000,000	6,525,000	125,000	-
Total Deductions	817,959	-	-	4,672,143	8,156	4,731,927	442,354	23,208,895	6,528,187	126,013	1,027
Change in net position	89,945,800	2,943,486	1,248,158	(1,411,636)	(8,194)	1,341,764	96,813	58,259,471	(5,807,541)	(88,897)	69,938
Net position:											
Beginning of year	2,329,075,222	78,675,585	34,585,870	97,682,159	9,653	57,805,527	5,930,656	1,703,179,748	29,209,286	3,269,172	7,092,329
Restatement due to implementation of GASB 68	(90,022)	-	-	-	-	-	-	(66,619)	(1,159)	(129)	(281)
Beginning of year, as restated	2,328,985,200	78,675,585	34,585,870	97,682,159	9,653	57,805,527	5,930,656	1,703,113,129	29,208,127	3,269,043	7,092,048
End of year	$ 2,418,931,000	$ 81,619,071	$ 35,834,028	$ 96,270,523	$ 1,459	$ 59,147,291	$ 6,027,469	$ 1,761,372,600	$ 23,400,586	$ 3,180,146	$ 7,161,986

See Notes to Financial Statements

North Dakota Retirement and Investment Office
Combining Statement of Changes in Net Position – Investment Trust Funds – Fiduciary Funds
Year Ended June 30, 2015
(With Comparative Totals for 2014)

Insurance Pool Participants										Individual Investment Accounts		Totals	
Insurance Regulatory Trust Fund	Cultural Endowment Fund	Risk Mgmt	Risk Mgmt Work Comp	ND Ass'n of Counties Fund	PERS Group Insurance	Budget Stabilization Fund	City of Bismarck Deferred Sick Leave	City of Fargo FargoDome Fund	State Board of Medical Examiners	Legacy Fund	PERS Retiree Health Credit Fund	2015	2014
$ (21,102)	$ 11,196	$ 119,666	$ 140,595	$ 26,016	$ -	$ (3,424,930)	$ 6,205	$ 579,771	$ 8,349	$ 45,818,808	$ 936,842	$ 115,453,148	$ 567,151,376
13,845	8,147	142,740	129,379	68,564	4,993	15,215,741	18,591	840,686	50,585	62,243,945	2,105,154	173,270,874	144,142,458
(7,257)	19,343	262,406	269,974	94,580	4,993	11,790,811	24,796	1,420,457	58,934	108,062,753	3,041,996	288,724,022	711,293,834
1,946	901	11,119	10,841	7,015	5,336	727,325	2,540	98,953	5,047	7,756,887	281,478	21,929,066	18,023,588
(9,203)	18,442	251,287	259,133	87,565	(343)	11,063,486	22,256	1,321,504	53,887	100,305,866	2,760,518	266,794,956	693,270,246
2,000,000	-	-	-	300,000	185,028,348	-	-	-	230,000	1,011,343,040	4,543,000	1,239,909,653	1,360,499,546
1,990,797	18,442	251,287	259,133	387,565	185,028,005	11,063,486	22,256	1,321,504	283,887	1,111,648,906	7,303,518	1,506,704,609	2,053,769,792
1,001	558	1,026	1,024	-	-	71,340	-	-	-	332,768	-	939,798	693,895
500,000	-	350,000	-	-	182,800,000	23,332,755	-	2,100,000	-	-	-	249,087,335	350,900,674
501,001	558	351,026	1,024	-	182,800,000	23,404,095	-	2,100,000	-	332,768	-	250,027,133	351,594,569
1,489,796	17,884	(99,739)	258,109	387,565	2,228,005	(12,340,609)	22,256	(778,496)	283,887	1,111,316,138	7,303,518	1,256,677,476	1,702,175,223
1,146,224	365,155	6,945,721	5,963,144	3,443,524	37,424,174	586,000,970	849,149	41,747,304	1,888,805	2,214,597,021	90,294,490	7,337,180,888	5,635,005,665
(45)	(15)	(270)	(232)	-	-	(23,660)	-	-	-	(77,448)	-	(259,880)	-
1,146,179	365,140	6,945,451	5,962,912	3,443,524	37,424,174	585,977,310	849,149	41,747,304	1,888,805	2,214,519,573	90,294,490	7,336,921,008	-
$ 2,635,975	$ 383,024	$ 6,845,712	$ 6,221,021	$ 3,831,089	$ 39,652,179	$ 573,636,701	$ 871,405	$ 40,968,808	$ 2,172,692	$ 3,325,835,711	$ 97,598,008	$ 8,593,598,484	$ 7,337,180,888

North Dakota Retirement and Investment Office
Pension and Investment Trust Funds – Schedule of Administrative Expenses
Years Ended June 30, 2015 and 2014

	Pension Trust		Investment Trust	
	2015	2014	2015	2014
Salaries and wages:				
Salaries and wages	$723,985	$670,233	$674,974	$474,880
Fringe benefits	268,946	237,322	212,156	140,156
Total salaries and wages	992,931	907,555	887,130	615,036
Operating expenses:				
Information services	74,804	75,839	15,458	12,874
Intergovernmental services	6,821	5,374	3,921	2,529
Professional services	324,778	138,963	47,073	55,382
Rent of building space	51,986	53,314	29,144	26,353
Mailing services and postage	53,313	48,393	31,020	28,108
Travel and lodging	28,242	20,759	49,564	25,186
Printing	15,587	13,485	6,960	5,412
Supplies	8,338	2,879	4,630	1,671
Professional development	17,229	9,045	12,865	3,205
Outside services	4,491	10,832	3,240	64,927
Small office equipment expense	22,000	431	12,085	129
Miscellaneous fees	7,906	6,620	6,233	4,784
Resource and reference materials	345	601	667	342
IT contractual services	96,056	108,723	47,714	30,431
Repairs - office equipment	44	94	132	50
Insurance	306	417	176	196
Total operating expenses	712,246	495,769	270,883	261,579
Pension trust portion of investment program expenses	218,215	182,721	(218,215)	(182,721)
Total administrative expenses	1,923,392	1,586,045	939,798	693,894
Less - nonappropriated items:				
Professional fees	324,778	138,963	47,073	55,382
Other operating fees paid under continuing appropriation	31,695	28,224	93,921	73,573
Accrual adjustments to employee benefits	(3,571)	(14,644)	7,794	(1,902)
Total nonappropriated items	352,902	152,542	148,788	127,053
Total appropriated expenditures	$ 1,570,490	$ 1,433,503	$ 791,010	$ 566,841

North Dakota Retirement and Investment Office

Schedule of Appropriations – Budget Basis – Fiduciary Funds

July 1, 2013 to June 30, 2015 Biennium

	Approved 2013-2015 Appropriation	2013-2015 Appropriation Adjustment	Adjusted 2013-2015 Appropriation	Fiscal 2014 Expenses	Fiscal 2015 Expenses	Unexpended Appropriations
All Fund Types:						
Salaries and wages	$ 3,772,504	$ -	$ 3,772,504	$ 1,501,994	$1,869,076	$ 401,434
Accrued Leave Payments	71,541		71,541	37,144	6,760	27,637
Operating expenses	973,324	-	973,324	399,219	485,664	88,441
Contingency	82,000	-	82,000	61,987	-	20,013
Total	$ 4,899,369	$ -	$ 4,899,369	$ 2,000,344	$2,361,500	$ 537,525

NOTE: *Only those expenses for which there are appropriations are included in this statement.*

Reconciliation of Administrative Expenses
to Appropriated Expenditures

	2015	2014
Administrative expenses as reflected in the financial statements	2,863,190	2,279,940
Less:		
Professional fees*	(371,851)	(194,345)
Other operating fees paid under continuing appropriations*	(125,616)	(101,797)
Changes in benefit accrual amounts	(4,223)	16,546
Total appropriated expenses	$2,361,500	$2,000,344

* North Dakota Century Code 21-10-06.2 and 15-39.1-05.2 provide authorization for the continuing appropriation.

North Dakota Retirement and Investment Office

Pension and Investment Trust Funds – Schedule of Consultant Expenses

Years Ended June 30, 2015 and 2014

	Pension Trust		Investment Trust	
	2015	2014	2015	2014
Actuary fees:				
Segal Company	$ 123,556	$ 71,264	$ 722	$ -
Auditing/Accounting fees:				
CliftonLarsonAllen LLC	154,932	45,942	26,568	28,423
Eide Bailly, P.C.	6,143	-	-	-
Total Auditing Fees	161,075	45,942	26,568	28,423
Disability consulting fees:				
Sanford Health	425	375	-	-
Legal fees:				
K&L Gates LLP	2,313	11,474	3,182	15,585
Ice Miller LLP	23,430	-	-	-
ND Attorney General	13,979	9,908	16,601	11,374
Total legal fees:	39,722	21,381	19,783	26,959
Total consultant expenses	$ 324,778	$ 138,963	$ 47,073	$ 55,382

North Dakota Retirement and Investment Office

Pension and Investment Trust Funds – Schedule of Investment Expenses

Years Ended June 30, 2015 and 2014

	Pension Trust 2015	Pension Trust 2014	Investment Trust 2015	Investment Trust 2014
Investment managers' fees:				
Global equity managers	$ 2,485,008	$ 2,605,453	$ 3,182,464	$ 3,315,966
Domestic large cap equity managers	522,029	1,018,026	2,366,812	2,189,555
Domestic small cap equity managers	460,633	551,815	2,025,154	1,244,211
International equity managers	825,671	822,849	4,129,461	2,303,178
Emerging markets equity managers	510,947	258,679	742,791	374,705
Domestic fixed income managers	994,837	1,585,083	7,285,624	6,614,783
Below investment grade fixed income managers	1,285,910	747,407	1,619,511	958,784
Diversified Real Assets	-	-	2,270,421	1,515,030
International fixed income managers	369,873	340,634	460,686	422,383
Real estate managers	2,391,855	1,899,944	4,738,886	3,468,358
Infrastructure managers	1,031,424	676,349	1,245,714	824,064
Timber managers	318,538	341,757	376,717	405,526
Private equity managers	1,449,758	2,433,316	1,698,539	2,850,600
Short term fixed income managers	-	-	852,554	1,562,163
Cash & equivalents managers	26,995	23,964	174,553	201,708
Balanced account managers	-	-	402,347	352,919
Total investment managers' fees	$ 12,673,478	$ 13,305,276	$ 33,572,234	$ 28,603,933
Custodian fees	210,361	293,776	770,742	850,504
Investment consultant fees	169,068	172,148	479,464	365,242
SIB Service Fees	-	-	55,192	48,498
Total investment expenses	$ 13,052,907	$ 13,771,200	$ 34,877,632	$ 29,868,177

Reconciliation of investment expenses to financial statements

	2015	2014	2015	2014
Investment expenses as reflected in the financial statements	$ 6,916,830	$ 7,257,140	$ 21,929,066	$ 18,023,588
Plus investment management fees included in investment income				
Domestic large cap equity managers	-	260,958	-	481,686
Domestic small cap equity managers	268,875	363,661	364,448	470,141
International equity managers	220,872	225,470	1,012,043	568,360
Emerging markets equity managers	489,996	89,760	712,412	129,633
Domestic fixed income managers	646,789	1,322,680	4,178,115	4,388,520
Below investment grade fixed income managers	788,907	285,306	994,592	367,748
Inflation protected assets managers	-	-	1,030,017	488,078
Real estate managers	1,414,553	1,003,875	1,655,673	1,176,368
Infrastructure managers	548,234	225,341	662,136	273,692
Timber managers	318,538	341,757	376,717	405,526
Private equity managers	1,439,313	2,395,252	1,686,302	2,805,772
Cash equivalents managers	-	-	136,209	163,876
Balanced account managers	-	-	139,902	125,189
Investment expenses per schedule	$ 13,052,907	$ 13,771,200	$ 34,877,632	$ 29,868,177

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INVESTMENT SECTION

ND Retirement and Investment Office

State Investment Board
Teachers' Fund for Retirement

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Bismarck, ND 58507-7100
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Toll Free 800-952-2970
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November 30, 2015

Members of the
North Dakota State Investment Board
North Dakota Teachers' Fund for Retirement Board

Dear Board Members:

This report is a summary of the North Dakota pension and insurance pools' investment portfolios and market environment for the fiscal year ended June 30, 2015.

Introduction

For the fiscal year ended June 30, 2015, the $4.8 billion North Dakota pension investment pool portfolio experienced a gross total return of 3.85%. The insurance investment pool, valued at $2.4 billion on June 30, 2015, returned 2.61% (gross), during the same time frame. The $3.3 billion Legacy Fund returned 3.53% for the year. The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon fair values and are subject to independent verification.

The pension and insurance investment pools are pooled investment funds. The pension pool was created in 1989 in an effort to realize cost savings through pooling of pension assets. The insurance pool was created in 1993 for similar reasons. A list of the participants and their ownership in each pool is provided in this section of the report. The pooled funds' strategies are a proportional reflection of the investment objectives of each of the participating funds. The returns experienced by the individual funds were consistent with their respective investment policies and related asset allocations. The Legacy Fund was created by a constitutional amendment in 2010. The amendment provides that 30% of oil and gas gross production and oil extraction taxes on oil produced after June 30, 2011, be transferred to the Legacy Fund. Transfers into the Legacy Fund totaled $1.01 billion during the fiscal year. Investment program details for the participating plans, including investment objectives and a listing of their external investment managers are presented in the Investment Section.

The investment program's cost as measured by expense ratio is 64 basis points for the pension pool and 35 basis points for the insurance pool (which included the Legacy Fund for most of the fiscal year) and includes investment office administrative expenses, consultant fees, money manager fees and master custodian fees. Allocation of monthly income and expenses to the participants in the pools is based on a time-weighted beginning balance. A "time factor" and "time-weighted amount" are calculated for each plan based on individual plan-related activities. The time-weighted amounts are added up for all plan-related activities to compose the time-weighted beginning balance used to allocate the activity of the pool. Five-year annualized risk for the period ended June 30, 2015, as measured by standard deviation has been 8.17% for the pension pool and 3.36% for the insurance pool. Risk exposure for each participating fund is also limited in accordance with the guidelines presented in the Investment Section.

Economic Overview as of June 30, 2015

The global economic outlook demonstrated increasing dispersion the second half of 2014, with growth in the U.S. solidifying while economic progress in Europe and Japan stalled. The first half of 2015, quantitative easing in Europe and Abenomics in Japan bolstered those regions' economies while growth expectations in the U.S. have been revised downward. The Fed has maintained a zero rate policy since the end of their quantitative easing program in October 2014. They are expected to raise rates towards the end of 2015, but have yet to meet their dual mandate of a 2% inflation rate and full employment. Core inflation, which excludes food and energy prices, increased 1.8% year over year in June. Since the collapse of oil prices in late 2014, headline inflation figures, which include food and energy prices, have been mostly flat. The U.S. unemployment rate fell to 5.3% in June from the 6.1% mark at the start of the fiscal year. An average of 205,000 jobs was added to payrolls each month the first half of 2015. While the headline employment rate is impressive, the labor force participation rate reached a 38-year low of 62.6% at the end of June.

U.S. GDP has been volatile over the course of the past fiscal year. Strong figures wrapped up 2014, while the first two quarters of 2015 yielded 0.6% and 2.3% annualized growth. Furthermore, revisions of GDP between 2012 and 2014 reveal average annual growth of only 2%, 0.3% weaker than previously estimated.

Greece and China stole most of the global spotlight starting in June, ushering increased volatility into world markets. Greece began negotiations with creditors when it became clear they were not going to be able to make debt repayments due at the end of June. After tumultuous negotiations, Greece officially defaulted when it missed a $1.73 billion payment to the IMF on June 30th. A third bailout deal has been proposed to Greece. China has been experiencing issues relating to its slowing growth rate. Officials have attempted to prop up the country's consumption by reducing reserve requirements, interest rates, and import duties. Despite these efforts, the Shanghai Composite Index fell nearly 20% between June 12th and June 30th.

Domestic Equity Overview

The fiscal year ended June 30, 2015 brought positive returns across the domestic equity market. The S&P 1500 Index, a broad market indicator for the U.S. stock market, finished the fiscal year with a return of 7.31%. Large cap stocks performed better than small cap stocks during fiscal year 2015. The S&P 600, a gauge of small cap stock performance, underperformed its large cap peer (the S&P 500 Index), 6.72% to 7.42%. Growth stocks outperformed value stocks. The Russell 3000 Growth Index advanced 10.69% versus a gain of 3.86% for the Russell 3000 Value Index.

International Equity Overview

Developed International equity markets, as represented by the MSCI EAFE Index, fell in fiscal year 2015. The index returned -4.22%, lagging the +23.57% performance in fiscal year 2014. Growth fared better than Value in the international developed equity space. For the trailing twelve-months ended June 30, 2015, the MSCI EAFE Growth Index lost 1.33% while the MSCI EAFE Value Index fell 7.09%. Emerging market returns trailed developed market returns in as the MSCI Emerging Markets Index dipped 5.12%. Overall, it was a lackluster year for international stock markets.

Private Equity

The private equity market was healthy in fiscal year 2015 as institutional investors placed capital into new programs. According to Private Equity Analyst, 741 new partnerships were formed raising $291 billion in commitments during the past 12 months. This is an increase in the total number of new partnerships from fiscal year 2014 (698) but a decrease in dollar volume ($232 billion). Due to the nature of private equity performance measurement, relative comparisons of fund performance with benchmarks are inherently ambiguous.

Domestic Fixed Income Overview

The U.S. bond market, as measured by the Barclays Capital Aggregate Bond Index, returned 1.86%. The yield curve flattened then steepened again during fiscal year 2015, taking longer duration bond prices on a ride. The Barclays Capital Government Index rose 2.27% over the fiscal year. Long duration bond yields were lower than in June 2014 which boosted the Barclays Capital Government Long Index 6.20%. The Barclays Capital Credit Index rose a modest 0.93% for the trailing twelve-months as spreads widened to end the fiscal year. High yield bonds, except for those at the very end of the curve, suffered as the Barclays Capital Corporate High Yield Index fell 0.40% for the year ended June 30, 2015.

International Fixed Income Overview

International fixed income markets performed poorly in fiscal year 2015. The Citi non-U.S. World Government Unhedged Bond Index fell 13.49%. Sovereign yields in Europe remained low for most of the fiscal year, then ticked upward, leading the Citi Euro Government Bond Index to a loss of 15.07%. The U.S. Dollar strengthened relative to most foreign currencies during the last 12 months, which hurt U.S. investors' foreign bond returns. Emerging Market countries experienced a tough start to 2015; the JP Morgan Emerging Markets Bond Index Plus was down 2.08% over the fiscal year.

Real Estate Overview

The NCREIF Property Index, a measure of the private real estate market, gained 12.98% during the 2015 fiscal year. The index was positive in each of the four quarters, extending its positive streak to 22 straight quarters. The FTSE NAREIT Equity Index, a measure of the public securities real estate market, gained 4.11%.

Timber

The timber sector has increased in market size over the course of the last twelve months. As of June 30, 2015 the total size of the NCREIF Timberland Property Index was up to $24.3 billion, representing approximately 13.5 million acres of land. The index was also up year over year, returning 10.02% for the twelve months ending June 30, 2015, consisting of a 7.00% appreciation return and a 2.87 % income return. The Lake States were the best performing region by gaining 12.61% for the year ended June 30, 2015. The South remains the largest region, representing $16.8 billion in market value and 9.5 million acres of land.

Infrastructure

About 4.33% of the North Dakota State Investment Board's pension assets and 3.76% of the insurance trust are invested in infrastructure investments. These types of strategies are spread among four strategies: the JP Morgan Asian Infrastructure fund; the JP Morgan Infrastructure Fund; the Grosvenor Infrastructure Fund; and the Grosvenor Infrastructure II Fund.

By definition, infrastructure assets are essential to the economic health and productivity of civilized society. They include the basic facilities, services, and installations needed for the functioning of a community, such as transit and communications systems; both potable and sewage water lines; and electricity access. They also include such public entities as schools, post offices, and incarceration facilities. Most of these facilities have traditionally been owned and regulated by municipalities and states. The private sector's participation has been limited, to varying degrees, to the areas of design, construction, and operation. Budget and fiscal pressures limit the ability of public authorities to maintain existing infrastructure, much less to build the new facilities required by a growing population. In response to these problems, many municipalities and states have sold or are contemplating the sale of their infrastructure assets to private investors.

Over the one-year period ended June 30, 2015, the SIB's infrastructure investment program provided net returns of 3.52% for the pension fund and 4.33% for the insurance trust.

Summary

Following two fiscal years of strong absolute returns, financial markets generated modest returns in fiscal year 2015. Despite the modest absolute returns during the fiscal year period, the pension and insurance pools and the Legacy Fund all delivered favorable results on a relative basis. Performance was favorably impacted by exposure to such asset classes as private real estate, domestic equities and domestic fixed income. Due to the strength of the U.S. dollar during the fiscal year, the international equities and international fixed income asset classes detracted from total fund performance.

Going forward, the State Investment Board and staff will continue to monitor and align client investment portfolios entrusted to them in a sound fiduciary manner based on their respective investment objectives and constraints. At the same time, investment initiatives will be undertaken to further optimize the investment portfolios of all investment clients in the future.

Sincerely,

Darren Schulz

DARREN SCHULZ, CFA
Deputy Chief Investment Officer

DAVID HUNTER
Executive Director/Chief Investment Officer

INVESTMENT PERFORMANCE SUMMARY
JUNE 30, 2015

			Rates of Return (net of fees)									
	Fair Value	% Of Pool	For Fiscal Year Ended 6/30					Annualized				
PENSION POOL PARTICIPANTS			2015	2014	2013	2012	2011	3 Years	5 Years	10 Years	20 Years	30 Years
Teachers' Fund for Retirement	$2,103,807,355	43.8%	3.52%	16.53%	13.57%	-1.12%	24.05%	11.06%	10.94%	5.87%	7.23%	8.37%
Public Employees Retirement System	2,422,579,595	50.4%	3.53%	16.38%	13.44%	-0.12%	21.27%	10.98%	10.61%	5.98%	7.65%	8.68%
Bismarck City Employee Pension Fund	$81,745,817	1.7%	3.69%	14.56%	12.41%	1.57%	20.32%	10.12%	10.29%	6.00%	7.52%	*
Bismarck City Police Pension Fund	$35,889,940	0.7%	3.56%	15.27%	13.03%	1.31%	21.10%	10.50%	10.61%	6.01%	7.40%	*
Job Service of North Dakota	$96,392,560	2.0%	3.30%	13.54%	11.71%	3.09%	16.39%	9.42%	9.47%	6.16%	8.47%	*
City of Fargo Pension Fund [1]	$1,461	0.0%	0.06%	8.42%	13.90%	0.97%	21.58%	7.31%	8.69%	*	*	*
City of Grand Forks Pension Fund	$59,232,375	1.2%	3.53%	16.33%	14.01%	1.09%	21.64%	11.15%	11.04%	*	*	*
Grand Forks Park District Pension Fund	$6,035,136	0.1%	4.22%	16.44%	14.43%	0.86%	20.98%	11.57%	11.12%	*	*	*
Subtotal Pension Pool Participants	4,805,684,242	100.0%										
INSURANCE POOL PARTICIPANTS												
Workforce Safety & Insurance Fund	1,762,659,138	71.2%	3.27%	11.71%	8.31%	6.17%	13.23%	7.71%	8.48%	5.65%	7.08%	*
State Fire and Tornado Fund	23,416,232	0.9%	3.16%	12.78%	10.59%	4.93%	14.52%	8.76%	9.11%	6.14%	6.62%	*
State Bonding Fund	3,180,023	0.1%	1.25%	4.06%	2.96%	5.31%	5.01%	2.75%	3.71%	2.25%	4.77%	*
Petroleum Tank Release Fund	7,162,837	0.3%	1.13%	3.68%	2.47%	4.84%	4.97%	2.42%	3.41%	2.06%	4.71%	*
Insurance Regulatory Trust Fund	2,636,662	0.1%	2.04%	9.88%	8.49%	2.82%	11.61%	6.75%	6.90%	5.06%	6.06%	*
State Risk Management Fund	6,849,214	0.3%	4.08%	12.29%	10.19%	7.63%	14.36%	8.80%	9.65%	6.37%	*	*
State Risk Management Workers Comp	6,224,542	0.3%	4.57%	13.68%	11.61%	7.40%	16.23%	9.88%	10.62%	6.64%	*	*
Cultural Endowment Fund	383,049	0.0%	5.22%	16.94%	15.58%	4.65%	21.33%	12.46%	12.55%	6.75%	*	*
Budget Stabilization Fund	574,011,151	23.2%	1.86%	1.94%	1.87%	2.03%	3.73%	1.89%	2.29%	*	*	*
ND Assoc. of Counties (NDACo) Fund	3,833,500	0.2%	2.77%	11.61%	9.46%	1.69%	17.73%	7.88%	8.49%	5.09%	*	*
City of Bismarck Deferred Sick Leave	872,177	0.0%	2.95%	12.32%	9.83%	5.69%	13.80%	8.29%	8.84%	6.19%	*	*
PERS Group Insurance	39,653,686	1.6%	0.01%	0.00%	0.11%	0.24%	0.31%	0.11%	0.18%	1.55%	*	*
State Board of Medical Examiners	2,174,703	0.1%	2.70%	*	*	*	*	*	*	*	*	*
City of Fargo FargoDome Permanent Fund	41,007,046	1.7%	3.38%	16.34%	13.46%	3.14%	19.16%	10.92%	10.89%	6.41%	*	*
Subtotal Insurance Pool Participants	2,474,063,959	100.0%										
INDIVIDUAL INVESTMENT ACCOUNTS												
Legacy Fund	3,328,631,303		3.31%	6.64%	1.15%	*	*	3.69%	*	*	*	*
Retiree Health Insurance Credit Fund	97,671,060		3.06%	16.53%	14.80%	2.62%	21.65%	11.30%	11.47%	6.11%	7.27%	*
TOTAL	$10,706,050,563											
BENCHMARKS												
S&P 500			7.42%	24.61%	20.60%	5.45%	30.69%	17.31%	17.34%	7.89%	8.91%	10.80%
Barclays Aggregate			1.86%	4.37%	-0.69%	7.47%	3.90%	1.83%	3.35%	4.44%	5.62%	7.07%
90 Day T-Bills			0.02%	0.05%	0.11%	0.06%	0.16%	0.06%	0.08%	1.42%	2.67%	3.75%
Callan Public Plan Sponsors Database (Median)			3.19%	16.31%	11.98%	1.20%	20.86%	10.25%	10.27%	6.59%	7.84%	8.93%

* These funds do not have the specified years of history under SIB management.

[1] The City of Fargo Pension Fund withdrew its investments from the SIB in December 2013/January 2014. The balance as of 6/30/15 is residual cash for payment of final expenses.

Note: Asset allocation largely drives investment performance. Each fund has a unique allocation that takes into consideration return objectives, risk tolerance, liquidity constraints, and unique circumstances. Such considerations must be taken into account when comparing results

Columns may not foot due to rounding.

