

N O R T H
Dakota Be Legendary.

Retirement & Investment

2 0 2 1

Annual Comprehensive Financial Report

For the Fiscal Years Ended

June 30, 2021 & 2020

North Dakota Retirement & Investment Office

An Agency of the State of North Dakota

Annual Comprehensive Financial Report

Prepared by the North Dakota Retirement & Investment Office Staff
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www.rio.nd.gov

For the Fiscal Years Ended June 30, 2021 & 2020

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

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Introductory Section



December 31, 2021

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

Dear Board Members:

We present to you the June 30, 2021, Annual Comprehensive Financial Report (ACFR) 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 educators. The TFFR plan is funded on an actuarial reserve basis. Benefit funding comes from member and employer contributions and investment earnings. TFFR serves 11,627 members from 210 employer groups and pays benefits to 9,262 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 \$19.2 billion in assets for seven pension funds and 20 non-pension funds. Their investments are divided into two investment trust funds and four 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 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, 2021:

1600 E Century Avenue, Suite 3 | P.O. Box 7100 | Bismarck ND 58507-7100
PHONE: 701-328-9885 | TOLL-FREE: 800-952-2970 | FAX: 701-328-9897

	Fair Value in millions	% Of Pool	FY2021 Return		Fair Value in millions	% Of Pool	FY2021 Return
PENSION POOL PARTICIPANTS				INSURANCE POOL PARTICIPANTS			
Teachers' Fund for Retirement	\$3,233.81	42.9%	26.54%	Workforce Safety & Insurance Fund	\$2,311.32	72.0%	11.57%
Public Employees Retirement System	4,025.51	53.5%	27.15%	State Fire and Tornado Fund	22.82	0.7%	15.64%
Bismarck City Employee Pension Fund	128.45	1.7%	21.89%	State Bonding Fund	3.85	0.1%	1.64%
Bismarck City Police Pension Fund	51.93	0.7%	23.97%	Petroleum Tank Release Compensation Fund	6.27	0.2%	1.56%
City of Grand Forks Pension Fund	81.78	1.1%	27.55%	Insurance Regulatory Trust Fund	7.14	0.2%	12.75%
Grand Forks Park District Pension Fund	9.38	0.1%	26.46%	State Risk Management Fund	4.39	0.1%	14.48%
Subtotal Pension Pool Participants	\$7,530.86	100.0%		State Risk Management Workers Comp	4.31	0.1%	17.28%
INDIVIDUAL INVESTMENT ACCOUNTS				Cultural Endowment Fund	0.61	0.0%	24.21%
Legacy Fund	\$8,993.29		22.68%	Budget Stabilization Fund	749.64	23.4%	3.92%
Retiree Health Insurance Credit Fund	180.24		25.57%	ND Assoc. of Counties (NDACo) Fund	7.75	0.2%	15.72%
Job Service of North Dakota	96.67		6.46%	City of Bismarck Deferred Sick Leave	0.85	0.0%	13.80%
Tobacco Prevention and Control Trust Fund	0.00		0.08%	PERS Group Insurance	34.56	1.1%	3.63%
				State Board of Medical Examiners	2.78	0.1%	12.58%
				City of Fargo FargoDome Permanent Fund	49.76	1.6%	22.07%
				Lewis & Clark Interpretive Center Endowment	0.92	0.0%	15.45%
				Attorney General Settlement Fund	0.93	0.0%	3.92%
				Veterans' Cemetery Trust Fund	0.38	0.0%	21.96%
				Subtotal Insurance Pool Participants	3,208.25	100.0%	
TOTAL ASSETS UNDER MANAGEMENT					<u>\$20,009.32</u>		

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 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. Other additions to this pool have occurred as follows:

- The City of Fargo Employees pension plan joined the pension pool in December 2007.
- The City of Grand Forks Employees pension plan joined in May 2009.
- The City of Grand Forks Park District pension plan began participating in the pension pool in December 2009.

The assets for the Job Service plan were removed from the pension pool during fiscal year 2016 after a de-risking strategy was implemented by the PERS Board due to the plan being a closed plan with a diminishing number of participants and remaining life. The assets are now being managed within an individual investment account. Only one other fund (City of Fargo Employees Pension Plan) has been added and subsequently left the pool since its inception.

The insurance investment pool began in December 1993 with the pooling of the assets of the Workforce Safety & Insurance (WSI), Fire and Tornado, Bonding, Insurance Regulatory, and Petroleum Tank Release Compensation 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 (now called the State Board of Medicine) joined the pool in April 2014.
- The ND Parks and Recreation Department’s Lewis & Clark Interpretive Center Endowment Fund joined the pool in April 2018.
- The Attorney General Settlement Fund was added in September 2019.
- The Veterans’ Cemetery Trust Fund rejoined the pool in March 2020. The fund had been a previous member of the pool from August 1997 until August 2007.

Eight funds have left the insurance investment pool after having been included in it at some point during its existence. Of those eight, one was a combination of the two NDACo funds in July 2010. The other departure from the insurance investment pool occurred when the Legacy Fund assets were removed from the insurance investment pool during fiscal year 2015 after being added to SIB management in September 2011. 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 would result and the investment objectives of this endowment-like fund could be more effectively achieved outside of the insurance pool structure.

The Tobacco Prevention and Control Trust Fund, an individual investment account, was liquidated in June 2021. The balance on June 30 represents cash and accruals.

MAJOR INITIATIVES & HIGHLIGHTS

The global pandemic affected the way RIO conducted business beginning in the latter half of fiscal year 2020 and into fiscal year 2021, by requiring staff to quickly transition paper heavy processes and communication efforts to a digital format while transitioning to a new “hybrid” work environment. As a result of a growing recognition regarding the evolving definition of a workplace environment and incorporating the state-wide policy initiatives of the ND Governor’s Office and Office of Management and Budget (OMB), RIO initiated many innovative solutions this fiscal year.

RIO Agency

- Launched a new website in August 2020.
- Reviewed options for leased office space in preparation for the 2021 legislative session in consideration of the Governor’s Office leadership in supporting a permanent hybrid state workforce and to seek cost savings on physical location. As a result of this review RIO identified that a cost savings could be achieved with a move to space within the state owned WSI building located at 1600 East Century Avenue in Bismarck. RIO requested funding for the move during the 2021 regular legislative session, which was granted, and entered lease negotiations with WSI. The new space and a commitment to a permanent hybrid workforce will allow RIO to grow its team without the need to expand its space; achieve rental cost savings each biennium; and reside with other state agencies within a state-owned building.
- Identified a need to increase staffing to support both programs. RIO’s full request was not granted during the regular 2021 legislative session, however, one additional full-time equivalent (FTE) position was granted for the investment program.
- Reviewed options for ND Information Technology (NDIT) unification which would require transferring two RIO IT FTEs to NDIT and then paying NDIT for support services. Unification would result in greater access to all NDIT support functions. RIO pursued the unification request and during the 2021 regular legislative session RIO’s NDIT unification request was approved for the following biennium.
- Staffing Changes: RIO experienced a significant number of staffing changes near the end of FY21. Three long term employees retired, and two senior level employees resigned. Dave Hunter, ED/CIO resigned in June 2021 and Darren Schulz, Deputy CIO resigned shortly after the start of the 2022 fiscal year. Jan Murtha, Deputy ED – Chief Retirement Officer was appointed Interim Executive Director in June 2021, and Darren Schulz, Interim Chief Investment Officer until his departure in August 2021. Eric Chin, Chief Risk Officer, was promoted to Deputy Chief Investment Officer and appointed Interim Chief Investment Officer in August 2021.

TFFR Retirement Program

- Work continued on the TFFR Pension Administration System (PAS) modernization project that received legislative approval in the 2019 session. The project goal is to upgrade or replace TFFR's current pension administration software and processes to a more technologically advanced and secure web-based system and improve member and employer interaction with the plan. The new system is expected to provide improved functionality for members, employers, and staff by transforming TFFR pension administration processes, reporting capabilities, communications, and services. During the prior fiscal year, a project charter was developed, and an RFP was put out for bids for a project management consultant for the project. A project management consultant was hired in FY2021. The first phase of the project required the consultant to review current TFFR business processes and make recommendations regarding improvements to processes, communication efforts, and cybersecurity. This was completed within fiscal 2021. The second phase of the project involves the procurement of the vendor for the new pension software solution. The RFP for the software vendor was issued in June 2021.
- Some changes to Administrative Code were required as a result of the experience study findings in the previous fiscal year. The TFFR Board coordinated with RIO staff to engage in the rule promulgation process, which was completed during the 2021 fiscal year.

SIB Investment Program

- Investment details by trust fund can be found in the Investment Section.
- The single largest initiative undertaken during the 2021 fiscal year was the development of an in-state investment program. Discussions for the program began at the State Investment Board in August 2020 and continued through the 2021 legislative session. As a result of these discussions and subsequent legislation the following occurred:
 - The SIB received education on different in-state investment program models.
 - RIO coordinated with its consultant to review a change to the Legacy Fund asset allocation.
 - RIO staff initiated a search for an in-state investment manager, and the SIB selected the manager in April 2021.
 - RIO staff presented information and testimony on several bills during the 2021 legislative session, including House Bill 1425 which codified the in-state investment program.
 - These efforts culminated in the creation of the N.D. Growth Fund in June 2021.
- The SIB approved staff recommendation to replace one small cap alpha manager with two small cap managers (one value and one growth) in all three investment pools.
- Investment staff conducted research and due diligence within the international equity allocation in all three investment pools, with the goal of reducing and/or replacing under-performing portfolios in FY2022.
- The SIB approved additional commitments to existing investment manager relationships within the private equity (two managers), real estate (one manager) and infrastructure (three managers) asset classes.

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 annual comprehensive financial report for the fiscal year ended June 30, 2020. This was the twenty-third consecutive year that RIO has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive 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 annual comprehensive 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 received the 2021 Public Pension Standards Award for 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 and audit, investments, and communications to members.

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, and the cost of a control should not exceed the benefits to be derived, 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, 2021.

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

Pension Trust Fund (TFFR)	6/30/2021 (in millions)	6/30/2020 (in millions)	Incr/(Decr) \$ (in millions)	Incr/(Decr) %
Additions	\$ 876	\$ 267	\$ 608	227.6%
Deductions	244	233	11	4.7%
Net Change	\$ 632	\$ 34	\$ 598	1738.9%

In the pension trust fund, additions increased due to a substantial recovery in FY2021 in comparison to the financial markets pulling back in FY2020. 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	6/30/2021 (in millions)	6/30/2020 (in millions)	Incr/(Decr) \$ (in millions)	Incr/(Decr) %
Additions	\$ 3,497	\$ 1,984	\$ 1,513	76.2%
Deductions	1,269	378	\$ 891	235.8%
Net Change	\$ 2,228	\$ 1,606	\$ 622	38.7%

In the investment trust funds, additions increased due to exceptionally strong financial markets. Deductions increased due to the biennial Legacy Fund earnings transfer to the State's General Fund at the end of this fiscal year. The transfer was just over \$871 million.

FUNDING STATUS

The objective of the TFFR pension fund is to accumulate sufficient funds to meet all expected future obligations to participants. Member and employer contribution rates are established by statute and are currently 11.75% and 12.75%, respectively. The contribution rates will remain in effect until TFFR is 100% funded on an actuarial basis. At that point, the member and employer 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 21 years beginning July 1, 2021, 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 the 30-year closed period that began July 1, 2013 (22 years remaining as of July 1, 2021). For this calculation, payroll is assumed to increase 3.25% per year. As of July 1, 2021, the ADC is 12.37%, compared to 13.19% last year. This is less than the 12.75% rate currently required by law. The decrease in ADC is driven by favorable investment experience.

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) increased from last year. The funded ratio at July 1, 2021, was 68.6%, compared to 65.7% as of July 1, 2020. Based on the market values rather than actuarial values of assets, the funded ratio increased to 75.7% compared to 63.4% last year.

The plan has a net investment gain of \$308.7 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 primarily due to market

gain during FY2021, partially offset by market losses during FY2019 and FY2020. As this gain is recognized over the next four years, the funded ratio is expected to increase, assuming the plan's market return on assets meets the 7.25% assumption 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, 2021 (in millions)	July 1, 2020 (in millions)
Actuarial Accrued Liability (AAL)	\$ 4,336.1	\$ 4,181.0
Actuarial value of assets (AVA)	2,973.7	2,745.0
Unfunded actuarial accrued liability (UAAL)	1,362.4	1,436.0
Funded ratio	68.6%	65.7%

FINANCIAL REPORTING FOR PENSIONS

Government Accounting Standards Board (GASB) Statement 67 for accounting and financial reporting of pension liabilities defines pension liability and expense for financial reporting purposes and does 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, 2021 (in millions)	July 1, 2020 (in millions)
Total pension liability (TPL)	\$ 4,336.1	\$ 4,181.0
Plan fiduciary net position (FNP)	3,282.4	2,650.5
Net pension liability (NPL)	1,053.7	1,530.5
Plan FNP as % of TPL	75.7%	63.4%

INVESTMENT ACTIVITIES

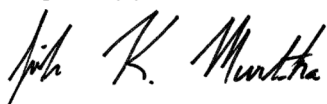
The investment policies and strategies for each of the funds under the SIB can be found in the Investment Section of this report. Each fund's policy is determined by the individual fund's governing body and presented to the SIB for acceptance. Once accepted, the policy is used as a guide to determine 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 LLC, 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,



JANILYN MURTHA, J.D., SHRM-SCP
Interim Executive Director/Chief Retirement Officer



CONNIE L. FLANAGAN
Chief Financial Officer

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

As of June 30, 2021

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



Janilyn Murtha, J.D., SHRM-SCP
*Interim Executive Director/
Chief Retirement Officer*



Eric Chin
*Interim Chief Investment Officer
Effective 8/11/2021*

Supervisory Staff

Connie L. Flanagan
Fiscal & Investment Operations

Denise Weeks
*TFFR Retirement Services
& Public Information*

Sara Sauter
Internal Audit

Bonnie Heit
Administrative Services

Richard Nagel
Information Services

NORTH DAKOTA STATE INVESTMENT BOARD

Board Members as of June 30, 2021

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



Brent Sanford
Chair
Lt. Governor



Rob Lech
Vice Chair
TFFR Trustee



Troy Seibel
PERS Trustee
Parliamentarian



Thomas Beadle
State Treasurer



Jon Godfread
State Insurance
Commissioner



Bryan Klipfel
Workforce Safety &
Insurance Director



Jodi Smith
University and School
Land Commissioner



Adam Miller
PERS Trustee



Toni Gumeringer
TFFR Trustee
Retired as of 5/31/2021



Mel Olson
TFFR Trustee



Yvonne Smith
PERS Trustee



Keith Kempenich
Legacy & Budget
Stabilization Fund
Advisory Board

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

Board of Trustees as of June 30, 2021

Retirement Program

Our Mission

To administer a comprehensive retirement program that provides North Dakota public educators with a foundation for retirement security.

Our Vision

To be a trusted leader in the administration of a financially sound retirement program for North Dakota educators by providing exceptional customer service, professional plan management and organizational effectiveness by adhering to the principles of good governance, transparency and accountability.

Our Core Values

Customer Satisfaction and Commitment to Excellence which is demonstrated by our trustworthiness, accountability and respectfulness.

Strong Governance and Operational Effectiveness through our strategic leadership, fiduciary responsibility, ethical practices and transparency.



Rob Lech
President
Active Administrator



Mike Burton
Vice President
Retired Member



Toni Gumeringer
Trustee
Active Teacher
Retired as of 5/31/2021



Mel Olson
Trustee
Retired Member



Cody Mickelson
Trustee
Active Teacher



Thomas Beadle
State Treasurer

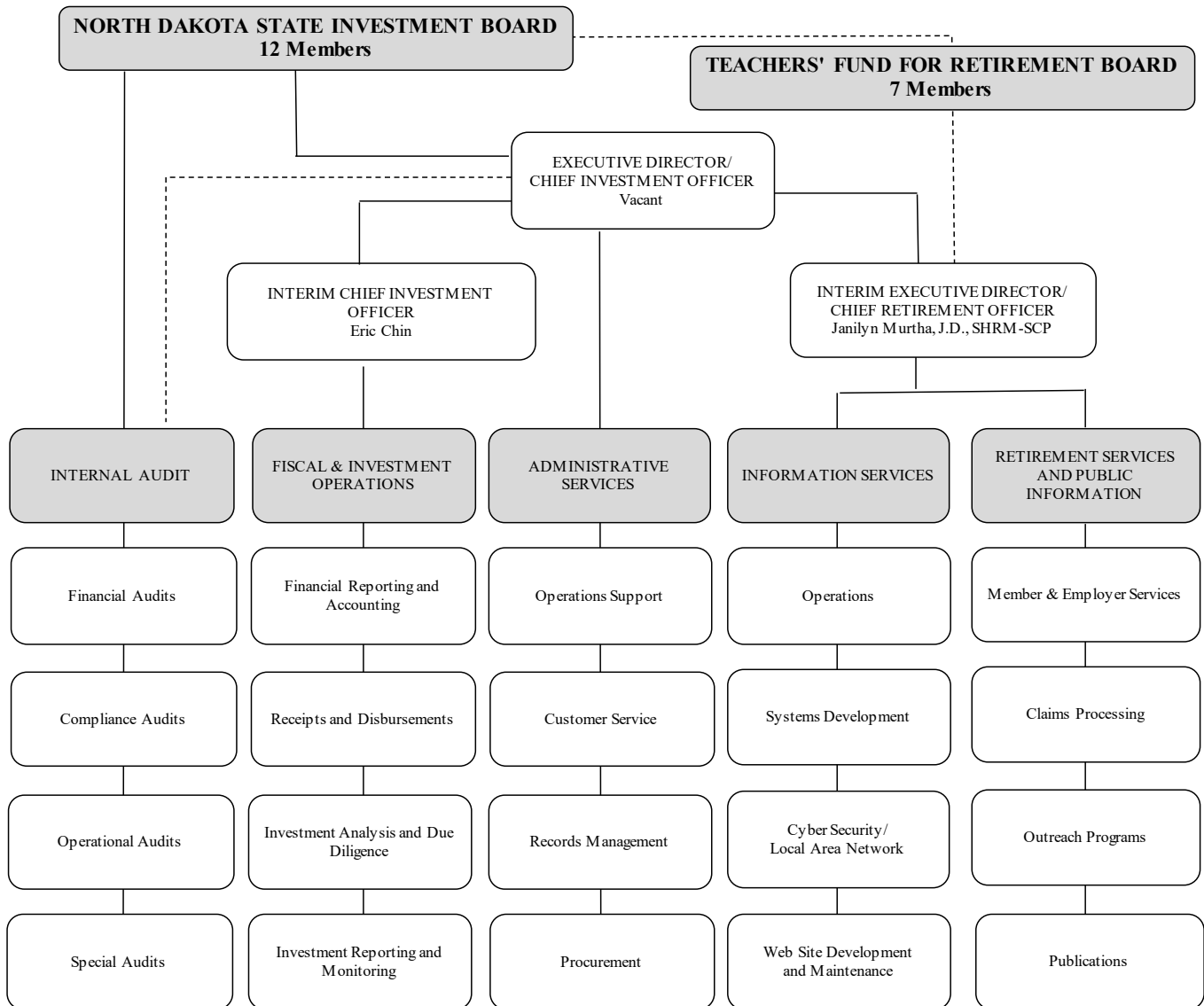


Kirsten Baesler
State Superintendent
of Public Instruction

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

ADMINISTRATIVE ORGANIZATION

JUNE 30, 2021



See page 12 for a listing of professionals who provide services to the Retirement and Investment Office and pages 95-97 in the Investment Section for a summary of fees paid to investment professionals.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

CONSULTING AND PROFESSIONAL SERVICES

AS OF JUNE 30, 2021

Actuary

Segal Consulting
Chicago, Illinois

Auditor

CliftonLarsonAllen LLP
Baltimore, Maryland

Legal Counsel

North Dakota Attorney General's Office
Bismarck, North Dakota

Grant & Eisenhofer P.A.
Wilmington, Delaware

Jackson Walker LLP
Dallas, Texas

Kessler Topaz Meltzer & Check, LLP
Radnor, Pennsylvania

K&L Gates
Boston, Massachusetts

Robbins Geller Rudman & Dowd LLP
San Diego, California

Information Technology

Blackrock Financial Management, Inc.
New York, New York

Bloomberg LP
New York, New York

CPAS Systems Inc.
Toronto, Ontario

SS&C Advent Software, Inc.
San Francisco, California

Master Custodian

The Northern Trust Company
Chicago, Illinois

Investment Consultant and Performance Measurement

Callan, LLC
San Francisco, California

Investment Consulting (PE Monitoring)

Adams Street Partners, LLC
Chicago, Illinois

Investment Consulting (Litigation Monitoring & Filing)

Financial Recovery Technologies, LLC
Medford, Massachusetts

Investment Managers

Adams Street Partners, LLC
Chicago, Illinois

Atlanta Capital Investment Managers
Atlanta, Georgia

Ares Management LLC
New York, New York

Axiom International Investors
Greenwich, Connecticut

Bank of North Dakota
Bismarck, North Dakota

Barings
Charlotte, North Carolina

Blackrock Private Equity Partners
New York, New York

Capital Group
Los Angeles, California

Cerberus Capital Management, LP
New York, New York

Corsair Capital
New York, New York

Dimensional Fund Advisors
Chicago, Illinois

EIG Energy Partners
Los Angeles, California

Epoch Investment Partners, Inc.
New York, New York

50 South Capital
Chicago, Illinois

Goldman Sachs Asset Management
New York, New York

Grosvenor Capital Management
New York, New York

Hearthstone Homebuilding Investors,
LLC
Encino, California

INVESCO Realty Advisors
Dallas, Texas

InvestAmerica L&C, LLC
Cedar Rapids, Iowa

I Squared Capital
New York, New York

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

Loomis Sayles & Company
Boston, Massachusetts

Investment Managers (cont.)

Los Angeles Capital Management
Los Angeles, California

LSV Asset Management
Chicago, Illinois

Manulife Asset Management, LLC
McLean, Virginia

Macquarie Infrastructure Partners
New York, New York

Matlin Patterson Global Advisers LLC
New York, New York

Northern Trust Asset Management
Chicago, Illinois

Parametric Portfolio Associates
Minneapolis, Minnesota

PIMCO
Newport Beach, California

Prudential Global Investment Mgmt.
Newark, New Jersey

Quantum Energy Partners
Houston, Texas

Riverbridge Partners, LLC
Minneapolis, Minnesota

The Rohatyn Group
New York, New York

SEI Investments Management Co.
Oaks, Pennsylvania

Sixth Street Advisers, LLC
Dallas, Texas

State Street Global Advisors
Boston, Massachusetts

Timberland Investment
Resources, LLC
Atlanta, Georgia

The Vanguard Group
Valley Forge, Pennsylvania

Victory Capital Management Inc.
San Antonio, Texas

Wellington Trust Company, NA
Boston, Massachusetts

Wells Capital Management, Inc.
Menomonee Falls, Wisconsin

Western Asset Management Co.
Pasadena, California

William Blair Investment Management
Chicago, Illinois



Government Finance Officers Association

**Certificate of
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Presented to

North Dakota Retirement and Investment Office

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO



Public Pension Coordinating Council

***Recognition Award for Administration
2021***

Presented to

North Dakota Teachers' Fund For Retirement

In recognition of meeting professional standards for
plan 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)

A handwritten signature in dark ink, appearing to read 'Alan H. Winkle', is positioned above the printed name and title.

Alan H. Winkle
Program Administrator

Financial Section



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Governor Doug Burgum
The Legislative Assembly
Janilyn Murtha, Interim Executive Director
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 statement of net position – fiduciary funds as of June 30, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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.



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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, 2021 and 2020, 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 and NOL – 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

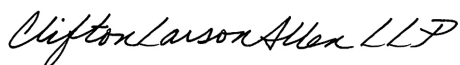
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RIO's basic financial statements and the combining and individual fund financial statements. The schedules of administrative expenses, consultant expenses, investment expenses, and appropriations – 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 Sections, 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 2, 2021, 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 solely 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 effectiveness of RIO's 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

Baltimore, Maryland
November 2, 2021

North Dakota Retirement and Investment Office
Management's Discussion and Analysis
June 30, 2021 and 2020

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 years ended June 30, 2021 and 2020. 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 26 investment clients in two investment pools and four individual investment accounts.

Financial Highlights

Total net position increased from the previous fiscal year in the fiduciary funds by \$2.86 billion (17.5%) and \$1.64 billion (11.2%) in FY2021 and FY2020, respectively. Approximately 39% of the FY2021 increase and 53% of the FY2020 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 \$380.6 million and \$596.6 million, and net investment income exceeded \$1.6 billion and \$277 million in FY2021 and FY2020, respectively.

Total additions in the fiduciary funds for FY2021 increased by \$2.1 billion (94.2%) and \$307.0 million (15.8%) in FY2020. Net investment income increased in FY2021 by \$2.9 billion due to exceptionally strong financial markets following the pull back that occurred near the end of FY2020 causing a decrease in net investment income in FY2020 of \$158.7 million. Changes in purchases of units each year are highly dependent on Legacy Fund deposits and thus on oil and gas production. There was a decrease in purchases of units in the investment program in FY2021 as oil and gas production activity pulled back due to the global pandemic after increasing in FY2020 due to strong oil and gas tax collections. The increase in FY2020 was also due to deposits into the Budget Stabilization Fund that brought that fund back to statutory limits. Total fiduciary fund purchases of units decreased \$811.4 million (56.1%) in FY2021 and increased by \$458.8 million (46.4%) in FY2020.

Deductions in the fiduciary funds increased in FY2021 by \$901.8 million (147.6%) and decreased by \$448.4 million (42.3%) in FY2020. The vast majority of the changes in deductions are driven by redemptions of units due to the constitutionally mandated earnings transfers from the Legacy Fund to the State's general fund every two years. The State Constitution requires that all earnings accrued after June 30, 2017, be transferred to the general fund at the end of each biennium. A transfer of \$871.7 million was made in July, 2021, and accrued as of the end of FY2021.

Payments to TFFR members in the form of benefits and refunds increased by \$10.3 million (4.5%) and \$9.6 million (4.3%) in FY2021 and FY2020, respectively. These increases 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.

As of June 30, 2021 and 2020, the TFFR pension plan had a Net Pension Liability (NPL) of \$1.05 and \$1.53 billion, and Plan Fiduciary Net Position as a percent of Total Pension Liability (TPL) of 75.7% and 63.4%, respectively.

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).

North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2021 and 2020

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, 2021 and 2020, were \$20.15 billion and \$16.4 billion, respectively, and were comprised mainly of investments. Total assets increased by \$3.8 billion (23.0%) and \$1.2 billion (7.9%) from each prior year primarily due to on-going deposits to the Legacy Fund and Budget Stabilization Fund as well as extremely strong financial markets in FY2021.

Total liabilities as of June 30, 2021 and 2020, were \$980.5 million and \$72.6 million. Nearly 89% of the liabilities (\$871.7 million) as of June 30, 2021, were the Legacy Fund's earnings that were due to be transferred to the State's general fund at the end of the biennium. Previous year-end liabilities were comprised mainly of the securities lending collateral payable.

RIO's fiduciary fund total net position was \$ 19.2 billion and \$16.3 billion at the close of fiscal years 2021 and 2020, respectively.

North Dakota Retirement and Investment Office
Management's Discussion and Analysis
June 30, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>	<u>Total % Change</u>
Assets			
Investments	\$ 19,948.0	\$ 16,220.7	23.0%
Securities Lending Collateral	88.9	58.8	51.2%
Receivables	89.4	85.3	4.7%
Cash & Other	26.1	21.4	21.8%
Total Assets	<u>20,152.4</u>	<u>16,386.2</u>	23.0%
Deferred Outflows of Resources			
Deferred outflows related to pensions	<u>2.7</u>	<u>0.9</u>	201.6%
Liabilities			
Obligations under Securities Lending	88.9	58.8	51.2%
Accounts Payable & Accrued Expenses	891.6	13.8	6344.4%
Total Liabilities	<u>980.5</u>	<u>72.6</u>	1250.1%
Deferred Inflows of Resources			
Deferred inflows related to pensions	<u>0.8</u>	<u>0.9</u>	-18.2%
Total Net Position	<u><u>\$ 19,173.8</u></u>	<u><u>\$ 16,313.6</u></u>	17.5%

	<u>2020</u>	<u>2019</u>	<u>Total % Change</u>
Assets			
Investments	\$ 16,220.7	\$ 15,028.7	7.9%
Sec Lending Collateral	58.8	46.3	27.1%
Receivables	85.3	87.7	-2.7%
Cash & Other	21.4	20.5	4.1%
Total Assets	<u>16,386.2</u>	<u>15,183.2</u>	7.9%
Deferred Outflows of Resources			
Deferred outflows related to pensions	<u>0.9</u>	<u>1.2</u>	-23.7%
Liabilities			
Obligations under Securities Lending	58.8	46.3	27.1%
Accounts Payable & Accrued Expenses	13.8	465.0	-97.0%
Total Liabilities	<u>72.6</u>	<u>511.3</u>	-85.8%
Deferred Inflows of Resources			
Deferred inflows related to pensions	<u>0.9</u>	<u>0.2</u>	448.2%
Total Net Position	<u><u>\$ 16,313.6</u></u>	<u><u>\$ 14,672.9</u></u>	11.2%

North Dakota Retirement and Investment Office
Management's Discussion and Analysis
June 30, 2021 and 2020

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

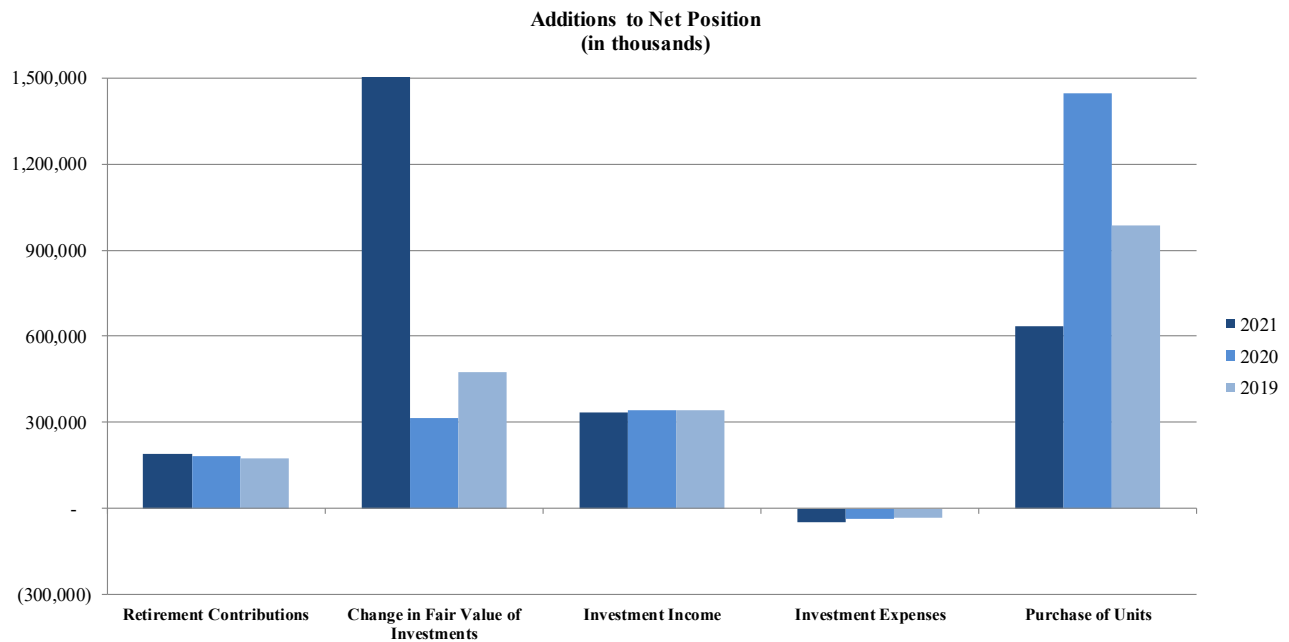
	2021	2020	Total % Change
Additions			
Contributions	\$ 191.5	\$ 181.1	5.7%
Net Investment Income	3,545.0	622.9	469.2%
Net Securities Lending Income	1.0	0.9	5.9%
Purchase of Units	635.2	1,446.6	-56.1%
Total Additions	<u>4,372.7</u>	<u>2,251.5</u>	94.2%
Deductions			
Payments to TFFR members	241.1	230.8	4.5%
Administrative Expenses	4.8	3.9	24.8%
Redemption of Units	1,266.6	376.1	236.8%
Total Deductions	<u>1,512.5</u>	<u>610.8</u>	147.6%
Total Change in Net Position	<u>\$ 2,860.2</u>	<u>\$ 1,640.7</u>	74.3%

	2020	2019	Total % Change
Additions			
Contributions	\$ 181.1	\$ 173.9	4.1%
Net Investment Income	622.9	781.6	-20.3%
Net Securities Lending Income	0.9	1.2	-20.2%
Purchase of Units	1,446.6	987.8	46.4%
Total Additions	<u>2,251.5</u>	<u>1,944.5</u>	15.8%
Deductions			
Payments to TFFR members	230.8	221.2	4.3%
Administrative Expenses	3.9	4.0	-3.8%
Redemption of Units	376.1	833.9	-54.9%
Total Deductions	<u>610.8</u>	<u>1,059.2</u>	-42.3%
Total Change in Net Position	<u>\$ 1,640.7</u>	<u>\$ 885.4</u>	85.3%

Statement of Changes in Net Position – Additions

Contributions collected by the pension trust fund increased by \$10.4 million (5.7%) in FY2021 and \$7.2 million (4.1%) in FY2020 over the previous fiscal years due to both an increase in the number of active members contributing to the fund and an increase in the average salary of active members. Net investment income (including net securities lending income and net of investment expenses) increased by \$2.9 billion (468.4%) in FY2021 and decreased by \$158.9 million (20.3%) in FY2020. Financial markets pulled back in FY2020 in comparison to the previous year but recovered substantially in FY2021. Deposits of funds into the investment trust fund (purchase of units) increased from FY2019 to FY2020 by \$458.8 million but decreased by \$811.4 million in FY2021, mainly due to changes in amounts available for deposits to the Legacy Fund and Budget Stabilization Fund.

North Dakota Retirement and Investment Office
Management's Discussion and Analysis
June 30, 2021 and 2020



Statement of Changes in Net Position – Deductions

Benefits paid to TFFR plan participants, including partial lump-sum distributions, increased by \$10.8 million (4.8%) and \$9.0 million (4.2%) in FY2021 and FY2020, respectively. The increases are 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. Refunds decreased by \$566,000 (8.7%) in FY2021 after increasing by \$589,000 (10.0%) in FY2020.

Administrative expenses increased by \$960,000 in fiscal year 2021 after decreasing in fiscal year 2020 by nearly \$154,000. Approximately half of the increase in FY2021 was due mainly to an increase in the agency's portion of the pension expense from the ND Public Employees Retirement System pension plan for the State of ND. That increase was driven by a change in actuarial assumptions, specifically a decrease in the discount rate.

An additional portion of that increase relates to the Pension Administration System (PAS) modernization project that began at the end of FY20 and ramped up during FY21. A project management consultant was hired and a Request for Proposals (RFP) was issued during the fiscal year. The total budget for this multi-year project is \$9.3 million, with approximately \$331,000 expended through June 30, 2021. The remaining appropriation authority for this project will be carried forward into the next biennium to complete the project.

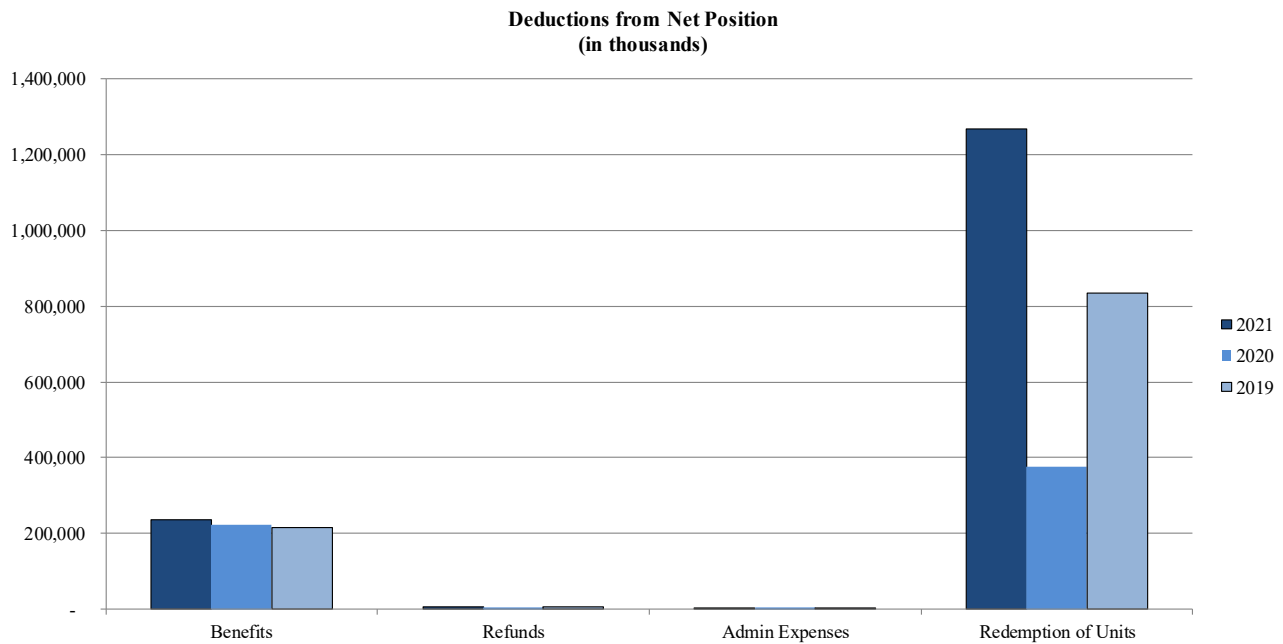
The decrease in FY20 was related to the global pandemic that caused a halt in travel for staff and board member education and due diligence on-site visits, which were replaced with virtual on-line conferences and manager meetings.

The redemption of units in the investment trust funds increased by \$890.5 million in FY2021 after decreasing by \$457.9 million in FY2020. Biennial swings will continue in this line item due to the biennial earnings transfers from the Legacy Fund required under the State Constitution.

North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2021 and 2020



Conclusion

For the fiscal year ended June 30, 2021, the pension investment pool (which includes the TFFR pension plan), the Legacy Fund and the insurance investment pool generated net time weighted investment returns of 26.74%, 22.68% and 9.74%, respectively, outperforming their corresponding policy benchmarks. Investment returns for global equities exceeded long-term expectations in fiscal year 2021 driven by the economic and financial asset recovery that followed global lockdowns. The MSCI World Index, S&P 500 Index and Russell 2000 index were up 39.04%, 40.79% and 62.02% for fiscal year 2021. Positive performance in equity markets were driven by positive news on vaccine progress as well as a deluge of fiscal and monetary stimulus. In the second and third fiscal quarters, nearly \$3 trillion in COVID-relief funds were infused into the economy. Not surprisingly, equity returns for the pension pool, Legacy Fund and insurance pool were all strong. The pension pool's public equity allocation was up 41.79%, while the Legacy Fund and insurance pool's public equity allocations were up 42.35% and 43.06%, respectively. Fixed income returns across the pension pool, Legacy Fund and insurance pool were all positive despite rising interest rates in the U.S. The pension pool's fixed income allocation was up 4.92%, while the Legacy Fund and insurance pool's public fixed income allocations were up 3.29% and 2.88%, respectively. Real asset performance was solid, driven by strong returns from infrastructure assets. The pension pool's real asset allocation was up 9.98%, while the Legacy Fund and insurance pool's real asset portfolios were up 9.04% and 6.47%, respectively. Lastly, private equity in the pension pool returned 48.81% for the fiscal year.