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
PENSION INVESTMENT POOL
FOR PERIODS ENDED JUNE 30, 2015

	Style	Date Initiated	Fair Value	Annualized Rates of Return 1 Year	3 Years	5 Years
GLOBAL EQUITY:						
Epoch Investment Partners, Inc.	Core	01/2012	$ 329,591,814	8.57%	15.76%	*
LSV Asset Management	Core Value	03/2013	431,058,260	1.94%	*	*
TOTAL GLOBAL EQUITY			760,650,074	4.67%	14.75%	*
MSCI World Index				1.43%	14.27%	*
DOMESTIC LARGE CAP EQUITY:						
Parametric Clifton	Enhanced S&P 500	06/2011	177,988,438	7.43%	17.27%	*
Los Angeles Capital Management	Structured Growth	08/2003	316,442,957	12.76%	19.03%	19.06%
Los Angeles Capital Management	Enhanced Russell 1000	08/2000	204,948,725	8.26%	17.89%	17.86%
Northern Trust Asset Management	Enhanced S&P 500	08/2000	125,523,710	6.26%	18.57%	18.27%
TOTAL DOMESTIC LARGE CAP EQUITY			824,903,829	9.48%	19.10%	18.00%
Russell 1000 Index (1)				7.37%	17.73%	17.57%
DOMESTIC SMALL CAP EQUITY:						
Callan Associates, Inc. (n)	Mgr of Managers	05/2006	124,068,544	3.99%	17.94%	17.12%
Parametric Clifton	Enhanced Russell 2000	11/2009	126,707,269	7.58%	18.98%	18.46%
TOTAL DOMESTIC SMALL CAP EQUITY			250,775,814	5.77%	18.87%	18.03%
Russell 2000 Index				6.49%	17.81%	17.08%
DEVELOPED INTERNATIONAL EQUITY:						
Capital Guardian Trust Company	Core	03/1992	136,969,814	-1.78%	13.07%	9.84%
Dimensional Fund Advisors (n)	Small Cap Value	11/2007	79,282,009	-3.27%	17.67%	12.85%
Northern Trust Asset Management	Core	12/2013	246,938,887	-4.98%	*	*
Wellington Trust Company, NA	Small Cap Growth	03/2002	90,139,390	0.53%	17.91%	15.88%
TOTAL DEVELOPED INTERNATIONAL EQUITY			553,330,100	-3.11%	13.99%	10.53%
MSCI EAFE (unhedged) Index (2)				-4.22%	11.97%	8.37%
EMERGING MARKETS EQUITY:						
Axiom International Investors (n)	Core	07/2014	117,866,297	*	*	*
Dimensional Fund Advisors (n)	Small Cap	10/2005	36,467,673	-1.73%	7.30%	6.30%
TOTAL EMERGING MARKETS EQUITY			154,333,970	-0.68%	5.41%	6.35%
MSCI Emerging Markets Index				-5.12%	3.71%	3.69%
PRIVATE EQUITY (n):						
Adams St. Partners (1998 Fund)	Diversified Private Equity	01/1998	120,799	-0.68%	5.58%	3.14%
Adams St. Partners (1999 Fund)	Diversified Private Equity	01/1999	531,142	-17.94%	1.82%	5.53%
Adams St. Partners (2000 Fund)	Diversified Private Equity	10/1999	1,429,371	-10.71%	0.79%	6.58%
Adams St. Partners (2001 Fund)	Diversified Private Equity	12/2000	2,053,747	-0.25%	10.23%	12.28%
Adams St. Partners (2002 Fund)	Diversified Private Equity	03/2002	872,290	-19.50%	0.74%	9.23%
Adams St. Partners (2003 Fund)	Diversified Private Equity	04/2003	514,338	13.43%	16.55%	13.77%
Adams St. Partners (1999 Non-U.S. Fund)	Diversified Private Equity	01/1999	483,796	-13.15%	5.41%	13.75%
Adams St. Partners (2000 Non-U.S. Fund)	Diversified Private Equity	01/2000	768,779	-4.91%	-0.39%	5.62%
Adams St. Partners (2001 Non-U.S. Fund)	Diversified Private Equity	02/2001	384,735	16.96%	19.22%	11.76%
Adams St. Partners (2002 Non-U.S. Fund)	Diversified Private Equity	05/2002	984,002	-7.15%	2.03%	8.69%
Adams St. Partners (2003 Non-U.S. Fund)	Diversified Private Equity	04/2003	899,192	-2.02%	15.53%	15.20%
Adams St. Partners (2004 Non-U.S. Fund)	Diversified Private Equity	04/2004	731,073	-6.29%	11.90%	11.38%
Adams St. Partners (2008 Non-U.S. Fund)	Diversified Private Equity	01/2008	7,235,368	7.59%	12.29%	10.86%
Adams St. Partners (2010 Direct Fund)	Direct Private Equity	04/2010	1,750,443	4.61%	13.41%	10.50%
Adams St. Partners (2010 Non-U.S. Developed)	Diversified Private Equity	04/2010	2,404,837	-2.43%	7.30%	2.57%

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
PENSION INVESTMENT POOL (CONTINUED)
FOR PERIODS ENDED JUNE 30, 2015

	Style	Date Initiated	Fair Value	Annualized Rates of Return 1 Year	3 Years	5 Years
PRIVATE EQUITY (continued):						
Adams St. Partners (2010 Partnership Fund)	Diversified Private Equity	04/2010	5,128,901	18.37%	15.16%	16.38%
Adams St. Partners (2010 Emerging Mkts Fund)	Diversified Private Equity	01/2011	1,040,141	21.80%	6.32%	*
Adams St. Partners (B.V.C.F. IV)	Diversified Private Equity	05/1999	3,827,914	42.10%	30.67%	59.66%
Adams St. Partners (Direct Co-Investment)	Direct Private Equity	09/2006	11,361,500	22.50%	17.56%	16.40%
Capital International (Fund V)	EM Private Equity	08/2007	15,796,580	-13.33%	-4.79%	3.37%
Capital International (Fund VI)	EM Private Equity	12/2011	12,234,473	-21.71%	-16.95%	*
EIG (formerly Trust Company of the West)	Mezz Debt - Energy	07/2007	18,496,623	-23.62%	-10.04%	-2.51%
Corsair Capital (Fund III)	Pvt Eq - Financial Svcs	02/2006	9,934,616	-8.84%	-6.62%	-3.01%
Corsair Capital (ND Investors)	Pvt Eq - Financial Svcs	03/2008	11,075,982	-5.27%	0.45%	1.16%
Corsair Capital (Fund IV)	Pvt Eq - Financial Svcs	05/2010	16,775,349	29.73%	17.74%	5.04%
Invest America (Lewis and Clark Fund)	Direct Venture Capital	02/2002	2,724,490	-32.09%	-13.56%	-5.81%
Invest America (L&C Fund II)	Direct Venture Capital	06/2009	9,116,657	-14.35%	-8.65%	-7.39%
Matlin Patterson Global Opportunities Fund I	Distressed Debt	07/2002	12,121	1.12%	6.13%	638.01%
Matlin Patterson Global Opportunities Fund II	Distressed Debt	10/2004	1,515,719	19.60%	-3.46%	-36.19%
Matlin Patterson Global Opportunities Fund III	Distressed Debt	06/2007	28,721,198	-2.43%	8.43%	23.76%
Quantum Energy Partners	Pvt Equity - Energy	01/2007	7,394,123	-19.31%	7.92%	14.64%
Quantum Resources	Pvt Equity - Energy	10/2006	865,812	-42.83%	-13.53%	4.62%
TOTAL PRIVATE EQUITY (n)			177,337,661	-5.38%	1.62%	4.82%
INVESTMENT GRADE FIXED INCOME:						
Declaration Management & Research (n)	Securitized	04/2012	84,489,780	3.63%	6.05%	*
J. P. Morgan Investment Mgmt. Inc.	Mortgage Backed	09/2014	124,349,721	*	*	*
PIMCO (n)	Distressed Sr. Debt	10/2012	87,857,199	4.32%	15.85%	*
PIMCO	Mortgage Backed	03/2012	179,199,778	2.33%	1.96%	*
PIMCO	Unconstrained	03/2012	94,940,192	1.34%	1.67%	*
State Street Global Advisors	Passive BC Long Treasury	06/2013	88,438,348	6.31%	*	*
TOTAL INVESTMENT GRADE FIXED INCOME			659,275,019	3.67%	4.81%	5.36%
Barclays Aggregate Index				1.86%	1.83%	3.35%
BELOW INVESTMENT GRADE FIXED INCOME:						
Goldman Sachs (n)	Mezzanine Debt-2006	04/2006	1,560,000	25.65%	23.19%	14.06%
Goldman Sachs (n)	Mezzanine Debt-Fund V	11/2007	3,930,000	14.43%	13.82%	14.45%
Loomis Sayles	High Yield Bonds	04/2004	227,990,933	1.33%	8.97%	9.68%
PIMCO (n)	Res. & Comm. Debt	10/2013	35,384,594	10.36%	*	*
TOTAL BELOW INVESTMENT GRADE FIXED INCOME			268,865,527	2.53%	9.92%	10.19%
Barclays High Yield Corp 2% Issuer Cap				-0.39%	6.81%	8.58%
DEVELOPED INTERNATIONAL FIXED INCOME:						
UBS Global Asset Management	Core Non-U.S.	03/1989	99,366,592	-13.46%	-3.22%	0.89%
Brandywine Asset Management	Core-Plus Non-U.S.	05/2003	130,543,858	-5.39%	2.62%	6.47%
TOTAL DEVELOPED INTERNATIONAL FIXED INCOME			229,910,449	-9.37%	-0.26%	3.74%
BC Global Aggregate ex-US Index				-13.19%	-2.83%	1.08%

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
PENSION INVESTMENT POOL (CONTINUED)
FOR PERIODS ENDED JUNE 30, 2015

	Style	Initiated	Fair Value	1 Year	3 Years	5 Years
GLOBAL REAL ESTATE:						
INVESCO Realty Advisors	Core Commingled	08/1997	182,604,019	16.38%	13.53%	14.95%
INVESCO Realty Advisors (n)	Core Plus LP (Fund II)	11/2007	17,954,829	6.23%	14.50%	24.83%
INVESCO Realty Advisors (n)	Core Plus LP (Fund III)	05/2012	32,110,796	18.70%	17.92%	*
INVESCO Realty Advisors (n)	Core Plus LP (Fund IV)	04/2015	23,613,264	*	*	*
INVESCO Realty Advisors (n)	Asian LP	11/2008	10,753,779	16.19%	8.12%	3.24%
J. P. Morgan Investment Mgmt. Inc.	Core Commingled	10/1987	166,094,220	14.71%	14.81%	15.69%
J. P. Morgan Investment Mgmt. Inc. (n)	Alternative Commingled	01/2006	354,513	-33.28%	-7.17%	1.06%
J. P. Morgan Investment Mgmt. Inc. (n)	European LP	09/2009	25,287,442	16.90%	0.79%	*
J. P. Morgan Investment Mgmt. Inc. (n)	Asian LP	01/2008	9,876,712	16.74%	22.93%	15.78%
TOTAL GLOBAL REAL ESTATE			468,649,574	15.63%	14.46%	16.03%
NCREIF Total Index				12.98%	11.63%	12.72%
TIMBER:						
Timberland Investment Resources - Teredo (n)	Timberland	06/2001	60,894,655	15.52%	9.18%	6.18%
Timberland Investment Resources - Springbank (n)	Timberland	09/2004	116,504,483	-1.98%	-1.41%	-2.17%
TOTAL TIMBER			177,399,138	3.93%	2.37%	*
NCREIF Timber Index				10.02%	9.77%	6.10%
INFRASTRUCTURE:						
Grosvenor CIS Fund I (n)	Infrastructure	12/2011	39,011,198	5.37%	9.19%	*
Grosvenor CIS Fund II (n)	Infrastructure	03/2015	1,530,085	*	*	*
J.P. Morgan Investment Management, Inc. (n)	Asian Infrastructure	07/2008	30,600,000	-2.58%	7.80%	4.26%
J.P. Morgan Investment Management, Inc.	Infrastructure	05/2007	137,120,438	1.06%	7.08%	6.59%
TOTAL INFRASTRUCTURE			208,261,721	1.23%	7.57%	*
CPI-W				-0.38%	1.13%	1.80%
CASH EQUIVALENTS:						
Northern Trust Asset Management	STIF	07/1994	71,991,366	0.06%	0.07%	0.10%
TOTAL CASH EQUIVALENTS			71,991,366	0.06%	0.07%	0.09%
90 Day T-Bills				0.02%	0.06%	0.08%
TOTAL PENSION INVESTMENT POOL			$ 4,805,684,242	3.85%	11.34%	11.11%
Policy Target				2.15%	9.67%	10.01%

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
INSURANCE INVESTMENT POOL
FOR PERIODS ENDED JUNE 30, 2015

	Style	Date Initiated	Fair Value	Annualized Rates of Return 1 Year	3 Years	5 Years
DOMESTIC LARGE CAP EQUITY:						
Parametric Clifton	Enhanced S&P 500	11/2008	$ 45,431,169	7.17%	17.37%	17.75%
Los Angeles Capital Management	Structured Growth	08/2003	70,073,255	12.53%	18.94%	19.00%
Los Angeles Capital Management	Enhanced Russell 1000	04/2004	45,895,941	8.45%	17.90%	17.94%
LSV Asset Management	Structured Value	06/1998	69,365,227	7.16%	22.14%	18.93%
TOTAL DOMESTIC LARGE CAP EQUITY			230,765,591	9.02%	19.39%	18.49%
Russell 1000 Index [(1)]				7.37%	17.73%	17.57%
DOMESTIC SMALL CAP EQUITY:						
Parametric Clifton	Enhanced Russell 2000	11/2008	58,935,255	8.24%	19.20%	18.55%
Research Affiliates	Core	07/2007	23,745,428	5.51%	19.78%	18.02%
TOTAL DOMESTIC SMALL CAP EQUITY			82,680,683	7.47%	19.75%	18.45%
Russell 2000 Index				6.49%	17.81%	17.08%
INTERNATIONAL EQUITY:						
Capital Guardian Trust Company	Core	04/1997	64,597,626	-1.35%	12.88%	9.57%
Dimensional Fund Advisors [(n)]	Small Cap Value	11/2007	16,508,931	-3.27%	17.67%	12.85%
LSV Asset Management	Core	11/2004	63,912,781	-3.33%	14.09%	9.55%
The Vanguard Group [(n)]	Small Cap Growth	06/2003	16,654,195	0.57%	16.29%	11.80%
TOTAL INTERNATIONAL EQUITY			161,673,533	-2.11%	14.23%	10.23%
MSCI EAFE (unhedged) Index [(2)]				-4.22%	11.97%	8.37%
DOMESTIC FIXED INCOME:						
Declaration Mgmt & Research [(n)]	Securitized	12/2013	78,121,573	3.55%	*	*
PIMCO [(n)]	Distressed Sr. Debt	10/2012	37,439,735	4.32%	15.85%	*
PIMCO [(n)]	Res. & Comm. Debt	10/2013	16,772,902	10.36%	*	*
Prudential	Core-Plus	08/2006	88,672,172	2.32%	3.67%	5.72%
State Street Global Advisors	Passive BC Gov't/Credit	06/2013	134,918,321	1.70%	*	*
Wells Capital	Baa Average Bonds	04/2002	304,057,674	0.96%	4.65%	6.61%
Western Asset Management Co.	Core Bonds	07/1990	308,784,390	2.77%	3.68%	5.54%
TOTAL DOMESTIC FIXED INCOME			968,766,767	2.40%	5.00%	6.51%
Barclays Aggregate Index				1.86%	1.83%	3.35%
DIVERSIFIED REAL ASSETS:						
Grosvenor CIS Fund I [(n)]	Infrastructure	12/2011	19,505,589	5.37%	9.19%	*
J. P. Morgan Investment Mgmt. Inc.	Infrastructure	11/2008	72,599,328	-0.10%	6.70%	6.33%
Timberland Investment Resources [(n)]	Timberland	10/2008	61,260,132	4.42%	5.85%	3.75%
Western Asset Management Co.	Global TIPS	05/2004	112,261,432	-2.91%	1.14%	3.97%
TOTAL INFLATION PROTECTED ASSETS			265,626,481	-0.56%	3.45%	4.60%
Weighted Benchmark [(3)]				-1.22%	2.58%	5.30%
REAL ESTATE:						
INVESCO Realty Advisors	Core Commingled	10/2012	55,974,821	16.38%	*	*
J. P. Morgan Investment Mgmt. Inc.	Core Commingled	11/2005	63,905,956	16.68%	16.77%	20.09%
TOTAL REAL ESTATE			119,880,777	16.36%	15.43%	19.26%
NCREIF Total Index				12.98%	11.63%	12.72%
CASH EQUIVALENTS:						
Northern Trust Asset Management [(n)]	STIF	07/2013	75,065,256	0.01%	*	*
TOTAL CASH EQUIVALENTS			75,065,256	0.01%	0.10%	0.17%
90 Day T-Bills				0.02%	0.06%	0.08%

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
INSURANCE INVESTMENT POOL (CONTINUED)
FOR PERIODS ENDED JUNE 30, 2015

	Style	Date Initiated	Fair Value	Annualized Rates of Return 1 Year	3 Years	5 Years
SHORT-TERM FIXED INCOME						
Babson Capital Management	Short Term Bonds	09/2011	239,274,055	2.55%	2.28%	*
J.P. Morgan Investment Mgmt. Inc.	Short Term Bonds	09/2011	235,792,520	1.11%	1.08%	*
TOTAL SHORT-TERM FIXED INCOME			475,066,575	1.76%	1.69%	1.89%
Barclays Government 1-3 Year				0.91%	0.68%	0.85%
TOTAL INSURANCE INVESTMENT POOL			$ 2,379,525,664	2.61%	5.68%	6.79%
Policy Target				2.03%	4.01%	5.22%
NON-POOLED INVESTMENTS:						
Bank of North Dakota Match Loan CD's Held by Budget Stabilization Fund	Certificates of Deposit	various	94,538,294	2.67%	3.05%	3.59%

LEGACY FUND

	Style	Date Initiated	Fair Value	Annualized Rates of Return 1 Year	3 Years	5 Years
DOMESTIC LARGE CAP EQUITY:						
Parametric Clifton	Enhanced S&P 500	08/2013	$ 140,625,336	7.99%	*	*
Los Angeles Capital Management	Structured Growth	08/2013	220,608,162	12.61%	*	*
Los Angeles Capital Management	Enhanced Russell 1000	08/2013	146,006,597	8.38%	*	*
LSV Asset Management	Structured Value	08/2013	219,714,098	7.22%	*	*
TOTAL DOMESTIC LARGE CAP EQUITY			726,954,194	9.13%	*	*
Russell 1000 Index				7.37%		
DOMESTIC SMALL CAP EQUITY:						
Parametric Clifton	Enhanced Russell 2000	08/2013	177,704,668	8.19%	*	*
Research Affiliates	Core	08/2013	91,245,907	5.23%	*	*
TOTAL DOMESTIC SMALL CAP EQUITY			268,950,575	7.26%	*	*
Russell 2000 Index				6.49%		
INTERNATIONAL EQUITY:						
Capital Guardian Trust Company	Core	08/2013	259,231,013	-1.38%	*	*
Dimensional Fund Advisors (n)	Small Cap Value	08/2013	67,627,884	-3.27%	*	*
LSV Asset Management	Core	08/2013	261,229,566	-3.25%	*	*
The Vanguard Group (n)	Small Cap Growth	08/2013	67,818,706	0.57%	*	*
TOTAL INTERNATIONAL EQUITY			655,907,169	-2.17%	*	*
MSCI EAFE (unhedged) Index				-4.22%		
DOMESTIC FIXED INCOME:						
Declaration Mgmt & Research (n)	Securitized	12/2013	92,477,795	3.55%	*	*
PIMCO (n)	Distressed Sr. Debt	12/2013	41,544,199	4.32%	*	*
PIMCO (n)	Res. & Comm. Debt	12/2013	18,611,692	10.36%	*	*
Prudential	Core-Plus	12/2013	127,273,625	2.15%	*	*
State Street Global Advisors	Passive BC Gov't/Credit	12/2013	161,726,998	1.70%	*	*
Wells Capital	Baa Average Bonds	12/2013	355,338,999	1.03%	*	*
Western Asset Management Co.	Core Bonds	12/2013	358,116,346	2.50%	*	*
TOTAL DOMESTIC FIXED INCOME			1,155,089,654	2.13%	*	*
Barclays Aggregate Index				1.86%		

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
LEGACY FUND (CONTINUED)
FOR PERIODS ENDED JUNE 30, 2015

	Style	Date Initiated	Fair Value	Annualized Rates of Return 1 Year	3 Years	5 Years
DIVERSIFIED REAL ASSETS:						
Grosvenor CIS Fund II (n)	Infrastructure	03/2015	3,825,215	*	*	*
J. P. Morgan Investment Mgmt. Inc.	Infrastructure	03/2015	77,344,865	*	*	*
Western Asset Management Co.	Global TIPS	02/2014	255,623,447	-2.86%	*	*
TOTAL DIVERSIFIED REAL ASSETS			336,793,527	-1.98%	*	*
Barclays Global Inflation Linked Index				-3.57%		
REAL ESTATE:						
INVESCO Realty Advisors	Core Commingled	08/2013	85,766,269	16.38%	*	*
J. P. Morgan Investment Mgmt. Inc.	Core Commingled	08/2013	89,410,182	16.68%	*	*
TOTAL REAL ESTATE			175,176,451	16.33%	*	*
NCREIF Total Index				12.98%		
CASH EQUIVALENTS:						
Northern Trust Asset Management (n)	STIF	07/2013	9,759,734	0.00%	0.08%	*
TOTAL CASH EQUIVALENTS			9,759,734	0.00%	0.08%	*
90 Day T-Bills				0.02%	0.06%	
TOTAL LEGACY FUND			$ 3,328,631,303	3.53%	3.84%	*
Policy Target				2.56%	2.83%	

* This manager/category has less than the indicated years under management due to addition of asset class or replacement of investment managers during this time period.
(1) S&P500 Index through 6/30/11 and Russell 1000 Index thereafter.
(2) MSCI 50% Hedged EAFE Index through 3/31/11 and MSCI EAFE (Unhedged) thereafter.
(3) Weighted benchmark is based on pro-rata share of Barclays Global Inflation-linked, CPI and NCREIF Timberland indices.

The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon market values and are subject to independent audit.
Returns are shown before the effect of investment management fees, except those designated **(n)** net of fees.

Columns may not foot due to rounding.

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LARGEST HOLDINGS (By Fair Value)
AT JUNE 30, 2015

PENSION INVESTMENT POOL

Shares	Stocks	Fair Value
317,944	Apple Incorporated	$ 39,878,126
191,505	CVS Caremark Corporation	20,085,044
134,181	Boeing Company	18,613,588
143,310	Home Depot Incorporated	15,926,040
378,819	Oracle Corporation	15,266,406
123,307	United Health Group Incorporated	15,043,454
212,459	Abbvie Incorporated	14,275,120
319,660	Microsoft Corporation	14,112,989
118,086	Gilead Sciences Incorporated	13,825,509
200,478	Safran SA	13,578,820

Par	Bonds	Fair Value
29,047,592	FHLMC Pool #G0-8648 3% Due 06-01-2045	$ 28,906,072
19,000,000	FNMA Single Family Mortgage 3% 30 Years August	18,880,129
12,800,000	US Treasury Notes 1.625% Due 07-31-2019	12,909,005
12,500,000	GNMA II Jumbos 3% 30 Years August	12,586,375
12,000,000	GNMA II Jumbos 3.5% 30 Years August	12,421,872
11,500,000	GNMA II Jumbos 4% 30 Years August	12,170,013
11,295,000	US Treasury Bonds 2.5% Due 02-15-2045	9,940,504
9,000,000	FHLMC Gold Single Family 3.5% 30 Years August	9,234,666
1,101,000	Mexico (United Mexican States) Notes 7.75% 11-13-2042	7,838,908
7,000,000	FHLMC Gold Single Family 4% 30 Years August	7,386,750

INSURANCE INVESTMENT POOL

Shares	Stocks	Fair Value
40,336	Apple Incorporated	$ 5,059,143
72,063	Pfizer Incorporated	2,416,272
27,954	JP Morgan Chase & Company	1,894,163
39,744	Verizon Mobile Corporation	1,852,468
21,727	Exxon Mobil Corporation	1,807,686
24,015	Kroger Company	1,741,328
14,839	Home Depot Incorporated	1,649,058
10,130	Cigna Corporation	1,641,060
17,843	Express Scripts Holding Company	1,586,956
9,283	Anthem Incorporated	1,523,712

Par	Bonds	Fair Value
32,200,000	US Treasury Notes 0.875% Due 11-15-2017	$ 32,260,375
21,570,000	US Treasury Notes 1% Due 12-15-2017	21,662,686
12,370,000	US Treasury Notes 1% Due 08-31-2016	12,458,916
12,180,000	US Treasury Notes 2.125% Due 12-31-2021	12,275,150
12,000,000	US Treasury Notes 0.875% Due 11-30-2016	12,070,308
10,330,000	US Treasury Notes 1.5% Due 11-30-2019	10,331,611
10,090,000	US Treasury Notes 2.5% Due 05-15-2024	10,262,630
8,710,000	US Treasury Bonds 3% Due 05-15-2045	8,535,800
6,327,000	Verizon Communications 6.55% Due 09-15-2043	7,401,034
6,380,000	US Treasury Notes 1.625% Due 12-31-2019	6,406,420

LARGEST HOLDINGS (By Fair Value)
AT JUNE 30, 2015

LEGACY FUND

Shares	Stocks	Fair Value
124,077	Apple Incorporated	$ 15,562,358
243,395	Pfizer Incorporated	8,161,034
86,412	JP Morgan Chase & Company	5,855,277
122,281	Verizon Mobile Corporation	5,699,517
62,372	Daimler AG	5,673,562
67,872	Exxon Mobil Corporation	5,646,950
74,685	Kroger Company	5,415,409
816,200	AIA Group LTD	5,343,036
51,167	ASML Holding	5,284,852
32,516	Cigna Corporation	5,267,592

Par	Bonds	Fair Value
23,520,000	US Treasury Notes 2.125% Due 1-31-2021	$ 23,703,738
11,190,000	US Treasury Notes 2.5% Due 05-15-2024	11,381,450
10,900,000	US Treasury Bonds 3% Due 05-15-2045	10,682,000
7,450,000	Verizon Communications 6.55% Due 09-15-2043	8,714,667
8,100,000	US Treasury Notes 1.5% Due 12-31-2018	8,179,736
7,680,000	US Treasury Notes 1.125% Due 06-30-2022	7,712,402
7,080,000	US Treasury Notes 1.625% Due 12-31-2019	7,109,318
7,030,000	US Treasury Bonds 1.5% Due 11-30-2019	7,031,097
5,732,961	GNMA 1.061% Due 07-16-2038	5,629,986
4,570,000	US Treasury Notes 1.625% Due 07-31-2019	4,608,918

The individual investment account, PERS Retiree Health Credit Fund, is invested in various commingled funds, and therefore has no individual stock or bond holdings. A complete list of all holdings is available upon request.

SCHEDULE OF INVESTMENT FEES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Pension Investment Pool			Insurance Investment Pool			Legacy Fund		
	Assets under management (Average)	Fees	Basis points	Assets under management (Average)	Fees	Basis points	Assets under management (Average)	Fees	Basis points
Investment manager fees:									
Global equity managers	$ 733,537,077	$ 5,667,472	77						
Domestic large cap equity managers	827,777,746	1,192,237	14	$ 226,378,537	$ 415,741	18	$ 657,310,185	$ 1,280,864	19
Domestic small cap equity managers	239,536,716	1,085,988	45	79,777,346	356,104	45	240,214,984	1,043,694	43
Developed international equity managers	524,618,681	1,801,488	34	161,677,212	756,436	47	587,722,699	2,397,207	41
Emerging markets equity managers	151,561,734	1,253,738	83						
Private equity managers	194,407,802	3,148,297	162						
Investment grade fixed income managers	662,310,613	2,495,812	38	958,271,537	2,873,939	30	985,960,253	2,910,709	30
Diversified real asset managers				257,720,642	1,670,465	65	249,618,003	599,955	24
Below investment grade fixed income managers	258,257,434	2,905,421	113						
Developed international fixed income managers	227,671,095	830,558	36						
Real estate managers	446,775,237	5,191,418	116	111,883,287	813,964	73	151,340,748	1,125,359	74
Timber managers	184,653,020	695,255	38						
Infrastructure managers	198,226,561	2,277,138	115						
Cash & equivalents managers	60,858,878	65,340	11	81,578,674	114,835	14	15,892,632	21,374	13
Short term fixed income managers				424,070,565	649,782	15	152,806,876	202,772	13
Total investment manager fees	$ 4,710,192,594	28,610,162	61	$ 2,301,357,800	7,651,267	33	$ 3,040,866,380	9,581,935	32
Custodian fees		476,210	1		183,195	1		313,311	1
Investment consultant fees		377,946	1		117,958	1		152,627	1
SIB Service Fees		32,030	0		12,516	0		-	0
Total investment expenses *		$29,496,348	63		$ 7,964,936	35		$10,047,873	33

Reconciliation of Investment Expenses to Financial Statements

	Pension Investment Pool	Insurance Investment Pool	Legacy Fund
Investment expenses as reflected in the financial statements	$15,659,266	$ 5,148,265	$ 7,756,887
Plus investment management fees included in investment income (booked as net income)			
Domestic large cap equity managers	-	-	-
Domestic small cap equity managers	633,323	-	-
Developed international equity managers	495,410	208,857	528,648
Emerging markets equity managers	1,202,408	-	-
Investment Grade domestic fixed income managers	1,620,976	1,629,629	1,574,298
Inflation protected assets managers	-	863,350	166,667
Below investment grade domestic fixed income managers	1,783,499	-	-
Timber managers	695,255	-	-
Infrastructure managers	1,210,369	-	-
Real estate managers	3,070,226	-	-
Private equity managers	3,125,615	-	-
Cash & equivalents managers	-	114,835	21,374
Short term fixed income managers	-	-	-
Investment expenses per schedule	$29,496,348	$ 7,964,936	$10,047,873

*** Individual investment funds' total basis points vary depending upon their asset allocation.**
This schedule does not include the PERS Retiree Health Credit Fund. Details of fees for this fund can be found on page 180.
Columns may not foot due to rounding.

SCHEDULE OF COMMISSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Brokers	Number of shares traded	Total commissions	Commissions per share
Merrill Lynch	29,815,029	$ 61,151	$0.002
UBS	17,317,068	50,110	0.003
Citigroup	13,173,553	58,425	0.004
Credit Suisse	11,658,233	59,036	0.005
Morgan Stanley	10,068,835	62,124	0.006
Goldman Sachs	9,140,549	71,440	0.008
Barclays	7,202,833	57,929	0.008
MLV and Compnay	6,702,235	100,535	0.015
Jeffries and Company	6,418,351	93,180	0.015
HSBC	6,031,058	38,042	0.006
Other 112 Brokers *	53,638,250.34	634,236.73	0.012
Total commissions	171,165,994	$ 1,286,210	$0.008

* A complete listing of investment brokers utilized is available upon request.

Note: This schedule includes only brokerage costs for agency trades of common and preferred stock.

TEACHERS' FUND FOR RETIREMENT

❖ Teachers' Fund for Retirement Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

The North Dakota Teachers' Fund for Retirement (TFFR) is a pension benefit plan that was established in 1913 to provide retirement income to all public school and certain state teachers and administrators in the state of North Dakota. The plan is administered by a seven member Board of Trustees comprised of five members appointed by the Governor of North Dakota and two elected officials - the State Treasurer and the State Superintendent of Public Instruction.

The plan is a multi-employer defined benefit pension plan that provides retirement, disability, and death benefits in accordance with Chapter 15-39.1 of the North Dakota Century Code (NDCC). Monthly retirement benefits are based on the formula: Number of Years of Service X 2.0% X Final Average Annual Salary. Adjustments to the basic formula are made depending on the retirement option selected.

Funding is provided by monthly employee and employer contributions scheduled to increase as follows:

	7/1/2011	7/1/2012	7/1/2014
Employee	7.75%	9.75%	11.75%
Employer	8.75%	10.75%	12.75%

Employee and employer contributions will be reduced to 7.75% each when TFFR reaches 100% funded level on an actuarial basis.

The TFFR Board has an actuarial valuation performed annually, and an experience study and asset/liability study performed every five years. The current actuarial assumed rate of return on assets is 7.75%. Key plan and financial statistics are recorded in the most recent valuation report on file at the North Dakota Retirement and Investment Office (RIO).

Fund Goals

The Plan benefits are financed through both statutory employer and employee contributions and the investment earnings on assets held in the Fund. The TFFR Board recognizes that a sound investment program is essential to meet the pension obligations.

As a result, the Fund goals are to:

- Improve the Plan's funding status to protect and sustain current and future benefits.
- Minimize the employee and employer contributions needed to fund the Plan over the long term.
- Avoid substantial volatility in required contribution rates and fluctuations in the Plan's funding status.
- Accumulate a funding surplus to provide increases in retiree annuity payments to preserve the purchasing power of their retirement benefit.

The Board acknowledges the material impact that funding the pension plan has on the State/School District's financial performance. These goals affect the Fund's investment strategies and often represent conflicting goals. For example, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The Board places greater emphasis on the strategy of improving the funding status and reducing the contributions that must be made to the Fund, as it is most consistent with the long-term goal of conserving money to apply to other important state/local projects.

Responsibilities and Discretion of the State Investment Board (SIB)

The TFFR Board is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent institutional investor rule. Under this rule, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, who must establish written policies for the operation of the investment program, consistent with this investment policy.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing criteria, procedures, and making decisions with respect to hiring, keeping, and terminating money managers. SIB investment responsibility also includes selecting performance measurement services, consultants, report formats, and frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

Risk Tolerance

The Board is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to finance the pension benefits promised to plan participants. However, funding the pension promise in an economical manner is critical to the State/School Districts' ability to continue to provide pension benefits to plan participants. Thus, the Board actively seeks to lower the cost of funding the Plan's pension obligations by taking on risk for which it expects to be compensated over the long term. The Board understands that a prudent investment approach to risk taking can result in periods of under-performance for the Fund in which the funding status may decline. These periods, in turn, can lead to higher required contribution rates. Nevertheless, the Board believes that such an approach, prudently implemented, best serves the long-run interests of the State/School District and, therefore, of plan participants.

Investment Objectives

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The Fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
3. The risk-adjusted performance of the fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

Policy Asset Mix

Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the Fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates. After consideration of all the inputs and a discussion of its own collective risk tolerance, the Board approves the appropriate policy asset mix for the Fund.

Asset Class	Policy Target %	Rebalancing Range %
Global Equity	**57**	**46-65**
Domestic Equity	31	26-36
Large	24	20-28
Small	7	4-10
International Equity	21	16-26
Developed	17	12-22
Emerging	4	2-6
Private Equity	5	4-8
Global Fixed Income	**22**	**16-28**
Domestic Fixed	17	13-21
Investment Grade	12	10-18
Non-investment Grade	5	3-7
International Fixed	5	3-7
Developed	5	3-7
Emerging		0-3
Global Real Assets	**20**	**12-28**
Global Real Estate	10	5-15
Other	10	0-15
Infrastructure		0-10
Timber		0-7
Commodities		0-5
Inflation Linked Bonds		0-10
Other Inflation Sensitive		0-5
Global Alternatives		**0-10**
Cash	**1**	**0-2**

While the Board recognizes fluctuations in market values will lead to short-term deviations from policy targets, the Board does not intend to engage in tactical asset allocation. Allocations to Global Alternatives will result in pro-rata reduction in the policy targets.