For the fiscal year ended June 30, 2020, the pension investment pool and the TFFR pension plan generated net time weighted returns of over 3.4%, exceeding their respective policy benchmarks. The Legacy Fund and insurance investment pool achieved higher absolute returns of 4.2% and 5%, respectively, but trailed policy benchmarks for that year. Investment returns were below long-term expectations in fiscal 2020 largely due to the impact of the global pandemic in the first quarter. Investment performance in the first half of fiscal 2020 benefited from continuing favorable U.S. income tax policy which bolstered revenues, margins and capital spending. Despite a very sharp and severe market decline in the first calendar quarter of 2020, the markets materially recovered in the second quarter to push returns into positive territory for the fiscal year ended June 30, 2020. Public equity returns were mixed as U.S. equities earned over 8%, while international equities were flat and global equities were down over 7% within the pension pool. Fixed income results were strong, but mixed, as U.S. investment grade debt earned over 9%, while non-investment grade debt earned less than 1% in FY20 within the pension pool. Real asset performance was also mixed with above benchmark returns for timber (up 6%) and

North Dakota Retirement and Investment Office
Management's Discussion and Analysis
June 30, 2021 and 2020

infrastructure (up 4%), while real estate posted a 2.2% return, which trailed policy benchmarks within the pension pool last year. Private equity returns were disappointing within the pension pool earning slightly over 3% for the 1-year ended June 30, 2020, largely due to poor results in liquidating strategies, but trending favorably in recent years with our two long-term strategic partners.

While the post-lockdown recovery has been strong and global economic growth projections remain favorable (the international monetary fund (IMF) expects global economic growth to be 6% for 2021 and 4.9% for 2022), there remain a number of concerns surrounding markets. Notable concerns include:

- Although global COVID-19 case counts have begun to recede following the delta surge, additional market impact from COVID remains a very real possibility.
- Supply chain issues and associated inflation concerns are headwinds for the economy.
- Apprehension over China's ongoing economic deceleration, which was further exacerbated by Evergrande's recent woes continue to weigh on the global economy.
- Rising uncertainty over fed policy as it relates to inflation, as well as questions on whether Fed Chairman Jerome Powell will remain for a second term continue to add volatility to the markets.

While there is a strong case for continued economic growth, there exist notable headwinds and navigating the markets will continue to be challenging. The State Investment Board will continue to evaluate the ever-evolving markets and research investment strategies to prudently manage its investment portfolios.

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. However, the Board is continuing to closely assess plan risks and monitor funding progress.

TFFR's funding level increased from 65.7% to 68.6% on an actuarial basis (and on a market basis from 63.4% to 75.7%) from July 1, 2020 to July 1, 2021. As net investment gains over the past 5 years are recognized, the plan's funding level is expected to improve, if all actuarial assumptions are met in the future, including the 7.25% investment return assumption.

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, 2021 and 2020

	Pension Trust		Investment Trust		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Investments, at fair value						
Global equities	\$ 1,843,851,776	\$ 1,500,306,819	\$ 7,923,977,037	\$ 6,047,922,687	\$ 9,767,828,813	\$ 7,548,229,506
Global fixed income	859,935,213	609,737,594	6,287,302,991	5,437,603,865	7,147,238,204	6,047,341,459
Global real assets	480,647,867	466,252,190	2,261,103,560	1,989,786,268	2,741,751,427	2,456,038,458
Cash equivalents	38,081,928	23,710,131	253,103,896	145,396,714	291,185,824	169,106,845
Total investments	<u>3,222,516,784</u>	<u>2,600,006,734</u>	<u>16,725,487,484</u>	<u>13,620,709,534</u>	<u>19,948,004,268</u>	<u>16,220,716,268</u>
Invested securities lending collateral	13,508,350	7,594,167	75,402,097	51,197,270	88,910,447	58,791,437
Receivables:						
Investment income	11,296,690	12,709,777	50,014,693	51,681,680	61,311,383	64,391,457
Contributions	28,014,669	20,919,360	-	-	28,014,669	20,919,360
Miscellaneous	5,566	5,683	24,181	24,662	29,747	30,345
Total receivables	<u>39,316,925</u>	<u>33,634,820</u>	<u>50,038,874</u>	<u>51,706,342</u>	<u>89,355,799</u>	<u>85,341,162</u>
Due from other state agency	-	-	-	-	-	-
Cash and cash equivalents	25,620,714	21,060,210	463,338	353,025	26,084,052	21,413,235
Equipment & Software (net of depr)	1,349	3,149	-	-	1,349	3,149
Total assets	<u>3,300,964,122</u>	<u>2,662,299,080</u>	<u>16,851,391,793</u>	<u>13,723,966,171</u>	<u>20,152,355,915</u>	<u>16,386,265,251</u>
Deferred outflows of resources						
Related to pensions	<u>1,547,047</u>	<u>549,008</u>	<u>1,172,782</u>	<u>352,915</u>	<u>2,719,829</u>	<u>901,923</u>
Liabilities:						
Accounts payable	151,625	165,186	269,770	261,446	421,395	426,632
Investment expenses payable	2,537,244	2,038,386	11,428,225	8,513,217	13,965,469	10,551,603
Securities lending collateral	13,508,350	7,594,167	75,402,097	51,197,270	88,910,447	58,791,437
Accrued expenses	3,455,406	1,973,137	2,061,222	843,730	5,516,628	2,816,867
Miscellaneous payable	-	-	28,999	29,597	28,999	29,597
Due to other state funds	-	-	871,687,384	-	871,687,384	-
Due to other state agencies	10,974	7,961	3,917	3,218	14,891	11,179
Total liabilities	<u>19,663,599</u>	<u>11,778,837</u>	<u>960,881,614</u>	<u>60,848,478</u>	<u>980,545,213</u>	<u>72,627,315</u>
Deferred inflows of resources						
Related to pensions	<u>442,740</u>	<u>536,950</u>	<u>326,334</u>	<u>403,422</u>	<u>769,074</u>	<u>940,372</u>
Fiduciary net position:						
Restricted for pensions	3,282,404,830	2,650,532,301	-	-	3,282,404,830	2,650,532,301
Held in trust for investment pool participants:						
Pension pool	-	-	4,293,189,642	3,433,370,472	4,293,189,642	3,433,370,472
Insurance pool	-	-	3,206,265,290	2,987,425,838	3,206,265,290	2,987,425,838
Held in trust for individual investment accounts	-	-	8,391,901,695	7,242,270,876	8,391,901,695	7,242,270,876
Total fiduciary net position	<u>\$ 3,282,404,830</u>	<u>\$ 2,650,532,301</u>	<u>\$ 15,891,356,627</u>	<u>\$ 13,663,067,186</u>	<u>\$ 19,173,761,457</u>	<u>\$ 16,313,599,487</u>
Each participant unit is valued at \$1.00						
Participant units outstanding			<u>15,891,356,627</u>	<u>13,663,067,186</u>		

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

North Dakota Retirement and Investment Office
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2021 and 2020

	Pension Trust		Investment Trust		Total	
	2021	2020	2021	2020	2021	2020
Additions:						
Contributions:						
Employer contributions	\$ 98,264,202	\$ 93,032,453	\$ -	\$ -	\$ 98,264,202	\$ 93,032,453
Member contributions	90,557,210	85,735,134	-	-	90,557,210	85,735,134
Purchased service credit	2,559,121	2,175,497	-	-	2,559,121	2,175,497
Interest, penalties and other	126,112	158,683	-	-	126,112	158,683
Total contributions	191,506,645	181,101,767	-	-	191,506,645	181,101,767
Investment income:						
Net change in fair value of investments	640,469,814	37,928,921	2,618,257,668	278,642,657	3,258,727,482	316,571,578
Interest, dividends and other income	51,912,318	54,664,894	282,043,704	286,561,726	333,956,022	341,226,620
	692,382,132	92,593,815	2,900,301,372	565,204,383	3,592,683,504	657,798,198
Less investment expenses	8,388,601	6,523,407	39,305,773	28,437,549	47,694,374	34,960,956
Net investment income	683,993,531	86,070,408	2,860,995,599	536,766,834	3,544,989,130	622,837,242
Securities lending activity:						
Securities lending income	223,739	169,620	1,002,370	988,246	1,226,109	1,157,866
Less securities lending expenses	(44,740)	(33,911)	(200,426)	(197,478)	(245,166)	(231,389)
Net securities lending income	178,999	135,709	801,944	790,768	980,943	926,477
Purchase of units (\$1 per unit)	-	-	635,230,202	1,446,622,465	635,230,202	1,446,622,465
Total additions	875,679,175	267,307,884	3,497,027,745	1,984,180,067	4,372,706,920	2,251,487,951
Deductions:						
Benefits paid to participants	234,211,585	223,936,233	-	-	234,211,585	223,936,233
Partial lump-sum distributions	993,499	425,297	-	-	993,499	425,297
Refunds	5,923,187	6,489,704	-	-	5,923,187	6,489,704
Administrative expenses	2,678,375	2,095,405	2,158,611	1,781,619	4,836,986	3,877,024
Redemption of units (\$1 per unit)	-	-	1,266,579,693	376,059,310	1,266,579,693	376,059,310
Total deductions	243,806,646	232,946,639	1,268,738,304	377,840,929	1,512,544,950	610,787,568
Change in fiduciary net position	631,872,529	34,361,245	2,228,289,441	1,606,339,138	2,860,161,970	1,640,700,383
Fiduciary net position:						
Beginning of year	\$ 2,650,532,301	\$ 2,616,171,056	\$ 13,663,067,186	\$ 12,056,728,048	\$ 16,313,599,487	\$ 14,672,899,104
End of Year	\$ 3,282,404,830	\$ 2,650,532,301	\$ 15,891,356,627	\$ 13,663,067,186	\$ 19,173,761,457	\$ 16,313,599,487

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

North Dakota Retirement and Investment Office

Notes to Combined Financial Statements

June 30, 2021 and 2020

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 Annual Comprehensive 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. These criteria include 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.

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 the SIB. The SIB manages two external investment pools and four individual investment accounts. The two external investment pools consist of a pension pool and insurance pool. The SIB manages the investments of the North Dakota Public Employees Retirement System, Bismarck City Employees and Police, City of Grand Forks Employees and City of Grand Forks Park District Employees pension plans in the pension pool. The investments of Workforce Safety & Insurance, State Fire and 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 Medicine, Lewis and Clark Interpretive Center Endowment Fund, Attorney General Settlement Fund, Veterans' Cemetery Trust Fund and Budget Stabilization Fund are managed in the insurance pool. The Legacy Fund, Job Service of North Dakota, Tobacco Prevention and Control Fund, and PERS Retiree Health investments are managed by the SIB in individual investment accounts.

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 & Insurance, State Fire and Tornado, State Bonding, Petroleum Tank Release Compensation Fund, Insurance Regulatory Trust,

North Dakota Retirement and Investment Office

Notes to Combined Financial Statements

June 30, 2021 and 2020

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.

North Dakota Retirement and Investment Office

Notes to Combined Financial Statements

June 30, 2021 and 2020

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:

	<u>Years</u>
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, City of Grand Forks Park District 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

Many 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

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Notes to Combined Financial Statements

June 30, 2021 and 2020

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 and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expenses, information about the fiduciary net position of the ND Public Employees Retirement System (NDPERS) defined benefit pension and OPEB plans, 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, 2021 and 2020 were deposited in the Bank of North Dakota. At June 30, 2021 and 2020, the carrying amount of TFFR's deposits was \$25,620,714 and \$21,060,210, respectively, and the bank balance was \$25,635,028 and \$21,073,623, 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, an insurance pool cash account, a pension pool cash account and a Legacy Fund cash account are recorded as investments and have a cost and carrying value of \$88,921,637 and \$136,809,065 at June 30, 2021 and 2020, respectively. In addition, these funds carry cash and cash equivalents totaling \$463,338 and \$353,025 at June 30, 2021 and 2020, 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

North Dakota Retirement and Investment Office

Notes to Combined Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020, the following tables show the investments by investment type and maturity (expressed in thousands).

2021	Total Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years
Asset Backed Securities	\$ 466,600	\$ 507	\$ 111,066	\$ 132,450	\$ 222,577
Bank Loans	16,123	-	13,652	2,471	-
Collateralized Bonds	2,930	-	-	2,930	-
Commercial Mortgage-Backed	328,792	5	8,119	3,573	317,095
Commercial Paper	12,998	12,998	-	-	-
Corporate Bonds	2,426,220	83,417	1,237,811	584,494	520,498
Corporate Convertible Bonds	17,733	-	11,058	159	6,516
Government Agencies	41,889	1,306	24,488	6,734	9,361
Government Bonds	858,389	44,235	182,055	224,661	407,438
Gov't Mortgage Backed	599,911	3	5,230	26,101	568,577
Gov't-issued CMB	30,923	16	5,421	21,953	3,533
Index Linked Government Bonds	683,160	77,720	283,042	120,897	201,501
Municipal/Provincial Bonds	39,237	3,380	7,538	6,055	22,264
Non-Government Backed CMOs	159,803	10,844	9,798	21,006	118,155
Repurchase Agreements	25,300	25,300	-	-	-
Short Term Bills and Notes	73,606	73,606	-	-	-
Sukuk	2,787	-	1,442	1,345	-
Funds/Pooled Investments	1,726,778	28,585	928,703	414,962	354,528
Total Debt Securities	\$ 7,513,179	\$ 361,922	\$ 2,829,423	\$ 1,569,791	\$ 2,752,043

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Notes to Combined Financial Statements
June 30, 2021 and 2020

2020	Total Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years
Asset Backed Securities	\$ 459,221	\$ 104	\$ 122,916	\$ 95,116	\$ 241,085
Bank Loans	898	-	898	-	-
Collateralized Bonds	2,633	-	-	217	2,416
Commercial Mortgage-Backed	294,632	2,588	913	1,965	289,166
Commercial Paper	33,978	33,978	-	-	-
Corporate Bonds	2,230,382	77,375	1,142,807	519,710	490,490
Corporate Convertible Bonds	10,197	-	4,534	1,825	3,838
Government Agencies	38,491	1,918	16,412	14,179	5,982
Government Bonds	540,285	5,049	225,629	60,235	249,372
Gov't Mortgage Backed	882,440	6	6,682	40,851	834,901
Gov't-issued CMB	62,317	-	7,526	36,243	18,548
Index Linked Government Bonds	585,354	-	268,167	84,069	233,118
Municipal/Provincial Bonds	46,452	3,299	11,713	5,448	25,992
Non-Government Backed CMOs	115,408	-	2,745	7,555	105,108
Short Term Bills and Notes	58,648	58,648	-	-	-
Funds/Pooled Investments	1,481,985	27,098	1,018,852	184,510	251,525
Total Debt Securities	\$ 6,843,321	\$ 210,063	\$ 2,829,794	\$ 1,051,923	\$ 2,751,541

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 POs valued at \$6.5 million and \$0.0 million and IOs valued at \$26.4 million and \$24.4 million at June 30, 2021 and 2020, respectively. The SIB has no policy regarding IO or PO strips.

North Dakota Retirement and Investment Office

Notes to Combined Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020, (expressed in thousands).

2021	Total Fair Value	Credit Rating*										
		AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	\$ 466,600	\$ 239,151	\$ 52,850	\$ 56,092	\$ 45,809	\$ 3,515	\$ 2,927	\$ 3,872	\$ 1,909	\$ -	\$ 889	\$ 59,586
Bank Loans	16,123	-	-	-	296	4,237	9,990	1,002	-	-	-	598
Collateralized Bond	2,930	2,930	-	-	-	-	-	-	-	-	-	-
Commercial Mortgage Backed	328,792	245,667	10,311	14,175	7,286	5,090	4,316	1,885	160	27	-	39,875
Commercial Paper	12,998	-	-	-	-	-	-	-	-	-	-	12,998
Corporate Bonds	2,426,220	13,056	54,478	495,678	1,412,446	299,862	103,885	35,737	97	-	-	10,981
Corporate Convertible Bonds	17,733	-	-	-	2,608	4,515	1,712	3,139	-	-	-	5,759
Gov't Agencies	40,129	3,867	8,797	10,239	13,697	1,712	-	422	-	-	-	1,395
Gov't Bonds	110,973	-	9,351	4,605	47,664	33,811	9,234	2,026	-	-	-	4,282
Gov't Mortgage Backed	535,414	-	516,452	-	4,390	7,821	6,394	-	-	-	-	357
Gov't Issued CMB	30,698	1,813	27,945	-	940	-	-	-	-	-	-	-
Index Linked Government Bonds	19,224	19,224	-	-	-	-	-	-	-	-	-	-
Municipal/Provincial Bonds	39,237	2,412	20,081	9,321	4,366	1,583	-	-	218	-	800	456
Non-Gov't Backed CMOs	159,803	37,221	12,681	17,201	20,972	7,293	2,034	798	1,116	-	47	60,440
Repurchase Agreements	25,300	-	25,300	-	-	-	-	-	-	-	-	-
Short Term Bills & Notes	10,817	-	9,339	1,478	-	-	-	-	-	-	-	-
Sukuk	2,787	-	-	-	2,787	-	-	-	-	-	-	-
Funds/Pooled Investments	1,726,778	504,809	300,285	613,389	214,815	12,949	41,080	-	-	-	-	39,451
Total Credit Risk of Debt Securities	5,972,556	\$ 1,070,150	\$ 1,047,870	\$ 1,222,178	\$ 1,778,076	\$ 382,388	\$ 181,572	\$ 48,881	\$ 3,500	\$ 27	\$ 1,736	\$ 236,178
US Gov't & Agencies **	1,540,623											
Total Debt Securities	<u>\$ 7,513,179</u>											

North Dakota Retirement and Investment Office

Notes to Combined Financial Statements

June 30, 2021 and 2020

2020	Total Fair Value	Credit Rating*										
		AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	\$ 459,221	\$ 239,274	\$ 57,836	\$ 41,573	\$ 48,308	\$ 6,957	\$ 1,424	\$ 3,669	\$ 1,707	\$ -	\$ 1,102	\$ 57,371
Bank Loans	898	-	-	-	-	-	130	316	-	-	-	452
Collateralized Bond	2,633	2,633	-	-	-	-	-	-	-	-	-	-
Commercial Mortgage Backed	294,632	222,765	7,606	9,032	5,452	3,243	4,082	1,685	-	-	-	40,767
Commercial Paper	33,978	-	-	-	-	-	-	-	-	-	-	33,978
Corporate Bonds	2,230,382	14,432	102,599	654,018	1,130,019	217,674	74,429	26,995	286	1,105	485	8,340
Corporate Convertible Bonds	10,197	-	-	-	915	2,635	923	2,639	-	-	20	3,065
Gov't Agencies	35,950	9,347	4,653	6,926	13,607	-	-	1,417	-	-	-	-
Gov't Bonds	122,856	2,479	9,698	1,725	56,336	34,417	10,249	-	3,286	-	921	3,745
Gov't Mortgage Backed	723,348	-	710,210	1,023	3,399	-	7,941	-	-	-	-	775
Gov't Issued CMB	46,648	2,044	44,604	-	-	-	-	-	-	-	-	-
Index Linked Government Bonds	-	-	-	-	-	-	-	-	-	-	-	-
Municipal/Provincial Bonds	46,452	2,522	21,104	14,331	4,206	1,866	-	-	481	-	634	1,308
Non-Gov't Backed CMOs	115,408	37,218	4,281	7,884	14,053	1,128	1,446	902	1,168	-	152	47,176
Short Term Bills & Notes	6,098	-	6,098	-	-	-	-	-	-	-	-	-
Funds/Pooled Investments	1,481,985	380,142	247,276	656,131	116,280	18,038	26,709	-	-	-	-	37,409
Total Credit Risk of Debt Securities	5,610,686	\$ 912,856	\$ 1,215,965	\$ 1,392,643	\$ 1,392,575	\$ 285,958	\$ 127,333	\$ 37,623	\$ 6,928	\$ 1,105	\$ 3,314	\$ 234,386
US Gov't & Agencies **	1,232,635											
Total Debt Securities	<u>\$ 6,843,321</u>											

- * 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 these tables. Implicitly guaranteed agency securities included in the Asset Backed, Commercial Mortgage-Backed, Gov't Issued Commercial & Gov't Mortgage Backed, Gov't Agencies, Gov't Bonds, Index Linked Gov't Bonds and Short Term Bills and Notes categories are issued by FNMA, FHLB, FHLMC, and SLMA.

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, 2021 and 2020, 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 US 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 manages 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, 2021 and 2020 (expressed in thousands).

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2021

Currency	Short-Term	Debt	Equity	Real Estate	Total
Argentine peso	\$ 65	\$ 364	\$ -	\$ -	\$ 429
Australian dollar	1,305	133	85,215	-	86,653
Brazilian real	(10,006)	13,514	4,080	-	7,588
British pound sterling	(45,730)	47,308	262,384	-	263,962
Canadian dollar	(624)	561	36,173	-	36,110
Chinese yuan renminbi	427	-	23,707	-	24,134
Chilean peso	822	-	-	-	822
Colombian peso	(508)	-	-	-	(508)
Danish krone	575	-	87,460	-	88,035
Euro	(35,762)	37,980	609,331	651	612,200
Hong Kong dollar	816	-	155,260	-	156,076
Hungarian forint	(335)	-	2,875	-	2,540
Indian rupee	-	427	-	-	427
Japanese yen	1,604	-	294,524	-	296,128
Mexican peso	(825)	952	1,440	-	1,567
New Israeli shekel	(492)	491	3,605	-	3,604
New Taiwan dollar	334	-	7,660	-	7,994
New Zealand dollar	(245)	-	8,445	-	8,200
Norwegian krone	232	-	23,304	-	23,536
Peruvian nuevo sol	(2,183)	2,065	-	-	(118)
Polish zloty	(224)	-	-	-	(224)
Russian ruble	7	-	-	-	7
Singapore dollar	303	-	10,712	-	11,015
South African rand	638	-	1,168	-	1,806
South Korean won	-	-	12,253	-	12,253
Swedish krona	237	-	105,046	-	105,283
Swiss franc	4	-	179,514	-	179,518
Thai baht	-	-	3,296	-	3,296
Turkish lira	-	-	1,321	-	1,321
International commingled funds (various currencies)	-	-	1,353,624	34,534	1,388,158
Total international investment securities	\$ (89,565)	\$ 103,795	\$ 3,272,397	\$ 35,185	\$ 3,321,812

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2020					
Currency	Short-Term	Debt	Equity	Real Estate	Total
Argentine peso	\$ 205	\$ 416	\$ -	\$ -	\$ 621
Australian dollar	(453)	704	63,821	-	64,072
Brazilian real	458	-	3,903	-	4,361
British pound sterling	(25,312)	26,067	237,714	-	238,469
Canadian dollar	(690)	369	37,124	-	36,803
Chinese yuan renminbi	278	-	-	-	278
Colombian peso	452	-	-	-	452
Danish krone	64	-	72,330	-	72,394
Euro	(30,138)	32,755	459,666	613	462,896
Hong Kong dollar	1,038	-	142,692	-	143,730
Hungarian forint	243	-	2,169	-	2,412
Indonesian rupiah	55	-	-	-	55
Japanese yen	2,616	-	288,982	-	291,598
Malaysian ringgit	203	-	-	-	203
Mexican peso	(24)	-	1,189	-	1,165
New Israeli shekel	-	-	3,463	-	3,463
New Taiwan dollar	23	-	8,138	-	8,161
New Zealand dollar	101	-	17	-	118
Norwegian krone	133	-	8,613	-	8,746
Polish zloty	(47)	-	-	-	(47)
Russian ruble	(52)	-	-	-	(52)
Singapore dollar	276	-	8,120	-	8,396
South African rand	1,098	-	480	-	1,578
South Korean won	-	-	11,816	-	11,816
Swedish krona	37	-	72,201	-	72,238
Swiss franc	1,618	-	148,008	-	149,626
Thai baht	-	-	3,088	-	3,088
International commingled funds (various currencies)	-	-	980,048	35,004	1,015,052
Total international investment securities	\$ (47,818)	\$ 60,311	\$ 2,553,582	\$ 35,617	\$ 2,601,692

Negative amounts represent short positions.

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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 statement of net position. At June 30, 2021 and 2020, 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 statement of changes in net position and totaled \$232.5 and \$65.4 million for fiscal years 2021 and 2020, respectively. At June 30, 2021 and 2020, the SIB investment portfolio had the notional futures balances shown below (expressed in thousands).

<u>Futures</u>	Notional Value	
	June 30, 2021	June 30, 2020
Cash & Cash Equivalent Derivative Futures		
Long	\$ 172,043	\$ -
Short	(653,875)	(258,482)
Commodity Derivative Futures		
Long	-	-
Short	(31,463)	-
Equity Derivative Futures		
Long	662,160	1,064,665
Short	-	-
Fixed Income Derivative Futures		
Long	771,100	262,374
Short	(1,213,556)	(1,703,654)
Total Futures	<u>\$ (293,591)</u>	<u>\$ (635,097)</u>

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 statement of changes in net position and totaled \$0.6 million and \$5.3 million for fiscal years 2021 and 2020, respectively. At June 30, 2021 and 2020, the SIB investment portfolio had the following option balances (expressed in thousands).

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<u>Options</u>	Fair Value	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cash & Other Options		
Call	\$ 99	\$ 201
Put	767	537
Fixed Income Options		
Call	(220)	(146)
Put	(170)	(70)
Total Options	<u>\$ 476</u>	<u>\$ 522</u>

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 total return risk.

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 statement of changes in net position and totaled \$(3.0) and \$(22.5) million for fiscal years 2021 and 2020, respectively. The maximum loss that would be recognized at June 30, 2021 and 2020, if all counterparties failed to perform as contracted is \$2.3 million and \$3.0 million, respectively. Swap fair values are determined by a third-party pricing source. At June 30, 2021 and 2020, the SIB's investment portfolio had the swap fair value balances as shown below (expressed in thousands).

Credit Default Swaps

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.

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Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2021	June 30, 2020		June 30, 2021	June 30, 2020
Bank of America/Aa2 (3 contracts)	\$ (3,400)	\$ -	2021	\$ 10	\$ -
Bank of America/Aa2 (5 contracts)		(3,730)	2021 - 2025		(71)
Citibank/Aa3 (27 contracts)	(3,000)		2023 - 2024	(12)	
Citibank/Aa3 (33 contracts)		3,715	2020 - 2024		(262)
Citigroup Global Markets/A1 (5 contracts)	(6,804)		2024 - 2026	623	
Citigroup Global Markets/A1 (2 contracts)		(400)	2024		(9)
Credit Suisse First Boston/A1 (12 contracts)	(18,361)		2022 - 2026	1,505	
Credit Suisse First Boston/A1 (9 contracts)		(3,675)	2020 - 2024		(114)
Deutsche Bank/A3 (2 contracts)		2,000	2059		(15)
Goldman Sachs/A2 (4 contracts)	(1,700)		2023 - 2024	8	
Goldman Sachs/A3 (4 contracts)		(1,700)	2023 - 2024		(55)
JP Morgan Chase/Aa2 (1 contract)	26,110		2026	(667)	
JP Morgan Chase/Aa2 (4 contracts)		(25,515)	2025 - 2029		852
Morgan Stanley/A1 (1 contract)	(100)		2024	1	
Morgan Stanley/A3 (5 contracts)		2,555	2024 - 2025		(35)
Total Credit Default Swaps	<u>\$ (7,255)</u>	<u>\$ (26,750)</u>		<u>\$ 1,468</u>	<u>\$ 291</u>

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

Interest Rate Swaps

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.

Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2021	June 30, 2020		June 30, 2021	June 30, 2020
Citigroup Global Markets/A1 (17 contracts)	\$ 55,438	\$ -	2022 - 2051	\$ (41)	\$ -
Citigroup Global Markets/A1 (16 contracts)		112,251	2020 - 2050		443
Credit Suisse First Boston/A1 (13 contracts)	132,778		2023 - 2051	1,145	
Credit Suisse First Boston/A1 (22 contracts)		185,220	2020 - 2050		714
JP Morgan Chase/Aa2 (129 contracts)	160,807		2023 - 2035	(4,026)	
JP Morgan Chase/Aa2 (100 contracts)		367,049	2020 - 2045		4,871
Total Interest Rate Swaps	<u>\$ 349,023</u>	<u>\$ 664,520</u>		<u>\$ (2,922)</u>	<u>\$ 6,028</u>

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

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).

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Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2021	June 30, 2020		June 30, 2021	June 30, 2020
Citigroup Global Markets/A1 (4 contracts)	\$ 13,240	\$ -	2026	\$ (402)	\$ -
JP Morgan Chase/Aa2 (21 contracts)	17,220		2026 - 2031	(369)	
Total Inflation Swaps	<u>\$ 30,460</u>	<u>\$ -</u>		<u>\$ (771)</u>	<u>\$ -</u>

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

Total Return Swaps

A total return swap is an agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset (income and capital gains). The underlying asset, or reference asset, is owned by the party receiving the set rate payment.

Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2021	June 30, 2020		June 30, 2021	June 30, 2020
Credit Suisse International/Aa3 (2 contracts)	\$ 2,764	\$ -	2041	\$ 7	\$ -
Credit Suisse International/A1 (2 contracts)		2,764	2041		2
Total Total Return Swaps	<u>\$ 2,764</u>	<u>\$ 2,764</u>		<u>\$ 7</u>	<u>\$ 2</u>

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 \$(3.2) million and \$2.4 million for fiscal years 2021 and 2020, respectively. At June 30, 2021 and 2020, the SIB's investment portfolio included the currency forwards balances shown below (expressed in thousands).

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Currency	Cost	Purchases	Sales	Fair Value	
				6/30/2021	6/30/2020
Australian dollar	\$ (131)	\$ -	\$ (131)	\$ (128)	\$ (737)
Brazilian real	(8,393)	6,733	(15,126)	(9,541)	(2)
British pound sterling	(66,012)	24,676	(90,688)	(64,811)	(39,408)
Canadian dollar	(399)	-	(399)	(404)	(579)
Chilean peso	1,733	1,733	-	1,702	-
Colombian peso	-	-	-	-	167
Euro	(135,085)	89,223	(224,308)	(131,704)	(60,502)
Japanese yen	(521)	-	(521)	(516)	-
New Israeli shekel	(1,953)	-	(1,953)	(1,970)	-
Peruvian nuevo sol	(2,236)	-	(2,236)	(2,183)	-
Russian ruble	6	6	-	7	(52)
South African rand	(1,032)	-	(1,032)	(986)	-
United States dollar	214,023	336,394	(122,371)	214,023	99,701
Total forwards subject to currency risk				\$ 3,489	\$ (1,412)

Derivative Interest Rate Risk

Derivative 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, 2021 and 2020, the tables below show the SIB's derivative investments subject to interest rate risk (expressed in thousands).

2021	Total Notional						
	Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	5-10 years	Greater than 10 years
Futures-interest rate contracts	\$ (924,288)	\$ (675,150)	\$ (403,466)	\$ (17,715)	\$ 172,043	\$ -	\$ -
Margined Options-interest rate contracts	-	-	-	-	-	-	-
Total	\$ (924,288)	\$ (675,150)	\$ (403,466)	\$ (17,715)	\$ 172,043	\$ -	\$ -

	Total Fair						
	Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	5-10 years	Greater than 10 years
Options - interest rate contracts	\$ 818	\$ (20)	\$ -	\$ -	\$ -	\$ -	\$ 838
Options on futures	(342)	(371)	-	29	-	-	-
Swaps - interest rate contracts	(3,693)	-	-	-	(760)	(3,095)	162
Swaps - credit contracts	1,468	-	10	-	1,458	-	-
Total	\$ (1,749)	\$ (391)	\$ 10	\$ 29	\$ 698	\$ (3,095)	\$ 1,000

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2020	Total						
	Notional Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	5-10 years	Greater than 10 years
Futures-interest rate contracts	\$ (1,699,762)	\$ (265,954)	\$ (1,175,326)	\$ (86,077)	\$ (172,405)	\$ -	\$ -
Margined Options-interest rate contracts	(3)	(3)	-	-	-	-	-
Total	<u>\$ (1,699,765)</u>	<u>\$ (265,957)</u>	<u>\$ (1,175,326)</u>	<u>\$ (86,077)</u>	<u>\$ (172,405)</u>	<u>\$ -</u>	<u>\$ -</u>

	Total Fair						
	Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	5-10 years	Greater than 10 years
Options - interest rate contracts	\$ 731	\$ (7)	\$ -	\$ -	\$ -	\$ -	\$ 738
Options on futures	(209)	(209)	-	-	-	-	-
Swaps - interest rate contracts	6,028	7	(2)	472	5,826	250	(525)
Swaps - credit contracts	291	-	(3)	-	396	(87)	(15)
Total	<u>\$ 6,841</u>	<u>\$ (209)</u>	<u>\$ (5)</u>	<u>\$ 472</u>	<u>\$ 6,222</u>	<u>\$ 163</u>	<u>\$ 198</u>

Fair Value Measurement

The SIB categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 Unadjusted quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The following tables show the fair value leveling of the SIB's investment portfolio at June 30, 2021 and 2020 (expressed in thousands).

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2021	Dollars in (000)			
	Fair Value 6/30/21	Fair Value Measures Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Short Term Securities				
Commercial Paper	\$ 12,998	\$ -	\$ 12,998	\$ -
Short Term Bills and Notes	73,606	-	73,606	-
Total Short Term Securities	86,604	-	86,604	-
Fixed Income Investments				
Asset Backed Securities	464,720	-	464,720	-
Bank Loans	16,123	-	16,123	-
Collateralized Bonds	2,930	-	2,930	-
Commercial Mortgage-Backed	328,792	-	328,792	-
Corporate Bonds	2,425,355	-	2,424,932	423
Corporate Convertible Bonds	17,733	-	17,733	-
Funds - Fixed Income ETF	18,501	18,501	-	-
Government Agencies	36,772	-	36,772	-
Government Bonds	858,389	-	858,389	-
Government Mortgage Backed Securities	599,911	-	599,911	-
Gov't-issued Commercial Mortgage-Backed	30,923	-	30,923	-
Index Linked Government Bonds	683,160	-	683,160	-
Municipal/Provincial Bonds	39,237	-	34,000	5,237
Non-Government Backed C.M.O.s	157,823	-	156,720	1,103
Sukuk	2,787	-	2,787	-
Total Fixed Income Investments	5,683,156	18,501	5,657,892	6,763
Equity Investments				
Common Stock	6,297,043	6,296,895	148	-
Convertible Equity	11,586	11,586	-	-
Funds - Equities ETF	107,225	107,225	-	-
Preferred Stock	3,900	2,001	1,899	-
Rights/Warrants	87	87	-	-
Stapled Securities	3,360	3,360	-	-
Total Equity Investments	6,423,201	6,421,154	2,047	-
Derivative Investments				
Exchange Cleared Swaps	(1,441)	-	(1,441)	-
Options	476	(341)	817	-
Swaps	(777)	-	(777)	-
Total Derivative Investments	(1,742)	(341)	(1,401)	-
Total Investments by Fair Value Level	\$ 12,191,219	\$ 6,439,314	\$ 5,745,142	\$ 6,763

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Dollars in (000)				
Investments Measured at the Net Asset Value (NAV)		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Funds-Debt	\$ 1,708,277	\$ -	Daily, monthly	1-15 days
Commingled Funds-Equities	1,491,014	-	Daily, monthly	1-15 days
Distressed Debt	225,536	75,000	Quarterly, Not eligible	60 days
Long/Short	365,032	-	Monthly	15 days
Mezzanine Debt	205	8,499	Not eligible	Not eligible
Private Credit	476,410	181,200	Not eligible	Not eligible
Private Equity	551,014	861,976	Not eligible	Not eligible
Real Assets	2,036,389	430,427	Quarterly, Not eligible	30-90 days
Total Investments Measured at the NAV	\$ 6,853,877	\$ 1,557,102		
Investments at Other Than Fair Value				
Cash and adjustments to cash	\$ 824,404			
Bank Certificates of Deposit	42,900			
Other miscellaneous securities	10,304			
Repurchase Agreements	25,300			
Total Investments at Other Than Fair Value	\$ 902,908			
Total Investments	<u>\$ 19,948,004</u>			

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2020	Dollars in (000)			
	Fair Value 6/30/20	Fair Value Measures Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Short Term Securities				
Commercial Paper	\$ 33,978	\$ -	\$ 33,978	\$ -
Short Term Bills and Notes	58,648	-	58,648	-
Total Short Term Securities	92,626	-	92,626	-
Fixed Income Investments				
Asset Backed Securities	458,001	-	458,001	-
Bank Loans	898	-	898	-
Collateralized Bonds	2,633	-	2,633	-
Commercial Mortgage-Backed	294,632	-	294,632	-
Corporate Bonds	2,228,985	-	2,226,656	2,329
Corporate Convertible Bonds	10,197	-	10,197	-
Funds - Fixed Income ETF	24,430	24,430	-	-
Government Agencies	38,491	-	35,309	3,182
Government Bonds	540,285	-	540,285	-
Government Mortgage Backed Securities	866,696	-	866,696	-
Gov't-issued Commercial Mortgage-Backed	62,317	-	62,317	-
Index Linked Government Bonds	585,354	-	585,354	-
Municipal/Provincial Bonds	41,223	-	41,223	-
Non-Government Backed C.M.O.s	110,132	-	110,132	-
Other Fixed Income	76	67	9	-
Total Fixed Income Investments	5,264,350	24,497	5,234,342	5,511
Equity Investments				
Common Stock	4,689,513	4,689,513	-	-
Convertible Equity	15,417	15,417	-	-
Funds - Equities ETF	86,628	86,628	-	-
Preferred Stock	2,262	2,262	-	-
Rights/Warrants	257	257	-	-
Stapled Securities	2,666	2,666	-	-
Total Equity Investments	4,796,743	4,796,743	-	-
Derivative Investments				
Exchange Cleared Swaps	6,806	-	6,806	-
Options	522	(209)	731	-
Swaps	(485)	-	(485)	-
Total Derivative Investments	6,843	(209)	7,052	-
Total Investments by Fair Value Level	\$ 10,160,562	\$ 4,821,031	\$ 5,334,020	\$ 5,511

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	Dollars in (000)				
Investments Measured at the Net Asset Value (NAV)		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period	
Commingled Funds-Debt	\$ 1,457,557	\$ -	Daily, monthly	1-15 days	
Commingled Funds-Equities	1,086,970	-	Daily, monthly	1-15 days	
Distressed Debt	245,445	90,604	Quarterly, Not eligible	60 days	
Long/Short	263,941	-	Monthly	15 days	
Mezzanine Debt	229	8,499	Not eligible	Not eligible	
Private Credit	413,775	191,200	Not eligible	Not eligible	
Private Equity	290,360	332,373	Not eligible	Not eligible	
Real Assets	1,886,206	246,371	Quarterly, Not eligible	30-90 days	
Total Investments Measured at the NAV	\$ 5,644,483	\$ 869,047			
Investments at Other Than Fair Value					
Cash and adjustments to cash	\$ 298,319				
Bank Certificates of Deposit	88,433				
Other miscellaneous securities	28,919				
Total Investments at Other Than Fair Value	\$ 415,671				
Total Investments	<u>\$ 16,220,716</u>				

Securities classified in Level 1 are valued using quoted prices in active markets for those securities. Securities classified in Level 2 and Level 3 are valued using methodologies such as various bid evaluations, market averages and other matrix pricing techniques as well as values derived from associated traded securities or last trade data. In instances where inputs used to measure fair value fall into different levels, the fair value is categorized based on the lowest level input that is significant to the valuation.