Restrictions

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.
c. No transaction shall be made which threatens the tax exempt status of the Fund.
d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
e. No unhedged short sales or speculative margin purchases shall be made.
f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   For the purpose of this document, social investing is defined as "The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

   For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:
   (1) The cost does not exceed the fair market value at the time of investment.
   (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
   (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
   (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

Internal Controls

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

Evaluation and Review

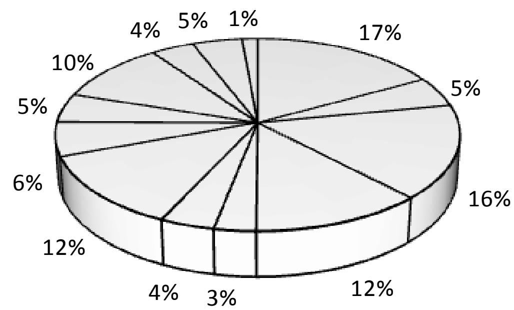
Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on three and five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the TFFR Board periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including, but not limited to:
1. A list of the advisory services managing investments for the Board.
2. A list of investments at market value, compared to previous reporting period, of each fund managed by each advisory service.
3. Earnings, percentage earned, and change in market value of each fund's investments.
4. Comparison of the performance of each fund managed by each advisory service to other funds under the board's control and to generally accepted market indicators.
5. All material legal or legislative proceedings affecting the SIB.
6. Compliance with this investment policy statement.

❖ Teachers' Fund for Retirement
Actual Asset Allocation – June 30, 2015

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$ 356,225,344	17%	9.30%
Domestic Small Cap Equity	106,233,473	5%	5.57%
Global Equity	333,333,412	16%	3.84%
Developed International Equity	258,204,749	12%	-3.34%
Emerging Markets Equity	62,589,726	3%	-0.88%
Private Equity	81,662,139	4%	-5.38%
Investment Grade Fixed Income	262,222,313	12%	3.51%
Below Investment Grade Fixed Income	120,424,941	6%	2.09%
International Fixed Income	101,752,001	5%	-9.73%
Global Real Estate	215,922,154	10%	15.25%
Timber	81,277,245	4%	3.95%
Infrastructure	94,331,628	5%	0.72%
Cash Equivalents	29,628,231	1%	0.06%
Total Fund	$ 2,103,807,355		3.52%
Policy Benchmark			2.16%

Columns may not foot due to rounding.



PUBLIC EMPLOYEES RETIREMENT SYSTEM

❖ Public Employees Retirement System Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

The North Dakota Public Employees Retirement System (NDPERS) and the Highway Patrol Retirement System (HPRS) are pension benefit plans established to provide retirement income to state employees and employees of participating political subdivisions. The plans are administered by a seven member Board of Trustees (the Board). The Chair is appointed by the governor, three members are elected by the active members of the plans, one member is elected by the retired members, one is appointed by the Attorney General and the seventh member is the State Health Officer or their designee.

The NDPERS plan is a multi-employer hybrid benefit public pension plan that provides retirement benefits, disability retirement benefits, and survivor benefits, in accordance with Chapter 54-52 of the North Dakota Century Code (NDCC). Monthly retirement benefits for the Main, National Guard and Law Enforcement Plans are based on the formula: number of Years of Service times 2.0% times the final average salary. For the NDPERS Judges Plan the retirement formula is: for the first ten years of service of the formula is final average salary times 3.5%, for the second ten years of service the formula is final average salary times 2.80% and for all remaining years of service the formula is final average salary times 1.25%.

The Highway Patrol plan is a single employer plan that provides retirement benefits, disability benefits, and survivor benefits in accordance with Chapter 39-03.1 of the North Dakota Century Code. Monthly retirement benefits are based upon on the formula: first 25 years of credit service times 3.25% and all remaining years of service times 1.75%.

Funding for the NDPERS plan is provided by monthly employee contributions and employer contributions with the amount varying based upon which NDPERS plan the member participates in. For the Main NDPERS plan the employee contribution is 7% and the employer contribution is 7.12%, for the Judges Plan the employee contribution is 8% and employer contribution is 17.52%, for the National Guard Plan the employee contribution is 4.5% and employer contribution is 7%, for the Law Enforcement Plan with prior service the employee contribution is 5.5% and the employer contribution is 9.81% and for the Law Enforcement Plan without prior service the employee contribution rate is 5.5% and the employer rate is 7.93%.

Funding for the Highway Patrol plan is provided by a monthly employee contribution of 13.3% and an employer contribution of 19.7%

Each year the Board has an actuarial valuation performed. The current actuarial assumed rate of return on assets for all plans is 8%.

Responsibilities and Discretion of the State Investment Board (SIB)

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-01, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The SIB is charged with implementing the asset allocation as promptly and prudently as possible in accordance with the Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

Fund fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

Delegation of Authority

Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, who must establish written policies for the operation of the investment program, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1)(a).
2. Investment diversification, investment quality, qualification of advisory services, and amounts to be invested by advisory services pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:
   a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
   b. The use of derivatives will be monitored to ensure that risks are not taken by the money managers.
   c. All assets must be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
3. Guidelines for the selection and redemption of investments pursuant to NDCC 21-10-02.1(1)(d).
4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurements, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

Investment Goals

The investment goals of the Fund have been established by the NDPERS Board based upon consideration of the Board's strategic objectives and a comprehensive review of the current and projected financial requirements. These goals are to be viewed over the long term.

Goal #1: Accumulate sufficient wealth through a diversified portfolio of investments which will enable the State of North Dakota to pay all current and future retirement benefits and expense obligations of the Fund.

Goal #2: To obtain an investment return in excess of that needed to allow for increases in a retiree's annuity to maintain the purchasing power of their retirement benefit.

The Board acknowledges the material impact that funding the pension plan has on the State's financial performance. To enable the State to continue offering secure pension benefits to plan participants, the Board believes that the Fund should pursue the following **secondary goals**:

1. Stabilize the employee and employer contributions needed to fund the Plan over the long term.
2. Avoid both substantial volatility in contributions and sizable fluctuations in the funding status of the Plan.

These two secondary goals affect the Fund's investment strategies and often represent conflicting goals. That is, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The Board places greater emphasis on the strategy of stabilizing the employee and employer contribution needed to fund the plan over the long term as it assists our participating employers by having a predictable contribution for budgeting.

Investment Performance Objective

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The Fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
3. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

Asset Allocation

In recognition of the plan's performance objectives, benefit projections, and capital market expectations, the NDPERS Board has established the following asset allocation:

Asset Class	Policy Target %	Rebalancing Range %
Global Equity	**57**	**46-65**
Domestic Equity	31	26-36
International Equity	21	16-26
Developed	16	
Emerging	5	
Private Equity	5	4-8
Global Fixed Income	**22**	**16-28**
Domestic Fixed	17	13-21
Investment Grade	12	10-18
Non-investment Grade	5	3-7
International Fixed	5	3-7
Developed	5	3-7
Emerging		0-3
Global Real Assets	**20**	**12-28**
Global Real Estate	10	5-15
Other	10	0-15
Infrastructure	5	0-10
Timber	5	0-7
Commodities		
Inflation Linked Bonds		
Other Inflation Sensitive		
Global Alternatives		**0-10**
Cash	**1**	**0-2**

The Board does not endorse tactical asset allocation, therefore, it is anticipated the portfolio be managed as close to the policy target as is prudent and practicable. Any allocation to Global Alternatives shall not increase the expected volatility of the portfolio as measured in Section #5, and all other targets will be adjusted pro-rata.

PERS requires that in implementing this asset allocation that the State Investment Board seek to maximize return within the scope of these policies while limiting investment costs.

Restrictions

A. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.

B. Use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.

C. No transaction may be made which threatens the tax exempt status of the Fund.

D. No unhedged short sales or speculative margin purchases may be made.

E. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

F. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

   Economically targeted investing is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

   The Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (1) The cost does not exceed the fair market value at the time of investment.

   (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.

   (4) The safeguards and diversity that a prudent investor would adhere to are present.

G. Publicly Traded REITs may not be used in the Real Estate asset allocation.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

Internal Controls

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

Evaluation

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB;
- Compliance with these investment goals, objectives and policies;
- A general market overview and market expectations;
- A review of fund progress and its asset allocation strategy;
- A report on investment fees and the SIB's effort relating to Section 6. To measure investment cost PERS requires as part of the annual review information from CEM or other acceptable source showing the value added versus the cost.
- Changes/additions to benchmarks utilized to monitor the funds.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives and policies.

❖ Public Employees Retirement Fund
Actual Asset Allocation – June 30, 2015

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$ 424,441,246	17%	9.30%
Domestic Small Cap Equity	127,147,185	5%	5.57%
Global Equity	382,886,192	16%	3.83%
Developed International Equity	280,774,762	12%	-3.34%
Emerging Markets Equity	85,279,564	3%	-0.88%
Private Equity	88,967,640	4%	-5.39%
Investment Grade Fixed Income	307,895,316	13%	3.53%
Below Investment Grade Fixed Income	134,842,268	5%	2.09%
International Fixed Income	117,625,382	5%	-9.73%
Global Real Estate	237,577,808	10%	15.25%
Timber	89,607,737	4%	3.94%
Infrastructure	105,357,618	4%	0.72%
Cash Equivalents	40,176,878	2%	0.06%
Total Fund	$ 2,422,579,595		3.53%
Policy Benchmark			2.16%

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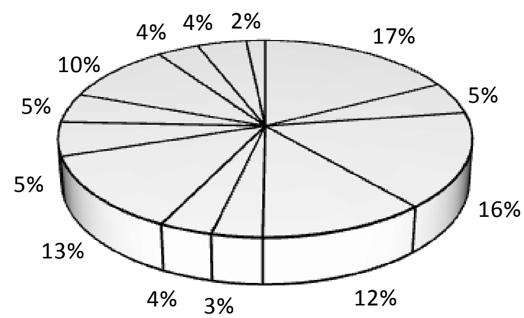


BISMARCK CITY EMPLOYEE PENSION PLAN

❖Bismarck City Employee Pension Plan Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

The Bismarck, North Dakota City Employee Pension Plan (BCEPP) is the pension benefit plan (Fund) established for the city of Bismarck public employees. The Fund is administered by the Bismarck City Employee Pension Plan Board of Trustees. The Fund is a defined benefit pension plan maintained to provide retirement benefits, and/or death benefits as may be the case, to the participants in accordance with Chapter 9-07 of the city of Bismarck Code of Ordinance (1986 revised). The Fund is administered in accordance with IRS and Treasury Regulations.

The Fund and benefits provided are funded by contributions from the members and members' employer. The Fund was established to provide benefits to members eligible to receive them in accordance with the provisions of the Fund.

Responsibilities and Discretion of the State Investment Board (SIB)

The BCEPP Board has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The BCEPP Board is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent institutional investor rule. The fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory not advisory.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing criteria, procedures, and making decisions with respect to hiring, keeping, and terminating money managers. SIB investment responsibility also includes selecting performance measurement services, consultants, report formats, and frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

Standards of Investment Performance

Investments of the Fund must seek to generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement as set forth in federal and state law.

It is in the best interest of the Fund and its beneficiaries that objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this statement.

a. The Fund should produce a rate of return, over any given time period that matches or exceeds that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB and reflected in the monthly investment performance reports.

b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.

c. Over 10 year and longer time periods the Fund should match or exceed the expected 8.6% rate of return assumed in the asset/liability study. Expected risk for the period, measured by standard deviation, is 9.7%.

Policy and Guidelines

The asset allocation of the Fund is established by the BCEPP Board, with input from consultants and RIO staff. Asset allocation is based upon the asset/liability study completed by SEI in March 2006. That study provided an appraisal of current cash flow projections and estimates of the investment returns likely to be achieved by the various asset classes over the next 20 years.

In recognition of the Fund's objectives, benefit projections, and capital market expectations, the following is the asset allocation for the Fund:

Domestic Large Cap Equity	15.0%
Domestic Small Cap Equity	10.0%
Developed International Equity	12.0%
Emerging Markets Equity	5.0%
Private Equity	4.0%
Investment Grade Fixed Income	24.0%
Below Investment Grade Fixed Income	6.0%
International Fixed Income	4.0%
Global Real Estate	10.0%
Timber	5.0%
Infrastructure	5.0%

Rebalancing of the Fund's investment portfolio to this target must be done as soon as feasible while ensuring the process is effectively coordinated and accomplished in a cost effective manner. Maintenance of allocations to this target must be done in accordance with the SIB's rebalancing policy.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.
c. No transaction shall be made which threatens the tax exempt status of the Fund.
d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
e. No unhedged short sales or speculative margin purchases shall be made.
f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

   For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (1) The cost does not exceed the fair market value at the time of investment.
   (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
   (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
   (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the BCEPP Board's policy favors investments which will have a positive impact on the economy of North Dakota.

<u>Internal Controls</u>

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

<u>Evaluation and Review</u>

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on three and five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the BCEPP periodically, but not less than quarterly. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including, but not limited to:

- Changes in asset class portfolio structures, tactical approaches and market values;

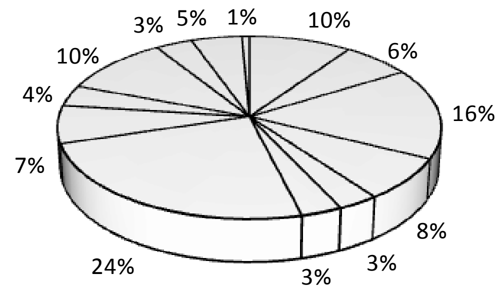
- All material legal or legislative proceedings affecting the SIB.

All major liability assumptions regarding number of participants, compensation, benefit levels, and actuarial assumptions will be subject to review by the BCEPP at such frequency as that board deems appropriate. Any material changes will be reported to the SIB in writing.

❖Bismarck City Employee Pension Plan
Actual Asset Allocation – June 30, 2015

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$	7,915,913	10%	9.30%
Domestic Small Cap Equity		5,326,515	6%	5.57%
Global Equity		13,192,306	16%	3.82%
Developed International Equity		6,179,775	8%	-3.35%
Emerging Markets Equity		2,518,444	3%	-0.70%
Private Equity		2,536,880	3%	-5.38%
Investment Grade Fixed Income		19,781,004	24%	3.54%
Below Investment Grade Fixed Income		5,457,966	7%	2.10%
International Fixed Income		3,056,523	4%	-9.73%
Global Real Estate		8,442,339	10%	15.11%
Timber		2,863,318	3%	3.93%
Infrastructure		3,902,547	5%	0.72%
Cash Equivalents		572,289	1%	0.06%
Total Fund	$	81,745,817		3.69%
Policy Benchmark				2.31%

Columns may not foot due to rounding.



BISMARCK CITY POLICE PENSION PLAN

❖ Bismarck City Police Pension Plan Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

The Bismarck, North Dakota City Police Pension Plan (BCPPP) is the pension benefit plan (Fund) established for the city of Bismarck police. The Fund is administered by the Bismarck City Police Pension Plan Board of Trustees. The Fund is a defined benefit pension plan maintained to provide retirement benefits, and/or death benefits as may be the case, to the participants in accordance with Chapter 9-08 of the city of Bismarck Code of Ordinance (1986 revised). The Fund is administered in accordance with IRS and Treasury Regulations.

The Fund and benefits provided are funded by contributions from the members and members' employer. The Fund was established to provide benefits to members eligible to receive them in accordance with the provisions of the Fund.

Responsibilities and Discretion of the State Investment Board (SIB)

The BCPPP Board has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The BCPPP Board is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent institutional investor rule. The fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory not advisory.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing criteria, procedures, and making decisions with respect to hiring, keeping, and terminating money managers. SIB investment responsibility also includes selecting performance measurement services, consultants, report formats, and frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

Standards of Investment Performance

Investments of the Fund must seek to generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement as set forth in federal and state law.

It is in the best interest of the Fund and its beneficiaries that objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this statement.

a. The Fund should produce a rate of return, over any given time period that matches or exceeds that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB and reflected in the monthly investment performance reports.

b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.

c. Over 10 year and longer time periods the Fund should match or exceed the expected 8.9% rate of return assumed in the asset/liability study. Expected risk for the period, measured by standard deviation, is 10.6%.

Policy and Guidelines

The asset allocation of the Fund is established by the BCPPP Board, with input from consultants and RIO staff. Asset allocation is based upon the asset/liability study completed by SEI in March 2006. That study provided an appraisal of current cash flow projections and estimates of the investment returns likely to be achieved by the various asset classes over the next 20 years.

In recognition of the Fund's objectives, benefit projections, and capital market expectations, the following is the asset allocation for the Fund:

Domestic Large Cap Equity	16.0%
Domestic Small Cap Equity	11.0%
International Equity	13.0%
Emerging Markets Equity	6.0%
Private Equity	5.0%
Domestic Fixed Income	19.0%
High Yield Fixed Income	6.0%
International Fixed Income	4.0%
Global Real Estate	10.0%
Timber	5.0%
Infrastructure	5.0%

Rebalancing of the Fund's investment portfolio to this target must be done as soon as feasible while ensuring the process is effectively coordinated and accomplished in a cost effective manner. Maintenance of allocations to this target must be done in accordance with the SIB's rebalancing policy.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.
c. No transaction shall be made which threatens the tax exempt status of the Fund.
d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
e. No unhedged short sales or speculative margin purchases shall be made.
f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

   For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (1) The cost does not exceed the fair market value at the time of investment.
   (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
   (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
   (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the BCPPP Board's policy favors investments which will have a positive impact on the economy of North Dakota.

Internal Controls

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

Evaluation and Review

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on three and five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the BCEPP periodically, but not less than quarterly. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including, but not limited to:

- Changes in asset class portfolio structures, tactical approaches and market values;

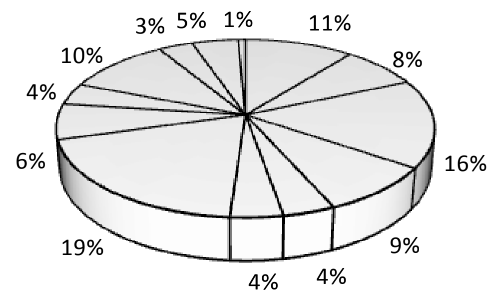
- All material legal or legislative proceedings affecting the SIB.

All major liability assumptions regarding number of participants, compensation, benefit levels, and actuarial assumptions will be subject to review by the BCEPP at such frequency as that board deems appropriate. Any material changes will be reported to the SIB in writing.

❖ **Bismarck City Police Pension Plan**
Actual Asset Allocation – June 30, 2015

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$ 3,858,983	11%	9.30%
Domestic Small Cap Equity	2,762,157	8%	5.57%
Global Equity	5,753,267	16%	3.82%
Developed International Equity	3,178,253	9%	-3.35%
Emerging Markets Equity	1,392,737	4%	-0.70%
Private Equity	1,409,484	4%	-5.38%
Investment Grade Fixed Income	6,963,241	19%	3.54%
Below Investment Grade Fixed Income	2,328,358	6%	2.10%
International Fixed Income	1,420,805	4%	-9.73%
Global Real Estate	3,707,425	10%	15.11%
Timber	1,217,167	3%	3.93%
Infrastructure	1,636,545	5%	0.72%
Cash Equivalents	261,517	1%	0.06%
Total Fund	$ 35,889,940		3.56%
Policy Benchmark			2.23%

Columns may not foot due to rounding.



RETIREMENT PLAN FOR EMPLOYEES OF JOB SERVICE NORTH DAKOTA

❖Job Service ND Investment Objectives and Policy Guidelines

The Retirement Plan for the Employees of Job Service North Dakota (Plan) is a defined benefit retirement plan for the eligible employees hired before October 1, 1980. There have been no new entrants to the plan since October 1, 1980. The plan provides retirement benefits, disability benefits and survivor benefits consistent with the written Plan document. Until October 1, 1993, annuities were purchased from the Travelers for retirees, since that date retiree benefits are paid from Plan assets. Annual cost of living adjustments for all Plan pensioners including annuitants with the Travelers are paid from Plan assets. The NDPERS Board (the Board) is the Plan Administrator and administers the Plan in accord with Chapter 52-11 of the North Dakota Century Code.

Job Service North Dakota as the employer contributes 4% of the active participant's salary as a contribution 'on behalf of the employee' and the active participants pay 3% of their salary into Plan assets.

Each year the Plan has an actuarial valuation performed. The current actuarial assumed rate of return on assets is 7%.

Responsibilities and Discretion of the State Investment Board

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-01, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with the Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

Fund fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

Delegation of Authority

Management responsibility for NDPERS funds not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, who must establish written policies and procedures for the operation of the NDPERS funds, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1)(a).

2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:

   a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
   b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
   c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.

3. Guidelines for the selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1)(d).

4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

Investment Goals

The investment objectives of the Plan have been established by the Plan's Administrator upon consideration of its strategic objectives and a comprehensive review of current and projected financial requirements.

Objective #1: To maintain a level of surplus sufficient to eliminate the need for future contributions;

Objective #2: To achieve a rate of return which exceeds the rate of inflation, as measured by the Consumer Price Index (CPI), by 3.0 percentage points per year (based on current actuarial assumptions of 7% return and 2-3% inflation), over a complete market cycle; and

Objective #3: As a secondary objective, to maximize the Plan's surplus to increase future benefit payments.

Investment Performance Objective

The NDPERS Board will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement in federal and state law.

It is in the best interest of NDPERS and its beneficiaries that performance objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Statement of Investment Goals, Objectives and Policies.

a. The funds rate of return, over the long term should equal that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.

b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio by more than 15%.

c. Over 5-year and longer periods the fund should match or exceed the expected rate of return projected in the most recent asset/liability study without exceeding the expected risk for the period as measured by standard deviation by more than 15%.

Asset Allocation

The NDPERS Board as plan Administrator establishes the asset allocation of the Fund, with input from consultants and SIB staff. The current asset allocation is based upon the asset/liability study completed by SEI Consultants in December 2014. That study provided an appraisal of current cash flow projections and estimates of the investment returns likely to be achieved by the various asset classes.

In recognition of the Plan's objectives, projected financial status, and capital market expectations, the following asset allocation options were deemed appropriate for the Fund:

Domestic Equity	24%
Global Equity	16%
US High Yield Bonds	3%
Emerging Markets Debt	3%
Core Fixed Income	19%
Limited Duration Fixed Income	19%
Diversified Short Term Fixed Income	10%
Short Term Corporate Fixed Inc	6%

Rebalancing of the Fund to this target allocation will be done in accordance with the SIB's rebalancing policy, but not less than annually.

Restrictions

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund’s assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.

b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.

c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.

   Social investing is defined as *“The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries.”*

d. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

Economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

e. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

(1) The cost does not exceed the fair market value at the time of investment.

(2) The investment provides the Plan with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

(3) Sufficient liquidity is maintained in the Plan to permit distributions in accordance with the terms of the plan.

(4) The safeguards and diversity that a prudent investor would adhere to are present.

Internal Controls

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

Evaluation

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

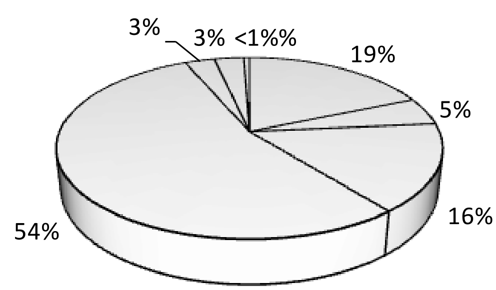
An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB.
- Compliance with these investment goals, objectives and policies.
- A general market overview and market expectations.
- A review of fund progress and its asset allocation strategy.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives, and policies.

❖Job Service ND
Actual Asset Allocation – June 30, 2015

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$	17,961,699	19%	9.30%
Domestic Small Cap Equity		4,763,251	5%	5.57%
Global Equity		15,066,223	16%	3.82%
Investment Grade Fixed Income		52,383,921	54%	3.54%
Below Investment Grade Fixed Income		2,836,469	3%	2.10%
International Fixed Income		2,818,218	3%	-9.73%
Cash Equivalents		562,778	<1%	0.06%
Total Fund	$	96,392,560		3.30%
Policy Benchmark				1.59%



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Note: A new target asset allocation was adopted in fiscal year 2015. Rebalancing to the new targets began prior to June 30, 2015, but was not completed as of fiscal year-end.

CITY OF GRAND FORKS PENSION PLAN

❖City of Grand Forks Pension Plan Investment Objectives and Policy Guidelines

The City of Grand Forks Pension Fund (the "Fund") is operated by the Grand Forks City Council pursuant to the authority granted in the Grand Forks City Code Chapter 7.

Plan Description

The City of Grand Forks, North Dakota Pension Plan (the "Plan") is a cost-sharing multiple employer public employee pension plan. All classified employees who earned at least one hour of service prior to January 1, 1996 are eligible to participate in the Plan. Some participants have elected to cease benefit accruals under the Plan as of June 30, 2008 and to participate in the North Dakota Public Employees Retirement System.

Membership in the Plan on January 1, 2009 (date of most recent actuarial study) is as follows:

Retirees and beneficiaries	200
Terminated vested/deferred beneficiaries	34
Active plan members	225
Active plan members (70½, drawing pension while working)	1
Number of participating employers	2

Participants may be eligible for early retirement, special early retirement or normal retirement. The Plan permits early retirements at age 55 with at least 5 years of vesting service. Normal retirement age for full benefits is age 65 (unless the employee has elected a special early retirement age of either 55 or 62).

If a participant dies prior to starting retirement benefits, and is married, the participant's spouse will receive a survivor annuity. If the participant is not married, the participant's beneficiary will receive a single lump sum payment equal to the participant's accumulated employee contributions. If the participant dies after starting retirement benefits, payments will continue to the survivor if the participant elected an annuity with a survivor benefit. If the participant elected a single life annuity or received a lump sum payment, no benefits will be paid after the participant's death. If the amount of payments paid to the participant and the participant's joint annuitant, if any, do not equal the participant's accumulated employee contributions, the participant's beneficiary will receive an amount equal to the participant's accumulated employee contributions, minus any payments previously received by participant and the participant's joint annuitant.

Participants are fully vested in the Plan benefit after five years of vesting service. Non-vested participants are eligible for a full refund of their accumulated employee contributions. Upon termination of employment prior to retirement age, vested participants may elect a deferred vested benefit to begin no earlier than age 55. However, participants may elect to withdraw their accumulated employee contributions at any time after termination of employment. The participant's accrued benefit will be reduced by the equivalent value of any withdrawn accumulated employee contributions. If the present value of a participant's benefit is $1,000 or less (including the participant's accumulated employee contributions), payment will be made in a lump sum.

Benefit provisions are established by the City Council.

Contributions

Participating employees contribute to the Plan at a rate of 3.7% of salary (7.4% or 4.7%, respectively if the participant has elected a special early retirement age of 55 or 62). The employers contribute such amounts as necessary to provide the promised benefits. The contribution amounts are determined by the annual actuarial valuation report and approved by the City Council. Costs of administering the Plan are financed by the employer and employee contributions, and by the Plan's investment earnings.

Reserves

The Plan's net assets as of December 31, 2008 are $32,933,349 and the entire amount is reserved for employee pension benefits.

Responsibilities and Discretion of the State Investment Board (SIB)

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The City Council is required to develop asset allocation plans pursuant to its responsibilities as outlined in the Grand Forks City Code Chapter 7. The SIB is charged with implementing the asset allocation as promptly and prudently as possible in accordance with the Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

The SIB shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The Fund must be invested exclusively for the benefit of Plan participants and in accordance with the Fund's investment goals and objectives.

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

Delegation of Authority

Management responsibility for Plan assets not assigned to the SIB in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies and procedures for the operation of the Fund, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1) (a).
2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:
   a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
   b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
   c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.
3. Guidelines for the selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).
4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

Investment Goals

The investment goals of the Fund have been established by the City Council based upon their strategic objectives and a comprehensive review of the current and projected financial requirements. These goals are to be viewed over the long term.

Goal: Accumulate sufficient wealth through a diversified portfolio of investments which will enable the Fund to pay all current and future retirement benefits and expense obligations of the Fund.

Investment Performance Objective

The City Council will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement in federal and state law and City Ordinances.

It is in the best interest of the Plan and its beneficiaries that performance objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Statement of Investment Goals, Objectives and Policies.

a. The Fund's rate of return, over the long term should equal, that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.
b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.
c. Over 10-year and longer periods the Fund should match or exceed the expected rate of return projected in the most recent actuarial study without exceeding the expected risk for the period as measured by standard deviation.

Asset Allocation

In recognition of the Plan's performance objectives, benefit projections, and capital market expectations, the City Council has established the following asset allocation:

Asset Class	Policy Target %
Global Equity	**60**
Domestic Equity	40
Large	30
Small	10
International Equity	15
Developed	10
Emerging	5
Private Equity	5
Global Fixed Income	**24**
Domestic Fixed	19
Investment Grade	14
Non-investment Grade	5
International Fixed	5
Developed	5
Global Real Assets	**15**
Global Real Estate	5
Infrastructure	5
Timber	5
Cash	**1**

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

Restrictions

A. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
B. Use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
C. No transaction may be made which threatens the tax exempt status of the Fund.
D. No unhedged short sales or speculative margin purchases may be made.

Social Investing is defined as "The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

E. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar time horizon and similar risk.

Economically targeted investing is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

F. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

(1) The cost does not exceed the fair market value at the time of investment.

(2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

(3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the Plan.

(4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the City Council's policy favors investments which will have a positive impact on the economy of North Dakota.

Internal Controls

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

Evaluation

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

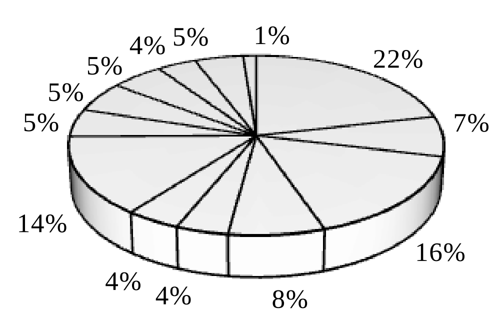
The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB;
- Compliance with these investment goals, objectives and policies;
- A general market overview and market expectations;
- A review of fund progress and its asset allocation strategy.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives and policies.

❖ **City of Grand Forks Pension Plan**
Actual Asset Allocation – June 30, 2015

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$ 12,715,526	22%	9.30%
Domestic Small Cap Equity	4,298,574	7%	5.57%
Global Equity	9,443,702	16%	3.82%
Developed International Equity	4,448,801	8%	-3.35%
Emerging Markets Equity	2,417,404	4%	-0.70%
Private Equity	2,521,538	4%	-5.38%
Investment Grade Fixed Income	8,472,271	14%	3.54%
Below Investment Grade Fixed Income	2,975,525	5%	2.10%
International Fixed Income	3,237,520	5%	-9.73%
Global Real Estate	2,999,847	5%	15.11%
Timber	2,217,913	4%	3.93%
Infrastructure	2,737,938	5%	0.72%
Cash Equivalents	745,816	1%	0.06%
Total Fund	$ 59,232,375		3.53%
Policy Benchmark			2.23%



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GRAND FORKS PARK DISTRICT PENSION PLAN

❖Grand Forks Park District Pension Plan Investment Objectives and Policy Guidelines

The Grand Forks Park District Pension Fund (the "Fund") is operated by the Grand Forks Park District pursuant to the authority granted by state statute.