Investments valued at the net asset value (NAV) per share (or its equivalent) have been classified separately in the tables above and include investments considered to be *alternative investments* as defined by the AICPA. 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 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, generally with daily or monthly liquidity, with a notice period of one to fifteen days. Because they are liquid funds, there are no unfunded commitments for these types of investments.

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 global fixed income allocations. As of June 30, 2021 and 2020, unfunded commitments in one of its two distressed debt funds totaled \$75.0 million and \$90.6 million, respectively. This fund is not eligible for redemptions. The other fund is eligible for redemptions with quarterly liquidity and 60 days notice, and has no unfunded commitment.

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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 global equity allocations. This is an open-ended fund with monthly liquidity with a notice period of 15 days. There was no unfunded commitment as of June 30, 2021 and 2020.

Mezzanine Debt — This strategy is a hybrid of debt and equity financing. It is essentially 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 global fixed income allocation. The two funds in this category are not eligible for redemptions, have remaining lives of 1-2 years, and unfunded commitments of \$8.5 million as of June 30, 2021 and 2020.

Private Credit — These investments include loans to private companies, privately placed debt of public companies, or loans backed by real assets. Loan repayment can be derived from either cash flows from an operating company or cash flows generated by a physical or esoteric asset. Private debt is typically secured and has various protections/covenants in place. The debt is customized to the borrower's requirement, thus rendering it illiquid. The SIB includes these strategies within its global fixed income allocation through limited partnership-type structures. Private credit issuers may be investment grade but are typically below-investment grade and similar in some respect to the syndicated bank loan and high yield markets. The SIB participates in two senior private credit funds, commonly referred to as direct lenders, which are structured as custom managed accounts and are not eligible for redemptions during their investment lives. Due to the perpetual nature of the funds, the remaining investment lives fluctuate based on timing of new commitments, and the unfunded commitments totaled \$181.2 million and \$191.2 million as of June 30, 2021 and 2020, respectively.

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 sub-asset class for private equity investments within its global equity allocation in the pension pool. The SIB does not have the option to request redemptions from its private equity funds. The General Partner distributes earnings and proceeds from the sale of the underlying investments as transactions occur. The SIB has \$862.0 million and \$333.3 million in unfunded private equity commitments as of June 30, 2021 and 2020, respectively.

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.

Real 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 Assets include:

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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 sub-asset class for these types of investments within global real assets. There are currently 10 different real estate funds in the portfolio. Four of those funds are open-ended vehicles that accept redemption requests quarterly with a 30-90 day notification period. There were no unfunded commitments in the open-ended funds as of June 30, 2021; and two of the four open-ended funds had unfunded commitments totaling \$45 million as of June 30, 2020. The remaining five funds are closed-ended limited partnerships that are not eligible for redemptions. Those five funds have a combined unfunded commitment of \$263.3 million and \$85.1 million as of June 30, 2021 and 2020, respectively.

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 includes these assets within its global real assets allocations. There are three funds in the portfolio, and they have no unfunded commitments. The funds are not eligible for redemption other than distributions of income and/or proceeds as determined by the investment manager. The funds have remaining lives of 1-5 years.

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 includes these assets within its global real assets allocations. The infrastructure investments in the portfolio as of June 30, 2021 and 2020, include both open and closed-ended funds. The open-ended funds have no unfunded commitments and are eligible for redemptions quarterly with 90 days notice. There may be a 3-12 month queue for receiving redemptions. The closed-ended funds have unfunded commitments of \$167.1 million and \$116.3 million at June 30, 2021 and 2020, respectively, and are not eligible for redemptions.

Securities Lending

State statutes permit and the SIB has authorized the use of securities lending – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Northern Trust is the securities lending agent for the SIB. Securities are loaned versus collateral that may include cash, US government securities and irrevocable letters of credit. US securities are loaned versus collateral valued at 102% of the fair value of the securities plus any accrued interest. Non-US securities are loaned versus collateral valued at 105% of the fair value of the securities plus any accrued interest.

Non-cash collateral cannot be pledged or sold unless the borrower defaults. All securities loans can be terminated on demand by either the lender or the borrower, although the average term of SIB loans was approximately 130 and 232 days as of June 30, 2021 and 2020, respectively. Cash open collateral is invested in a short term investment pool, which had an interest sensitivity of 1 day as of both June 30, 2021 and 2020. This pool is valued based on amortized cost. There were no violations of legal or contractual provisions, no borrower or lending agent default losses known to the securities lending agent. There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of

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Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

For securities loaned at fiscal year end, the SIB has no credit risk exposure to borrowers because the amounts the SIB owes the borrowers exceeds the amounts the borrowers owe the SIB.

The following represents the balances relating to the securities lending transactions at June 30, 2021 and 2020 (expressed in thousands).

			Cash
	Securities	Non-Cash	Collateral
2021	Lent	Collateral	Investment
		Value	Value
Lent for cash collateral:			
US agency securities	\$ 937	\$ -	\$ 957
US government securities	1,483	-	1,540
US corporate fixed income securities	32,989	-	33,846
Global government securities	1,137	-	1,207
Global corporate fixed income securities	3,551	-	3,781
US equities	29,346	-	30,361
Global equities	16,043	-	17,218
Lent for non-cash collateral:			
US agency securities	1,160	1,198	-
US government securities	2,186	2,242	-
US corporate fixed income securities	38,039	39,396	-
US equities	153,604	158,573	-
Global equities	14,377	15,433	-
Total	<u>\$ 294,852</u>	<u>\$ 216,842</u>	<u>\$ 88,910</u>

			Cash
	Securities	Non-Cash	Collateral
2020	Lent	Collateral	Investment
		Value	Value
Lent for cash collateral:			
US agency securities	\$ 634	\$ -	\$ 646
US government securities	1,471	-	1,487
US corporate fixed income securities	16,468	-	16,744
Global agency securities		-	
Global government securities	827	-	875
Global corporate fixed income securities	205	-	214
US equities	7,717	-	7,815
Global equities	29,051	-	31,010
Lent for non-cash collateral:			
US agency securities			-
US government securities	1,316	1,343	-
US corporate fixed income securities	17,204	17,555	-
US equities	87,966	89,262	-
Global equities	12,630	13,519	-
Total	<u>\$ 175,489</u>	<u>\$ 121,679</u>	<u>\$ 58,791</u>

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Note 4 - Capital Assets

	June 30, 2019	Additions	Retirements	June 30, 2020	Additions	Retirements	June 30, 2021
Office equipment	\$16,879	\$ -	\$ -	\$16,879	\$ -	\$ -	\$16,879
Less accumulated depreciation on office equipment	(11,930)	(1,800)	-	(13,730)	(1,800)	-	(15,530)
Software	1,213,500	-	-	1,213,500	\$0	-	1,213,500
Less accumulated depreciation on software	(1,213,500)	-	-	(1,213,500)	-	-	(1,213,500)
	<u>\$ 4,949</u>	<u>\$ (1,800)</u>	<u>\$ -</u>	<u>\$ 3,149</u>	<u>\$ (1,800)</u>	<u>\$ -</u>	<u>\$ 1,349</u>

Note 5 - State Agency Transactions**Due To/From Other State Agencies and Other State Funds**

Amounts due from/to other state agencies and other state funds are as follows as of June 30, 2021 and 2020:

	2021	2020
Due To Other State Agencies		
Information Technology Department	\$ 10,976	\$ 7,831
Office of Attorney General	3,884	3,011
Office of Management and Budget	31	337
Total due to other state agencies	<u>\$ 14,891</u>	<u>\$ 11,179</u>
Due To Other State Funds		
General Fund	<u>\$ 871,687,384</u>	<u>\$ -</u>

Due to other state agencies 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. *Due to other state funds* represents the statutorily defined earnings of the Legacy Fund for the 2019-21 biennium that is required by the State Constitution to be transferred to the general fund at the end of the biennium.

Note 6 - Operating Leases

RIO leased office space under an operating lease effective July 1, 2017 through June 30, 2023. RIO also incurs rent expense at other locations on a temporary basis to sponsor retirement education for TFFR members. Rent expense totaled \$88,365 and \$89,924 for fiscal years 2021 and 2020, respectively. Minimum payments under the lease for fiscal 2022 are \$90,872.

Note 7 - Changes in Noncurrent Liabilities

Changes in noncurrent liabilities are included in accrued expenses in the statements of changes in net position. The changes for the years ended June 30, 2021 and 2020 are summarized as follows:

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	Beginning Balance 7/1/2020	Additions	Reductions	Ending Balance 6/30/2021	Amounts Due Within One Year
Accrued Leave	\$205,830	\$160,655	(\$155,082)	\$211,403	\$141,891
	Beginning Balance 7/1/2019	Additions	Reductions	Ending Balance 6/30/2020	Amounts Due Within One Year
Accrued Leave	\$194,227	\$149,970	(\$138,367)	\$205,830	\$135,440

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, 2021 and 2020, the number of participating employer units was 210 and 213, respectively, consisting of the following:

	June 30, 2021	June 30, 2020
Public School Districts	173	174
County Superintendents	4	6
Special Education Units	20	20
Vocational Education Units	4	4
Other	9	9
Total	210	213

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TFFR's membership consisted of the following:

	2021	2020
Retirees and beneficiaries currently receiving benefits	9,262	9,036
Terminated employees - vested	1,754	1,715
Terminated employees - nonvested	1,213	1,132
Total	12,229	11,883
Current employees		
Vested	8,306	8,216
Nonvested	3,321	3,131
Total	11,627	11,347

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 non-vested 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.

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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 Rate of Return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 26.36% and 3.37% for the years ended June 30, 2021 and 2020, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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Realized Gains and Losses

Realized gains and losses on sales of investments are components of net change in fair value of investments and are computed as described in Note 1. For the years ended June 30, 2021 and 2020, TFFR had net realized gains of \$236,376,522 and \$50,611,877, respectively.

Net Pension Liability

The components of the net pension liability of TFFR at June 30, 2021 and 2020 (expressed in thousands), were as follows:

	June 30, 2021	June 30, 2020
Total pension liability	\$ 4,336,060	\$ 4,181,036
Plan fiduciary net position	(3,282,405)	(2,650,532)
Net pension liability (NPL)	<u>\$ 1,053,655</u>	<u>\$ 1,530,504</u>
Plan fiduciary net position as a percentage of the total pension liability	75.7%	63.4%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2021 and 2020, using the following actuarial assumptions:

Valuation date	July 1, 2021	July 1, 2020
Inflation	2.30%	2.30%
Salary increases	3.80% to 14.80%; varying by service, including inflation and productivity	3.80% to 14.80%; varying by service, including inflation and productivity
Cost of living adjustments	None	None
Investment rate of return	7.25% net of investment expenses, including inflation	7.25% net of investment expenses, including inflation

For the July 1, 2021 and 2020, valuations, the post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

The pre-retirement mortality table was updated to the Pub T-2010 Employee table projected with generational improvement using Scale MP-2019. The actuarial assumptions used were based on the results of an experience study dated March 19, 2020.

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

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of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates.

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 July 1, 2021 and 2020 are summarized in the following tables:

2021	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.0%	6.9%
Global Fixed Income	26.0%	0.7%
Global Real Assets	18.0%	4.8%
Cash Equivalents	1.0%	-1.0%

2020	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	6.9%
Global Fixed Income	23.0%	1.3%
Global Real Assets	18.0%	5.0%
Cash Equivalents	1.0%	0.0%

As part of the most recent asset/liability study, the total fund real rate of return was upwardly adjusted by 0.50% to reflect a longer investment time horizon than is assumed in the investment consultant's expected returns and to account for above benchmark returns achieved through active management. In order to estimate the nominal rate of return, the real rate of return was adjusted upward by 2.0% for expected inflation.

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Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2021 and 2020. 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, 2021 and 2020 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, 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, 2021 and 2020. 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, 2021 and 2020.

Sensitivity of Net Pension Liability

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.25% as of June 30, 2021 and 2020, 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:

2021			
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employers' net pension liability	\$ 1,582,102,595	\$ 1,053,655,311	\$ 614,833,478

2020			
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employers' net pension liability	\$ 2,038,548,355	\$ 1,530,503,462	\$ 1,108,292,065

Note 9 - ND Public Employees Retirement System (NDPERS)

Permanent employees of RIO participate in the pension and other post-employment benefit (OPEB) plans of NDPERS, which is also an agency of the State of North Dakota financial reporting entity and is included in the State of North Dakota's Annual Comprehensive 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 pension (Main System) and OPEB plans are cost-sharing multiple-employer defined benefit plans that cover employees/retirees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS pension plan provides for pension, death and disability benefits. NDPERS OPEB plan provides a credit toward the monthly health insurance premium of members receiving retirement benefits from the PERS, HPRS and Judges retirement under Chapter 27-17 of the North Dakota Century Code. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the credit is expanded to also include any dental, vision, and long-term care plan. The cost to administer the pension plan is financed through the contributions and investment earnings of the plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit pension and OPEB plans is assigned to a Board

North Dakota Retirement and Investment Office

Notes to Combined Financial Statements

June 30, 2021 and 2020

comprised of nine 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, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS 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). For members hired on or after January 1, 2016 the Rule of 85 is replaced with the Rule of 90 with a minimum age of 60. The monthly 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 members' 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 contributions are set by statute. During the 1983-1985 biennium the State of North Dakota implemented the employer pickup provision of the IRS code whereby a portion or all of the required member contributions are made by the employer. RIO, as the employer, is paying 4% of the member contribution. Employer contributions are set by statute.

North Dakota Retirement and Investment Office

Notes to Combined Financial Statements

June 30, 2021 and 2020

Contribution rates are established as a percent of covered compensation as follows:

	Member	Employer
Members first enrolled prior to January 1, 2020	7.00%	7.12%
Members first enrolled after January 1, 2020	7.00%	8.26%
Members returning to the DB Plan as a result of Senate Bill 2015	9.00%	7.12%

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

OPEB Benefits

The employer contribution is set by statute at 1.14% of covered compensation. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At June 30, 2021 and 2020, RIO reported a liability of \$4,531,009 and \$1,889,405, respectively, for its proportionate share of the net pension and OPEB liability. These amounts are included in the accrued liabilities in the statements of net position. The net pension and OPEB liability was measured as of June 30, 2020 and 2019, and the total pension and OPEB liability used to calculate the net pension and OPEB 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 and OPEB plans relative to the covered payroll of all participating NDPERS Main System and OPEB employers. At June 30, 2020, RIO's pension plan proportion was 0.140747 percent and as of June 30, 2019, was 0.151523 percent. RIO's OPEB plan proportion was 0.122537 percent as of June 30, 2020 and was 0.141245 percent as of June 30, 2019.

RIO recognized pension and OPEB expense of \$652,402 and \$234,757 for the years ended June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, RIO reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

North Dakota Retirement and Investment Office

Notes to Combined Financial Statements

June 30, 2021 and 2020

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2021	2020	2021	2020
Differences between expected and actual experience	\$ 19,519	\$ 3,853	\$ 226,838	\$ 325,848
Changes in assumptions	2,387,471	677,150	392,423	569,784
Net differences between projected and actual earnings on plan investments	146,456	31,068	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,114	55,138	149,812	44,740
Employer contributions subsequent to the measurement date	152,268	134,714	-	-
Total	<u>\$ 2,719,828</u>	<u>\$ 901,923</u>	<u>\$ 769,073</u>	<u>\$ 940,372</u>

Deferred outflows of resources related to pensions and OPEB resulting from employer contributions subsequent to the measurement date in the amount of \$152,268 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

Year Ended June 30	
2022	545,435
2023	459,175
2024	367,933
2025	426,276
2026	(394)
2027	62
	<u>\$ 1,798,487</u>

North Dakota Retirement and Investment Office

Notes to Combined Financial Statements

June 30, 2021 and 2020

Actuarial assumptions

The total pension and OPEB liabilities in the July 1, 2020 and 2019 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

2020 – Pension Plan

Inflation	2.25%
Salary Increase (Payroll Growth)	3.50% to 17.75%, including inflation
Investment Rate of Return	7.00%, net of investment expense, including inflation
Cost-of-living Adjustments	None
Mortality Rates	Sex-distinct Pub-2010 tables for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

2019 – Pension Plan

Inflation	2.50%
Salary Increase (Payroll Growth)	4.00% to 20%, including inflation
Investment Rate of Return	7.50%, net of investment expense, including inflation
Cost-of-living Adjustments	None
Mortality Rates	Mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2020 and 2019, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

North Dakota Retirement and Investment Office

Notes to Combined Financial Statements

June 30, 2021 and 2020

2020 - OPEB Plan

Inflation	2.25%
Salary Increase (Payroll Growth)	Not applicable
Investment Rate of Return	6.50%, net of investment expense, including inflation
Mortality Rates	Pub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

2019 - OPEB Plan

Inflation	2.50%
Salary Increase (Payroll Growth)	Not applicable
Investment Rate of Return	7.25%, net of investment expense, including inflation
Mortality Rates	Mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males (no setback for females) multiplied by 125%.

There were no benefit changes during 2019. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date are no longer eligible to participate in the OPEB Plan. Therefore, the OPEB Plan is, for the most part, a closed plan. There were no other benefit changes during 2020. The economic assumptions (excluding salary increases) and the asset smoothing method were updated beginning with the actuarial valuation as of July 1, 2017, based on a review performed by the actuary. The investment return assumption was decreased from 7.5% to 7.25% beginning with the actuarial valuation as of July 1, 2019, and further to 6.50% beginning with the actuarial valuation as of July 1, 2020. All other actuarial assumptions were adopted by the PERS Board based on an experience study covering the period July 1, 2009, through June 30, 2014. The employer rate to the System is the statutory contribution rate of 1.14% of payroll.

The long-term expected rate of return on pension and OPEB 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 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

North Dakota Retirement and Investment Office

Notes to Combined Financial Statements

June 30, 2021 and 2020

allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plans' target asset allocations are summarized in the following table:

2020 - Pension Plan		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57%	6.9%
Global Fixed Income	23%	1.3%
Global Real Assets	20%	5.0%
2019 - Pension Plan		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57%	7.0%
Global Fixed Income	23%	2.1%
Global Real Assets	20%	5.4%
2020 - OPEB Plan		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equity	37%	6.1%
Small Cap Domestic Equity	9%	7.0%
International Equity	14%	6.5%
Core-Plus Fixed Income	40%	1.2%
2019 - OPEB Plan		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equity	37%	6.0%
Small Cap Domestic Equity	9%	7.3%
International Equity	14%	7.0%
Core-Plus Fixed Income	40%	2.1%

North Dakota Retirement and Investment Office

Notes to Combined Financial Statements

June 30, 2021 and 2020

Discount rate

For pension plans, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years.

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate (SDR) that reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For 2020, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45% (based on the most recent date available on or before the measurement date of the “20-year Municipal GO Index” from Fidelity); and the resulting Single Discount Rate is 4.64%.

For 2019, the expected return on pension plan investments is 7.50%; the municipal bond rate is 3.13% (based on the most recent date available on or before the measurement date of the “20-year Municipal Go Index” from Fidelity); and the resulting Single Discount Rate is 7.50%.