Plan Description: The Grand Forks Park District of Grand Forks, North Dakota Pension Plan (the "Plan") is a cost-sharing public employee pension plan. All employees are required to participate in the Plan. Some participants have elected to cease benefit accruals under the Plan as of January, 1, 2010 and to participate in the North Dakota Public Employees Retirement System. All future hires after December 31, 2009, will be required to participate in the North Dakota Public Employees Retirement System.

Membership in the Plan on January 1, 2009 (date of most recent actuarial study) is as follows:

Retirees and beneficiaries	9
Terminated vested and deferred beneficiaries	5
Active plan members	43
Active plan members (70 ½, drawing pension while working)	0
Number of participating employers:	1

Participants may be eligible for early retirement, special early retirement or normal retirement. The Plan permits early retirements at age 55 with at least five years of vesting service. Normal retirement age for full benefits is age 65 (unless the employee has elected a special early retirement age when they meet the Rule of 90 (age plus years of service).

If a participant dies prior to starting retirement benefits, and is married, the participant's spouse will receive a survivor annuity. If the participant is not married, the participant's beneficiary will receive a single lump sum payment equal to the participant's accumulated employee contributions. If the participant dies after starting retirement benefits, payments will continue to the survivor if the participant elected an annuity with a survivor benefit. If the participant elected a single life annuity or received a lump sum payment, no benefits will be paid after the participant's death. If the amount of payments paid to the participant and the participant's joint annuitant, if any, do not equal the participant's accumulated employee contributions, the participant's beneficiary will receive an amount equal to the participant's accumulated employee contributions, minus any payments previously received by participant and the participant's joint annuitant.

Participants are fully vested in the plan benefit after five years of vesting service. Non-vested participants are eligible for a full refund of their accumulated employee contributions. Upon termination of employment prior to retirement age, vested participants may elect a deferred vested benefit to begin no earlier than age 55. However, participants may elect to withdraw their accumulated employee contributions at any time after termination of employment. The participant's accrued benefit will be reduced by the equivalent value of any withdrawn accumulated employee contributions.

Benefit provisions are established by the Grand Forks Board of Park Commissioners.

<u>Contributions:</u>
Participating employees contribute to the Plan at a rate of 3.7% of base salary. If an employee is eligible for the Rule of 90, he or she will contribute at a rate of 5.9% of base salary. The employers contribute such amounts as necessary to provide the promised benefits. The contribution amounts are determined by the annual actuarial valuation report and approved by the Grand Forks Board of Park Commissioners. Costs of administering the Plan are financed by the employer and employee contributions, and by the Plan's investment earnings.

Reserves: The Plan's net assets as of September 30, 2009 are $3,457,164.83 and the entire amount is reserved for employee pension benefits.

<u>Responsibilities and Discretion of the State Investment Board (SIB)</u>

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Park Board is required to develop asset allocation plans pursuant to its responsibilities as outlined in the Pension Plan Document. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with the Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

The SIB shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The Fund must be invested exclusively for the benefit of Plan participants and in accordance with the Fund's investment goals and objectives.

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

Delegation of Authority

Management responsibility for Plan assets not assigned to the SIB in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies and procedures for the operation of the Fund, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1)(a).

2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:

   a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
   b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
   c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.

3. Guidelines for the selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).

4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

Investment Goals

The investment goals of the Fund have been established by the City Council based upon their strategic objectives and a comprehensive review of the current and projected financial requirements. These goals are to be viewed over the long term.

Goal: Accumulate sufficient wealth through a diversified portfolio of investments which will enable the Fund to pay all current and future retirement benefits and expense obligations of the Fund.

Investment Performance Objective

The Grand Forks Board of Park Commissioners will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement in federal and state law and Grand Forks Park District ordinances.

It is in the best interest of the Plan and its beneficiaries that performance objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Statement of Investment Goals, Objectives and Policies.

a. The Fund's rate of return, over the long term should equal, that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.
b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.
c. Over 10-year and longer periods the Fund should match or exceed the expected rate of return projected in the most recent actuarial study without exceeding the expected risk for the period as measured by standard deviation.

Asset Allocation

In recognition of the Plan's performance objectives, benefit projections, and capital market expectations, the Grand Forks Board of Park Commissioners has established the following asset allocation:

Asset Class	Policy Target %
Global Equity	**65**
Domestic Equity	45
Large	40
Small	5
International Equity	15
Developed	12
Emerging	3
Private Equity	5
Global Fixed Income	**25**
Domestic Fixed	25
Investment Grade	25
Global Real Assets	**10**
Infrastructure	5
Timber	5

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

Restrictions

A. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
B. Use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
C. No transaction may be made which threatens the tax exempt status of the Fund.
D. No unhedged short sales or speculative margin purchases may be made.

   Social Investing is defined as "The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

E. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar time horizon and similar risk.

Economically targeted investing is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

F. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

(1) The cost does not exceed the fair market value at the time of investment.

(2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

(3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the Plan.

(4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the City Council's policy favors investments which will have a positive impact on the economy of North Dakota.

Internal Controls

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

Evaluation

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

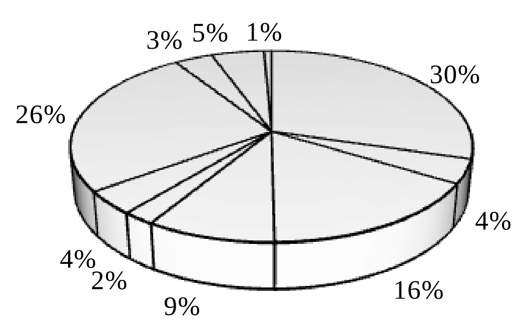
The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB;
- Compliance with these investment goals, objectives and policies;
- A general market overview and market expectations;
- A review of fund progress and its asset allocation strategy.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives and policies.

❖Grand Forks Park District Pension Fund
Actual Asset Allocation – June 30, 2015

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$ 1,785,118	30%	9.30%
Domestic Small Cap Equity	244,659	4%	5.57%
Global Equity	974,972	16%	3.82%
Developed International Equity	543,761	9%	-3.35%
Emerging Markets Equity	136,096	2%	-0.70%
Private Equity	239,980	4%	-5.38%
Investment Grade Fixed Income	1,556,952	26%	3.54%
Timber	215,758	3%	3.93%
Infrastructure	295,445	5%	0.72%
Cash Equivalents	42,396	1%	0.06%
Total Fund	$ 6,035,136		4.22%
Policy Benchmark			2.89%



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WORKFORCE SAFETY & INSURANCE FUND

❖Workforce Safety & Insurance Fund Investment Objectives and Policy Guidelines

Introduction

North Dakota Workforce Safety & Insurance (WSI) is an exclusive state workers' compensation fund (Fund), which exists for the mutual benefit of North Dakota employers and employees. The assets of the Fund are utilized to pay benefits to injured workers or their survivors.

Section 65-04-01 of the North Dakota Century Code requires WSI to establish premium rates for funding sufficiently high to provide for:

1. The payment of the expenses of administration of the organization,
2. The payment of compensation according to the provisions and schedules contained in this title, and
3. The maintenance by the Fund of adequate reserves and surplus to the end that it may be kept at all times in an entirely solvent condition.

Responsibilities of the North Dakota State Investment Board (SIB)

The governing body of WSI is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. WSI fulfills this responsibility through its Board of Directors, under the oversight and approval of the Governor. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07. The Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory not advisory.

The SIB is responsible for establishing criteria, procedures, and making decisions with respect to hiring, keeping, and terminating money managers. SIB investment responsibility also includes selecting performance measurement services, consultants, report formats, and frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

Investment Objectives

The investment goal of WSI is to supplement premiums, through various investments, to accomplish its statutory obligations.

The following investment objectives are established as of the date adopted and are in keeping with the fiduciary requirements as set forth in federal and state law and as expected by the members. WSI expects to receive results from the SIB that are consistent with the policies included herein. These objectives and guidelines will provide a basis for evaluating the effectiveness of the investment program over time. It is clearly understood these objectives and standards are to be viewed over the long term and have been established after full consideration of all factors set out in the Statement of Investment Policy.

The operating and liquidity needs of WSI are generally to be met by the cash equivalents allocation.

Funds in excess of those required for operating and liquidity needs will be invested in domestic equity, international equity, real estate and fixed income securities. The objective of these assets is to obtain the maximum total return on investments consistent with safety of principal on funds in excess of those required for operating and liquidity needs.

Standards of Investment Performance

The Fund's investment objectives and characteristics give rise to an asset allocation that is considered to have greater than a 50% probability of achieving the results desired. For evaluation purposes, the following performance targets will apply:

a. The Fund's rate of return, over the long term, should equal that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.

b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.

c. Over 10 year and longer time periods the Fund's returns, net of fees and expenses, should match or exceed the expected rate of return assumption of the policy benchmark. The expected risk of the Fund, as measured by standard deviation, should not exceed the policy benchmark.

Policy and Guidelines

The asset allocation policy developed herein is based on an evaluation of WSI's ability and willingness to assume investment risk in light of WSI's financial goals and objectives. In recognition of these goals and objectives, coupled with a liability-sensitive asset allocation study conducted by Callan Associates in April of 2014, the following asset allocation is deemed appropriate for WSI. The portfolio mix shall be in accordance with the following asset allocation and periodically reviewed by WSI.

Asset Class	Target Allocation
Large Cap Equity	12%
Small Cap Equity	4%
International Equity	9%
Domestic Fixed Income	53%
Diversified Real Assets	15%
Real Estate	6%
Cash Equivalents	1%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.

b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.

c. No transaction shall be made which threatens the tax exempt status of the Fund.

d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.

e. No unhedged short sales or speculative margin purchases shall be made.

f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   For the purpose of this document, Social Investing is defined as *"The investment or commitment of public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

   For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (1) The cost does not exceed the fair market value at the time of investment.

   (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.

   (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

Evaluation and Review

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust.

Money managers will be evaluated by the SIB quarterly. In-state meetings will be held with the money managers at least annually.

❖Workforce Safety & Insurance Fund
Actual Asset Allocation – June 30, 2015

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$	212,182,743	12%	8.74%
Domestic Small Cap Equity		74,728,023	4%	7.25%
International Equity		152,259,577	9%	-2.42%
Fixed Income		922,355,516	52%	1.97%
Diversified Real Assets		261,499,609	15%	-0.07%
Real Estate		119,813,155	7%	15.53%
Cash Equivalents		19,820,514	1%	0.01%
Total Fund	$	1,762,659,138		3.27%
Policy Benchmark				2.65%

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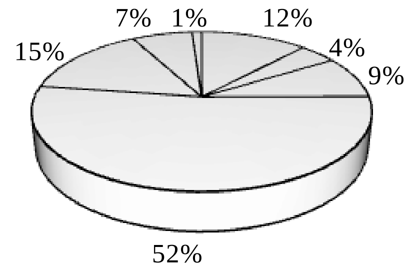

STATE FIRE AND TORNADO FUND

❖State Fire and Tornado Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The State Fire and Tornado Fund (the Fund) was established in 1919 to insure the various state industries and political subdivisions against direct physical loss to public buildings, fixtures, and permanent contents due to the perils named in 26.1-22-02 of the North Dakota Century Code (NDCC). All state buildings and universities must be covered by the Fund. School districts and counties may participate at their option. Funding is primarily provided by annual premiums charged to policy holders in accordance with NDCC 26.1-22.

Effective August 1993, the state's boiler inspection program was placed under the direction of the Insurance Department. The costs of this program are appropriated from the Fund. Fees collected for boiler inspections and licensing will be the primary source of funding for the program. The 1995 Legislature added anhydrous ammonia storage facilities to the Fund's inspection responsibilities.

A minimum balance of $12.0 million must be maintained at all times. If reserves drop below this statutory minimum, additional premiums, as specified under NDCC 26.1-22, would be assessed. This situation must be avoided.

The Fund retains liability for the first $1 million on each and every loss. Any loss over this amount, up to a maximum of $100 million, is covered by reinsurance through a commercial reinsurance carrier. Reinsurance coverage is bid by the Insurance Department at least once every two years.

Claims paid from the Fund are highly unpredictable. Weather damage accounts for the majority of claims. Fires generally result in the most extensive damage. Generally, there is a two week lead time to prepare for a claim payment. Large claim payments have a longer lead time and are spread out in multiple payments whenever possible.

Operating expenses are paid from the Fund as incurred. These include Fund administration, boiler inspection program, anhydrous ammonia storage facility inspections, State Fire Marshall's Office, and North Dakota Firefighter's Association.

Fund Mission

The primary mission of the Fund is to maintain an adequate balance in the Fund to avoid the necessity of assessing additional premiums to policy holders.

Responsibilities and Discretion of the State Investment Board (SIB)

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner provided in NDCC 21-10-07, the prudent institutional investor rule. The fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probably safety of capital as well as probably income.

Management responsibility for the investment program not assigned to the SIB in NDCC Chapter 21-10 is hereby delegated to the SIB, which must establish written policies for the operation of the investment program consistent with this investment policy.

The SIB may delegate investment responsibility to professional money managers. When a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

Risk Tolerance

The investment objectives of the Fund reflect the long-term nature of the Fund, but also the low risk tolerance and shorter-term liquidity needs.

Investment Objectives

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

a. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
b. The Fund's risk, as measured by the standard deviation of net returns, should not exceed 115 percent of the policy benchmark over a minimum evaluation period of five years.
c. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

<u>Policy Asset Mix</u>

After consideration of all the inputs and discussion of its own risk tolerance, the Fund has chosen the following asset allocation:

Large Cap Domestic Equity	18.75%
Small Cap Domestic Equity	6.25%
International Equity	10.00%
Fixed Income	55.00%
Cash Equivalents	10.00%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

<u>Restrictions</u>

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. No transaction may be made that would threaten the tax-exempt status of the Fund.
d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
e. No unhedged short sales or speculative margin purchases shall be made.
f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

   For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (1) The cost does not exceed the fair market value at the time of investment.
   (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
   (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
   (4) The safeguards and diversity that a prudent investor would adhere to are present.

   Where investment characteristics, including yield, risk, and liquidity are equivalent, the Fund's policy favors investments which will have a positive impact on the economy of North Dakota.

<u>Internal Controls</u>

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions, and compliance with the investment policy.

<u>Evaluation and Review</u>

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the Insurance Department periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including but not limited to:

1. A list of advisory services managing investments for the Board.
2. A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
3. Earnings, percentage earned, and change in market value of each fund's investments.
4. Comparison of the performance of each fund managed by each advisory service to other funds under the Board's control and to generally accepted market indicators.
5. All material legal or legislative proceedings affecting the SIB.
6. Compliance with this investment policy statement.

❖State Fire and Tornado Fund
Actual Asset Allocation – June 30, 2015

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$	4,402,955	19%	8.83%
Domestic Small Cap Equity		1,464,334	6%	7.23%
International Equity		2,343,765	10%	-2.43%
Fixed Income		12,873,461	55%	2.27%
Cash Equivalents		2,331,717	10%	0.01%
Total Fund	$	23,416,232		3.16%
Policy Benchmark				2.49%

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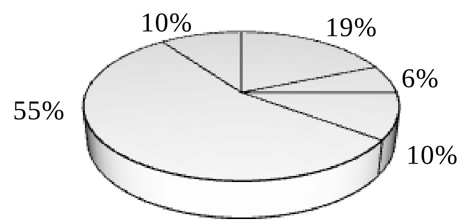


STATE BONDING FUND

❖State Bonding Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The State Bonding Fund (the Fund) was established for bonding public employees and public officials in accordance with Chapter 26.1-21 of the North Dakota Century Code (NDCC). Annual collections to the Fund are in the form of fees and restitution. However, the primary funding source for the Fund is investment return.

A minimum balance of $2.0 million must be maintained at all times. If reserves drop below this statuary minimum, premiums will be assessed against all bond holders in accordance with NDCC 26.1-21-09. Such premiums will continue to be charged until the Fund balance reaches $3.0 million. This situation must be avoided.

Claims paid from the Fund are on an as-needed basis and are highly unpredictable. A judgment against the guilty party is required prior to the Fund making a claim payment. Generally, there is a 60-90 day lead time to prepare for a claim payment. Appropriations from the Fund are exclusively for administrative costs.

Fund Mission

The primary mission of the Fund is to maintain an adequate balance in the Fund to avoid the necessity of assessing premiums to policy holders.

Responsibilities and Discretion of the State Investment Board (SIB)

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner provided in NDCC 21-10-07, the prudent institutional investor rule. The fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probably safety of capital as well as probably income.

Management responsibility for the investment program not assigned to the SIB in NDCC Chapter 21-10 is hereby delegated to the SIB, which must establish written policies for the operation of the investment program consistent with this investment policy.

The SIB may delegate investment responsibility to professional money managers. When a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

Risk Tolerance

The investment objectives of the Fund reflect the long-term nature of the Fund, but also the low risk tolerance and shorter-term liquidity needs.

Investment Objectives

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

a. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
b. The Fund's risk, as measured by the standard deviation of net returns, should not exceed 115 percent of the policy benchmark over a minimum evaluation period of five years.
c. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

Policy Asset Mix

After consideration of all the inputs and discussion of its own risk tolerance, the Fund has chosen the following asset allocation:

Fixed Income	55.00%
Cash Equivalents	45.00%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

Restrictions

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. No transaction may be made that would threaten the tax-exempt status of the Fund.
d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
e. No unhedged short sales or speculative margin purchases shall be made.
f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

   For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (1) The cost does not exceed the fair market value at the time of investment.
   (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
   (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
   (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Fund's policy favors investments which will have a positive impact on the economy of North Dakota.

Internal Controls

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions, and compliance with the investment policy.

Evaluation and Review

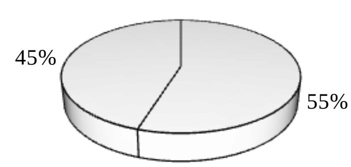
Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the Insurance Department periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including but not limited to:

1. A list of advisory services managing investments for the Board.
2. A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
3. Earnings, percentage earned, and change in market value of each fund's investments.
4. Comparison of the performance of each fund managed by each advisory service to other funds under the Board's control and to generally accepted market indicators.
5. All material legal or legislative proceedings affecting the SIB.
6. Compliance with this investment policy statement.

❖ State Bonding Fund
Actual Asset Allocation – June 30, 2015

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Fixed Income	$ 1,746,107	55%	2.27%
Cash Equivalents	1,433,915	45%	0.01%
Total Fund	$ 3,180,023		1.25%
Policy Benchmark			1.04%



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PETROLEUM TANK RELEASE COMPENSATION FUND

❖Petroleum Tank Release Compensation Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The Petroleum Tank Release Compensation Fund (the Fund) was established in 1989 in response to the Environmental Protection Agency's (EPA) requirement that all underground storage tank owners have proof of financial responsibility. Operation of the Fund is in accordance with ND23-37. The Fund's "sunset clause" date of June 30, 2011, has been extended and the time horizon for this Fund is uncertain at this time.

Funding is provided by annual premiums collected for above ground and underground petroleum storage tanks. Registration of tanks with the Fund is mandatory, although certain types of tanks are excluded.

A statutory minimum balance of $6.0 million must be maintained in the Fund. Also, a minimum balance of $2.0 million is required by EPA. In the event reserves drop below this minimum, EPA would evaluate the Fund's ability to pay claims and would in all likelihood disapprove the Fund as a financial responsibility mechanism for North Dakota petroleum tank owners.

If a petroleum release occurs or petroleum contamination is discovered, an eligible tank owner is reimbursed 90% of necessary and reasonable costs between $5,000 and $155,000 for cleanup of contamination or third-party liability. The Fund reimburses 100% of costs between $155,000 and $1,000,000.

Fund Mission

The primary mission of the Fund is to maintain the statutory minimum balance in the fund.

Responsibilities and Discretion of the State Investment Board (SIB)

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner provided in NDCC 21-10-07, the prudent institutional investor rule. The fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probably safety of capital as well as probably income.

Management responsibility for the investment program not assigned to the SIB in NDCC Chapter 21-10 is hereby delegated to the SIB, which must establish written policies for the operation of the investment program consistent with this investment policy.

The SIB may delegate investment responsibility to professional money managers. When a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

Risk Tolerance

The investment objectives of the Fund reflect the long-term nature of the Fund, but also the low risk tolerance and shorter-term liquidity needs.

Investment Objectives

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

a. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
b. The Fund's risk, as measured by the standard deviation of net returns, should not exceed 115 percent of the policy benchmark over a minimum evaluation period of five years.
c. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

Policy Asset Mix

After consideration of all the inputs and discussion of its own risk tolerance, the Fund has chosen the following asset allocation:

Fixed Income	50.00%
Cash Equivalents	50.00%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

Restrictions

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. No transaction may be made that would threaten the tax-exempt status of the Fund.
d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
e. No unhedged short sales or speculative margin purchases shall be made.
f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

   For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (1) The cost does not exceed the fair market value at the time of investment.
   (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
   (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
   (4) The safeguards and diversity that a prudent investor would adhere to are present.

   Where investment characteristics, including yield, risk, and liquidity are equivalent, the Fund's policy favors investments which will have a positive impact on the economy of North Dakota.

Internal Controls

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions, and compliance with the investment policy.

Evaluation and Review

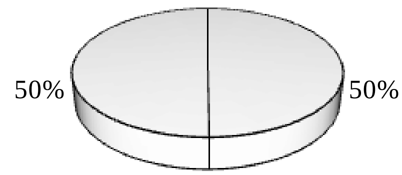
Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the Insurance Department periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including but not limited to:

1. A list of advisory services managing investments for the Board.
2. A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
3. Earnings, percentage earned, and change in market value of each fund's investments.
4. Comparison of the performance of each fund managed by each advisory service to other funds under the Board's control and to generally accepted market indicators.
5. All material legal or legislative proceedings affecting the SIB.
6. Compliance with this investment policy statement.

❖Petroleum Tank Release Compensation Fund
Actual Asset Allocation – June 30, 2015

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Fixed Income	$ 3,570,482	50%	2.27%
Cash Equivalents	3,592,355	50%	0.01%
Total Fund	$ 7,162,837		1.13%
Policy Benchmark			0.94%



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INSURANCE REGULATORY TRUST FUND

❖Insurance Regulatory Trust Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The Insurance Regulatory Trust Fund (the Fund) was established for use by the Insurance Department to defray the expenses incurred in discharging its duties as described in NDCC 26.1.

Funding is provided primarily through the collection of fees and fines as specified in NDCC 26.1-01-07.1. Fees and other collections as well as earnings from investments are funding sources.

There is no statutory minimum balance for this Fund. However, the Insurance Department relies entirely on the Fund to meet all operating expenses. Therefore, sufficient liquidity and risk control must be maintained at all times to ensure the solvency of the Insurance Department.

In accordance with NDCC 26.1-01-07.1, any cash balance in the Fund after all current biennium expenditures are met must be carried forward for the succeeding biennium. However, when the balance at the end of the biennium exceeds $1.0 million, any excess will be transferred to the general fund in the state treasury. Such transfers are generally made at the end of September or during the first two weeks of October. Operating expenses are paid from the Fund as incurred.

Fund Mission

The primary mission of the Fund is to maintain an adequate balance in the Fund to avoid the necessity of assessing premiums to policy holders.

Responsibilities and Discretion of the State Investment Board (SIB)

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner provided in NDCC 21-10-07, the prudent institutional investor rule. The fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probably safety of capital as well as probably income.

Management responsibility for the investment program not assigned to the SIB in NDCC Chapter 21-10 is hereby delegated to the SIB, which must establish written policies for the operation of the investment program consistent with this investment policy.

The SIB may delegate investment responsibility to professional money managers. When a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

Risk Tolerance

The investment objectives of the Fund reflect the long-term nature of the Fund, but also the low risk tolerance and shorter-term liquidity needs.

Investment Objectives

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

a. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
b. The Fund's risk, as measured by the standard deviation of net returns, should not exceed 115 percent of the policy benchmark over a minimum evaluation period of five years.
c. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

Policy Asset Mix

After consideration of all the inputs and discussion of its own risk tolerance, the Fund has chosen the following asset allocation:

Large Cap Domestic Equity	15%
Small Cap Domestic Equity	5%
International Equity	10%
Fixed Income	35%
Cash Equivalents	35%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

Restrictions

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. No transaction may be made that would threaten the tax-exempt status of the Fund.
d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
e. No unhedged short sales or speculative margin purchases shall be made.
f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

   For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (1) The cost does not exceed the fair market value at the time of investment.
   (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
   (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
   (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Fund's policy favors investments which will have a positive impact on the economy of North Dakota.

Internal Controls

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions, and compliance with the investment policy.

Evaluation and Review

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the Insurance Department periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including but not limited to:

1. A list of advisory services managing investments for the Board.
2. A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
3. Earnings, percentage earned, and change in market value of each fund's investments.
4. Comparison of the performance of each fund managed by each advisory service to other funds under the Board's control and to generally accepted market indicators.
5. All material legal or legislative proceedings affecting the SIB.
6. Compliance with this investment policy statement.

❖Insurance Regulatory Trust Fund
Actual Asset Allocation – June 30, 2015

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$	393,523	15%	8.83%
Domestic Small Cap Equity		134,238	5%	7.23%
International Equity		263,923	10%	-2.43%
Fixed Income		922,494	35%	2.27%
Cash Equivalents		922,485	35%	0.01%
Total Fund	$	2,636,662		2.04%
Policy Benchmark				1.75%

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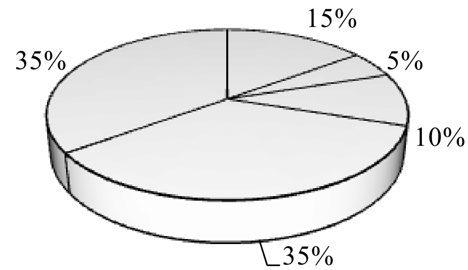


STATE RISK MANAGEMENT FUND

❖State Risk Management Fund Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

To address the State's loss of sovereign immunity, the 1995 North Dakota Legislature created a new chapter of the North Dakota Century Code (NDCC), 32-12.2. That Chapter established the Risk Management Fund (the Fund) to administer claims against the State and state employees for personal injury, death, or property damage caused by the State or a state employee acting within the scope of the employee's employment. The Fund is directed by the Office of Management and Budget (OMB).

Each entity of the State is required to participate in the Fund. Contributions to the Fund are determined by the Director of OMB based on an actuarial review of the financial status of the Fund. This results in a fluctuation of contributions made to the Fund from one biennium to another.

The amount of money damages the Fund may pay is limited for state court actions to a total of $250,000 per person and $1,000,000 per occurrence. These liability caps may not be recognized in Federal Court actions or in actions filed in other states. The Fund's excess carrier provides coverage up to $10,000,000 for those exposures not covered by the Tort Claims Act.

Significant claims paid from the Fund are usually somewhat predictable and take a period of time to resolve. A person bringing a claim or lawsuit against the State or a state employee must give notice to the OMB Director within 180 days after the alleged injury is discovered or reasonably should have been discovered. If the claim is one for death, the notice must be provided within one year after the alleged injury resulting in the death.

The Risk Management Division's operating expenses including loss control activities are paid from the Fund as incurred.

Responsibilities of the State Investment Board (SIB)

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools. The SIB may delegate investment responsibility to professional money managers. When a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants, and report formats and determining the frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

Investment Objectives

The investment objectives of the Fund reflect the long-term nature of the Fund, but also the low risk tolerance and shorter-term liquidity needs. Operating and statutory considerations shape the Fund's policies and priorities as outlined below:

Objective #1: Investment income is needed to provide stability for insurance reserves. This will be achieved through a diversified portfolio of high quality fixed income and equity assets.

Objective #2: Growth of capital is needed to provide an inflationary hedge and add to the growth of surplus. Capital growth will be sought through investment in equities and/or equity substitutes.

Objective #3: Sufficient liquidity is to be maintained to meet known or anticipated financial obligations and preserve the value of the surplus. Cash equivalent investments will be used to achieve this objective.

Standards of Investment Performance

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.

b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.

c. Over 10 year and longer time periods the Fund should match or exceed the expected 6.34% rate of return based on Callan Associates' 2007 market projections. Expected risk for the period, measured by standard deviation, is 6.59%.

Policy and Guidelines

The asset allocation of the Fund is established by the SIB, with input from the OMB. Asset allocation is based upon the appraisal of projected liquidity and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the Fund:

Large Cap Domestic Equity	22.5%
Small Cap Domestic Equity	7.5%
Fixed Income	65.0%
Cash Equivalents	5.0%

Rebalancing of the Fund to this allocation will be done in accordance with the SIB's rebalancing policy.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
d. No funds shall be borrowed.
e. No unhedged short sales or speculative margin purchases shall be made.
f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   For the purpose of this document, Social Investing is defined as "The investment or commitment of public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

   For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (1) The cost does not exceed the fair market value at the time of investment.
   (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
   (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
   (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Fund's policy favors investments which will have a positive impact on the economy of North Dakota.

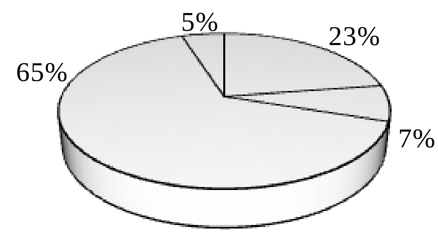
Evaluation and Review

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust.

Money managers will be evaluated by the SIB quarterly. In-state meetings will be held with the money managers at least annually.

❖**State Risk Management Fund**
Actual Asset Allocation – June 30, 2015

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$ 1,546,032	23%	8.83%
Domestic Small Cap Equity	514,042	7%	7.23%
Fixed Income	4,449,775	65%	2.27%
Cash Equivalents	339,366	5%	0.01%
Total Fund	$ 6,849,214		4.08%
Policy Benchmark			3.46%



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STATE RISK MANAGEMENT WORKERS COMPENSATION FUND

❖State Risk Management Workers Comp Fund Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

The 2001 North Dakota Legislature established a single workers' compensation account for state entities, N.D.C.C. § 65-04-03.1. N.D.C.C. § 65-04-03.1(2) directs that workers' compensation premiums from state entities must be deposited in the Risk Management Workers Compensation Fund (Fund) and the State Investment Board is directed to invest the Fund in accordance with chapter 21-10.

The Risk Management Division of the Office of Management and Budget is responsible for administering the Fund to include promulgating rules, collecting and dispersing funds, and establishing an internal workers' compensation return-to-work program. Each entity of the State is required to participate in the program unless exempted by the director of the Office of Management and Budget. Contributions to the Fund are determined by Workforce Safety & Insurance (WSI) based on an actuarial review of combined payroll, premium, and loss history of agencies to determine experience rates, assessments, and premiums.

The Risk Management Workers Compensation Program charges the entity the first $250 ($0 if a designated medical provider is used for treatment) of each accepted claim and pays disability and medical benefits of up to $100,000 dollars per claim. Dollar amounts for claims in excess of $100,000 are paid for by WSI. In turn the Program pays WSI approximately $1.7 million per year in premiums.

Responsibilities of the State Investment Board (SIB)

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. When a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants, and report formats and determining the frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

Investment Objectives

The investment objectives of the Fund reflect the long-term nature of the Fund, but also the low risk tolerance and shorter-term liquidity needs. Operating and statutory considerations shape the Fund's policies and priorities as outlined below:

Objective #1: Investment income is needed to provide stability for insurance reserves. This will be achieved through a diversified portfolio of high quality fixed income and equity assets.

Objective #2: Growth of capital is needed to provide an inflationary hedge and add to the growth of surplus. Capital growth will be sought through investment in equities and/or equity substitutes.

Objective #3: Sufficient liquidity is to be maintained to meet known or anticipated financial obligations and preserve the value of the surplus. Cash equivalent investments will be used to achieve this objective.

Standards of Investment Performance

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.

b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.

c. Over 10 year and longer time periods the Fund should match or exceed the expected 6.64% rate of return based on Callan Associates' 2007 market projections. Expected risk for the period, measured by standard deviation, is 7.57%.

Policy and Guidelines

The asset allocation of the Fund is established by the SIB, with input from the OMB. Asset allocation is based upon the appraisal of projected liquidity and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the Fund:

Large Cap Domestic Equity	27.75%
Small Cap Domestic Equity	9.25%
Fixed Income	60.00%
Cash Equivalents	3.00%

Rebalancing of the Fund to this allocation will be done in accordance with the SIB's rebalancing policy.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. All assets will be held in custody by the State Investment Board's master custodian or such other custodians as are acceptable to the State Investment Board.
d. No funds shall be borrowed.
e. No unhedged short sales or speculative margin purchases shall be made.
f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   For the purpose of this document, Social Investing is defined as "The investment or commitment of public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

   For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (1) The cost does not exceed the fair market value at the time of investment.
   (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
   (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
   (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Fund's policy favors investments which will have a positive impact on the economy of North Dakota.

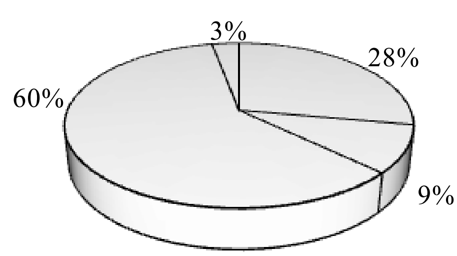
Evaluation and Review

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust.

Money managers will be evaluated by the SIB quarterly. In-state meetings will be held with the money managers at least annually.

❖State Risk Management WC Fund
Actual Asset Allocation – June 30, 2015

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$ 1,730,829	28%	8.83%
Domestic Small Cap Equity	575,818	9%	7.23%
Fixed Income	3,732,563	60%	2.27%
Cash Equivalents	185,332	3%	0.01%
Total Fund	$ 6,224,542		4.57%
Policy Benchmark			3.88%



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NORTH DAKOTA CULTURAL ENDOWMENT FUND

❖ND Cultural Endowment Fund Investment Objectives and Policy Guidelines

<u>Fund Characteristics and Constraints</u>

The North Dakota Cultural Endowment Fund (Fund) was created by the State Legislature in 1979 and is governed by NDCC 54-54-08.2.

The Fund was established "to improve the intrinsic quality of the lives of the state's citizens now and in the future through programs approved by the council on the arts." Such programs must:

1. Increase cultural awareness by the state's citizens through programs in arts, crafts, theater, ethnic and folk arts, literature, journalism, public media, historic preservation and interpretation, visual arts, and architecture.
2. Make the items named in #1 above more available to the state's citizens.
3. Encourage the development of talent in the areas named in #1 above within the state.
4. Preserve and increase understanding of North Dakota's heritage and future.

The goals of the Fund are:

- To create a vehicle through which the North Dakota Council on the Arts can secure private and public funds to enhance existing programs;
- And to provide a stable funding source for the Council.

Sources of funding for the Fund are private donations and periodic General Fund appropriations. The current principal balance that must be maintained in the Fund is $150,000. Disbursements from the Fund will amount to approximately $5,000 per year for fellowship grants.

<u>Responsibilities and Discretion of the State Investment Board (SIB)</u>

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. When a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants, and report formats and determining the frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

<u>Investment Objectives</u>

The investment objectives of the Fund reflect the long-term nature of the Fund, but also the low risk tolerance and shorter-term liquidity needs. Operating and statutory considerations shape the Funds policies and priorities as outlined below:

Objective #1: Investment income is needed to provide balance in investment return sources. This will be achieved through a diversified portfolio of high quality fixed income and equity assets.

Objective #2: Growth of capital is needed to provide an inflationary hedge. Capital growth will be sought through investment in equities.

Objective #3: Sufficient liquidity is to be maintained to meet known or anticipated financial obligations. Cash equivalent investments will be used to achieve this objective.

Objective #4: The risk of violating the mandated minimum balance requirement of $150,000 is to be minimized. This will be achieved by an asset allocation consistent with this objective.

<u>Standards of Investment Performance</u>

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as 33.75% S&P 500 domestic stock index, 11.25% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 37% Barclays Capital Aggregate domestic bond index, 5% NCREIF Total real estate index, and 3% 90-day Treasury bills.

b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.

c. Over 10 year and longer time periods the Fund should match or exceed the expected 7.26% rate of return based on Callan Associates' 2005 market projections. Expected risk for the period, measured by standard deviation, is 10.44%.

Policy and Guidelines

The asset allocation of the Cultural Endowment Fund is established by the North Dakota Council on the Arts, with input from the SIB. Asset allocation is based upon the appraisal of projected liquidity and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the fund:

Large Cap Domestic Equities	33.75%
Small Cap Domestic Equities	11.25%
International Equities	10.00%
Domestic Fixed Income	37.00%
Real Estate	5.00%
Cash Equivalents	3.00%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. All assets will be held in custody by the State Investment Board's master custodian or such other custodians as are acceptable to the State Investment Board.
d. No funds shall be borrowed.
e. No unhedged short sales or speculative margin purchases shall be made.
f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   For the purpose of this document, Social Investing is defined as "The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

(1) The cost does not exceed the fair market value at the time of investment.
(2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
(3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
(4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Fund's policy favors investments which will have a positive impact on the economy of North Dakota.

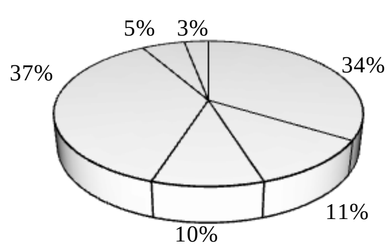
Evaluation and Review

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust.

Money managers will be evaluated by the SIB quarterly. In-state meetings will be held with the money managers at least annually.

❖ND Cultural Endowment Fund
Actual Asset Allocation – June 30, 2015

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$ 129,121	34%	8.83%
Domestic Small Cap Equity	43,769	11%	7.23%
International Equity	37,718	10%	-2.43%
Fixed Income	140,460	37%	2.27%
Real Estate	20,464	5%	15.50%
Cash Equivalents	11,517	3%	0.01%
Total Fund	$ 383,049		5.22%
Policy Benchmark			4.24%



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NORTH DAKOTA BUDGET STABILIZATION FUND

❖ND Budget Stabilization Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The Budget Stabilization Fund (Fund) is a special fund created in 1987 under Chapter 54-27.2 of the North Dakota Century Code used to deposit general fund moneys in excess of appropriations. Notwithstanding the provisions of sections 54-27.2-01 and 54-27.2-02, $124,936,548 was required to be transferred by the state treasurer to the budget stabilization fund from the general fund on July 1, 2009, along with $61,414,562 on July 1, 2011 and $181,060,584 on July 1, 2013. The statutory cap for the 2015-17 biennium is $572,485,454. The state investment board shall supervise investment of the budget stabilization fund in accordance with chapter 21-10.

Any interest or other budget stabilization fund earnings must be deposited in the fund. Any amounts provided by law for deposit in the fund and any interest or earnings of the fund which would bring the balance in the fund to an amount greater than five percent of the current biennial state general fund budget, as finally approved by the most recently adjourned special or regular session of the legislative assembly, may not be deposited or retained in the fund but must be deposited instead in the state general fund.

If the director of the office of management and budget projects that general fund revenues for the biennium will be at least two and one-half percent less than estimated by the most recently adjourned special or regular session of the legislative assembly, and if the governor orders a transfer, the state treasurer shall transfer the appropriate funds from the budget stabilization fund to the state general fund to offset the decrease in general fund revenues. The amount transferred from the budget stabilization fund upon order of the governor may not exceed the difference between an amount two and one-half percent below the general fund revenue projections for the biennium and the general fund revenue projections for the biennium by the director of the office of management and budget.

Responsibilities and Discretion of the State Investment Board (SIB)

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. When a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory. In accordance with this Investment Policy Statement, the Fund's assets may be invested directly or through collective investment vehicles.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants, and report formats and determining the frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

Investment Objectives

The investment objectives of the Fund reflect the relatively unknown life-span and the moderate risk tolerance of the Fund. Operating and statutory considerations shape the Fund's policies and priorities as outlined below:

Objective: Sufficient liquidity is to be maintained to meet known or anticipated financial obligations and preserve the value of the surplus. Cash equivalent investments will be used to achieve this objective.

Standards of Investment Performance

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index.

b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.

Policy and Guidelines

The asset allocation of the Fund is established by the SIB, with input from the Legacy and Budget Stabilization Advisory Board. Asset allocation is based upon the appraisal of projected liquidity and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the fund:

Short-term Fixed Income and BND CDs	Minimum of 90%
Bank Loans w/floating yield	Maximum of 5%
Absolute Return Strategies	Maximum of 5%

Bank of North Dakota Match Loan Certificates of Deposit Program (BND CD) limit of 35%.

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. All assets will be held in custody by the State Investment Board's master custodian or such other custodians as are acceptable to the State Investment Board.
d. No funds shall be borrowed.
e. No unhedged short sales or speculative margin purchases shall be made.
f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*
g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.
   For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (1) The cost does not exceed the fair market value at the time of investment.
   (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
   (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
   (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Fund's policy favors investments which will have a positive impact on the economy of North Dakota.

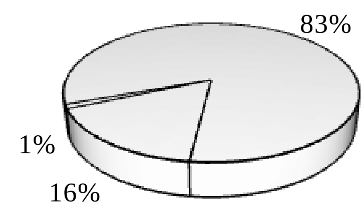
Evaluation and Review

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust.

Money managers will be evaluated by the SIB quarterly. In-state meetings will be held with the money managers at least annually.

❖ND Budget Stabilization Fund
Actual Asset Allocation – June 30, 2015

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Short-term Fixed Income	$ 473,648,888	83%	1.72%
BND Match Loan CDs	94,538,294	16%	2.68%
Cash Equivalents	5,823,969	1%	0.01%
Total Fund	$ 574,011,151		1.86%
Policy Benchmark			0.75%



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NORTH DAKOTA ASSOCIATION OF COUNTIES

❖ND Association of Counties (NDACo) Fund Investment Objectives and Policy Guidelines

Introduction

The North Dakota Association of Counties (NDACo) (Fund) was established to aid in the administration of county government by providing a medium for exchange of information, ideas, and experience of county officials; promote training; facilitate cooperation with all levels of government; and be a legislative advocate for counties. NDACo and the benefits provided there under are funded by dues from member counties and special programs and projects of NDACo.

Responsibilities and Discretion of the State Investment Board (SIB)

NDACo has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. It is the responsibility of NDACo to establish policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and objectives of the Fund participating in the pools.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

Investment Objectives

Fund in excess of those required for operating and claims payment needs will be invested to obtain the maximum total return on investments consistent with safety of principal on Fund in excess of those required for operating and claims payment needs. The investment fund(s) may be comprised of fixed income securities and equity securities. Individual investments may be either actively or passively managed.

Standards of Investment Performance

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.
b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.

Policy and Guidelines

The asset allocation is established by the North Dakota Association of Counties with input from the SIB. Asset allocation is based upon the appraisal of projected liquidity and income requirements.

In recognition of these factors, the following allocation is deemed appropriate for the Fund.

Domestic Large Cap Equity	15%
Domestic Small Cap Equity	5%
International Equity	10%
Domestic Fixed Income	57%
Cash Equivalents	13%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
d. No Fund shall be borrowed.
e. No unhedged short sales or speculative margin purchases shall be made.
f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   For the purpose of this document, Social Investing is defined as "The investment or commitment of public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

(1) The cost does not exceed the fair market value at the time of investment.
(2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
(3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
(4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Fund's policy favors investments which will have a positive impact on the economy of North Dakota.

Internal Controls

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

Evaluation and Review

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust.

Money managers will be evaluated by the SIB quarterly. In-state meetings will be held with the money managers at least annually.

❖ND Association of Counties (NDACo) Fund
Actual Asset Allocation – June 30, 2015

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$ 577,303	15%	8.83%
Domestic Small Cap Equity	191,913	5%	7.23%
International Equity	383,979	10%	-2.43%
Fixed Income	2,183,995	57%	2.27%
Cash Equivalents	496,309	13%	0.01%
Total Fund	$ 3,833,500		2.77%
Policy Benchmark			2.16%

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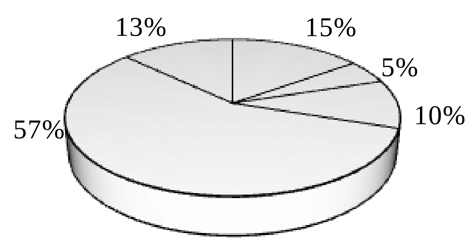

CITY OF BISMARCK DEFERRED SICK LEAVE ACCOUNT

❖City of Bismarck Deferred Sick Leave Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The City of Bismarck Deferred Sick Leave Account (the Fund) represents money set aside to cover the City's unfunded liability of employees' accrued sick leave. People who terminate employment with the City shall be compensated for unused sick leave from this Fund. In time, it is expected that the Fund will become depleted.

Responsibilities and Discretion of the State Investment Board (SIB)

The City of Bismarck (Client) has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. It is the responsibility of the Client to establish policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish appropriate asset class pools designed to provide specific quality and diversification guidelines, restrictions, and performance objectives consistent with the goals of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

Investment Objectives

The investment objectives are to obtain a reasonable rate of return on the Fund while maintaining sufficient liquidity to meet known or anticipated financial obligations. Operating considerations shape the Fund's policies and priorities as outlined below:

Objective #1: Investment income is needed as a funding source. This will be achieved through a diversified portfolio of high quality fixed income and equity assets.

Objective #2: Growth of capital is needed to provide an inflationary hedge and add to the growth of the Fund. Capital growth is sought through investment in equities and/or equity substitutes.

Standards of Investment Performance

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as 15% S&P 500 domestic stock index, 5% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 65% Barclays Capital Aggregate domestic bond index, and 5% 90-day Treasury Bills.

b. The annual standard deviation of total returns for the Fund should be consistent with that of the policy portfolio.

c. Over 10 year and longer time periods the Fund should match or exceed the expected 6.00% rate of return based on Callan Associates' 2005 market projections. Expected risk for the period, measured by standard deviation, is 6.50%.

Policy and Guidelines

The asset allocation of the Fund is established by the City of Bismarck. Asset allocation is based upon the appraisal of projected liquidity requirements and sick leave payment demand, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the Fund:

Large Cap Domestic Equity	15%
Small Cap Domestic Equity	5%
International Equity	10%
Fixed Income	65%
Cash Equivalents	5%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.

b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
d. No funds shall be borrowed.
e. No unhedged short sales or speculative margin purchases shall be made.
f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   For the purpose of this document, Social Investing is defined as "The investment or commitment of public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

   For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (1) The cost does not exceed the fair market value at the time of investment.
   (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
   (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
   (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Fund's policy favors investments which will have a positive impact on the economy of North Dakota.

Evaluation and Review

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust.

Money managers will be evaluated by the SIB quarterly. In-state meetings will be held with the money managers at least annually.

❖City of Bismarck Deferred Sick Leave
Actual Asset Allocation – June 30, 2015

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$	131,616	15%	8.83%
Domestic Small Cap Equity		45,480	5%	7.23%
International Equity		86,483	10%	-2.43%
Fixed Income		566,230	65%	2.27%
Cash Equivalents		42,368	5%	0.01%
Total Fund	$	872,177		2.95%
Policy Benchmark				2.31%

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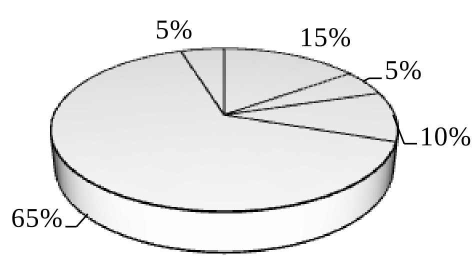


NDPERS GROUP INSURANCE ACCOUNT

❖NDPERS Group Insurance Account Investment Objectives and Policy Guidelines

Introduction

The NDPERS Group Insurance Account (the Fund) was established to hold insurance premiums collected from employers until paid to the insurance carrier.

Responsibilities and Discretion of the State Investment Board (SIB)

The assets are to be invested in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers.

Investment Objectives

Premiums are collected throughout the month at PERS and will be forwarded to the Fund investment account on the 1st and 15th of each month. The premiums transferred into the investment account will be transferred back to PERS on approximately the 22nd of each month so they may be remitted to the insurance carrier.

Standards of Investment Performance

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as the 90-day Treasury bill.

b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.

Policy and Guidelines

The asset allocation is established by NDPERS. Asset allocation is based upon the appraisal of projected liquidity. In recognition of this factor, the following allocation is deemed appropriate for the Fund:

Cash Equivalents	100%

This cash will be held in an enhanced money market account at the Bank of North Dakota.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. No derivative instruments or strategies which make use of derivatives which would cause the portfolio to be in any way leveraged will be used.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
d. No funds shall be borrowed.
e. No short sales or margin purchases shall be made.

Evaluation and Review

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust.

Money managers will be evaluated by the SIB quarterly. In-state meetings will be held with the money managers at least annually.

❖NDPERS Group Insurance Account Actual Asset Allocation – June 30, 2015

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Cash Equivalents	$39,653,686	100%	0.01%
Policy Benchmark			0.02%

CITY OF FARGO FARGODOME PERMANENT FUND

❖City of Fargo FargoDome Permanent Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The City of Fargo has set aside excess sales tax collections intended for the administration of the FargoDome in the FargoDome Permanent Fund (Fund). This fund is intended to provide financial resources necessary for the ongoing upkeep of this large City owned facility over a long term time horizon.

Responsibilities of the State Investment Board (SIB)

The City of Fargo (Client) has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. It is the responsibility of the Client to establish policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. When a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants, and report formats and determining the frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

Investment Objectives

The investment objectives are to obtain a reasonable rate of return on the Fund while maintaining sufficient liquidity to meet known or anticipated financial obligations. Operating considerations shape the Fund's policies and priorities as outlined below:

Objective #1: Investment income is needed as a funding source. This will be achieved through a diversified portfolio of high quality fixed income and equity assets.

Objective #2: Growth of capital is needed to provide an inflationary hedge and add to the growth of the Fund. Capital growth is sought through investment in equities and/or equity substitutes.

Standards of Investment Performance

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.

b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.

Policy and Guidelines

The asset allocation of the Fund is established by the City of Fargo Finance Committee, with input from RIO staff. Asset allocation is based upon the appraisal of projected liquidity and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the fund:

Large Cap Domestic Equity	23%
Small Cap Domestic Equity	12%
International Equity	15%
Fixed Income	39%
Inflation Protected Assets	10%
Cash Equivalents	1%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.

b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.

c. All assets will be held in custody by the State Investment Board's master custodian or such other custodians as are acceptable to the State Investment Board.

d. No funds shall be borrowed.

e. No unhedged short sales or speculative margin purchases shall be made.

f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

(1) The cost does not exceed the fair market value at the time of investment.
(2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
(3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
(4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Fund's policy favors investments which will have a positive impact on the economy of North Dakota.

Internal Controls

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

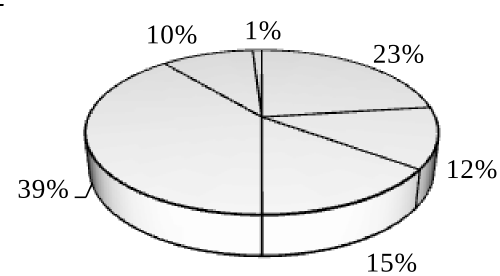
Evaluation and Review

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust.

Money managers will be evaluated by the SIB quarterly. In-state meetings will be held with the money managers at least annually.

❖City of Fargo FargoDome Permanent Fund
Actual Asset Allocation – June 30, 2015

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$ 9,433,507	23%	8.83%
Domestic Small Cap Equity	4,917,367	12%	7.23%
International Equity	6,148,820	15%	-2.43%
Fixed Income	15,970,577	39%	2.27%
Diversified Real Assets	4,126,872	10%	-0.82%
Cash Equivalents	409,904	1%	0.01%
Total Fund	$ 41,007,046		3.38%
Policy Benchmark			2.57%



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ND STATE BOARD OF MEDICAL EXAMINERS FUND

❖ND State Board of Medical Examiners Fund Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

The North Dakota State Board of Medical Examiners (the Board) was established in 1890 to protect the citizens of the state by regulating the practice of medicine. The Board licenses physicians, physician assistants, genetic counselors and fluoroscopy technicians and disciplines them if they violate the state's medical practice act. The North Dakota State Board of Medical Examiners is governed by NDCC Chapter 43-17.

The North Dakota State Board of Medical Examiners Fund (the Fund) is an unrestricted operating reserve set aside to provide a margin of safety and stability in the North Dakota State Board of Medical Examiners' operating activities, and provide flexibility to pursue capital projects as needed.

Fund Goals

The investment objectives of the Fund reflect a low risk tolerance and short-term liquidity needs. Operating considerations shape the Fund's policies and priorities as outlined below:

Objective #1: Investment income is needed as a funding source. This will be achieved through a diversified portfolio of high quality fixed income, equities and real estate.

Objective #2: Growth of capital is needed to preserve the real purchasing power of Fund assets. Capital growth is sought through investment in equities and/or equity substitutes.

Objective #3: Sufficient liquidity will be maintained to meet known or anticipated financial obligations. Cash equivalent investments shall be used to achieve this objective.

Responsibilities and Discretion of the State Investment Board (SIB)

The ND Board of Medical Examiners (Board) has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The Board is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent investor rule. Under this rule, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, who must establish written policies for the operation of the investment program, consistent with this investment policy.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing criteria, procedures, and making decisions with respect to hiring, keeping, and terminating money managers. SIB investment responsibility also includes selecting performance measurement services, consultants, report formats, and frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

Risk Tolerance

The Board's risk tolerance with respect to the management of the Fund's asset is low. The Board is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to maintain principal value over time.

Investment Objectives

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
3. The risk-adjusted performance of the fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

Policy Asset Mix

Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset allocation analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This analysis estimates the potential impact of various asset class mixes on key measures of total Fund risk.

After consideration of all the inputs and a discussion concerning risk tolerance, the Board approves the appropriate policy asset mix for the Fund.

Large Cap Domestic Equity	11%
Small Cap Domestic Equity	3%
International Equity	7%
Fixed Income	12%
Real Estate	2%
Short-term Fixed Income	65%

While the Board recognizes fluctuations in market values will lead to short-term deviations from policy targets, the Board does not intend to engage in tactical asset allocation. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

Restrictions

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.

b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.

c. No transaction shall be made which threatens the tax exempt status of the Fund.

d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.

e. No unhedged short sales or speculative margin purchases shall be made.

f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

   For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

(1) The cost does not exceed the fair market value at the time of investment.
(2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
(3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
(4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

Internal Controls

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for investment manager selection and monitoring. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

Evaluation and Review

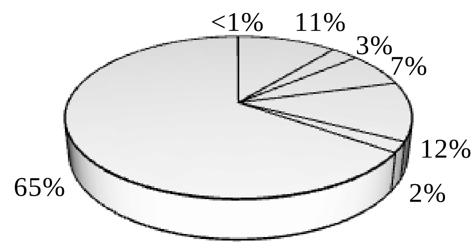
Investment management of the Fund will be evaluated against the Fund's investment objectives. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the BCEPP Board periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including, but not limited to:

1. A list of the advisory services managing investments for the SIB.
2. A list of investments at market value, compared to previous reporting period, of each account managed by each advisory service.
3. Earnings, percentage earned, and change in market value of each account's investments.
4. Comparison of the performance of each account managed by each advisory service to other accounts under the SIB's control and to generally accepted market indicators.
5. All material legal or legislative proceedings affecting the SIB.
6. Compliance with this investment policy statement.

❖ND State Board of Medical Examiners Fund
Actual Asset Allocation – June 30, 2015

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$	237,963	11%	8.83%
Domestic Small Cap Equity		65,701	3%	7.23%
International Equity		149,267	7%	-2.43%
Fixed Income		255,107	12%	2.27%
Real Estate		47,158	2%	15.50%
Short-Term Fixed Income		1,417,687	65%	1.61%
Cash Equivalents		1,820	<1%	0.01%
Total Fund	$	2,174,703		2.70%
Policy Benchmark				1.84%



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NORTH DAKOTA LEGACY FUND

❖ND Legacy Fund
Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

The North Dakota Legacy Fund was created in 2010 when the voters of North Dakota approved a constitutional amendment-now Article X, Section 26, of the Constitution of North Dakota-to provide that 30 percent of oil and gas gross production and oil extraction taxes on oil and gas produced after June 30, 2011, be transferred to the Legacy Fund. The principal and earnings of the Legacy Fund may not be spent until after June 30, 2017, and any expenditure of principal after that date requires a vote of at least two-thirds of the members elected to each house of the Legislative Assembly. Not more than 15 percent of the principal of the Legacy Fund may be spent during a biennium. The Legislative Assembly may transfer funds from any source to the Legacy Fund and such transfers become part of the principal of the Fund. The State Investment Board (SIB) is responsible for investment of the principal of the Legacy Fund. Interest earnings accruing after June 30, 2017, are transferred to the general fund at the end of each biennium. Section 21-10-11 provides that the goal of investment for the Legacy Fund is principal preservation while maximizing total return.

Fund Mission

The Legacy Fund (Fund) was created, in part, due to the recognition that state revenue from the oil and gas industry will be derived over a finite timeframe. The Legacy Fund defers the recognition of 30 percent of this revenue for the benefit of future generations. The primary mission of the Legacy Fund is to preserve the real, inflation-adjusted purchasing power of the monies deposited into the Fund while maximizing total return.

Responsibilities and Discretion of the State Investment Board (SIB)

The Legacy and Budget Stabilization Fund Advisory Board (Board) is charged by law under NDCC 21-10-11 with the responsibility of recommending policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent institutional investor rule. The fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income.

Management responsibility for the investment program not assigned to the SIB in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies for the operation of the investment program, consistent with this investment policy.

The SIB may delegate investment responsibility to professional money managers, which are also required to employ investment strategies consistent with the investment policy. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory not advisory.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and the objectives of the funds participating in the pool.

The SIB is responsible for establishing criteria, procedures, and making decisions with respect to hiring, retaining, and terminating money managers. SIB investment responsibility also includes selecting performance measurement services, consultants, report formats, and frequency of meetings with managers.

The SIB shall notify the Board within 30 days of any substantial or notable changes in money managers; performance measurement services; and consultants, including hiring or terminating a money manager, performance measurement service, or a consultant.

The SIB, after consultation with the Board, will implement necessary changes to this policy in an efficient and prudent manner.

Risk Tolerance

The Board's risk tolerance with respect to the primary aspect of the Fund's mission is low. The Board is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to maintain principal value over time. The Board recognizes that the plan will evolve as the Legacy Fund matures and economic conditions and opportunities change.

Investment Objectives

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Legacy Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

a. The Legacy Fund's rate of return, net of fees and expenses, should at least match that of the policy

benchmark over a minimum evaluation period of five years.
b. The Legacy Fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
c. The risk-adjusted performance of the Legacy Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

Policy Asset Mix

After consideration of all the inputs and a discussion of its own collective risk tolerance, the Board approves the appropriate policy asset mix for the Legacy Fund as of April 2, 2013:

Asset Class	Policy Target Percentage
Broad US Equity	30%
Broad International Equity	20%
Fixed Income	35%
Core Real Estate	5%
Diversified Real Assets	10%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

Restrictions

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Legacy Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. No transaction may be made that would threaten the tax-exempt status of the Legacy Fund.
d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
e. No unhedged short sales or speculative margin purchases shall be made.
f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

   For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (1) The cost does not exceed the fair market value at the time of investment.
   (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
   (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
   (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Fund's policy favors investments which will have a positive impact on the economy of North Dakota.

Internal Controls

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions, and compliance with the investment policy.

Evaluation and Review

Investment management of the Legacy Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on 5-year and 10-year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the investment policy statement for achieving those objectives.

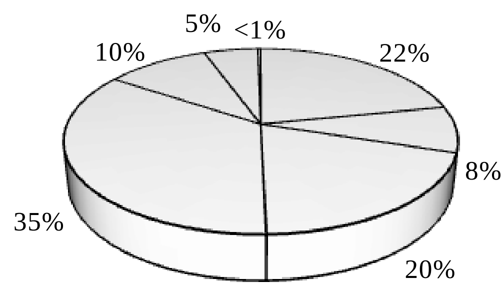
Performance reports will be provided to the Board periodically, but not less than quarterly. Such reports will include asset returns and allocation data. Additionally, not less than annually, reports will include information regarding all significant and/or material matters and changes pertaining to the investment of the Legacy Fund, including:

- Changes in asset class portfolio structures, tactical approaches, and market values.
- Loss of principal, if any.
- Management costs associated with various types of investments.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.
- An evaluation of the national economic climate.
- A forecast of the expected economic opportunities and dangers.
- Management of risk by the SIB.

In addition to the quarterly evaluation and review process, the SIB shall notify the Board within 30 days of any substantial or notable deviation from the normal management of the Legacy Fund, including any anomalies, notable losses, gains, or liquidation of assets affecting the fund.

❖ND Legacy Fund
Actual Asset Allocation – June 30, 2015

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$	726,954,194	22%	8.94%
Domestic Small Cap Equity		268,950,575	8%	7.03%
International Equity		655,907,169	20%	-2.48%
Fixed Income		1,155,089,654	35%	2.00%
Diversified Real Assets		336,793,527	10%	-2.07%
Real Estate		175,176,451	5%	15.52%
Cash Equivalents		9,759,734	<1%	0.01%
Total Fund	$	3,328,631,303		3.31%
Policy Benchmark				2.37%



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RETIREE HEALTH INSURANCE CREDIT FUND

❖Retiree Health Insurance Credit Fund Investment Objectives and Policy Guidelines

Plan Characteristics and Constraints

The North Dakota Public Employees Retirement System (NDPERS) Retiree Health Insurance Credit Fund was established in 1989 to provide for prefunding of premiums for medical coverage to state employees and employees of participating political subdivisions in accordance with Chapter 54-52.1 of the North Dakota Century Code. The plan is administered by a seven member Board of Trustees (the Board). The Chair is appointed by the governor, three members are elected by the active members of the plans, one member is elected by the retired members, one is appointed by the Attorney General and the seventh member is the State Health Officer or their designee.

The NDPERS plan is a defined benefit program that provides for a partial payment of a retiree's medical insurance premium based on the number of years of service.

Funding for the NDPERS plan is provided by a monthly employer contribution of one percent of payroll. On a monthly basis, benefit payments are netted out against contributions and the balance forwarded to the trust's custodian for investment.