The discount rate used to measure the total OPEB liability for 2020 was 6.50% and for 2019 was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2020 and 2019 OPEB actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current OPEB members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the OPEB fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB investments was applied to all periods of projected benefit payments to determine the total OPEB liability for both years.

Sensitivity of the Employer's proportionate share of the net pension and OPEB liability to changes in the discount rate

The following presents RIO's proportionate share of the net pension and OPEB liability calculated using the current discount rate, as well as what the RIO's proportionate share of the net pension and OPEB 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:

North Dakota Retirement and Investment Office

Notes to Combined Financial Statements

June 30, 2021 and 2020

2021			
	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
RIO's net pension liability	\$ 5,744,908	\$ 4,427,931	\$ 3,350,323
	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
RIO's net OPEB liability	135,189	103,078	75,924

2020			
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
RIO's net pension liability	\$ 2,546,343	\$ 1,775,959	\$ 1,128,702
	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
RIO's net OPEB liability	144,799	113,446	86,608

Sensitivity for Healthcare Cost Trend Rates

The benefit provided by the North Dakota retiree health insurance credit fund is a fixed dollar subsidy and is not affected by the healthcare cost trend. Therefore, a sensitivity analysis was not performed.

Pension and OPEB plan fiduciary net position

Detailed information about the pension and OPEB plans' fiduciary net position is available in the separately issued NDPERS Annual Comprehensive Financial Report. This report can be accessed on the NDPERS website utilizing the following link: <https://www.ndpers.nd.gov/about/financial-actuarial-reports/annual-report-archive>.

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 - Contingencies/Litigation

The State Investment Board has been named as a defendant in a case arising out of the Tribune bankruptcy proceedings, relating to securities that were purchased by external investment managers in one or more portfolios held by the SIB on behalf of its investment client funds. Outside counsel has been retained, in addition to assistance received from the ND Office of Attorney General. On July 15, 2019, the Litigation Trustee filed a Notice of Appeal to the Second Circuit, appealing the various judgments of the US District Court that dismissed his claims against defendants in the Action and denying leave to amend his complaint to add a constructive fraudulent transfer claim. The Second Circuit held oral argument on August 24, 2020, and on August 20, 2021, upheld the dismissal. The Litigation Trustee has now filed a petition for an *en banc* rehearing by the full Second Circuit of the Court's August 20, 2021, decision. No liability has been recorded for this case.

North Dakota Retirement and Investment Office

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios

North Dakota Teachers' Fund for Retirement

Last 10 Fiscal Years*

(Dollars in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 87,088	\$ 80,591	\$ 77,756	\$ 78,041	\$ 75,476	\$ 68,239	\$ 60,618	\$ 56,752
Interest	300,698	306,791	296,876	287,375	276,412	265,440	249,064	237,821
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	8,366	(20,732)	(23,495)	(27,939)	(10,749)	(8,093)	2,209	9,347
Changes of assumptions	-	51,813	-	-	-	-	171,325	-
Benefit payments, including refunds of member contributions	(241,128)	(230,851)	(221,228)	(207,979)	(196,516)	(185,969)	(172,239)	(162,259)
Net change in total pension liability	155,024	187,612	129,909	129,498	144,623	139,617	310,977	141,661
Total pension liability - beginning	4,181,036	3,993,424	3,863,515	3,734,017	3,589,394	3,449,777	3,138,800	2,997,139
Total pension liability - ending (a)	\$ 4,336,060	\$ 4,181,036	\$ 3,993,424	\$ 3,863,515	\$ 3,734,017	\$ 3,589,394	\$ 3,449,777	\$ 3,138,800
Plan fiduciary net position								
Contributions - employer	\$ 98,264	\$ 93,032	\$ 89,445	\$ 86,676	\$ 86,059	\$ 82,840	\$ 78,422	\$ 62,355
Contributions - member	90,557	85,735	82,429	79,878	79,309	76,343	72,268	56,555
Contributions - purchased service credit	2,559	2,175	1,917	2,181	2,553	2,768	1,601	2,034
Contributions - other	126	159	159	194	236	45	172	48
Net investment income	684,173	86,206	135,043	211,345	266,688	8,239	73,205	294,246
Benefit payments, including refunds of member contributions	(241,128)	(230,851)	(221,228)	(207,979)	(196,516)	(185,969)	(172,239)	(162,259)
Administrative expenses	(2,678)	(2,095)	(2,251)	(2,129)	(2,173)	(1,852)	(1,923)	(1,586)
Net change in plan fiduciary net position	631,873	34,361	85,514	170,166	236,156	(17,586)	51,506	251,393
Plan fiduciary net position - beginning **	2,650,532	2,616,171	2,530,657	2,360,491	2,124,335	2,141,921	2,090,415	1,839,584
Plan fiduciary net position - ending (b)	\$ 3,282,405	\$ 2,650,532	\$ 2,616,171	\$ 2,530,657	\$ 2,360,491	\$ 2,124,335	\$ 2,141,921	\$ 2,090,977
Plan's net pension liability - ending (a) - (b)	\$ 1,053,655	\$ 1,530,504	\$ 1,377,253	\$ 1,332,858	\$ 1,373,526	\$ 1,465,059	\$ 1,307,856	\$ 1,047,823
Plan fiduciary net position as a percentage of the total pension liability	75.7%	63.4%	65.5%	65.5%	63.2%	59.2%	62.1%	66.6%
Covered payroll	770,700	729,661	701,528	679,809	674,971	649,725	615,105	580,053
Plan's net pension liability as a percentage of covered payroll	136.7%	209.8%	196.3%	196.1%	203.5%	225.5%	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 2020, amounts reported as changes of assumptions resulted primarily from a decrease in the investment return assumption from 7.75% to 7.25%, the inflation assumption lowered from 2.75% to 2.30%, lower individual salary increases, and an updated mortality improvement scale.

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

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

Fiscal Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2012	\$ 69,374	\$ 46,126	\$ 23,248	\$ 527,156	8.75%
2013	52,396	59,301	(6,905)	551,656	10.75%
2014	59,513	62,355	(2,842)	580,053	10.75%
2015	71,168	78,422	(7,254)	615,105	12.75%
2016	84,724	82,840	1,884	649,725	12.75%
2017	89,231	86,059	3,172	674,971	12.75%
2018	88,307	86,676	1,631	679,809	12.75%
2019	90,778	89,445	1,333	701,528	12.75%
2020	93,688	93,032	656	729,661	12.75%
2021	101,655	98,264	3,391	770,700	12.75%

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	22 years
Asset valuation method	5-year smoothed market
Inflation	2.30%; decreased from 2.75% prior to 7/1/2020 and from 3% prior to 7/1/2015.
Salary increases	3.80% - 14.80% including inflation and productivity; 4.25% - 14.5% prior to 7/1/2020; 4.5% - 14.75% prior to 7/1/2015.
Investment rate of return	7.25%, net of investment expenses, including inflation; rate was decreased from 7.75% beginning 7/1/2020 and decreased from 8% beginning 7/1/2015.
Retirement age	In the 2020 and 2015 valuations, rates of retirement were changed to better reflect anticipated future experience.
Mortality	In the 2020 valuation, the PubT-2010 pre-retirement, retiree and contingent survivor tables were adopted and for disabled members, PubNS-2010 tables were adopted; all with generational improvement. In the 2015 valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 mortality 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.

North Dakota Retirement and Investment Office
Required Supplementary Information

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

ANNUAL MONEY-WEIGHTED RATE OF RETURN
NET OF INVESTMENT EXPENSES

2021	2020	2019	2018	2017	2016	2015	2014	2013
26.36%	3.37%	5.46%	9.15%	12.81%	0.39%	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

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

	2021	2020	2019	2018	2017	2016	2015
RIO's proportion of NDPERS net pension liability (asset)	0.140747%	0.151523%	0.153507%	0.156317%	0.152969%	0.145546%	0.121849%
RIO's proportion of NDPERS net OPEB liability (asset)	<u>0.122537%</u>	<u>0.141245%</u>	<u>0.144121%</u>	<u>0.147503%</u>			
RIO's proportionate share of NDPERS net pension liability (asset)	\$ 4,428	\$ 1,776	\$ 2,591	\$ 2,513	\$ 1,491	\$ 990	\$ 773
RIO's proportionate share of NDPERS net OPEB liability (asset)	<u>103</u>	<u>113</u>	<u>114</u>	<u>117</u>			
RIO's covered payroll	<u>\$ 1,631</u>	<u>\$ 1,584</u>	<u>\$ 1,567</u>	<u>\$ 1,596</u>	<u>\$ 1,507</u>	<u>\$ 1,377</u>	<u>\$ 1,026</u>
RIO's proportionate share of NDPERS net pension liability (asset) as a percentage of its covered payroll	271.49%	112.12%	165.35%	157.46%	98.94%	71.90%	75.34%
RIO's proportionate share of NDPERS net OPEB liability (asset) as a percentage of its covered payroll	<u>6.32%</u>	<u>7.16%</u>	<u>7.28%</u>	<u>7.31%</u>			
NDPERS Plan fiduciary net position as a percentage of the total pension liability	48.91%	71.66%	62.80%	61.98%	70.46%	77.15%	77.70%
NDPERS Plan fiduciary net position as a percentage of the total OPEB liability	<u>63.38%</u>	<u>63.13%</u>	<u>61.89%</u>	<u>59.78%</u>			

Notes to schedule:

*Complete data for this schedule is not available prior to 2015 for pension liability and prior to 2018 for OBEF liability.

Amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

North Dakota Retirement and Investment Office
Required Supplementary Information

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

	2021	2020	2019	2018	2017	2016	2015	2014
RIO's Statutorily required pension contributions	\$ 131	\$ 116	\$ 113	\$ 112	\$ 114	\$ 107	\$ 98	\$ 73
RIO's Statutorily required OPEB contributions	21	19	18	18	18			
RIO's pension contributions in relation to the statutory required contribution	131	116	113	112	114	107	98	73
RIO's OPEB contributions in relation to the statutory required contribution	21	19	18	18	18			
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
RIO's Covered payroll	\$ 1,843	\$ 1,631	\$ 1,584	\$ 1,567	\$ 1,596	\$ 1,507	\$ 1,377	\$ 1,026
RIO's pension contributions as a percentage of covered payroll	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%
RIO's OPEB contributions as a percentage of covered payroll	1.14%	1.14%	1.14%	1.14%	1.14%			

Notes to schedule:

*Complete data for this schedule is not available prior to 2014 for pension contributions and 2017 for OPEB contributions.

ND Retirement and Investment Office – Financial Section

	Pension Pool Participants					Insurance Pool Participants							
	Public Employees Retirement System	Bismarck City Employee Pension Plan	Bismarck City Police 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	Insurance Regulatory Trust Fund	Cultural Endowment Fund	Risk Mgmt	Risk Mgmt Workers' Comp
Assets:													
Investments													
Global equities	\$2,424,172,969	\$58,861,823	\$26,401,619	\$48,915,617	\$5,096,810	\$505,201,987	\$7,912,132	\$0	\$0	\$2,132,232	\$334,423	\$1,305,529	\$1,582,034
Global fixed income	942,697,964	43,235,697	14,891,626	19,500,252	2,340,869	1,382,432,323	12,488,610	2,095,802	3,083,841	2,497,096	227,656	2,817,289	2,594,679
Global real assets	625,531,022	25,626,804	10,380,626	12,483,780	1,855,228	394,427,942	-	-	-	-	31,764	-	-
Cash equivalents	24,697,250	457,590	154,976	769,713	64,966	19,387,668	2,283,236	1,731,443	3,130,695	2,500,660	18,428	2,847,9	129,437
Total investments	4,017,099,205	128,181,914	51,828,847	81,669,362	9,357,873	2,301,449,920	22,683,978	3,827,245	6,214,536	7,129,988	612,271	4,341,297	4,306,150
Invested securities lending collateral	16,290,433	481,137	189,188	350,781	49,530	6,288,417	74,012	5,979	8,723	17,872	2,263	13,898	14,512
Investment income receivable	8,413,419	266,659	103,286	113,353	17,262	9,867,720	135,086	23,097	51,254	6,444	237	48,006	4,140
Operating Cash	93,147	-	-	-	-	57,502	1,306	1,192	1,333	866	204	1,224	1,169
Miscellaneous receivable	5,995	-	-	-	-	3,551	36	6	10	4	1	7	7
Due from other state agencies	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	4,041,902,199	128,929,710	52,121,321	82,133,496	9,424,665	2,317,667,110	22,894,418	3,857,519	6,275,856	7,155,174	614,976	4,404,432	4,325,978
Deferred outflows of resources													
Related to pensions	310,503	-	-	-	-	191,178	2,113	328	591	214	48	456	441
Liabilities:													
Investment expenses payable	3,322,281	97,928	40,252	65,771	8,419	1,411,107	17,160	1,116	1,637	4,061	590	3,463	3,768
Securities lending collateral	16,290,433	481,137	189,188	350,781	49,530	6,288,417	74,012	5,979	8,723	17,872	2,263	13,898	14,512
Accounts payable	66,918	-	-	-	-	38,337	393	65	106	45	10	73	71
Accrued expenses	573,944	-	-	-	-	363,621	4,502	640	1,220	389	89	970	907
Miscellaneous payable	-	5,563	2,247	3,416	404	-	-	-	-	-	-	-	-
Due to other state funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to other state agencies	971	-	-	-	-	575	6	1	2	1	-	1	1
Total liabilities	20,254,547	584,628	231,687	419,968	58,353	8,102,057	96,073	7,801	11,688	22,368	2,952	18,405	19,259
Deferred inflows of resources													
Related to pensions	\$83,069	\$0	\$0	\$0	\$0	\$58,806	\$657	\$111	\$192	\$40	\$12	\$143	\$153
Fiduciary net position held in trust for external investment pool participants	\$ 4,021,875,086	\$ 128,345,082	\$ 51,889,634	\$ 81,713,528	\$ 9,366,312	\$ 2,309,697,425	\$ 22,799,801	\$ 3,849,935	\$ 6,264,567	\$ 7,132,980	\$ 612,060	\$ 4,386,340	\$ 4,307,007
Each participant unit is valued at \$100													
Participant units outstanding	4,021,875,086	128,345,082	51,889,634	81,713,528	9,366,312	2,309,697,425	22,799,801	3,849,935	6,264,567	7,132,980	612,060	4,386,340	4,307,007

North Dakota Retirement and Investment Office
Combining Statement of Net Position – Investment Trust Funds – Fiduciary Funds
June 30, 2021
(With Comparative Totals for 2020)

Insurance Pool Participants				Individual Investment Accounts											
ND Veterans' Cemetery Trust Fund	ND Ass'n. of Counties Fund	PERS Group Insurance	Budget Stabilization Fund	City of Bismarck Deferred Sick Leave	City of Fargo Fargo Dome Fund	State Board of Medicine	Lewis & Clark Interpretive Center Endowment	Attorney General Settlement Fund	Job Service of North Dakota	Tobacco Prevention and Control Fund	PERS Retiree Health Credit Fund	Totals			
												2021	2020		
\$ 188,850	\$ 2,693,298	\$ 0	\$ 0	\$ 251,307	\$ 24,723,747	\$ 744,347	\$ 318,354	\$ 0	\$ 4,675,750,227	\$ 19,108,158	\$ 0	\$ 18,281,574	\$ 7,923,977,037	\$ 6,047,922,687	
133,121	4,818,947	32,716,340	740,906,543	550,570	19,498,111	1,856,854	587,859	915,009	2,916,006,936	77,129,210	-	61,279,787	6,287,302,991	5,437,603,865	
57,633	-	-	-	-	4,986,475	172,485	-	-	1,185,549,801	-	-	-	2,261,103,560	1,989,786,268	
1264	232,454	1,719,117	5,479,123	42,134	499,547	7,294	9,249	9,400	188,441,320	435,556	1,000	68,1897	253,103,896	145,396,714	
380,868	7,744,699	34,435,457	746,385,666	844,011	49,707,880	2,780,980	915,462	924,409	8,965,748,284	96,672,924	1,000	180,243,258	16,725,487,484	13,620,709,534	
(850)	25,756	447,692	10,138,395	2,788	199,292	9,142	3,247	12,475	40,777,415	-	-	-	75,402,097	51,197,270	
183	2,156	123,140	3,251,861	1,518	47,825	575	47	661	27,536,721	6	-	37	50,014,693	51,681,680	
-	-	-	36,463	-	-	-	-	-	268,932	-	-	-	463,338	353,025	
-	-	-	1,193	-	-	-	-	-	13,371	-	-	-	24,181	24,662	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
380,201	7,772,611	35,006,289	759,813,578	848,317	49,954,997	2,790,697	918,756	937,545	9,034,344,723	96,672,930	1,000	180,243,295	16,851,391,793	13,723,966,171	
-	-	-	41,228	-	-	-	-	-	625,682	-	-	-	1,172,782	352,915	
318	6,150	10,153	231,086	613	44,139	1,909	723	284	5,949,800	77,308	592	127,597	11,428,225	8,513,217	
(850)	25,756	447,692	10,138,395	2,788	199,292	9,142	3,247	12,475	40,777,415	-	-	-	75,402,097	51,197,270	
-	-	-	12,862	-	-	-	-	-	150,890	-	-	-	269,770	261,446	
-	-	-	77,846	-	-	-	-	-	1,037,094	-	-	-	2,061,222	843,730	
136	332	1,487	-	250	2,200	250	250	250	-	4,348	250	7,616	28,999	29,597	
-	-	-	-	-	-	-	-	-	871,687,384	-	-	-	871,687,384	-	
-	-	-	193	-	-	-	-	-	2,166	-	-	-	3,917	3,218	
(396)	32,238	459,332	10,460,382	3,651	245,631	11,301	4,220	13,009	919,604,749	81,656	842	135,213	960,881,614	60,848,478	
\$ 0	\$ 0	\$ 0	\$ 19,676	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 163,475	\$ 0	\$ 0	\$ 0	326,334	403,422	
\$ 380,597	\$ 7,740,373	\$ 34,546,957	\$ 749,374,748	\$ 844,666	\$ 49,709,366	\$ 2,779,396	\$ 914,536	\$ 924,536	\$ 8,115,202,181	\$ 96,591,274	\$ 158	\$ 180,108,082	\$ 15,891,356,627	\$ 13,663,067,186	
380,597	7,740,373	34,546,957	749,374,748	844,666	49,709,366	2,779,396	914,536	924,536	8,115,202,181	96,591,274	158	180,108,082	15,891,356,627	13,663,067,186	