Each year the NDPERS Board has an actuarial valuation performed. The current actuarial assumed rate of return on assets for the plan is 8.0%.

Responsibilities and Discretion of the State Investment Board (SIB)

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-02 and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

Fund fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

Delegation of Authority

Management responsibility for NDPERS funds not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies and procedures for the operation of the NDPERS funds, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1) (a).

2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:

    a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
    b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
    c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.

3. Guidelines for the selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).

4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

Investment Goals

The investment goals of the Fund have been established by the NDPERS Board based upon consideration of the Board's strategic objectives and a comprehensive review of the current and projected financial requirements. These goals are to be viewed over the long term.

Goal #1 Accumulate sufficient wealth through a diversified portfolio of investments which will enable the State of North Dakota to pay all current and future retirement benefits and expense obligations of the Fund.

Goal #2 To obtain an investment return in excess of that needed to allow for increases in a retiree's credit to maintain the purchasing power of their benefit.

Investment Performance Objective

The NDPERS Board will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement in federal and state law.

It is in the best interest of NDPERS and its beneficiaries that performance objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Statement of Investment Goals, Objectives and Policies.

a. The Fund's rate of return, over the long term, should equal that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.

b. The annual standard deviation of total returns for the Fund should not materially exceed that of the policy portfolio.

c. Over 5-year and longer periods the Fund should match or exceed the expected rate of return projected in the most recent asset/liability study without exceeding the expected risk for the period as measured by standard deviation.

Asset Allocation

In recognition of the plan's performance objectives, benefit projections, and capital market expectations, the NDPERS Board has established the following asset allocation:

Date of Last Asset Allocation Study: NDPERS Board Approved February 2009 – SEI Corporation

Domestic Large Cap	37%
Domestic Small Cap	9%
International Equities	14%
Core Plus Fixed Income	40%
Expected Return	8.4%
Standard Deviation of Returns	11.7%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

PERS requires that in implementing this asset allocation that the State Investment Board seek to maximize return within the scope of these policies while limiting investment costs.

Restrictions

A. No transaction may be made which threatens the tax exempt status of the Fund.

   Social Investing is defined as "The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

B. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   Economically targeted investing is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

C. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

   The Exclusive Benefit Rule is met if the following four conditions are satisfied:

(1) The cost does not exceed the fair market value at the time of investment.
(2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
(3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
(4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

Internal Controls

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

Evaluation

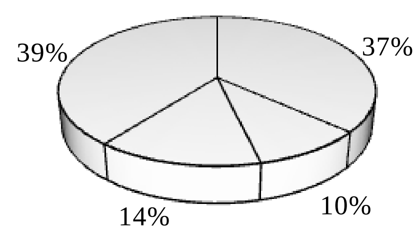
Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB;
- Compliance with these investment goals, objectives and policies;
- A general market overview and market expectations;
- A review of fund progress and its asset allocation strategy;
- A report on investment fees and the SIB's effort relating to Section 6. To measure investment cost PERS requires as part of the annual review information from CEM or other acceptable source showing the value added versus the cost.

❖Retiree Health Insurance Credit Fund
Actual Asset Allocation – June 30, 2015

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$ 35,760,182	37%	6.92%
Domestic Small Cap Equity	9,455,637	10%	5.54%
International Equity	13,908,709	14%	-3.43%
Core Plus Fixed Income	38,546,532	39%	1.02%
Total Fund	$97,671,060		3.06%
Policy Benchmark			3.57%



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ACTUARIAL SECTION

Segal Consulting

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October 16, 2015

Board of Trustees
North Dakota Teachers' Fund for Retirement
1930 Burnt Boat Drive
P.O. Box 7100
Bismarck, ND 58507-7100

Re: Actuarial Valuation as of July 1, 2015

Dear Trustees:

We certify that the information contained in this report is accurate and fairly presents the actuarial position of the North Dakota Teachers' Fund for Retirement (TFFR) as of July 1, 2015.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion the results presented also comply with the North Dakota Century Code, and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board (GASB). The undersigned are independent actuaries. All are Fellows of the Society of Actuaries, Enrolled Actuaries, and Members of the American Academy of Actuaries, and all are experienced in performing valuations for large public retirement systems. They all meet the Qualification Standards of the American Academy of Actuaries.

ACTUARIAL VALUATION

The primary purposes of the valuation report are to determine the adequacy of the current employer contribution rate, to describe the current financial condition of TFFR, and to analyze changes in TFFR's financial condition. In addition, the report provides information required by TFFR in connection with the Governmental Accounting Standards Board Statement No. 67 (GASB 67) and it provides various summaries of the data. Valuations are prepared annually, as of July 1 of each year, the first day of TFFR's plan and fiscal year.

FINANCING OBJECTIVES

The member and employer contribution rates are established by statute. Member and employer rates are 11.75% and 12.75%, respectively. The 11.75% member contribution rate and 12.75% employer contribution rate will remain in effect until TFFR is 100% funded on an actuarial basis. At that point, the employer and member contribution rates will revert to 7.75%.The rates are intended to be sufficient to pay TFFR's normal cost and to amortize TFFR's unfunded actuarial accrued liability (UAAL) over a period of 28 years beginning July 1, 2015, although at any given time the statutory rates may be insufficient.

Board of Trustees
North Dakota Teachers' Fund for Retirement
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PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

In order to determine the adequacy of the 12.75% statutory employer contribution rate, it is compared to the actuarially determined contribution (ADC). The ADC is equal to the sum of (a) the employer normal cost rate and (b) the level percentage of pay required to amortize the UAAL over the 30-year closed period that began July 1, 2013 (28 years remaining as of July 1, 2015). For this calculation, payroll is assumed to increase 3.25% per year. As of July 1, 2015, the ADC is 13.04%, compared to 11.57% last year. This is greater than the 12.75% rate currently required by law.

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) decreased from last year. The funded ratio at July 1, 2014, was 61.8%, while it is 61.6% as of July 1, 2015. Based on the market value of assets rather than the actuarial value of assets, the funded ratio decreased to 62.1%, compared to 66.6% last year.

The increase in ADC and decrease in funded ratio are primarily driven by changes to the actuarial assumptions that were adopted by the Board and effective July 1, 2015. A summary of the changes is shown in Section 1 of this report.

The Plan has a net asset gain of $17 million from previous years that has not yet been recognized in the actuarial value of assets because of the five-year smoothing. This unrecognized asset gain is due to market gains during FY 2013 and FY 2014 offset by market losses in FY 2012 and FY 2015. As these gains are recognized over the next four years, the funded ratio is expected to improve, assuming the plan earns 7.75% in the future.

REPORTING CONSEQUENCES

TFFR is required to disclose certain actuarial information in its Comprehensive Annual Financial Report (CAFR), including the Net Pension Liability (NPL), the sensitivity of the NPL to changes in the discount rate, a schedule of changes in NPL, and a comparison of actual contributions to the ADC. The State and the school districts need to comply with GASB 68, which also requires disclosure of certain actuarial information in their financial statements. This information will be provided in a separate report.

BENEFIT PROVISIONS

The actuarial valuation reflects the benefit and contribution provisions set forth in the North Dakota Century Code. These have not changed from the prior valuation.

ASSUMPTIONS AND METHODS

Actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the Plan's actuary. On April 30, 2015, the Board adopted new assumptions, effective for the July 1, 2015 valuation. In our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectation for the Plan.

Effective with the July 1, 2013, actuarial valuation, the Trustees adopted an Actuarial Funding Policy, which provides direction on how to calculate an actuarially determined contribution. The actuarially determined contribution is compared to statutory contribution rates as a measure of funding adequacy.

Board of Trustees
North Dakota Teachers' Fund for Retirement
October 16, 2015
Page 3

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates, and funding periods.

DATA

Member data for retired, active, and inactive participants was supplied as of July 1, 2015, by the staff of the Retirement and Investment Office (RIO). We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data. Asset information was also supplied by the RIO staff. That assistance is gratefully acknowledged.

CAFR SCHEDULES

The undersigned provided the information used to prepare all of the schedules and exhibits in this section except for the Schedule of Retirees and Beneficiaries, which was prepared by the Retirement and Investment Office staff.

We also provided the information shown on the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Contributions in the Financial Section.

Sincerely,

Kim Nicholl, FSA, MAAA, EA, FCA
Senior Vice President and Consulting Actuary

Matthew A. Strom, FSA, MAAA, EA
Vice President and Consulting Actuary

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SUMMARY OF ACTUARIAL VALUATION RESULTS

	2015	2014
Demographic Data for Plan Year Beginning July 1:		
• Number of		
- Retirees and Beneficiaries	8,025	7,747
- Inactive, Vested	1,607	1,509
- Inactive, Nonvested	660	661
- Active Members	10,514	10,305
• Payroll (annualized)	$589.8 million	$557.2 million
Statutory Contributions (% of Payroll) for Plan Year Beginning July 1:		
• Employer	12.75%	12.75%
• Member	11.75%	11.75%
• Actuarially determined contribution rate for year beginning July 1	13.04%	11.57%
• Margin/(Deficit)	-0.29%	1.18%
Assets:		
• Market value	$2,141.9 million	$2,091.0 million
• Actuarial value	2,125.0 million	1,940.5 million
• Return on market value (per actuary)	3.5%	16.1%
• Return on actuarial value	10.7%	12.6%
• Ratio - actuarial value to market value	99.2%	92.8%
• Net cash flow % relative to market value	-1.0%	-2.0%
Actuarial Information:		
• Normal cost %	11.63%	10.63%
• Normal cost	$72.8 million	$63.0 million
• Actuarial accrued liability	$3,449.8 million	$3,138.8 million
• Unfunded actuarial accrued liability (UAAL)	$1,324.8 million	$1,198.3 million
• Funded ratio	61.6%	61.8%
• Effective amortization period	29 years	24 years
GASB Information:		
• Discount rate	7.75%	8.00%
• Total pension liability	$3,449.8 million	$3,138.8 million
• Plan fiduciary net position	$2,141.9 million	$2,091.0 million
• Net pension liability	$1,307.9 million	$1,047.8 million
• Plan fiduciary net position as % of total pension liability	62.1%	66.6%
Gains/(Losses):		
• Asset experience	$51.9 million	$80.1 million
• Liability experience	(3.6) million	(8.9) million
• Benefit changes	0.0 million	0.0 million
• Assumption/method changes	171.3 million	0.0 million
• Total Gain/(Loss)	$(123.1) million	$71.2 million

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

The following actuarial assumptions and methods have been set by the TFFR Board, based upon recommendations made by the Plan's actuary, for both funding and financial reporting purposes. However, the investment return rate used for funding is net of investment expenses and administrative expenses, whereas the rate used for financial reporting is net of investment expenses only (per GASB Statement 67). These actuarial assumptions and methods are based on the results of an experience study dated April 30, 2015, effective for the July 1, 2015 valuation.

ACTUARIAL ASSUMPTIONS

1. Investment Return Rate — 7.75% per annum, compounded annually, equal to an assumed 2.75% inflation rate plus a 5.50% real rate of return, less 0.50% for expected investment and administrative expenses. (Adopted effective July 1, 2015)

2. Mortality Rates

Post-Retirement Non-Disabled*: RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. (Adopted effective July 1, 2015) Sample 2014 mortality rates are as follows:

Age	Male	Female
50	0.20%	0.14%
55	0.27%	0.17%
60	0.37%	0.24%
65	0.51%	0.37%
70	0.77%	0.58%
75	1.22%	0.95%
80	3.62%	2.82%
85	6.93%	5.40%
90	12.15%	9.56%
95	20.11%	16.30%
100	29.38%	25.11%

The mortality tables were then adjusted to future years using the generational projection to reflect future mortality improvement.

Post-Retirement Disabled*: RP-2014 Disabled Mortality Table set forward 4 years. (Adopted effective July 1, 2015)

Pre-Retirement Non-Disabled*: RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. (Adopted effective July 1, 2015)

**The mortality rates were based on historical and current demographic data, as used in the experience study dated April 30, 2015. The underlying tables reasonably reflect the mortality experience of the Fund as of the measurement date.*

Summary of Actuarial Assumptions and Methods (continued)

3. Retirement Rates

The following rates of retirement are assumed for members eligible to retire. (Adopted effective July 1, 2015)

	Unreduced Retirement*		Reduced Retirement
Age	Male	Female	Male/Female
50-54	15.00%	15.00%	
55-57	15.00%	15.00%	2.00%
58	15.00%	15.00%	3.00%
59	15.00%	15.00%	3.50%
60	15.00%	15.00%	4.00%
61	25.00%	25.00%	6.50%
62	35.00%	35.00%	9.00%
63	25.00%	30.00%	12.00%
64	35.00%	40.00%	12.00%
65	40.00%	50.00%	
66	30.00%	40.00%	
67	30.00%	30.00%	
68	25.00%	30.00%	
69	25.00%	30.00%	
70-74	25.00%	25.00%	
75	100.00%	100.00%	

** If a member reaches eligibility for unreduced retirement before age 65 under the rule of 85 (Grandfathered Tier 1) or the Rule of 90/Age 60 (Non-grandfathered Tier 1 and Tier 2), 10% is added to the rate at the age (and only this age) the member first becomes eligible for an unreduced retirement benefit.*

4. Disability Rates

Shown below for selected ages. (Adopted effective July 1, 2010)

Disabilities per 100 Members	
Age	Number
20	0.011
25	0.011
30	0.011
35	0.011
40	0.033
45	0.055
50	0.088
55	0.154
60	0.297

Summary of Actuarial Assumptions and Methods (continued)

5. Termination Rates

Termination rates based on service, for causes other than death, disability, or retirement. (Adopted effective July 1, 2015)

Years of Service	Male	Female
0	20.00%	20.00%
1	14.00%	12.00%
2	11.00%	9.00%
3	8.00%	7.00%
4	6.50%	6.00%
5	5.00%	5.00%
6	4.00%	4.00%
7	3.50%	3.50%
8	3.00%	3.00%
9	2.50%	2.50%
10	2.50%	2.50%
11	2.00%	2.50%
12	2.00%	2.50%
13	2.00%	2.50%
14	2.00%	2.50%
15-18	1.50%	2.00%
19	0.75%	2.00%
20-24	0.75%	1.50%
25 and over	0.75%	0.75%

Termination rates cut out at first retirement eligibility.

6. Salary Increase Rates

Inflation rate of 2.75% plus productivity increase rate of 1.50%, plus step-rate/promotional increase as shown below. (Adopted effective July 1, 2015)

Years of Service	Annual Step-Rate Promotional Component	Annual Total Salary Increase
0	10.25%	14.50%
1	3.50%	7.75%
2	3.25%	7.50%
3	3.00%	7.25%
4	2.75%	7.00%
5	2.50%	6.75%
6	2.25%	6.50%
7	2.00%	6.25%
8-9	1.75%	6.00%
10-11	1.50%	5.75%
12-13	1.25%	5.50%
14-15	1.00%	5.25%
16-18	0.75%	5.00%
19-22	0.50%	4.75%
23-24	0.25%	4.50%
25 & over	0.00%	4.25%

Summary of Actuarial Assumptions and Methods (continued)

7. Payroll Growth Rate	3.25% per annum. This assumption does not include any allowance for future increase in the number of members. (Adopted effective July 1, 2010)
8. Percent Married	For valuation purposes, 75% of members are assumed to be married. Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses. (Adopted effective July 1, 1992)
9. Percent Electing a Deferred Termination Benefit	Terminating members are assumed to elect the most valuable benefit at the time of termination. Termination benefits are assumed to commence at the first age at which unreduced benefits are available. (Adopted effective July 1, 1990)
10. Loading Factor for New Retirees	The liability includes a 3% load for members who retired during the year ended June 30, 2015, to reflect that their benefit is not finalized as of the valuation date.
11. Annual Administrative Expenses	Administrative expenses of $1,976,285 (actual expenses for the previous year, increased with inflation) are expected to be paid for the year beginning July 1, 2015.

Summary of Actuarial Assumptions and Methods (continued)

ASSET VALUATION METHOD

The actuarial value of assets is based on the market value of assets with a five-year phase-in of actual investment return in excess of (or less than) expected investment income. Expected investment income is determined using the assumed investment return rate and the market value of assets (adjusted for receipts and disbursements during the year). The actual investment return for this purpose is determined net of all investment and administrative expenses. The actuarial value is further adjusted, if necessary, to be within 20% of the market value.

ACTUARIAL COST METHOD

Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary. Entry age is determined as the age at member's enrollment in TFFR. The actuarial accrued liability is the difference between the total present value of future benefits and the actuarial present value of future normal costs. The unfunded actuarial accrued liability (UAAL) is the excess of the actuarial accrued liability over the actuarial value of assets. The actuarial cost method used is the same for funding and financial reporting.

AMORTIZATION PERIOD AND METHOD

The actuarial determined contribution (ADC) is determined as the sum of (a) the employer normal cost rate, and (b) a level percentage of payroll required to amortize the unfunded actuarial accrued liability over the 30-year closed period that began July 1, 2013.

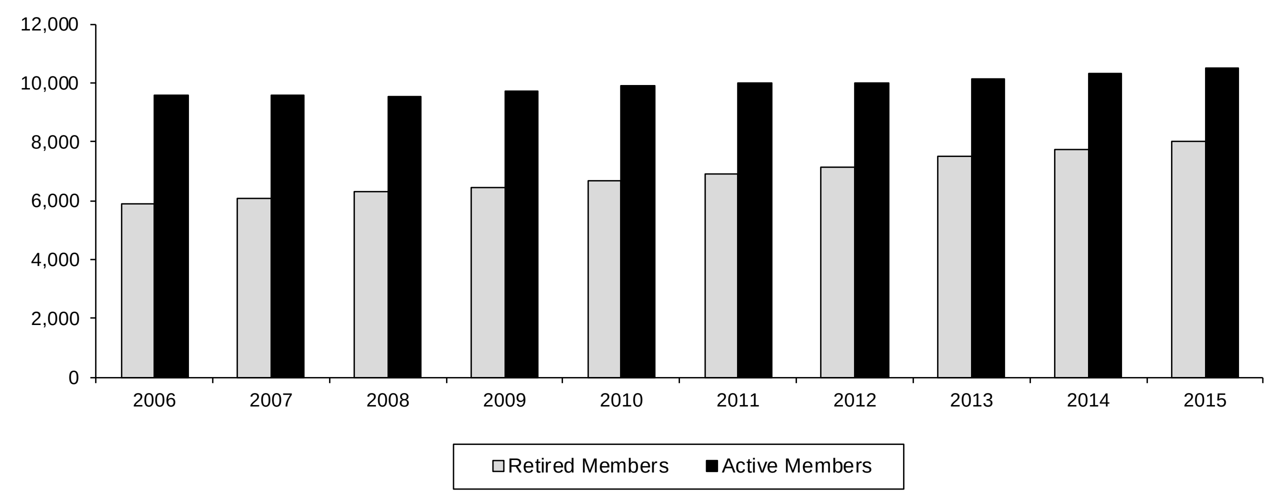
SCHEDULE OF ACTIVE MEMBERS

	Active Members		Covered Payroll (annualized)		Average Salary			
Valuation Year	Number	Percent Increase	Amount in $ Millions	Percent Increase	$ Amount	Percent Increase	Average Age	Average Service
2006	9,585	(2.2)	390.1	0.9	40,703	3.2	44.8	14.6
2007	9,599	0.1	401.3	2.9	41,810	2.7	44.7	14.5
2008	9,561	(0.4)	417.7	4.1	43,684	4.5	44.6	14.4
2009	9,707	1.5	440.0	5.3	45,327	3.8	44.5	14.3
2010	9,907	2.1	465.0	5.7	46,937	3.6	44.2	14.0
2011	10,004	1.0	488.8	5.1	48,857	4.1	43.9	13.8
2012	10,014	0.1	505.3	3.4	50,458	3.3	43.7	13.7
2013	10,138	1.2	526.7	4.2	51,953	3.0	43.2	13.2
2014	10,305	1.6	557.2	5.8	54,073	4.1	42.9	12.8
2015	10,514	2.0	589.8	5.8	56,095	3.7	42.5	12.4

SCHEDULE OF RETIREES AND BENEFICIARIES

Valuation Year	Number Added During Year	Annual Benefits Added (in mils)	Number Removed During Year	Annual Benefits Removed (in mils)	Number Receiving End of Year	Average Annual Benefit	Annual Pension Benefits (in mils)	Percent Increase In Annual Benefits
2006	501	$ 12.3	194	$ 2.0	5,893	$16,596	$91.8	8.6
2007	380	8.8	196	1.9	6,077	17,208	99.7	8.6
2008	406	9.4	166	1.9	6,317	17,724	106.5	6.8
2009	346	7.9	197	2.5	6,466	18,168	114.0	7.0
2010	406	10.1	200	2.0	6,672	18,768	124.5	9.2
2011	426	9.9	165	2.0	6,933	19,272	127.4	2.3
2012	416	10.2	198	2.3	7,151	19,968	135.3	6.1
2013	480	13.7	142	1.9	7,489	20,664	145.9	7.8
2014	461	14.3	203	2.5	7,747	21,396	158.4	8.5
2015	463	13.7	185	2.5	8,025	22,104	168.3	6.3

ACTIVE MEMBERS VS RETIRED MEMBERS
10-YEAR SUMMARY



ANALYSIS OF CHANGE IN ACTUARIALLY DETERMINED CONTRIBUTION (ADC)

	7/1/2015	7/1/2014
Prior valuation	11.57 %	10.26 %
Increases/(decreases) due to:		
Change in remaining amortization period	0.00 %	0.00 %
Change in covered payroll and normal cost	(0.23)%	(0.27)%
Employer contributions received at 12.75% rather than 11.57% for FY2015 and 10.75% rather than 10.26% for FY2014	(0.15)%	(0.05)%
Liability experience	0.04 %	0.25 %
Investment experience	(0.53)%	(0.62)%
Legislative changes	0.00 %	0.00 %
Change in actuarial assumptions	2.34 %	0.00 %
Adjustment to remove PV of increased employer statutory contributions from amortization payment	0.00 %	2.00 %
Total	1.47 %	1.31 %
Current valuation	13.04 %	11.57 %
Statutory employer contribution rate	12.75 %	12.75 %
Margin available	(0.29)%	1.18 %

DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)

	($ in millions)	
	7/1/2015	7/1/2014
UAAL at beginning of year	$ 1,198.3	$ 1,234.8
Normal cost	60.6	56.8
Total contributions	(152.4)	(121.0)
Interest on:		
UAAL and normal cost	100.7	103.3
Total contributions	(5.5)	(4.4)
Expected UAAL	$ 1,201.7	$ 1,269.5
Changes due to (gain)/loss from:		
Investments	$ (51.9)	$ (80.1)
Demographics	3.6	8.9
Change in actuarial assumptions	171.3	-
UAAL at end of year	$ 1,324.7	$ 1,198.3

SOLVENCY TEST

	Actuarial Accrued Liability (AAL) (in millions)				Portion of AAL Covered by Valuation Assets		
Valuation Year	Active Member Contributions	Retirees and Beneficiaries	Active/Inactive Members (Employer Financed)	Actuarial Value of Assets ($ in millions)	Active Member Contributions	Retirees and Beneficiaries	Active/Inactive Members (Employer Financed)
2006	$504.4	$ 929.1	$ 640.3	$1,564.0	100.0%	100.0%	20.4%
2007	526.9	1,000.1	682.3	1,750.1	100.0	100.0	32.7
2008	547.3	1,074.8	708.6	1,909.5	100.0	100.0	40.6
2009	576.8	1,134.2	734.8	1,900.3	100.0	100.0	25.8
2010	600.4	1,246.1	790.7	1,842.0	100.0	99.6	0.0
2011	626.0	1,332.1	791.6	1,822.6	100.0	89.8	0.0
2012	647.9	1,429.0	794.9	1,748.1	100.0	77.0	0.0
2013	671.1	1,551.7	774.3	1,762.3	100.0	77.6	0.0
2014	698.2	1,661.6	779.0	1,940.5	100.0	74.8	0.0
2015	737.5	1,874.7	837.6	2,125.0	100.0	74.0	0.0

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date July 1	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded/ Accrued Liability (UAAL)	Funded Ratio	Total Payroll (annualized)	UAAL as a % of Compensation
2006	$1,564.0	$2,073.9	$ 509.9	75.4%	$390.1	130.7%
2007	1,750.1	2,209.3	459.2	79.2	401.3	114.4
2008	1,909.5	2,330.6	421.1	81.9	417.7	100.8
2009	1,900.3	2,445.9	545.6	77.7	440.0	124.0
2010	1,842.0	2,637.2	795.2	69.8	465.0	171.0
2011	1,822.6	2,749.8	927.2	66.3	488.8	189.7
2012	1,748.1	2,871.9	1,123.8	60.9	505.3	222.4
2013	1,762.3	2,997.1	1,234.8	58.8	526.7	234.4
2014	1,940.5	3,138.8	1,198.3	61.8	557.2	215.1
2015	2,125.0	3,449.8	1,324.8	61.6	589.8	224.6

Please also refer to the Schedule of Employer Contributions in the required supplementary information to the financial statements on page 57.

SUMMARY OF PLAN PROVISIONS

1. Effective Date: July 1, 1971.

2. Plan Year: Twelve-month period ending June 30th.

3. Administration: The Teachers' Fund for Retirement (TFFR) is administered by a Board of Trustees. A separate State Investment Board is responsible for the investment of the trust assets, although the TFFR Board establishes the asset allocation policy. The TFFR Board is also responsible for establishing and maintaining a funding policy. The Retirement and Investment Office is the administrative agency for TFFR.

4. Type of Plan: TFFR is a qualified governmental defined benefit retirement plan. For Governmental Accounting Standards Board purposes, it is a cost-sharing multiple-employer public employee retirement system.

5. Eligibility: All certified teachers of any public school in North Dakota participate in TFFR. This includes teachers, supervisors, principals, administrators, etc. Non-certified employees such as teacher's aides, janitors, secretaries, drivers, etc. are not allowed to participate in TFFR. Eligible employees become members at their date of employment.

6. Member Contributions: All active members contribute 11.75% of their salary per year. The employer may "pick up" the member's contributions under the provisions of Internal Revenue Code Section 414(h). The member contribution rate was increased from 7.75% to 9.75% effective July 1, 2012, and was increased to 11.75% effective July 1, 2014. The total addition of 4% to the member contribution rate will remain in effect until TFFR is 100% funded on an actuarial basis. At that point, the member contribution rate will revert to 7.75%

7. Salary: The member's total earnings are used for salary purposes, including overtime, etc., and including nontaxable wages under a Section 125 plan, but excluding certain extraordinary compensation, such as fringe benefits or unused sick and vacation leave.

8. Employer Contributions: The district or other employer that employs a member contributes a percentage of the member's salary. This percentage consists of a base percentage of 7.75%, plus, since July 1, 2008, additions as shown below.

Effective Date	Addition to 7.75% Base Rate	Employer Contribution Rate
July 1, 2008	0.50%	8.25%
July 1, 2010	1.00%	8.75%
July 1, 2012	3.00%	10.75%
July 1, 2014	5.00%	12.75%

However, the additions are subject to a “sunset” provision, so the contribution rate will revert to 7.75% once the funded ratio reaches 100%, measured using the actuarial value of assets. The contribution rate will not automatically increase if the funded ratio later falls back below 100%.

Summary of Plan Provisions (continued)

9. Service: Employees receive credit for service while a member. A member may also purchase credit for certain periods, such as time spent teaching at a public school in another state, by paying the actuarially determined cost of the additional service. Special rules and limits govern the purchase of additional service.

10. Tiers: Members who join TFFR by June 30, 2008, are in Tier 1, while members who join later are in Tier 2. If a Tier 1 member terminates, takes a refund, and later rejoins TFFR after June 30, 2008, that member will be in Tier 2. As of June 30, 2013, Tier 1 members who are at least age 55 and vested (3 years of service) as of the effective date, or the sum of the member's age and service is at least 65, are considered Grandfathered, and previous plan provisions will not change. Tier 1 members who do not fit these criteria as of June 30, 2013, are considered Non-grandfathered. These members, along with Tier 2, will have new plan provisions, as described below.

11. Final Average Compensation (FAC): The average of the member's highest three (Tier 1 members) or five (Tier 2 members) plan year salaries. Monthly benefits are based on one-twelfth of this amount.

12. Normal Retirement

    a. Eligibility:
    - Tier 1 members may retire upon Normal Retirement on or after age 65 with credit for 3 years of service, or if earlier, when the sum of the member's age and service is at least 85. Effective as of June 30, 2013, Tier 1 members who are at least age 55 and vested (3 years of service) as of the effective date, or the sum of the member's age and service is at least 65, normal retirement eligibility will not change (participants are Grandfathered). For those who do not meet this criteria as of June 30, 2013 (Non-grandfathered), members may retire upon Normal Retirement on or after age 65 with credit for 3 years of service, or if earlier, when the sum of the member's age and service is at least 90, with a minimum age of 60.

    - Tier 2 members may retire upon Normal Retirement on or after age 65 with credit for 5 years of service, or if earlier, when the sum of the member's age and service is at least 90. Effective July 1, 2013, Tier 2 members may retire upon Normal Retirement on or after age 65 with credit for 5 years of service, or if earlier, when the sum of the member's age and service is at least 90, with a minimum age of 60.

    b. Monthly Benefit: 2.00% of FAC (monthly) times years of service.

    c. Payment Form: Benefits are paid as a monthly life annuity, with a guarantee that if the payments made do not exceed the member's assessments plus interest, determined as of the date of retirement, the balance will be paid in a lump-sum to the member's beneficiary. Optional forms of payment are available; see below.

13. Early Retirement

    a. Eligibility: Tier 1 members may retire early after reaching age 55 with credit for three years of service, while Tier 2 members may retire early after reaching age 55 with credit for five years of service.

Summary of Plan Provisions (continued)

b. Monthly Benefit: 2.00% of FAC (monthly) times years of service, multiplied by a factor which reduces the benefit 6% for each year from the earlier of (i) age 65, or (ii) the age at which current service plus age equals 85 (Tier 1 members) or 90 (Tier 2 members). Effective July 1, 2013, for members who are either Non-grandfathered Tier 1 or Tier 2: 2.00% of FAC (monthly) times years of service, multiplied by a factor which reduces the benefit 8% for each year from the earlier of (i) age 65, or (ii) the age at which current service plus age equals 90 with a minimum age of 60.

c. Payment Form: Same as for Normal Retirement above.

14. Disability Retirement

a. Eligibility: A member is eligible provided he/she has credit for at least one year of service. Effective July 1, 2013, a member is eligible provided he/she has credit for at least five years of service.

b. Monthly Benefit: 2.00% of FAC (monthly) times years of service with a minimum 20 years of service. Effective July 1, 2013, 2.00% of FAC (monthly) times years of service.

c. Payment Form: The disability benefit commences immediately upon the member's retirement. Benefits cease upon recovery or reemployment. Disability benefits are payable as a monthly life annuity with a guarantee that, at the member's death, the sum of the member's contributions plus interest as of the date of retirement that is in excess of the sum of payments already received will be paid in a lump-sum to the member's beneficiary.

d. All alternative forms of payment other than level income and the partial lump-sum option are also permitted in the case of disability retirement. For basis recovery only, disability benefits are converted to normal retirement benefits when the member reaches normal retirement age or age 65, whichever is earlier.