ND Retirement and Investment Office – Financial Section

	Pension Pool Participants					Insurance Pool Participants							
	Public Employees Retirement System	Bismarck City Employee Pension Plan	Bismarck City Police Pension Plan	City of Grand Forks Employee Pension Plan	City of Grand Forks Park District Pension Plan	Workforce Safety & Insurance	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund	Insurance Regulatory Trust Fund	Cultural Endowment Fund	Risk Mgmt	Risk Mgmt Workers' Comp
Additions:													
Investment income:													
Net change in fair value of investments	\$ 81,750,964	\$ 21,344,943	\$ 9,398,347	\$ 16,531,382	\$ 1,804,671	\$ 202,419,817	\$ 3,090,719	\$ 21,948	\$ 36,887	\$ 332,380	\$ 111,108	\$ 512,933	\$ 626,878
Interest, dividends and other income	64,016,475	2,243,633	870,634	12,857,511	182,972	45,087,703	396,853	45,069	69,214	40,881	9,979	73,266	75,948
	875,767,439	23,588,576	10,268,981	17,817,133	1,987,643	247,507,520	3,487,572	67,017	106,101	373,261	121,087	586,199	702,826
Less investment expenses	10,702,104	345,797	141,287	215,357	28,509	4,839,847	48,016	3,215	4,726	6,177	1,617	8,629	9,372
Net investment income	865,065,335	23,242,779	10,127,694	17,601,776	1,959,134	242,667,673	3,439,556	63,802	101,375	367,084	119,470	577,570	693,454
Securities lending activity:													
Securities lending income	277,552	8,398	3,352	5,534	630	88,961	1,209	32	48	139	37	161	192
Less Securities lending expenses	(55,502)	(1,679)	(670)	(1,106)	(126)	(17,785)	(241)	(6)	(12)	(27)	(7)	(33)	(37)
Net securities lending income	222,050	6,719	2,682	4,428	504	71,176	968	26	36	112	30	128	155
Purchase of units (\$1 per unit)	-	-	-	3,812,824	467,262	-	3,994,740	-	-	5,886,156	-	-	-
Total Additions	865,287,385	23,249,498	10,130,376	21,419,028	2,426,900	242,738,849	7,435,264	63,828	101,411	6,253,352	119,500	577,698	693,609
Deductions:													
Administrative Expenses	552,926	-	-	-	-	324,531	3,446	997	1,159	985	807	1,027	1,021
Redemption of units (\$1 per unit)	52,075,000	1,750,000	750,000	7,106,610	459,481	57,500,000	7,444,698	-	-	4,833,187	-	750,000	1,500,000
Total Deductions	52,627,926	1,750,000	750,000	7,106,610	459,481	57,824,531	7,448,144	997	1,159	4,834,172	807	751,027	1,501,021
Change in fiduciary net position	812,659,459	21,499,498	9,380,376	14,312,418	1,967,419	184,914,318	(12,880)	62,831	100,252	1,419,180	118,693	(173,329)	(807,412)
Fiduciary net position:													
Beginning of year	3,209,215,627	106,845,584	42,509,258	67,401,110	7,398,893	2,124,783,107	22,812,681	3,787,104	6,164,315	5,713,800	493,367	4,559,669	5,114,419
End of year	\$ 4,021,875,086	\$ 128,345,082	\$ 51,889,634	\$ 81,713,528	\$ 9,366,312	\$ 2,309,697,425	\$ 22,799,801	\$ 3,849,935	\$ 6,264,567	\$ 7,132,980	\$ 612,060	\$ 4,386,340	\$ 4,307,007

North Dakota Retirement and Investment Office
Combining Statement of Changes in Net Position – Investment Trust Funds – Fiduciary Funds
Year Ended June 30, 2021
(With Comparative Totals for 2020)

Insurance Pool Participants									Individual Investment Accounts							
ND Veterans' Cemetery Trust Fund	ND Ass'n of Counties Fund	PERS Group Insurance	Budget Stabilization Fund	City of Bismarck Deferred Sick Leave	City of Fargo Fargo Dome Fund	State Board of Medicine	Lewis & Clark Interpretive Center Endowment	Attorney General Settlement Fund	Legacy Fund	Job Service of North Dakota	Tobacco Prevention and Control Fund	PERS Retiree Health Credit Fund	Totals			
													2021	2020		
\$ 63,161	\$ 934,566	\$ 472,325	\$ 10,641,810	\$ 92,267	\$ 8,520,648	\$ 263,359	\$ 108,123	\$ 15,221	\$ 1,490,459,152	\$ 4,541,813	\$ 8,071	\$ 34,154,175	\$ 2,618,257,668	\$ 278,642,657		
6,348	133,195	843,264	18,793,591	14,904	847,933	53,710	16,218	25,331	142,241,067	1,805,626	51	2,864,088	282,043,704	286,561,726		
69,509	1,067,761	1,315,589	29,435,401	107,171	9,368,581	317,069	124,341	40,552	1,632,700,219	6,347,439	8,122	37,018,263	2,900,301,372	565,204,383		
1,476	17,242	45,970	924,418	2,683	134,854	7,067	2,967	2,184	20,990,995	322,167	3,704	495,393	39,305,773	28,437,549		
68,033	1,050,519	1,269,619	28,510,983	104,488	9,233,727	310,002	121,374	38,368	1,611,709,224	6,025,272	4,418	36,522,870	2,860,995,599	536,766,834		
27	393	600	13,439	39	3,144	127	50	18	598,288	-	-	-	1,002,370	988,246		
(5)	(80)	(119)	(2,686)	(9)	(628)	(25)	(12)	(2)	(119,629)	-	-	-	(200,426)	(197,478)		
22	313	481	10,753	30	2,516	102	38	16	478,659	-	-	-	801,944	790,768		
5	-	235,722,245	-	-	-	-	-	-	380,557,970	-	-	4,789,000	635,230,202	1,446,622,465		
68,060	1,050,832	236,992,345	28,521,736	104,518	9,236,243	310,104	121,412	38,384	1,992,745,853	6,025,272	4,418	41,311,870	3,497,027,745	1,984,180,067		
-	-	-	106,354	-	-	-	-	-	1,165,358	-	-	-	2,158,611	1,781,619		
-	-	233,925,000	5,944,245	30,000	3,050,000	-	-	170,236	871,687,384	4,683,097	7,590,755	5,330,000	1,266,579,693	376,059,310		
-	-	233,925,000	6,050,599	30,000	3,050,000	-	-	170,236	872,852,742	4,683,097	7,590,755	5,330,000	1,268,738,304	377,840,929		
68,060	1,050,832	3,067,345	22,471,137	74,518	6,186,243	310,104	121,412	(131,852)	1,119,893,111	1,342,175	(7,586,337)	35,981,870	2,228,289,441	1,606,339,138		
312,537	6,689,541	31,479,612	726,903,611	770,148	43,523,123	2,469,292	793,124	1,056,388	6,995,309,070	95,249,099	7,586,495	144,126,212	13,663,067,186	12,056,728,048		
\$ 380,597	\$ 7,740,373	\$ 34,546,957	\$ 749,374,748	\$ 844,666	\$ 49,709,366	\$ 2,779,396	\$ 914,536	\$ 924,536	\$ 8,115,202,181	\$ 96,591,274	\$ 158	\$ 180,108,082	\$ 15,891,356,627	\$ 13,663,067,186		

North Dakota Retirement and Investment Office
Pension and Investment Trust Funds – Schedule of Administrative Expenses
Years Ended June 30, 2021 and 2020

	Pension Trust		Investment Trust	
	2021	2020	2021	2020
Salaries and wages:				
Salaries and wages	\$ 853,912	\$ 835,872	\$ 1,039,581	\$ 872,424
Fringe benefits	705,235	441,279	619,462	419,286
Total salaries and wages	1,559,147	1,277,151	1,659,043	1,291,710
Operating expenses:				
Travel	2,096	21,478	4,096	25,641
Supplies	1,542	2,799	1,146	1,465
Postage and Mailing Services	28,162	36,604	17,341	15,868
Printing	7,633	13,676	3,201	4,097
Small Office Equipment and Furniture	9,853	3,360	7,356	1,898
Insurance	523	546	371	373
Rent/Lease of Building Space	52,129	53,354	36,236	36,570
Repairs	167	1,266	118	898
Information Technology and Communications	96,712	73,166	23,356	22,959
IT Contractual Services	142,172	99,205	521,165	466,295
Professional Development	10,294	13,528	5,219	5,673
Operating Fees and Services	16,260	18,969	21,904	22,508
Professional Fees and Services	8,498	9,737	13,042	13,982
Consultant Services	500,192	253,576	86,212	86,872
Total operating expenses	876,233	601,264	740,763	705,099
Pension trust portion of investment program expenses	241,195	215,190	(241,195)	(215,190)
Depreciation	1,800	1,800	-	-
Total administrative expenses	2,678,375	2,095,405	2,158,611	1,781,619
Less - nonappropriated items:				
Consultant Services	203,496	253,576	86,212	86,872
Other operating fees paid under continuing appropriation	113,534	110,071	563,229	522,515
Depreciation	1,800	1,800	-	-
Accrual adjustments to employee benefits	365,693	117,513	292,285	128,847
Total nonappropriated items	684,523	482,960	941,726	738,234
Total appropriated administrative expenses	\$ 1,993,852	\$ 1,612,445	\$ 1,216,885	\$ 1,043,385

The accompanying notes are an integral part of these statements.

North Dakota Retirement and Investment Office
Schedule of Appropriations – Budget Basis – Fiduciary Funds
July 1, 2019 to June 30, 2021 Biennium

	Approved 2019-2021 Appropriation	2019-2021 Appropriation Adjustment	Adjusted 2019-2021 Appropriation	Fiscal 2021 Expenses	Fiscal 2020 Expenses	Unexpended Appropriations
All Fund Types:						
Salaries and wages	\$ 4,978,230	\$ -	\$ 4,978,230	\$2,560,213	\$2,322,501	\$ 95,516
Operating expenses	3,538,934	-	3,538,934	650,524	333,329	2,555,081
Capital Assets	6,300,000	-	6,300,000	-	-	6,300,000
Contingency	52,000	-	52,000	-	-	52,000
Total	<u>\$ 14,869,164</u>	<u>\$ -</u>	<u>\$ 14,869,164</u>	<u>\$3,210,737</u>	<u>\$2,655,830</u>	<u>\$ 9,002,597</u>

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

Reconciliation of Administrative Expenses to Appropriated Expenditures

	2021	2020
Administrative expenses as reflected in the financial statements	\$4,836,986	\$3,877,024
Less expenses paid under continuing appropriation:		
Consulting Services*	(289,708)	(340,448)
Other operating fees paid under continuing appropriations*	(676,763)	(632,586)
Depreciation expense	(1,800)	(1,800)
Changes in benefit accrual amounts	<u>(657,978)</u>	<u>(246,360)</u>
Total appropriated expenses	<u>\$3,210,737</u>	<u>\$2,655,830</u>

* 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, 2021 and 2020

	Pension Trust		Investment Trust	
	2021	2020	2021	2020
Actuary fees:				
Segal Consulting	\$ 93,241	\$ 152,873	\$ -	\$ -
Auditing/Accounting fees:				
CliftonLarsonAllen LLP	77,659	71,986	13,855	49,494
Project management fees:				
Segal Consulting	292,258	-	-	-
Disability consulting fees:				
Sanford Health	-	150	-	-
Legal fees:				
Office of Administrative Hearings	-	2,100	-	-
K&L Gates LLP	13,246	10,363	18,013	13,841
Kasowitz, Benson, Torres & Friedman	-	125	-	163
Jackson Walker LLP	7,099	3,594	37,641	10,781
ND Attorney General	16,689	12,385	16,703	12,593
Total legal fees:	<u>37,034</u>	<u>28,567</u>	<u>72,357</u>	<u>37,378</u>
Total consultant expenses	<u>\$ 500,192</u>	<u>\$ 253,576</u>	<u>\$ 86,212</u>	<u>\$ 86,872</u>

North Dakota Retirement and Investment Office
Pension and Investment Trust Funds – Schedule of Investment Expenses
Years Ended June 30, 2021 and 2020

	Pension Trust		Investment Trust	
	2021	2020	2021	2020
Investment managers' fees:				
Global equity managers	\$ 1,474,059	\$ 1,373,171	\$ 1,909,859	\$ 1,848,580
Domestic large cap equity managers	1,485,841	717,445	8,783,440	4,078,287
Domestic small cap equity managers	894,545	602,625	5,898,203	3,091,577
International equity managers	944,488	865,295	8,403,141	6,910,433
Emerging markets equity managers	883,349	769,333	1,453,717	1,290,364
Domestic fixed income managers	1,981,147	1,091,995	17,676,932	10,733,934
Below investment grade fixed income managers	4,089,829	2,064,617	5,641,515	2,999,775
Diversified real assets managers	-	-	15,015,782	5,413,236
Real estate managers	4,038,160	2,034,014	7,851,454	4,859,416
Infrastructure managers	5,179,679	1,852,956	6,891,614	2,414,217
Timber managers	334,301	358,278	406,296	435,437
Private equity managers	7,231,329	2,585,827	8,838,471	3,011,436
Short term fixed income managers	-	-	880,375	743,318
Cash & equivalents managers	25,059	28,516	177,118	131,914
Balanced account managers	-	-	1,129,687	1,022,362
Total investment managers' fees	<u>\$28,561,786</u>	<u>\$ 14,344,072</u>	<u>\$90,957,604</u>	<u>\$ 48,984,286</u>
Custodian fees	249,724	231,579	1,419,325	1,202,295
Investment consultant fees	169,820	108,804	725,789	487,468
SIB Service Fees	-	-	78,284	73,461
Total investment expenses	<u><u>\$28,981,330</u></u>	<u><u>\$ 14,684,455</u></u>	<u><u>\$93,181,002</u></u>	<u><u>\$ 50,747,510</u></u>

Reconciliation of investment expenses to financial statements

	2021	2020	2021	2020
Investment expenses as reflected in the financial statements	\$ 8,388,601	\$ 6,523,407	\$39,305,773	\$ 28,437,549
Plus investment management fees included in investment income				
Domestic large cap equity managers	527,679	256,402	2,018,196	1,144,803
Domestic small cap equity managers	-	-	-	-
International equity managers	191,418	207,075	2,044,266	1,777,070
Emerging markets equity managers	178,302	417,764	294,471	701,047
Domestic fixed income managers	1,253,598	680,670	11,860,842	5,765,868
Below investment grade fixed income managers	3,692,447	1,681,382	5,171,706	2,544,213
Diversified real assets managers	-	-	12,818,627	3,813,479
Real estate managers	2,622,180	594,427	3,834,000	866,687
Infrastructure managers	4,561,475	1,379,223	6,071,866	1,798,221
Timber managers	334,301	358,278	406,296	435,437
Private equity managers	7,231,329	2,585,827	8,838,471	3,011,435
Cash equivalents managers	-	-	152,877	119,383
Balanced account managers	-	-	363,611	332,318
Investment expenses per schedule	<u><u>\$28,981,330</u></u>	<u><u>\$ 14,684,455</u></u>	<u><u>\$93,181,002</u></u>	<u><u>\$ 50,747,510</u></u>

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Investment Section



December 15, 2021

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 investment portfolios managed by the State Investment Board (SIB) and market environment for the fiscal year ended June 30, 2021.

Introduction

For the fiscal year ended June 30, 2021, the \$7.5 billion North Dakota pension investment pool portfolio experienced a net total return of 26.74%. The insurance investment pool, valued at \$3.2 billion on June 30, 2021, returned 9.74% (net), during the same time frame. The Legacy Fund valued at just under \$9.0 billion the last day of the fiscal year returned 22.68% (net) over the same 12 months. 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. The first transfer was received in September 2011. Transfers into the Legacy Fund totaled \$380.6 million during the fiscal year ended June 30, 2021. The ND Constitution also requires that all earnings accrued after June 30, 2017, must be transferred to the state's general fund at the end of each biennium. The nearly \$872 million earnings transfer for the 2019-21 biennium was accrued at the end of FY2021 and paid in July 2021.

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 98 basis points for the pension pool, 30 basis points for the insurance pool, and 56 basis points for the Legacy Fund and includes investment office administrative expenses, consultant fees, money manager fees and master custodian fees. The investment program costs increased significantly compared to recent years as a result of performance-based fees that were earned by many of the private investment funds, on top of their normal asset-based fees. The strong financial markets during the fiscal year, together with very successful active management approaches, allowed these investment managers the opportunity to earn excess returns over the pre-established "hurdle rates" and resulted in returns, net of those fees, to be in excess of the returns of their benchmarks, while remaining within the risk parameters set by the SIB.

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, 2021, as measured by standard deviation has been 10.38% for the pension pool, 5.43% for the insurance pool and 10.70% for the Legacy Fund. Risk exposure for each participating fund is also limited in accordance with the guidelines presented in the Investment Section.

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Economic Overview as of June 30, 2021

The fiscal year ending June 30, 2021 was characterized by the economic and financial asset recovery that followed the initial wave of COVID-19 and corresponding economic lockdown. Real Gross Domestic Product (GDP) plummeted over 10% in the first two quarters of the 2020 calendar year, but rebounded 7.5% in the third calendar quarter, marking the largest quarterly growth rate on record. Real GDP growth was driven by strong consumer spending throughout the fiscal year and was able to reclaim pre-pandemic highs by the second calendar quarter of 2021 (up 12.2% during the fiscal year).

Alongside GDP, the labor market experienced an outstanding recovery during the fiscal year. The unemployment rate dropped from over 11% in June 2020 to 5.9% in June 2021. The retail and leisure and hospitality segments which had been hit the hardest benefited from the reopening economy. Consumer confidence, retail sales, and manufacturing data all trended higher during the fiscal year.

Early in the fiscal year, financial assets continued their upward trajectory amid uncertainty surrounding the health of the overall economy. The expanded federal unemployment benefits of the CARES act expired in July 2020 amid double-digit unemployment, a looming U.S. election, and resurging tensions between the U.S. and China. Meanwhile, corporate profits continued to surpass expectations. In August the S&P 500 reclaimed its high-water mark to notch a record high. The dovish tone and accommodative monetary policy of the Federal Reserve also helped to fuel risk assets. Federal Reserve Chair, Jerome Powell, was widely quoted as “not even thinking about thinking about thinking about raising rates,” after having lowered the Federal Funds Rate to the effective lower bound of zero earlier in the year. The Fed also announced its more accommodative approach to “average inflation targeting,” where temporary inflation levels above the target rate would be tolerated before taking action.

The combination of a second COVID-19 wave, U.S. presidential election unease, and political battles over a second round of stimulus gave markets pause in the fall of 2020. However, the peaceful resolution of the election in conjunction with positive COVID-19 vaccine trial results spurred the S&P 500 11% higher in the month of November (after declining in September and October). Vaccine optimism also pushed treasury yields higher as investors rotated into riskier assets in anticipation of an economic recovery. The more economically sensitive small capitalization stocks roared in the second and third fiscal quarters as a result. Small caps also benefited from a coordinated online effort to drive up the prices of a select group of heavily shorted small cap companies, giving birth to the “meme stock” craze. In contrast, growth stocks underperformed value in the second and third fiscal quarters as rates climbed and investors rotated out of the tech-heavy pandemic favorites and into more cyclical positions. In the fourth fiscal quarter, both of these trends reverted, with growth outperforming value and large caps outpacing small caps.

The most prevalent concern in the second half of the fiscal year was inflation. The Consumer Price Index (All Urban Consumers) climbed 4.3% during that period. Supply chain issues were of particular concern as lumber shortages, semi-conductor shortages, and limited shipping capacity all contributed higher prices across the Index. Oil prices jumped 50% during the second half of the fiscal year with the price of WTI Crude climbing from \$48.5/bbl on December 31, 2020 to \$73.5/bbl by fiscal year-end.

Fixed income allocations struggled as treasury yields steadily climbed in the first three fiscal quarters of 2021. The yield on the 10-year treasury began the fiscal year at 0.66% and peaked in March of 2021 at 1.74% before ending the year at 1.45%. While yields generally climbed, corporate spreads tightened throughout the year, leading riskier segments of the fixed income market to outperform government bonds.

Domestic Equity

U.S. equities generated historic returns in the fiscal year ended June 30, 2021. The economy recovered from pandemic lows as vaccine progress helped the world inch towards normalcy. Equity markets were further bolstered by a deluge of fiscal and monetary stimulus. In the second and third fiscal quarters, nearly \$3 trillion in COVID-relief funds were infused into the economy. As a result, the S&P 1500, a broad market indicator for the U.S. stock market, soared 42.12%. The small cap index (S&P 600) generated a 67.40% return, notably outpacing the S&P 500 large cap index (+40.79%). The Russell 3000 Value Index produced a gain of 45.40%, slightly outperforming the 42.99% return of the Russell 3000 Growth Index. Despite the similar performance of the growth and value style for the fiscal year, there were periods of significant under- and outperformance for each.