15. Deferred Termination Benefit

a. Eligibility: A Tier 1 member with at least three years of service, or a Tier 2 member with at least five years of service, who does not withdraw his/her contributions from the fund, is eligible for a deferred termination benefit.

b. Monthly Benefit: 2.00% of FAC (monthly) times years of service. Both FAC and service are determined at the time the member leaves active employment. Benefits may commence unreduced at age 65 or when the member's age and service is 85 (Grandfathered Tier 1 members) or 90 with a minimum age of 60 (Non-grandfathered Tier 1 and Tier 2 members). Reduced benefits may commence at or after age 55 if the member is not eligible for an unreduced benefit. Reductions are the same as for Early Retirement.

c. Payment Form: The form of payment is the same as for Normal Retirement above.

d. Death Benefit: A member who dies after leaving active service but before retiring is entitled to receive a benefit as described below in 17b.

16. Withdrawal (Refund) Benefit

a. Eligibility: Tier 1 members leaving covered employment with less than three years of service, and Tier 2 members leaving covered employment with less than five years of service, are eligible. Optionally, vested members may withdraw their contributions plus interest in lieu of the deferred benefits otherwise due.

Summary of Plan Provisions (continued)

b. Benefit: The member who withdraws receives a lump-sum payment of his/her employee contributions, plus the interest credited on these contributions. Interest is credited at 6% per year (0.5% per month).

17. Death Benefit

a. Eligibility: Death must have occurred while an active or an inactive, non-retired member.

b. Benefit: Upon the death of a nonvested member, a refund of the member's contributions and interest is paid. Upon the death of a vested member, the beneficiary may elect (i) the refund benefit above, or (ii) a life annuity of the normal retirement benefit, determined under Option One below, based on FAC and service as of the date of death, but without applying any reduction for the member's age at death. In determining the reduction for Option One, members not eligible for normal retirement benefits use the Fund's option tables for disabled members.

18. Optional Forms of Payment: There are optional forms of payment available on an actuarially equivalent basis, as follows:

a. Option 1 - A life annuity payable while either the participant or his beneficiary is alive, "popping-up" to the original life annuity if the beneficiary predeceases the member.

b. Option 2 - A life annuity payable to the member while both the member and beneficiary are alive, reducing to 50% of this amount if the member predeceases the beneficiary, and "popping-up" to the original life annuity if the beneficiary predeceases the member.

c. Option 3a - A life annuity payable to the member, with a guarantee that, should the member die prior to receiving 60 payments (five years), the payments will be continued to a beneficiary for the balance of the five-year period. (This option has been replaced by Option 3b. It is not available to employees who retire on or after August 1, 2003. Retirees who elected this option prior to that date are unaffected.)

d. Option 3b - A life annuity payable to the member, with a guarantee that, should the member die prior to receiving 240 payments (twenty years), the payments will be continued to a beneficiary for the balance of the twenty-year period. (This option replaced Option 3a effective August 1, 2003.)

e. Option 4 - A life annuity payable to the member, with a guarantee that, should the member die prior to receiving 120 payments (ten years), the payments will be continued to a beneficiary for the balance of the ten-year period.

f. Option 5 - A non-level annuity payable to the member, designed to provide a level total income when combined with the member's Social Security benefit. This option is not available to disabled retirees.

In addition, members may elect a partial lump-sum option (PLSO) at retirement. Under this option, a member receives an immediate lump-sum equal to 12 times the monthly life annuity benefit and a reduced annuity. The reduction is determined actuarially. The member can then elect to receive the annuity benefit in one of the other optional forms, except that members who receive a PLSO may not elect Option 5 – the level income option. The PLSO is not available to disabled retirees or retirees who are not eligible for an unreduced retirement benefit.

Actuarial equivalence is based on tables adopted by the Board of Trustees.

19. Cost-of-living Increase: From time to time, TFFR has been amended to grant certain post-retirement benefit increases. However, TFFR has no automatic cost-of-living increase features.

SUMMARY OF PLAN CHANGES

1991 Legislative Session:

1. Benefit multiplier increased from 1.275% to 1.39% for all future retirees.

2. Provide a post-retirement benefit increase for all annuitants receiving a monthly benefit on June 30, 1991. The monthly increase is the greater of a 10% increase or a level increase based on years of service and retirement date:

    a. $3 per year of service for retirements before 1980.
    b. $2 per year of service for retirements between 1980 and 1983.
    c. $1 per year of service for retirements from 1984 through June 30, 1991.

    Minimum increase is $5 per month. Maximum increase is $75 per month.

1993 Legislative Session:

1. Benefit multiplier increased from 1.39% to 1.55% for all future retirees.

2. Provide a post-retirement benefit increase for all annuitants receiving a monthly benefit on June 30, 1993. The monthly increase is the greater of a 10% increase or a level increase based on years of service and retirement date:

    a. $3 per year of service for retirements before 1980.
    b. $2.50 per year of service for retirements between 1980 and 1983.
    c. $1 per year of service for retirements from 1984 through June 30, 1993.

    Minimum increase is $5 per month. Maximum increase is $100 per month.

3. Minimum retirement benefit increased to $10 times years of service up to 25, plus $15 times years of service greater than 25. (Previously was $6 up to 25 years of service plus $7.50 over 25 years of service.)

4. Disability benefit changed to 1.55% of FAC times years of service using a minimum of 20 years of service.

1995 Legislative Session:

There were no material changes made during the 1995 legislative session.

1997 Legislative Session:

1. Benefit multiplier increased from 1.55% to 1.75% for all future retirees.

2. Member assessment rate and employer contribution rate increased from 6.75% to 7.75%.

3. A $30.00/month benefit improvement was granted to all retirees and beneficiaries.

Summary of Plan Changes (continued)

1999 Legislative Session:

1. Active members will now be fully vested after three years (rather than five years) of service.

2. Early retirement benefits will be reduced 6% per year from the earlier of (i) age 65, or (ii) the date as of which age plus service equals 85 (rather than from age 65 in all cases).

3. An ad hoc COLA was provided for all retirees and beneficiaries. This increase is equal to an additional $2 per month for each year of service plus $1 per month for each year since the member's retirement.

4. The formula multiplier was increased from 1.75% to 1.88% effective July 1, 1999.

2001 Legislative Session:

1. An ad hoc COLA was provided for all retirees and beneficiaries. The ad hoc COLA increase is equal to an additional $2.00 per month for each year of service plus $1.00 per month for each year since the member's retirement. Retirees and beneficiaries will also receive two additional increases equal to 0.75% times the monthly benefit, payable July 1, 2001 and July 1, 2002. The two 0.75% increases are conditional. If the actuarial margin is a shortfall, i.e., is negative, by 60 basis points or more, or if the margin has been negative by 30 or more basis points for two years, the Board could elect to suspend the increase.

2. The formula multiplier was increased from 1.88% to 2.00% effective July 1, 2001.

2003 Legislative Session:

1. Partial lump-sum option adopted, equal to twelve times the monthly life annuity benefit. Not available if level-income option is elected. Not available for reduced retirement or disability retirement.

2. Five-year certain and life option replaced with 20-year certain and life. This does not impact retirees who retired under the five-year certain and life option.

3. Employer service purchase authorized.

4. Active members of the Department of Public Instruction are permitted to make a one-time irrevocable election to transfer to the North Dakota Public Employees Retirement System in FY2004. Both assets and liabilities for all TFFR service will be transferred for electing employees. Transferred assets will be based on the actuarial present value of the member's accrued TFFR benefit, or the member's contribution account balance if larger.

2005 Legislative Session:

There were no material changes made during the 2005 legislative session.

Summary of Plan Changes (continued)

2007 Legislative Session:

1. For active members hired on or after July 1, 2008 (called Tier 2 members):

   a. Members will be eligible for an unreduced retirement benefit when they reach age 65 with at least five years of service (rather than three years of service); or if earlier, when the sum of the member's age and service is at least 90 (rather than 85).
   b. Members will be eligible for a reduced (early) retirement benefit when they reach age 55 with five years of service, rather than three years of service.
   c. Members will be fully vested after five years of service (rather than three years of service).
   d. The Final Average Compensation for Tier 2 members is the average of the member's highest five plan year salaries, rather than the average of the three highest salaries.

2. The employer contribution rate increases from 7.75% to 8.25% effective July 1, 2008, but this rate will reset to 7.75% once the Fund reaches a 90% funded ratio, measured using the actuarial value of asset. (If the funded ratio later falls below 90% again, the contribution rate will not automatically return to 8.25%.)

3. Employer contributions are required on the salary of reemployed retirees.

4. Active members of the Department of Career and Technical Education are permitted to make a one-time irrevocable election to transfer to the North Dakota Public Employees Retirement System in FY 2008. Both assets and liabilities for all TFFR service will be transferred for electing employees. Transferred assets will be the actuarial present value of the member's accrued TFFR benefit, or the member's contribution account balance, if larger.

2009 Legislative Session:

1. An individual who retired before January 1, 2009, and is receiving monthly benefits is entitled to receive a supplemental payment from the fund. The supplemental payment is equal to an amount determined by taking twenty dollars multiplied by the member's number of years of service credit plus fifteen dollars multiplied by the number of years since the member's retirement as of January 1, 2009. The supplemental payment may not exceed the greater of 10% of the member's annual annuity or $750.00. TFFR will make the supplemental payment in December 2009.

2. The employer contribution rate increases from 8.25% to 8.75% effective July 1, 2010, but this rate will be reset to 7.75% once the Fund reaches a 90% funded ratio, measured using the actuarial value of assets. (If the funded ratio later falls below 90% again, the contribution rate will not automatically return to 8.75%.)

2011 Legislative Session:

1. The employer contribution rate increases from 8.75% to 10.75% effective July 1, 2012, and increases thereafter to 12.75% effective July 1, 2014. The member contribution rate increases from 7.75% to 9.75% effective July 1, 2012, and increases thereafter to 11.75% effective July 1, 2014. Employer and member contributions will be reset to 7.75% once the Fund reaches a 90% funded ratio, measured using the actuarial value of assets.

2. Current Tier 1 members who, as of June 30, 2013, are vested (at least 3 years of service), and at least age 55, OR the sum of the member's age and service is at least 65, are considered a Tier 1 Grandfathered member. Current Tier 1 members, who do not meet this criteria as of June 30, 2013, are considered a Tier 1 Non-grandfathered member.

Summary of Plan Changes (continued)

3. Eligibility for normal/unreduced retirement benefits do not change for Tier 1 Grandfathered members. For Tier 1 Non-grandfathered and Tier 2 members, effective June 30, 2013, unreduced retirement benefits start when the member reaches age 65 and is vested (3 years for Tier 1 Non-grandfathered, 5 years for Tier 2); or if earlier, when the sum of the member's age and service is at least 90, with a minimum age of 60.

4. Early retirement benefits do not change for Tier 1 Grandfathered members. For Tier 1 Non-grandfathered and Tier 2 members, effective after June 30, 2013, the normal retirement benefit will be reduced by 8% per year from the earlier of age 65 OR the age at which the sum of the member's age and service is at least 90, with the minimum age of 60.

5. Effective after June 30, 2013, all members may retire on disability after a period of at least five years of service (rather than one year of service). The amount of the benefit is based on a 2% multiplier and actual service (rather than a minimum of twenty years of service in the current calculation).

6. Effect July 1, 2012, re-employed retirees are required to pay member contributions.

7. Effective August 1, 2011, beneficiary and death benefit provisions were updated, and the 60-month death payment benefit was removed.

2013 Legislative Session:

1. Employer and member contribution rates will be reset to 7.75% once the Fund reaches a 100% funded ratio (rather than the 90% funded ratio enacted with the 2011 Legislation), measured using the actuarial value of assets.

2. Various technical and administrative changes that do not have an actuarial effect on the Plan were enacted.

2015 Legislative Session:

1. Various technical and administrative changes that do not have an actuarial effect on the Plan were enacted

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STATISTICAL SECTION

This part of the Retirement and Investment Office's (RIO) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about RIO's overall financial health.

<u>**Contents**</u> <u>**Page**</u>

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CHANGES IN NET POSITION
PENSION TRUST FUND

ADDITIONS:

Fiscal Year	Member Contributions	Employer Contributions	Employer Contributions as a Percentage of Annual Covered Payroll	Investment and Other Income	Purchased Service Credit	Total Additions
2006	$ 31,171,156	$ 31,170,851	7.75	$ 220,713,886	$ 3,225,589	$ 286,281,482
2007	31,865,772	31,865,466	7.75	346,767,841	2,629,006	413,128,085
2008	33,237,677	33,683,550	7.75	(140,625,425)	3,636,528	(70,067,670)
2009	34,712,846	37,487,655	8.25	(492,738,080)	2,176,734	(418,360,845)
2010	36,848,481	39,836,646	8.25	179,066,695	1,413,481	257,165,303
2011	38,869,260	44,545,433	8.75	334,965,040	1,499,748	419,879,481
2012	40,254,562	46,126,193	8.75	(21,501,670)	2,417,995	67,297,080
2013	53,824,557	59,352,860	10.75	220,236,221	2,641,019	336,054,657
2014	56,554,767	62,355,146	10.75	294,294,215	2,034,289	415,238,417
2015	72,268,451	78,422,098	12.75	73,377,280	1,600,739	225,668,568

DEDUCTIONS:

Fiscal Year	Benefits Paid to Participants	Refunds	Administrative Charges	Total Deductions	Change in Net Position
2006	$ 91,818,092	$ 2,697,308	$ 1,620,623	$ 96,136,023	190,145,459
2007	99,737,905	3,328,931	1,592,060	104,658,896	308,469,189
2008	106,456,334	5,500,476	1,639,521	113,596,331	(183,664,001)
2009	113,966,079	2,362,251	1,707,506	118,035,836	(536,396,681)
2010	124,472,154	2,557,240	1,902,796	128,932,190	128,233,113
2011	127,435,564	2,210,738	2,003,705	131,650,007	288,229,474
2012	135,250,568	2,479,194	1,596,976	139,326,738	(72,029,658)
2013	145,943,323	3,053,395	1,623,638	150,620,356	185,434,301
2014	158,350,355	3,908,921	1,586,045	163,845,321	251,393,096
2015	168,349,762	3,889,671	1,923,392	174,162,825	51,505,743

BENEFIT AND REFUND DEDUCTIONS BY TYPE

	Annuity Payments					Refunds			
Fiscal Year	Service Retirements	PLSO Distributions	Disability Retirements	Beneficiaries	Total Annuity Payments	Separation	Death	Total Refunds	Total Benefit Expenses
2006	$ 84,795,930	$ 420,224	$ 950,658	$ 5,651,280	$ 91,818,092	$ 3,012,819	$ 316,112	$ 2,697,308	$ 94,515,400
2007	91,808,846	953,744	1,142,896	5,832,419	99,737,905	2,967,619	361,312	3,328,931	103,066,836
2008	98,381,551	692,139	1,296,946	6,085,698	106,456,334	5,154,211	346,265	5,500,476	111,956,810
2009	105,258,155	895,742	1,419,050	6,393,132	113,966,079	2,131,709	230,542	2,362,251	116,328,330
2010	115,203,349	821,478	1,440,481	7,006,846	124,472,154	2,300,466	256,774	2,557,240	127,029,394
2011	117,868,157	951,229	1,705,041	6,911,137	127,435,564	1,871,271	339,467	2,210,738	129,646,302
2012	125,721,931	532,104	1,685,206	7,311,327	135,250,568	2,296,492	182,702	2,479,194	137,729,762
2013	135,498,122	863,990	1,738,006	7,843,205	145,943,323	2,595,636	457,759	3,053,395	148,996,718
2014	147,286,889	820,463	1,960,290	8,282,713	158,350,355	3,090,345	799,326	3,908,921	162,259,276
2015	157,134,597	557,332	1,891,043	8,766,790	168,349,762	3,156,932	732,739	3,889,671	172,239,433

PRINCIPAL PARTICIPATING EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	2015			2006		
Participating Employer	**Covered Employees**	**Rank**	**% of Total System**	**Covered Employees**	**Rank**	**% of Total System**
Bismarck Public Schools	1,154	1	10.06%	936	2	9.15%
Fargo Public Schools	1,138	2	9.92%	979	1	9.57%
West Fargo Schools	836	3	7.29%	442	5	4.32%
Grand Forks Schools	800	4	6.98%	765	3	7.47%
Minot Schools	693	5	6.04%	599	4	5.85%
Mandan Public Schools	325	6	2.83%	271	6	2.65%
Dickinson Schools	282	7	2.46%	233	8	2.28%
Williston Schools	253	8	2.21%	177	9	1.73%
Jamestown Schools	214	9	1.87%	237	7	2.32%
Devils Lake Schools	174	10	1.52%	164	10	1.60%
All Other [1]	5,598		48.82%	5,432		53.07%
Total (216 & 246 employers) [2]	11,467		100.00%	10,235		100.00%

[1] In 2015 "all other" consisted of:

Type	Number	Employees
School Districts	167	5,329
County Superintendents	6	6
Special Education Units	19	354
Vocational Centers	5	54
State Agencies/Institutions	5	101
Other	4	25
Total	206	5,869

[2] This schedule includes all employees who earned service credit during the fiscal year. If an employee worked for more than one employer during the year, that employee is counted multiple times. The total differs from the actuary's total active members as the actuary's total only includes those employees who were active at the end of the fiscal year and only counts each individual one time.

SCHEDULE OF PARTICIPATING EMPLOYERS AT JUNE 30, 2015

School Districts
Alexander
Anamoose
Apple Creek Elementary
Ashley
Bakker Elementary
Barnes County North
Beach
Belcourt
Belfield
Beulah
Billings County School
Bismarck
Bottineau
Bowbells
Bowman
Burke Central
Carrington
Cavalier
Center-Stanton
Central Cass
Central Elementary
Central Valley
Dakota Prairie
Devils Lake
Dickinson
Divide
Drake
Drayton
Dunseith
Earl Elementary
Edgeley
Edmore
Eight Mile
Elgin/New Leipzig
Ellendale
Emerado Elementary
Enderlin Area School
Fairmount
Fargo
Fessenden-Bowdon
Finley-Sharon
Flasher
Fordville Lankin
Fort Ransom Elementary
Fort Totten
Fort Yates
Gackle-Streeter
Garrison
Glen Ullin
Glenburn
Goodrich
Grafton
Grand Forks
Grenora
Griggs County Central
Halliday
Hankinson
Harvey
Hatton
Hazelton – Moffit
Hazen
Hebron
Hettinger
Hillsboro
Hope
Horse Creek Elementary
Jamestown
Kenmare
Kensal
Kidder County School
Killdeer
Kindred
Kulm
Lakota
LaMoure
Langdon
Larimore
Leeds
Lewis and Clark
Lidgerwood
Linton
Lisbon
Litchville-Marion
Little Heart Elementary
Lone Tree Elementary
Maddock
Mandan
Mandaree
Manning Elementary
Manvel Elementary
Maple Valley
Mapleton Elementary
Marmarth Elementary
Max
Mayville – Portland CG
McClusky
McKenzie County School
Medina
Menoken Elementary
Midkota
Midway
Milnor
Minnewauken
Minot
Minto
Mohall-Lansford-Sherwood
Montpelier
Mott-Regent
Mt. Pleasant
Munich
Napoleon
Naughton Rural
Nedrose
Nesson
New Elementary
New England
New Rockford-Sheyenne
New Salem-Almont
New Town
Newburg United
North Border School
North Sargent
North Star
Northern Cass
Northwood
Oakes
Oberon Elementary
Page
Park River Area
Parshall
Pingree – Buchanan
Powers Lake
Richardton-Taylor
Richland
Robinson
Rolette
Roosevelt
Rugby
Sargent Central
Sawyer
Scranton
Selfridge
Solen-Cannonball
South Heart
South Prairie Elementary
St. John’s
St. Thomas
Stanley
Starkweather
Sterling
Strasburg
Surrey
Sweet Briar Elementary
TGU
Thompson

SCHEDULE OF PARTICIPATING EMPLOYERS (Continued)

School Districts (cont.)
Tioga
Turtle Lake – Mercer
Twin Buttes Elementary
Underwood
United
Valley-Edinburg
Valley City
Velva
Wahpeton
Warwick
Washburn
West Fargo
Westhope
White Shield
Williston
Wilton
Wing
Wishek
Wolford
Wyndmere
Yellowstone
Zeeland

Total School Districts 177

County Superintendents
Logan County
McKenzie County
Morton County
Nelson County
Slope County
Ward County
Total County Supts. 6

Special Education Units
Burleigh County Special Ed.
E Central Center for Exc. Children
GST Educational Services
James River Multidistrict Spec. Ed.
Lake Region Special Ed.
Lonetree Special Ed.
Northern Plains Special Ed.
Oliver – Mercer Special Ed.
Peace Garden Special Ed.
Pembina Spec. Ed. Co-Op
Rural Cass County Special Ed.
Sheyenne Valley Special Ed.
Souris Valley Special Ed.
South Central Prairie Special Ed.
South Valley Special Ed.
Southwest Special Ed.
Upper Valley Special Ed.
West River Student Services
Wil-Mac Special Ed.

Total Special Ed Units 19

Vocational Centers
N Central Area Career & Tech
North Valley Career & Tech Center
Roughrider Area Career & Tech
SE Region Career & Tech Center
Sheyenne Valley Area Voc Center

Total Vocational Centers 5

State Agencies & Institutions
ND Center for Distance Education
ND Dept. of Public Instruction
ND School for the Blind
ND School for the Deaf
ND Youth Correctional Center

Total State Agencies & Institutions 5

Other
Blessed John Paul II Cath. Schools
Great NW Cooperative
ND United
Roughrider Service Program

Total Other 4

Total Employers 216

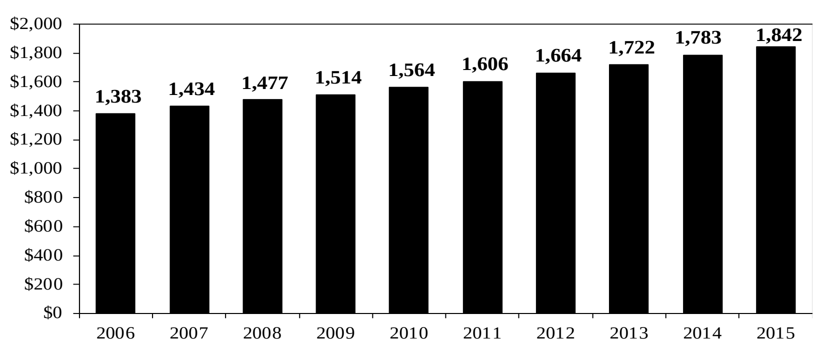
SCHEDULE OF RETIREES RESIDING IN NORTH DAKOTA BY COUNTY
AS OF JUNE 30, 2015

County	Number	Average Benefit	County	Number	Average Benefit	County	Number	Average Benefit
Adams	26	$ 1,745	Griggs	42	$ 1,705	Richland	132	$ 2,054
Barnes	150	2,017	Hettinger	28	1,838	Rolette	85	1,770
Benson	53	1,942	Kidder	34	1,664	Sargent	40	1,538
Billings	3	1,480	LaMoure	60	1,745	Sheridan	20	1,528
Bottineau	125	1,636	Logan	20	1,689	Sioux	4	750
Bowman	43	1,599	McHenry	74	1,911	Slope	3	1,355
Burke	41	1,548	McIntosh	38	1,756	Stark	210	1,886
Burleigh	836	2,058	McKenzie	55	2,060	Steele	19	1,905
Cass	1038	2,070	McLean	125	1,739	Stutsman	204	1,897
Cavalier	70	1,583	Mercer	103	2,014	Towner	30	1,619
Dickey	67	1,746	Morton	272	1,805	Traill	100	1,818
Divide	30	1,927	Mountrail	75	1,580	Walsh	148	1,766
Dunn	37	1,901	Nelson	57	1,610	Ward	563	1,953
Eddy	39	1,976	Oliver	18	1,767	Wells	60	1,750
Emmons	31	1,702	Pembina	94	1,954	Williams	175	1,963
Foster	42	2,047	Pierce	62	1,723	Out of State	1,576	1,529
Golden Valley	14	1,472	Ramsey	140	1,715			
Grand Forks	584	2,046	Ransom	54	1,661	GRAND TOTALS:	8,025	$ 1,842
Grant	34	1,442	Renville	42	1,895			

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

Valuation Year		Years of Service								
		< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	> 34	TOTAL
2006	Number of Retirees	74	195	436	417	627	1,254	1,750	1,140	5,893
	Average Monthly Benefit	208	302	399	607	938	1,351	1,804	1,938	1,383
	Average Years of Service	2.645	7	13	17	23	28	32	38	28
2007	Number of Retirees	77	206	437	418	643	1,310	1,843	1,143	6,077
	Average Monthly Benefit	207	299	404	634	982	1,415	1,850	2,012	1,434
	Average Years of Service	2.77	7	13	17	23	28	32	38	28
2008	Number of Retirees	83	222	451	421	670	1,363	1,938	1,169	6,317
	Average Monthly Benefit	220	310	410	656	1,025	1,471	1,897	2,066	1,477
	Average Years of Service	3	7	13	17	23	28	32	38	28
2009	Number of Retirees	90	243	450	420	692	1,410	2,008	1,153	6,466
	Average Monthly Benefit	216	308	417	670	1,074	1,515	1,942	2,120	1,514
	Average Final Average Salary	1,751	1,984	1,751	2,144	2,627	2,972	3,318	3,315	2,910
	Average Years of Service	3	7	13	17	23	28	32	38	28
2010	Number of Retirees	90	262	463	430	717	1,438	1,971	1,301	6,672
	Average Monthly Benefit	199	316	441	695	1,130	1,569	1,984	2,194	1,564
	Average Final Average Salary	1,695	2,034	1,901	2,253	2,761	3,100	3,403	3,427	3,018
	Average Years of Service	3	7	13	17	23	28	32	38	28
2011	Number of Retirees	99	291	475	446	746	1,494	2,148	1,234	6,933
	Average Monthly Benefit	203	316	457	719	1,182	1,626	2,015	2,306	1,606
	Average Final Average Salary	1,806	2,072	1,967	2,351	2,869	3,209	3,456	3,537	3,100
	Average Years of Service	3	7	12	17	23	28	32	38	27
2012	Number of Retirees	99	309	482	464	771	1,521	2,232	1,273	7,151
	Average Monthly Benefit	202	317	479	757	1,228	1,673	2,065	2,438	1,664
	Average Final Average Salary	1,973	2,118	2,120	2,507	3,008	3,322	3,570	3,740	3,235
	Average Years of Service	3	7	13	17	23	28	32	38	27
2013	Number of Retirees	105	330	493	497	806	1,571	2,322	1,365	7,489
	Average Monthly Benefit	225	331	496	799	1,275	1,717	2,113	2,558	1,722
	Average Final Average Salary	1,989	2,219	2,210	2,663	3,118	3,412	3,661	3,893	3,344
	Average Years of Service	3	7	13	17	23	28	32	38	27
2014	Number of Retirees	111	351	498	507	835	1,618	2,400	1,427	7,747
	Average Monthly Benefit	232	333	512	837	1,340	1,770	2,169	2,667	1,783
	Average Final Average Salary	2,072	2,274	2,308	2,826	3,266	3,522	3,754	4,018	3,456
	Average Years of Service	3	7	12	17	23	28	32	38	27
2015	Number of Retirees	115	373	513	527	869	1,656	2,492	1,480	8,025
	Average Monthly Benefit	229	339	530	857	1,385	1,822	2,232	2,788	1,842
	Average Final Average Salary	2,112	2,352	2,417	2,895	3,372	3,625	3,862	4,169	3,565
	Average Years of Service	3	7	12	17	23	28	32	38	27

Average Final Average Salary detail not available prior to 2009.



SCHEDULE OF RETIREES BY BENEFIT AMOUNT

Monthly Benefit Amount	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Under $200	231	228	224	215	215	199	193	185	177	171
200 to 399	465	462	464	464	471	466	475	470	461	460
400 to 599	449	443	454	473	489	500	517	539	552	590
600 to 799	392	402	417	418	436	446	469	506	527	563
800 to 999	402	408	410	409	410	410	417	419	420	423
1,000 to 1,199	511	522	533	518	515	527	529	538	540	542
1,200 to 1,399	527	532	535	525	524	514	505	498	493	492
1,400 to 1,599	590	587	591	573	574	556	550	534	519	498
1,600 to 1,799	619	615	607	592	568	550	525	510	483	449
1,800 to 1,999	599	599	586	570	557	526	513	499	474	438
2,000 to 2,199	557	537	522	501	474	445	412	377	338	310
2,200 to 2,399	484	462	435	409	394	381	353	329	287	258
2,400 to 2,599	398	377	349	325	313	287	267	250	228	190
2,600 to 2,799	347	320	303	281	267	237	208	185	160	150
2,800 to 2,999	309	301	261	227	200	178	155	144	126	102
3,000 & Over *								334	292	257
3,000 to 3,199	277	228	206	178	155	124	110			
3,200 to 3,399	210	178	147	124	91	84	70			
3,400 to 3,599	156	141	114	92	79	72	61			
3,600 to 3,799	132	101	83	72	55	46	41			
3,800 to 3,999	79	62	58	42	35	34	24			
4,000 & Over	291	242	190	143	111	90	72			
TOTAL	8,025	7,747	7,489	7,151	6,933	6,672	6,466	6,317	6,077	5,893

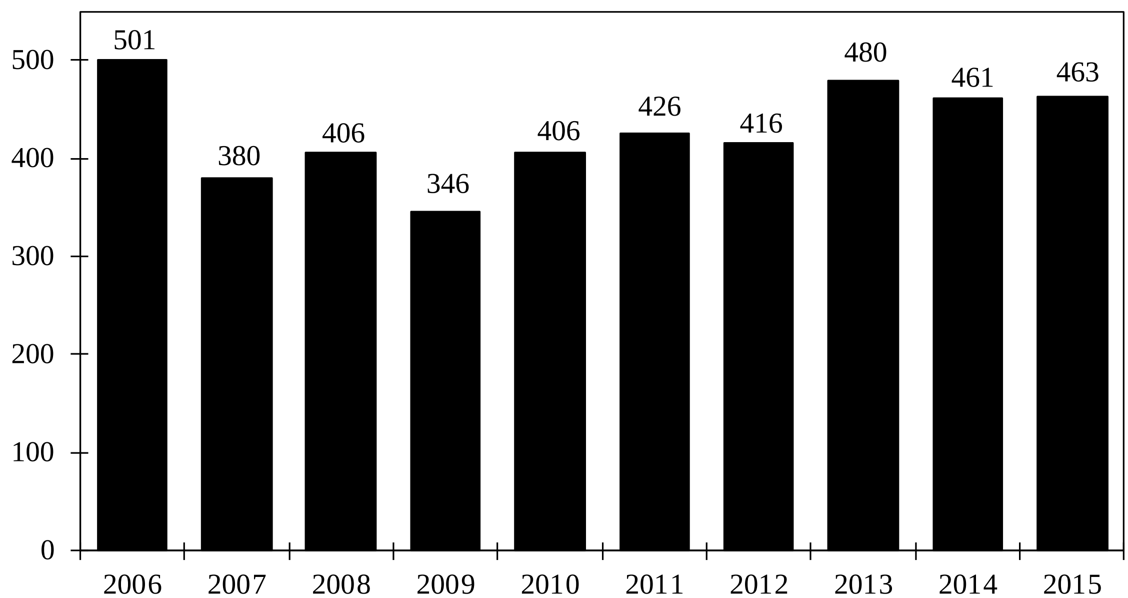
* Breakdown of data for monthly benefits > $3,000 is not available for years prior to 2009.

SCHEDULE OF RETIREES BY BENEFIT TYPE

Form of Payment	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Service:										
Straight Life	3,096	3,014	2,916	2,801	2,739	2,583	2,560	2,578	2,541	2,549
100% J&S	2,733	2,570	2,449	2,279	2,153	2,095	1,963	1,836	1,697	1,570
50% J&S	576	552	531	515	501	500	468	458	433	408
5 Years C&L	19	21	22	23	28	32	32	32	33	34
10 Years C&L	171	175	177	178	184	179	174	169	166	157
20 Years C&L	96	91	85	73	63	55	46	38	34	28
Level	559	568	574	579	584	585	590	584	580	567
Subtotal	7,250	6,991	6,754	6,448	6,252	6,029	5,833	5,695	5,484	5,313
Disability:										
Straight Life	105	105	103	96	97	88	85	81	73	66
100% J&S	12	13	12	13	11	11	13	12	12	11
50% J&S	8	7	6	8	8	7	6	5	4	4
5 Years C&L	1	2	2	2	2	2	2	2	2	2
10 Years C&L	0	-	-	-	1	2	1	1	1	1
20 Years C&L	2	2	1	1	1	1	1	1	1	1
Subtotal	128	129	124	120	120	111	108	102	93	85
Beneficiaries:										
Straight Life	631	612	599	571	545	522	513	506	482	475
5 Years Certain Only	2	2	2	2	6	6	6	9	11	8
10 Years Certain Only	9	9	9	9	9	3	5	5	7	12
20 Years Certain Only	5	4	1	1	1	1	1	0	0	0
Subtotal	647	627	611	583	561	532	525	520	500	495
TOTAL	8,025	7,747	7,489	7,151	6,933	6,672	6,466	6,317	6,077	5,893

SCHEDULE OF NEW RETIREES BY TYPE

Valuation Year	Retirement	Disability	Beneficiary	Total
2006	466	8	27	501
2007	332	8	40	380
2008	357	10	39	406
2009	304	8	34	346
2010	366	8	32	406
2011	370	12	44	426
2012	371	7	38	416
2013	425	11	44	480
2014	407	7	47	461
2015	415	5	43	463



PAYMENTS TO INVESTMENT CONSULTANTS FOR FISCAL YEARS ENDED JUNE 30

PENSION INVESTMENT POOL

	2015	2014	2013	2012	2011
INVESTMENT MANAGERS					
Global Equity:					
Calamos Advisors LLC	$ -	$ 191,300	$ 386,180	$ 189,743	$ -
Epoch Investment Partners	2,023,872	1,940,561	1,412,498	1,232,302	-
LSV Asset Management *	3,643,600	3,789,558	1,366,232	-	-
Total Global Equity	5,667,472	5,921,419	3,164,910	1,422,045	-
Domestic Large Cap Equity:					
AllianceBernstein Capital Management *	-	-	-	-	48,771
Parametric Clifton *	3,940	21,044	(139,667)	186,582	125,676
Declaration Management & Research LLC *	-	-	-	138,223	138,832
Epoch Investment Partners	-	-	-	565,569	2,493,467
European Credit Management *	-	-	-	-	229,619
Los Angeles Capital Management *	903,165	1,470,279	903,986	749,333	1,086,050
LSV Asset Management	-	-	441,745	628,401	633,088
Northern Trust Asset Management *	285,132	799,906	279,317	294,405	-
Prudential Investment Management *	-	-	-	66,984	91,728
Total Domestic Large Cap Equity	1,192,237	2,291,229	1,485,381	2,629,497	4,847,231
Domestic Small Cap Equity:					
Callan Associates Inc.	633,323	833,802	834,282	984,147	1,168,384
Parametric Clifton *	452,665	434,565	665,402	543,810	789,856
Corsair Capital *	-	-	-	-	676,944
Total Domestic Small Cap Equity	1,085,988	1,268,367	1,499,684	1,527,957	2,635,184
Developed International Equity:					
Capital Guardian Trust Company	509,570	417,810	307,729	291,582	313,271
The Clifton Group	-	88,357	172,768	163,014	105,236
Dimensional Fund Advisors	495,410	481,941	380,923	354,025	383,099
LSV Asset Management	-	-	286,530	522,100	579,826
Northern Trust Asset Management	83,991	41,760	-	-	-
State Street Global Advisors	-	23,910	248,591	293,343	324,700
Wellington Trust Company, NA	712,517	705,784	561,117	498,023	505,226
Total Developed International Equity	1,801,488	1,759,562	1,957,658	2,122,087	2,211,358
Emerging Markets Equity:					
Axiom International Investors	965,372	-	-	-	-
BlackFriars Asset Management	-	-	-	134,724	187,073
Capital International *	-	-	-	-	500,024
Dimensional Fund Advisors	237,037	219,392	235,763	238,500	297,930
J.P. Morgan Investment Management, Inc.	16,647	188,645	267,068	241,094	833,936
Northern Trust Asset Management	34,682	84,874	28,323	-	-
PanAgora Asset Management, Inc.	-	52,302	116,010	160,326	220,209
UBS Global Asset Management	-	88,171	291,475	244,015	230,871
Total Emerging Markets Equity	1,253,738	633,384	938,639	1,018,659	2,270,043

PAYMENTS TO INVESTMENT CONSULTANTS
FOR FISCAL YEARS ENDED JUNE 30

PENSION INVESTMENT POOL (Continued)

	2015	2014	2013	2012	2011
INVESTMENT MANAGERS (cont.)					
Private Equity:					
Adams Street Partners *	567,390	1,905,053	991,683	1,164,226	782,707
Capital International *	691,023	692,462	768,528	807,471	-
Coral Partners, Inc. *	-	45,836	129,958	174,802	272,143
Corsair Capital *	697,648	699,007	736,919	735,968	-
EIG Global Energy Partners *	272,048	286,426	365,606	448,379	-
Hearthstone Homebuilding Investors, LLC *	-	-	566	22,020	83,633
InvestAmerica L&C, LLC *	515,216	506,227	536,928	540,063	521,797
Matlin Patterson Global Opportunities, LLC *	265,398	239,020	(427,781)	1,506,228	613,794
Quantum Energy Partners *	117,658	866,226	844,935	196,790	205,649
Quantum Resources Management *	21,916	43,659	52,006	123,099	133,663
Total Private Equity	3,148,297	5,283,916	3,999,348	5,719,046	2,613,386
Investment Grade Fixed Income:					
Bank of North Dakota	-	-	24,323	49,262	37,455
Calamos Advisors LLC	-	-	-	189,726	412,998
Declaration Management & Research LLC *	354,224	362,017	350,673	82,705	-
The Clifton Group*	-	-	-	-	-
J.P. Morgan Investment Management, Inc.	187,706	-	-	58,957	1,291,500
PIMCO *	1,874,275	3,340,986	6,296,078	600,343	2,399,875
Prudential Investment Management	-	-	-	133,059	169,688
SEI Investments Management Co.	-	-	-	58,459	50,081
State Street Global Advisors	37,074	23,979	992	-	-
Timberland Investment Resources *	-	-	-	-	803,522
Wells Capital Management, Inc.	-	-	-	97,351	122,662
Western Asset Management Company	42,533	178,762	182,317	159,487	101,609
Total Investment Grade Fixed Income	2,495,812	3,905,744	6,854,383	1,429,349	5,389,390
Below Investment Grade Fixed Income:					
Goldman Sachs Asset Management *	429,787	583,611	754,745	594,279	1,419,792
Loomis Sayles & Company	1,121,922	1,053,137	882,685	732,709	735,467
PIMCO *	1,353,712	69,443	2,075,630	927,600	1,715,456
EIG Global Energy Partners *	-	-	-	-	1,396,590
Total Below Investment Grade Fixed Income	2,905,421	1,706,191	3,713,060	2,254,588	5,267,305
Developed International Fixed Income:					
UBS Global Asset Management	344,541	315,675	285,673	260,945	246,055
Brandywine Asset Management	486,017	447,343	427,725	403,408	408,030
Total Developed International Fixed Income	830,558	763,018	713,398	664,353	654,085
Real Estate:					
INVESCO Realty Advisors *	3,352,638	2,394,225	2,104,737	1,312,204	1,174,449
J.P. Morgan Investment Management, Inc. *	1,838,780	1,735,021	1,941,237	2,027,278	2,052,612
Total Real Estate	5,191,418	4,129,246	4,045,974	3,339,482	3,227,061

PAYMENTS TO INVESTMENT CONSULTANTS
FOR FISCAL YEARS ENDED JUNE 30

PENSION INVESTMENT POOL (Continued)

	2015	2014	2013	2012	2011
INVESTMENT MANAGERS (cont.)					
Timber:					
Timberland Investment Resources *	695,255	747,283	771,816	1,036,397	-
Infrastructure:					
Grosvenor (formerly Credit Suisse) *	761,185	(39,829)	443,767	472,826	-
J.P. Morgan Investment Management, Inc.*	1,515,953	1,540,242	1,643,680	1,679,799	-
Total Infrastructure	2,277,138	1,500,413	2,087,447	2,152,625	-
Cash Equivalents:					
The Northern Trust Company, Inc.	65,340	61,796	60,936	72,836	62,646
Total Investment Manager Fees	28,610,162	29,971,568	31,292,634	25,388,921	29,177,689
INVESTMENT CUSTODIAN					
The Northern Trust Company, Inc	476,210	655,257	573,140	518,376	625,684
INVESTMENT CONSULTANTS					
Adams Street Partners	147,024	149,210	221,839	-	-
Callan Associates Inc.	230,922	237,304	206,020	215,043	270,183
Total Investment Consultants	377,946	386,514	427,859	215,043	270,183
SIB SERVICE FEES	32,030	29,694	30,505	31,573	52,758
SECURITIES LENDING FEES					
Rebates	-	-	-	(13,940)	(178,234)
Fees	-	-	-	6,821	100,629
Total Securities Lending Fees	-	-	-	(7,119)	(77,605)

PAYMENTS TO INVESTMENT CONSULTANTS
FOR FISCAL YEARS ENDED JUNE 30

INSURANCE INVESTMENT POOL

	2015	2014	2013	2012	2011
INVESTMENT MANAGERS					
Domestic Large Cap Equity:					
Parametric Clifton *	$ 125,535	$ 91,661	$ 35,780	$ 53,176	$ 121,697
Los Angeles Capital Management *	806,792	502,980	182,394	162,237	263,933
LSV Asset Management	764,278	321,710	158,764	131,769	105,431
Total Domestic Large Cap Equity	1,696,605	916,351	376,938	347,182	491,061
Domestic Small Cap Equity:					
Parametric Clifton *	1,096,485	307,732	129,312	122,062	158,649
Research Affiliates	303,313	219,926	138,437	129,831	132,438
Total Domestic Small Cap Equity	1,399,798	527,658	267,749	251,893	291,087
International Equity:					
Capital Guardian Trust Company	1,158,305	505,274	239,917	189,258	205,361
Dimensional Fund Advisors	466,024	182,738	70,574	69,190	78,546
LSV Asset Management	1,257,835	549,302	228,459	194,826	213,049
The Vanguard Group	271,480	129,150	45,054	37,739	48,043
Total International Equity	3,153,644	1,366,464	584,004	491,013	544,999
Domestic Fixed Income:					
Bank of North Dakota	-	-	56,395	65,084	60,984
Declaration Management & Research LLC	711,401	382,078	268,169	194,885	166,415
PIMCO *	2,492,526	2,189,998	4,806,203	1,836,119	-
Prudential Investment Management	474,211	286,136	204,186	190,576	174,060
State Street Global Advisors	90,132	60,760	2,309	-	-
Wells Capital Management, Inc.	1,137,478	822,098	613,148	583,784	538,689
Western Asset Management Company	866,068	553,056	376,703	398,326	446,627
Total Domestic Fixed Income	5,771,816	4,294,126	6,327,113	3,268,774	1,386,775
Diversified Real Assets:					
Grosvenor (formerly Credit Suisse) *	513,926	(19,915)	221,884	720,652	-
J.P. Morgan Investment Management, Inc.	839,294	686,158	717,674	782,238	883,330
Northern Trust Asset Management *	-	-	-	-	385
Timberland Investment Resources *	516,091	507,992	507,622	507,528	451,705
Western Asset Management Company *	401,110	340,795	335,329	314,239	312,798
Total Inflation Protected Assets	2,270,421	1,515,030	1,782,509	2,324,657	1,648,218
Real Estate:					
INVESCO Realty Advisors	429,567	234,851	124,733	-	-
J.P. Morgan Investment Management, Inc.	1,509,756	1,004,205	782,809	1,073,000	950,339
Total Real Estate	1,939,323	1,239,056	907,542	1,073,000	950,339

PAYMENTS TO INVESTMENT CONSULTANTS
FOR FISCAL YEARS ENDED JUNE 30

INSURANCE INVESTMENT POOL (Continued)

	2015	2014	2013	2012	2011
INVESTMENT MANAGERS (cont.)					
Short Term Fixed Income:					
Babson Capital Management LLC	521,304	984,722	758,881	292,383	-
J.P. Morgan Investment Management, Inc.	344,082	577,441	477,048	207,366	-
Prudential Investment Management*	-	-	-	64,534	217,963
Total Short Term Fixed Income	865,386	1,562,163	1,235,929	564,283	217,963
Cash Equivalents:					
The Northern Trust Company, Inc.	136,209	163,876	-	-	-
Total Investment Manager Fees	17,233,202	11,584,724	11,481,784	8,320,802	5,530,442
INVESTMENT CUSTODIAN					
The Northern Trust Company, Inc	496,506	486,404	401,511	281,339	301,194
INVESTMENT CONSULTANTS					
Callan Associates	254,898	148,256	113,813	114,109	110,094
Novarca	15,688	-	-	-	-
R.V. Kuhns & Associates, Inc.	-	-	70,000	-	-
Total Investment Consultants	270,586	148,256	183,813	114,109	110,094
SIB SERVICE FEES	12,516	10,450	9,656	7,078	10,408
SECURITIES LENDING FEES					
Rebates	-	-	-	(3,908)	(59,839)
Fees	-	-	-	1,973	32,546
Total Securities Lending Fees	-	-	-	(1,935)	(27,293)

INDIVIDUAL INVESTMENT ACCOUNT – PERS RETIREE HEALTH CREDIT

	2015	2014	2013	2012	2011
INVESTMENT MANAGERS					
SEI Investments Management	$ 402,347	$ 352,919	$ 294,454	$ 249,704	$ 224,707
INVESTMENT CUSTODIAN					
The Northern Trust Company, Inc	8,387	2,620	705	706	1,027
SIB SERVICE FEES	10,646	8,353	7,171	7,240	7,813

*Indicates fee schedule for this account includes some form of performance based fees.

See reconciliation of current year investment expenses to financial statements on page 67.

The Legacy Fund was part of the Insurance Investment Pool for most of FY2015, therefore all of the fees for that fund are reflected in the Insurance Investment Pool on this schedule for the entire year. The breakdown for the Legacy Fund by asset class can be found on page 82.

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

PENSION INVESTMENT POOL

	2015	2014	2013	2012	2011
Public Employees Retirement System					
Net position beginning of year *	$ 2,328,985,200	$ 1,998,564,252	$ 1,772,254,556	$ 1,800,337,484	$ 1,510,006,420
Net change in fair value of investments	46,174,788	293,366,241	200,819,548	(40,138,712)	288,857,273
Interest, dividends and other income	45,848,042	40,924,671	44,790,884	43,094,734	35,540,149
Expenses	8,177,030	8,429,942	6,911,611	6,550,593	6,904,640
Net securities lending income	-	-	-	11,643	188,282
Net change in net position resulting from unit transactions	6,100,000	4,650,000	(12,389,125)	(24,500,000)	(27,350,000)
Net position end of year	$ 2,418,931,000	$ 2,329,075,222	$ 1,998,564,252	$ 1,772,254,556	$ 1,800,337,484
City of Bismarck Employees Pension Plan					
Net position beginning of year	$ 78,675,585	$ 68,738,254	$ 61,115,742	$ 53,487,752	$ 44,536,966
Net change in fair value of investments	1,640,168	8,799,404	6,237,415	176,642	7,976,275
Interest, dividends and other income	1,580,510	1,414,916	1,613,666	1,664,728	1,176,167
Expenses	277,192	276,989	228,569	213,743	206,459
Net securities lending income	-	-	-	363	4,803
Net change in net position resulting from unit transactions	-	-	-	6,000,000	-
Net position end of year	$ 81,619,071	$ 78,675,585	$ 68,738,254	$ 61,115,742	$ 53,487,752
City of Bismarck Police Pension Plan					
Net position beginning of year	$ 34,585,870	$ 30,034,601	$ 26,558,055	$ 24,487,442	$ 20,256,072
Net change in fair value of investments	683,609	4,059,353	2,898,709	(10,241)	3,805,226
Interest, dividends and other income	686,314	615,490	680,528	673,595	517,733
Expenses	121,765	123,574	102,691	92,910	93,931
Net securities lending income	-	-	-	169	2,342
Net change in net position resulting from unit transactions	-	-	-	1,500,000	-
Net position end of year	$ 35,834,028	$ 34,585,870	$ 30,034,601	$ 26,558,055	$ 24,487,442
Job Service of North Dakota					
Net position beginning of year	$ 97,682,159	$ 90,359,858	$ 84,680,884	$ 85,717,233	$ 77,650,186
Net change in fair value of investments	1,818,431	10,466,656	7,978,316	456,149	10,200,840
Interest, dividends and other income	1,721,361	1,725,637	2,248,708	2,908,939	2,068,491
Expenses	279,285	304,454	242,783	264,891	277,752
Net securities lending income	-	-	-	509	7,844
Net change in net position resulting from unit transactions	(4,672,143)	(4,565,538)	(4,305,267)	(4,137,055)	(3,932,376)
Net position end of year	$ 96,270,523	$ 97,682,159	$ 90,359,858	$ 84,680,884	$ 85,717,233
City of Fargo Employee Pension Plan					
Net position beginning of year	$ 9,653	$ 34,092,918	$ 29,522,766	$ 28,804,055	$ 24,534,685
Net change in fair value of investments	-	3,209,058	3,464,908	(294,620)	4,700,965
Interest, dividends and other income	12	312,254	763,619	688,900	574,934
Expenses	50	50,674	112,375	100,760	109,591
Net securities lending income	-	-	-	191	3,062
Net change in net position resulting from unit transactions	(8,156)	(37,553,903)	454,000	425,000	(900,000)
Net position end of year	$ 1,459	$ 9,653	$ 34,092,918	$ 29,522,766	$ 28,804,055

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

PENSION INVESTMENT POOL (Continued)

	2015	2014	2013	2012	2011
City of Grand Forks Pension Plan					
Net position beginning of year	$ 57,805,527	$ 50,088,805	$ 43,890,145	$ 43,013,441	$ 34,915,157
Net change in fair value of investments	1,108,806	7,198,621	4,988,932	(429,165)	6,821,525
Interest, dividends and other income	1,076,573	947,544	1,104,377	1,003,146	818,617
Expenses	187,677	198,607	162,026	151,256	153,222
Net securities lending income	-	-	-	264	4,499
Net change in net position resulting from unit transactions	(655,938)	(230,836)	267,377	453,715	606,865
Net position end of year	$ 59,147,291	$ 57,805,527	$ 50,088,805	$ 43,890,145	$ 43,013,441
Grand Forks Park District Pension Plan					
Net position beginning of year	$ 5,930,656	$ 5,104,575	$ 4,490,835	$ 4,413,772	$ 3,570,354
Net change in fair value of investments	167,018	768,855	561,321	(60,414)	685,078
Interest, dividends and other income	100,269	82,159	97,383	111,050	73,134
Expenses	17,396	18,886	14,622	14,575	16,348
Net securities lending income	-	-	-	34	621
Net change in net position resulting from unit transactions	(153,078)	(6,047)	(30,342)	40,968	100,933
Net position end of year	$ 6,027,469	$ 5,930,656	$ 5,104,575	$ 4,490,835	$ 4,413,772

INSURANCE INVESTMENT POOL

	2015	2014	2013	2012	2011
Workforce Safety & Insurance Fund					
Net position beginning of year *	$ 1,703,113,129	$ 1,556,724,746	$ 1,433,799,144	$ 1,349,820,999	$ 1,211,055,668
Net change in fair value of investments	19,423,177	147,114,353	75,120,636	39,444,727	119,651,617
Interest, dividends and other income	40,772,394	36,959,249	48,176,241	47,896,009	44,585,328
Expenses	4,436,100	4,118,600	4,871,275	4,869,959	5,091,768
Net securities lending income	-	-	-	7,368	120,154
Net change in net position resulting from unit transactions	2,500,000	(33,500,000)	4,500,000	1,500,000	(20,500,000)
Net position end of year	$ 1,761,372,600	$ 1,703,179,748	$ 1,556,724,746	$ 1,433,799,144	$ 1,349,820,999
State Fire & Tornado Fund					
Net position beginning of year *	$ 29,208,127	$ 26,614,418	$ 24,503,500	$ 25,159,062	$ 26,360,103
Net change in fair value of investments	249,666	2,812,662	1,873,759	387,069	2,819,526
Interest, dividends and other income	513,284	634,670	803,166	819,440	953,119
Expenses	45,491	52,464	66,007	62,242	77,003
Net securities lending income	-	-	-	171	3,317
Net change in net position resulting from unit transactions	(6,525,000)	(800,000)	(500,000)	(1,800,000)	(4,900,000)
Net position end of year	$ 23,400,586	$ 29,209,286	$ 26,614,418	$ 24,503,500	$ 25,159,062
State Bonding Fund					
Net position beginning of year *	$ 3,269,043	$ 3,141,217	$ 3,056,345	$ 2,901,517	$ 2,763,321
Net change in fair value of investments	(3,765)	81,431	16,248	80,255	59,619
Interest, dividends and other income	43,443	50,268	73,189	79,056	83,032
Expenses	3,575	3,744	4,565	4,493	4,578
Net securities lending income	-	-	-	10	123
Net change in net position resulting from unit transactions	(125,000)	-	-	-	-
Net position end of year	$ 3,180,146	$ 3,269,172	$ 3,141,217	$ 3,056,345	$ 2,901,517

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

INSURANCE INVESTMENT POOL (Continued)

	2015	2014	2013	2012	2011
Petroleum Tank Release Compensation Fund					
Net position beginning of year *	$ 7,092,048	$ 6,838,697	$ 6,762,398	$ 6,447,257	$ 6,624,103
Net change in fair value of investments	(10,166)	160,709	35,781	161,701	150,874
Interest, dividends and other income	86,302	99,366	148,726	161,523	181,494
Expenses	6,198	6,443	8,208	8,101	9,480
Net securities lending income	-	-	-	18	266
Net change in net position resulting from unit transactions	-	-	(100,000)	-	(500,000)
Net position end of year	$ 7,161,986	$ 7,092,329	$ 6,838,697	$ 6,762,398	$ 6,447,257
Insurance Regulatory Trust Fund					
Net position beginning of year *	$ 1,146,179	$ 1,043,935	$ 962,611	$ 3,671,634	$ 4,115,864
Net change in fair value of investments	(21,102)	87,259	61,472	(49,067)	205,758
Interest, dividends and other income	13,845	17,515	22,735	43,279	55,377
Expenses	2,947	2,485	2,883	3,255	5,621
Net securities lending income	-	-	-	20	256
Net change in net position resulting from unit transactions	1,500,000	-	-	(2,700,000)	(700,000)
Net position end of year	$ 2,635,975	$ 1,146,224	$ 1,043,935	$ 962,611	$ 3,671,634
Risk Management Fund					
Net position beginning of year *	$ 6,945,451	$ 6,184,088	$ 5,163,495	$ 4,326,253	$ 3,783,457
Net change in fair value of investments	119,666	618,416	352,442	188,985	395,152
Interest, dividends and other income	142,740	154,962	181,504	159,639	158,783
Expenses	12,145	11,745	13,353	11,399	11,543
Net securities lending income	-	-	-	17	404
Net change in net position resulting from unit transactions	(350,000)	-	500,000	500,000	-
Net position end of year	$ 6,845,712	$ 6,945,721	$ 6,184,088	$ 5,163,495	$ 4,326,253
Risk Management Workers Comp Fund					
Net position beginning of year *	$ 5,962,912	$ 5,244,603	$ 5,011,391	$ 3,718,464	$ 3,198,090
Net change in fair value of investments	140,595	598,129	349,656	167,998	398,292
Interest, dividends and other income	129,379	131,002	144,640	135,705	132,097
Expenses	11,865	10,590	11,084	10,790	10,390
Net securities lending income	-	-	-	14	375
Net change in net position resulting from unit transactions	-	-	(250,000)	1,000,000	-
Net position end of year	$ 6,221,021	$ 5,963,144	$ 5,244,603	$ 5,011,391	$ 3,718,464
Cultural Endowment Fund					
Net position beginning of year *	$ 365,140	$ 323,798	$ 284,275	$ 272,058	$ 233,415
Net change in fair value of investments	11,196	47,641	35,577	4,789	42,194
Interest, dividends and other income	8,147	8,031	9,320	8,718	8,608
Expenses	1,459	1,315	1,374	1,292	1,352
Net securities lending income	-	-	-	2	38
Net change in net position resulting from unit transactions	-	(13,000)	(4,000)	-	(10,845)
Net position end of year	$ 383,024	$ 365,155	$ 323,798	$ 284,275	$ 272,058

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

INSURANCE INVESTMENT POOL (Continued)

	2015	2014	2013	2012	2011
Budget Stabilization Fund					
Net position beginning of year *	$ 585,977,310	$ 401,157,397	$ 394,954,806	$ 325,673,084	$ 325,116,846
Net change in fair value of investments	(3,424,930)	(2,296,687)	(3,112,671)	(2,472,612)	1,701,753
Interest, dividends and other income	15,215,741	13,897,151	10,804,040	10,787,170	10,618,859
Expenses	798,665	634,071	451,981	447,398	289,511
Net securities lending income	-	-	-	-	-
Net change in net position resulting from unit transactions	(23,332,755)	173,877,180	(1,036,797)	61,414,562	(11,474,863)
Net position end of year	$ 573,636,701	$ 586,000,970	$ 401,157,397	$ 394,954,806	$ 325,673,084
ND Association of Counties Fund					
Net position beginning of year	$ 3,443,524	$ 2,715,432	$ 1,650,887	$ 1,623,441	$ 1,074,275
Net change in fair value of investments	26,016	267,459	107,664	(21,216)	201,705
Interest, dividends and other income	68,564	66,825	63,052	53,400	56,013
Expenses	7,015	6,192	6,171	4,749	5,432
Net securities lending income	-	-	-	11	225
Net change in net position resulting from unit transactions	300,000	400,000	900,000	-	296,655
Net position end of year	$ 3,831,089	$ 3,443,524	$ 2,715,432	$ 1,650,887	$ 1,623,441
City of Bismarck Deferred Sick Leave Fund					
Net position beginning of year	$ 849,149	$ 1,015,873	$ 925,488	$ 876,390	$ 842,549
Net change in fair value of investments	6,205	88,516	60,827	19,419	82,130
Interest, dividends and other income	18,591	22,312	32,997	32,907	35,011
Expenses	2,540	2,552	3,439	3,235	3,411
Net securities lending income	-	-	-	7	111
Net change in net position resulting from unit transactions	-	(275,000)	-	-	(80,000)
Net position end of year	$ 871,405	$ 849,149	$ 1,015,873	$ 925,488	$ 876,390
PERS Group Insurance Fund					
Net position beginning of year	$ 37,424,174	$ 42,791,312	$ 6,899,554	$ 5,589,415	$ 4,034,326
Net change in fair value of investments	-	-	-	-	-
Interest, dividends and other income	4,993	5,659	129,167	34,885	32,357
Expenses	5,336	4,539	3,819	1,000	1,000
Net securities lending income	-	-	-	-	-
Net change in net position resulting from unit transactions	2,228,348	(5,368,258)	35,766,410	1,276,254	1,523,732
Net position end of year	$ 39,652,179	$ 37,424,174	$ 42,791,312	$ 6,899,554	$ 5,589,415
City of Fargo FargoDome Permanent Fund					
Net position beginning of year	$ 41,747,304	$ 36,375,195	$ 32,051,664	$ 33,406,678	$ 25,092,617
Net change in fair value of investments	579,771	5,037,808	3,435,467	(25,951)	4,252,514
Interest, dividends and other income	840,686	823,378	997,950	972,310	961,003
Expenses	98,953	89,077	109,886	101,630	104,374
Net securities lending income	-	-	-	257	4,918
Net change in net position resulting from unit transactions	(2,100,000)	(400,000)	-	(2,200,000)	3,200,000
Net position end of year	$ 40,968,808	$ 41,747,304	$ 36,375,195	$ 32,051,664	$ 33,406,678

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

INSURANCE INVESTMENT POOL (Continued)

	2015	2014	2013	2012	2011
ND State Board of Medical Examiners Fund					
Net position beginning of year	$ 1,888,805	$ -	$ -	$ -	$ -
Net change in fair value of investments	8,349	17,764	-	-	-
Interest, dividends and other income	50,585	8,273	-	-	-
Expenses	5,047	1,535	-	-	-
Net securities lending income	-	-	-	-	-
Net change in net position resulting from unit transactions	230,000	1,864,303	-	-	-
Net position end of year	$ 2,172,692	$ 1,888,805	$ -	$ -	$ -
ND Health Care Trust Fund					
Net position beginning of year	$ -	$ -	$ -	$ 2,322,488	$ 2,316,101
Net change in fair value of investments	-	-	-	-	-
Interest, dividends and other income	-	-	-	4,137	7,374
Expenses	-	-	-	742	987
Net securities lending income	-	-	-	-	-
Net change in net position resulting from unit transactions	-	-	-	(2,325,883)	-
Net position end of year	$ -	$ -	$ -	$ -	$ 2,322,488
DPI Board Certification Fund					
Net position beginning of year	$ -	$ -	$ -	$ 501,704	$ 500,859
Net change in fair value of investments	-	-	-	-	-
Interest, dividends and other income	-	-	-	57	1,594
Expenses	-	-	-	190	749
Net securities lending income	-	-	-	-	-
Net change in net position resulting from unit transactions	-	-	-	(501,571)	-
Net position end of year	$ -	$ -	$ -	$ -	$ 501,704
Legacy Fund					
Net position beginning of year *	$ 2,214,519,573	$ 1,194,228,388	$ 398,885,883	$ -	$ -
Net change in fair value of investments	45,818,808	74,027,273	(12,331,605)	(50,393)	-
Interest, dividends and other income	62,243,945	43,256,691	17,696,018	2,594,368	-
Expenses	8,089,655	4,130,302	1,148,387	243,750	-
Net securities lending income	-	-	-	-	-
Net change in net position resulting from unit transactions	1,011,343,040	907,214,971	791,126,479	396,585,658	-
Net position end of year	$ 3,325,835,711	$ 2,214,597,021	$ 1,194,228,388	$ 398,885,883	$ -

*Restated for FY2015 due to prior period adjustment related to GASB Statement 68.

Note: As of June 30, 2015, the Legacy Fund is no longer part of the Insurance Investment Pool.