International Equity

Developed international equities had a strong 2021 fiscal year, with the MSCI EAFE Index climbing 32.35%. Among developed markets, value equities outperformed their growth counterparts. The MSCI EAFE Value Index appreciated

33.50% versus the MSCI EAFE Growth Index's return of 30.97%. Emerging market equities notably outperformed developed markets, with the MSCI EM Index gaining 40.90% during the fiscal year. Emerging Markets equities benefited from a weaker U.S. dollar in the first half of the fiscal year, and from strong results out of China where authoritarian measures were better able to control the COVID-19 outbreak.

Private Equity

Private equity remained an attractive asset class in the 2021 fiscal year with institutional investors placing significant capital into new programs. According to Pitchbook, 2,299 new partnerships were formed, raising \$815.4 billion in capital during the 12-month period. This was a larger number of new partnerships and a higher total dollar amount invested in the asset class when compared to fiscal year 2020. Due to the nature of private equity performance measurement, benchmark comparisons of fund performance are inherently imprecise.

Domestic Fixed Income

Rising interest rates were a headwind to fixed income investing in the 2021 fiscal year, with the 10-year Treasury yield more than doubling from 0.66% to 1.45% during the period. After a strong 2020 fiscal year performance, the Bloomberg Aggregate Bond Index recorded a 0.33% loss in the 2021 fiscal year. While the Federal Reserve maintained the historic lower bound policy rate range of 0.0% to 0.25% and continued its quantitative easing program, an appetite for risk assets drove interest rates higher. Investors' preference for risk and search for higher yielding securities caused credit spreads to tighten. The Bloomberg Government Long Index fell 10.42% during the fiscal year, while the Bloomberg Corporate High Yield Index jumped 15.37% and the Bloomberg Credit Index appreciated 2.99%.

International Fixed Income

Developed international fixed income outperformed domestic bonds on an unhedged basis in the 2021 fiscal year, with the FTSE Non-U.S. World Government Bond Index climbing 3.06%. The U.S. dollar declined during the fiscal year, acting as a headwind to the FTSE Non-U.S. World Government Hedged Bond Index which declined by 45 basis points. The third fiscal quarter was the worst of the year for international debt, with rates rising on inflation fears and the U.S. dollar rising nearly 4% against a basket of international currencies. European sovereign debt outperformed other developed markets during the fiscal year. The FTSE Euro Government Bond Index produced a gain of 5.37%. Emerging market debt trailed Europe, but outperformed other developed markets. The JP Morgan Emerging Markets Bond Index Plus, which tracks U.S. dollar emerging market fixed and floating-rate debt instruments issued by sovereign entities, produced a 4.13% return over the trailing 12-month period ended June 30, 2021.

Real Estate

The NCREIF Property Index, a measure of the domestic direct private real estate market, appreciated 7.37% during the 2021 fiscal year. After ending a 41-quarter consecutive streak of positive performance in the fourth fiscal quarter last year, the index was positive in all four quarters of the 2021 fiscal year. The FTSE NAREIT Equity Index, a measure of the public real estate securities market, produced an impressive 38.02% return during the fiscal year. Being publicly traded securities, Real Estate Investment Trusts (REITS) tend to demonstrate higher correlations to public equities over shorter time periods as compared to private real estate.

Timber

The NCREIF Timberland Property Index rose 3.10% in the 2021 fiscal year, with the income component driving returns. Both the market value and the acreage of the NCREIF Timberland Property Index declined during the period. The total market value dropped to \$22.8 billion, and the acreage fell to 13.0 million acres, resulting in a decline in the market value per acre. The largest regional component of the index remains the South by a significant margin. The South region boasts 8.2 million acres valued at \$14.7 billion. From a performance perspective, the Northeast produced the largest gain, while the South underperformed other regions.

Infrastructure

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 airports. 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 can limit the ability of public authorities to maintain existing

infrastructure, much less to build 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.

Private infrastructure is challenging to appropriately benchmark given the concentrated nature of the assets and its only recent emergence as an institutional asset class. NDSIB uses a custom benchmark to measure performance. However, the FTSE Global Core 50/50 Infrastructure Index is a market capitalization weighted index that represents publicly traded companies that operate and own infrastructure assets on a global basis. The FTSE Global Core 50/50 Infrastructure Index returned 18.50% over the 12-month period ended June 30, 2021.

Summary

For fiscal year 2021, investment results were strong on both an absolute and relative basis. Performance well surpassed long-term expectations. On a relative basis, each pool generated excess returns compared to its respective policy benchmark. The pension pool outperformed its policy benchmark by 83 basis points, while the insurance pool beat its policy benchmark by 257 basis points and the Legacy Fund outpaced its policy benchmark by 203 basis points. Strong returns were driven by the rebound of the equity markets following the *Coronavirus Crash* of 2020. For the fiscal year, public equities generated exceptional returns ranging from 42% to 43%, with private equity investments up 49%. Fixed income investments performed reasonably well despite headwinds from rising interest rates in the U.S. The pension pool's fixed income allocation was up 4.92%, while the Legacy Fund and insurance pool's public fixed income allocations were up 3.29% and 2.88% respectively. Real asset performance was solid, driven by strong returns from infrastructure assets. The pension pool's real asset allocation was up 9.98%, while the Legacy Fund and insurance pool's real asset portfolios were up 9.04% and 6.47% respectively.

Over the five-year period ending June 30, 2021, the pension pool, insurance pool and Legacy Fund generated net investment returns of 11.27%, 6.82%, and 10.10%, respectively. The pension pool outperformed its policy benchmark by 51 basis points, the insurance pool outperformed its benchmark by 120 basis points, and the Legacy Fund outpaced its policy benchmark by 74 basis points. All in all, the SIB is pleased with longer term performance as returns continue to meet or exceed long-term expectations, and the portfolios continue to generate excess returns vs the passive policy benchmarks.

While the post-lockdown recovery has been strong and global economic growth projections remain favorable (the international monetary fund (IMF) expects global economic growth to be 6% for 2021 and 4.9% for 2022), there remain a number of concerns surrounding markets. Notable concerns include:

- The recent surge of new cases stemming from the omicron variant point towards continued uncertainty resulting from COVID.
- Supply chain issues and associated inflation concerns are headwinds for the economy.
- Apprehension over China's ongoing economic deceleration, which was further exacerbated by Evergrande's woes, continues to weigh on the global economy.

While there is a strong case for continued economic growth, there exist notable headwinds and navigating the markets will continue to be challenging. The SIB and staff will continue to evaluate the ever-evolving markets and focus on monitoring and managing strategic asset allocations that prudently balance the menu of risks deemed acceptable. This includes carefully selecting and sizing a range of strategies and managers that we believe can achieve our clients' investment objectives in a sound fiduciary manner.

Sincerely,



ERIC CHIN
Interim Chief Investment Officer

INVESTMENT PERFORMANCE SUMMARY

JUNE 30, 2021

Fair Value		Rates of Return (net of fees)									
		For Fiscal Year Ended 6/30					Annualized				
		2021	2020	2019	2018	2017	3 Years	5 Years	10 Years	20 Years	30 Years
Total Assets Under Management	\$20,009,315,651										
<u>BENCHMARKS</u>											
S&P 500		40.79%	7.51%	10.42%	14.37%	17.90%	18.67%	17.65%	14.84%	8.61%	10.73%
Bloomberg Aggregate		-0.33%	8.74%	7.87%	-0.40%	-0.31%	5.34%	3.03%	3.39%	4.56%	5.65%
90 Day T-Bills		0.09%	1.63%	2.31%	1.36%	0.49%	1.34%	1.17%	0.63%	1.37%	2.57%
Callan Public Plan Sponsors Database (Median-GROSS of Fees)**		25.78%	3.26%	6.08%	8.29%	12.36%	10.95%	10.67%	8.59%	7.21%	8.65%

PENSION POOL PARTICIPANTS	Fair Value	% of Pool	Rates of Return (net of fees)									
			For Fiscal Year Ended 6/30					Annualized				
			2021	2020	2019	2018	2017	3 Years	5 Years	10 Years	20 Years	30 Years
Teachers' Fund for Retirement	\$3,233,813,474	42.9%	26.54%	3.45%	5.54%	9.11%	12.92%	11.38%	11.22%	8.74%	6.91%	8.10%
Policy Benchmark			26.26%	3.19%	6.35%	7.90%	11.63%	11.49%	10.79%	8.23%	6.98%	8.21%
Public Employees Retirement System	4,025,512,624	53.5%	27.15%	3.41%	5.52%	9.19%	13.05%	11.53%	11.36%	8.90%	7.19%	8.43%
Policy Benchmark			25.84%	3.21%	6.40%	7.82%	11.88%	11.39%	10.77%	8.40%	7.18%	8.44%
Bismarck City Employee Pension Fund	\$128,448,573	1.7%	21.89%	3.75%	5.94%	7.86%	11.56%	10.24%	10.02%	8.23%	6.87%	8.16%
Policy Benchmark			20.54%	3.73%	6.33%	6.64%	9.97%	9.96%	9.29%	7.60%	6.54%	*
Bismarck City Police Pension Fund	\$51,932,133	0.7%	23.97%	3.41%	5.76%	8.36%	12.24%	10.68%	10.52%	8.50%	6.90%	8.15%
Policy Benchmark			22.80%	3.28%	6.14%	7.20%	10.98%	10.42%	9.88%	7.93%	6.78%	*
City of Grand Forks Pension Fund	\$81,782,715	1.1%	27.55%	4.02%	6.17%	9.46%	12.84%	12.10%	11.71%	9.23%	*	*
Policy Benchmark			26.91%	3.61%	6.51%	8.38%	12.07%	11.89%	11.21%	8.79%		
Grand Forks Park District Pension Fund	\$9,375,135	0.1%	26.46%	3.78%	6.02%	9.33%	12.74%	11.64%	11.39%	9.20%	*	*
Policy Benchmark			24.54%	3.56%	6.65%	8.02%	11.82%	11.21%	10.69%	8.70%		
Subtotal Pension Pool Participants	\$7,530,864,654	100.0%										

		Rates of Return (net of fees)									
		For Fiscal Year Ended 6/30					Annualized				
INDIVIDUAL INVESTMENT ACCOUNTS	Fair Value	2021	2020	2019	2018	2017	3 Years	5 Years	10 Years	20 Years	30 Years
Legacy Fund	\$8,993,285,005	22.68%	4.23%	4.98%	7.57%	12.03%	10.31%	10.10%	*	*	*
Policy Benchmark		20.65%	4.38%	6.12%	6.50%	9.90%	10.15%	9.36%			
Retiree Health Insurance Credit Fund	180,243,295	25.57%	4.98%	6.51%	7.15%	11.81%	11.98%	10.96%	8.95%	6.64%	7.80%
Policy Benchmark		24.19%	5.25%	6.89%	7.18%	11.32%	11.79%	10.76%	8.87%	6.95%	8.09%
Job Service of North Dakota Pension Fund	96,672,930	6.46%	2.82%	6.86%	3.15%	5.63%	5.33%	4.94%	6.15%	5.82%	*
Policy Benchmark		7.97%	5.04%	6.74%	4.16%	7.85%	6.58%	6.34%	6.02%	5.45%	
Tobacco Prevention and Control Trust Fund	1,000	0.08%	3.69%	4.47%	1.63%	1.66%	2.73%	2.29%	*	*	*
Policy Benchmark		0.07%	3.74%	4.38%	1.68%	1.67%	2.71%	2.30%			

INVESTMENT PERFORMANCE SUMMARY

JUNE 30, 2021

INSURANCE POOL PARTICIPANTS	Fair Value	% of Pool	Rates of Return (net of fees)									
			For Fiscal Year Ended 6/30					Annualized				
			2021	2020	2019	2018	2017	3 Years	5 Years	10 Years	20 Years	30 Years
Workforce Safety & Insurance Fund	\$2,311,317,640	72.0%	11.57%	6.00%	6.87%	5.34%	8.29%	8.12%	7.59%	7.07%	6.08%	7.43%
Policy Benchmark			9.19%	6.62%	7.05%	3.77%	5.20%	7.62%	6.35%	5.67%	5.69%	*
State Fire and Tornado Fund	22,819,064	0.7%	15.64%	4.97%	6.41%	5.32%	9.30%	8.90%	8.26%	7.50%	6.30%	6.86%
Policy Benchmark			13.71%	5.96%	6.76%	4.35%	6.48%	8.76%	7.41%	6.32%	5.73%	*
State Bonding Fund	3,850,342	0.1%	1.64%	4.95%	5.83%	1.07%	2.40%	4.12%	3.16%	3.28%	3.22%	4.83%
Policy Benchmark			-0.13%	5.50%	5.35%	0.41%	0.07%	3.54%	2.20%	2.15%	2.45%	*
Petroleum Tank Release Compensation Fund	6,265,790	0.2%	1.56%	4.55%	5.47%	1.13%	2.23%	3.85%	2.97%	3.01%	2.97%	*
Policy Benchmark			-0.11%	5.15%	5.07%	0.50%	0.09%	3.34%	2.11%	2.02%	2.34%	
Insurance Regulatory Trust Fund	7,136,432	0.2%	12.75%	6.11%	5.03%	4.53%	7.40%	7.91%	7.12%	5.99%	5.34%	5.92%
Policy Benchmark			11.59%	4.38%	5.37%	4.05%	5.69%	7.07%	6.18%	5.04%	4.66%	*
State Risk Management Fund	4,389,303	0.1%	14.48%	5.88%	7.67%	5.14%	8.27%	9.28%	8.24%	7.96%	6.45%	*
Policy Benchmark			12.56%	7.55%	7.67%	4.27%	5.47%	9.24%	7.47%	6.71%	5.91%	
State Risk Management Workers Comp	4,310,290	0.1%	17.28%	5.73%	7.56%	6.03%	9.41%	10.08%	9.12%	8.67%	*	*
Policy Benchmark			15.74%	7.42%	7.75%	5.32%	6.83%	10.24%	8.55%	7.56%		
Cultural Endowment Fund	612,508	0.0%	24.21%	3.91%	6.02%	8.27%	12.71%	11.02%	10.80%	9.77%	*	*
Policy Benchmark			23.49%	5.28%	6.91%	7.75%	10.79%	11.60%	10.66%	9.01%		
Budget Stabilization Fund	749,637,527	23.4%	3.92%	2.35%	4.51%	0.32%	0.80%	3.59%	2.37%	2.14%	*	*
Policy Benchmark			0.44%	4.17%	4.23%	0.24%	0.37%	2.93%	1.87%	1.28%		
ND Assoc. of Counties (NDACo) Fund	7,746,855	0.2%	15.72%	5.67%	7.12%	4.48%	8.30%	9.42%	8.19%	6.87%	5.76%	*
Policy Benchmark			13.48%	6.63%	7.32%	3.71%	5.51%	9.10%	7.28%	5.69%	5.25%	
City of Bismarck Deferred Sick Leave	845,529	0.0%	13.80%	5.43%	6.90%	4.66%	8.85%	8.65%	7.88%	7.32%	6.36%	*
Policy Benchmark			11.44%	6.50%	7.06%	3.50%	5.45%	8.31%	6.76%	5.90%	5.66%	
PERS Group Insurance	34,558,597	1.1%	3.63%	2.35%	4.20%	0.41%	0.08%	3.39%	2.12%	1.26%	1.76%	*
Policy Benchmark			0.41%	4.02%	3.97%	0.33%	0.37%	2.78%	1.80%	1.08%	1.60%	
State Board of Medicine	2,781,555	0.1%	12.58%	5.54%	4.98%	3.12%	5.29%	7.64%	6.25%	*	*	*
Policy Benchmark			10.46%	5.64%	5.22%	2.80%	4.05%	7.08%	5.60%			
City of Fargo FargoDome Permanent Fund	49,755,705	1.6%	22.07%	3.78%	5.13%	7.64%	12.25%	10.02%	9.98%	8.65%	*	*
Policy Benchmark			21.23%	4.74%	6.07%	6.55%	9.73%	10.44%	9.51%	7.76%		
Lewis & Clark Interpretive Center Endowment	915,509	0.0%	15.45%	5.70%	6.99%	*	*	9.30%	*	*	*	*
Policy Benchmark			13.24%	6.36%	7.15%			8.88%				
Attorney General Settlement Fund	925,070	0.0%	3.92%	*	*	*	*	*	*	*	*	*
Policy Benchmark			0.44%									
Veterans' Cemetery Trust Fund	381,051	0.0%	21.96%	*	*	*	*	*	*	*	*	*
Policy Benchmark			20.72%									
Subtotal Insurance Pool Participants	\$3,208,248,767	100.0%										

The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon fair values.

*These categories do not have the specified years of history under SIB management or data is not available.

** Callan median returns are gross of fees due to lack of reporting to the database on a net of fee basis. Please note that all actual fund returns are net of fees.

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
FOR PERIODS ENDED JUNE 30, 2021
PENSION INVESTMENT POOL**

	Style	Date Initiated	Fair Value	Annualized Rates of Return Net of Fees		
				1 Year	3 Years	5 Years
TOTAL PENSION INVESTMENT POOL			\$ 7,530,864,654	26.75%	11.43%	11.27%
<i>Policy Target ⁽¹⁾</i>				25.92%	11.41%	10.75%
TOTAL GLOBAL EQUITY			4,414,543,126	43.04%	14.80%	15.10%
<i>Composite Benchmark ⁽¹⁾</i>				43.75%	15.63%	15.30%
TOTAL PUBLIC EQUITY			3,885,341,949	41.79%	14.37%	*
<i>Composite Benchmark ⁽¹⁾</i>				41.41%	14.58%	*
TOTAL WORLD EQUITY			862,151,609	43.32%	11.10%	12.81%
<i>MSCI World Index</i>				39.04%	14.99%	14.83%
Epoch Investment Partners, Inc.	Core	01/2012	392,109,756	35.94%	11.77%	13.24%
LSV Asset Management	Core Value	03/2013	470,041,853	49.79%	10.44%	12.35%
TOTAL DOMESTIC EQUITY			1,820,703,943	42.49%	18.83%	18.00%
<i>Composite Benchmark ⁽¹⁾</i>				47.11%	17.84%	17.67%
TOTAL DOMESTIC LARGE CAP EQUITY			1,446,173,843	42.56%	21.02%	19.02%
<i>Russell 1000 Index</i>				43.07%	19.16%	17.99%
Parametric Portfolio Associates	Enhanced S&P 500	06/2011	293,411,005	42.36%	19.25%	17.72%
Los Angeles Capital Management	Structured Growth	08/2003	586,988,601	43.31%	25.02%	22.06%
Los Angeles Capital Management	Enhanced Russell 1000	08/2000	290,857,805	42.59%	19.55%	17.28%
Northern Trust Asset Management	Enhanced S&P 500	08/2000	274,916,432	40.38%	15.44%	15.50%
TOTAL DOMESTIC SMALL CAP EQUITY			374,530,100	40.81%	11.45%	14.37%
<i>Russell 2000 Index</i>				62.03%	13.52%	16.47%
Atlanta Capital Investment Managers	High Quality	04/2016	119,408,673	36.11%	12.99%	14.38%
Riverbridge Partners, LLC	Small Cap Growth	10/2020	123,183,114	*	*	*
Victory Capital Management Inc.	Small Cap Value	10/2020	131,938,312	*	*	*
TOTAL INTERNATIONAL EQUITY			1,202,486,397	39.48%	11.46%	13.07%
<i>Composite Benchmark ⁽¹⁾</i>				35.39%	9.26%	11.02%
TOTAL DEVELOPED INTERNATIONAL EQUITY			911,998,606	37.45%	10.63%	12.58%
<i>MSCI World ex-US</i>				33.60%	8.57%	10.36%
William Blair Investment Management	Growth-oriented	06/2016	285,264,343	37.99%	16.27%	16.79%
Dimensional Fund Advisors	Small Cap Value	11/2007	90,648,511	43.90%	3.86%	8.75%
Northern Trust Asset Management	Core	12/2013	432,838,136	33.90%	8.91%	10.73%
Wellington Trust Company, NA	Small Cap Growth	03/2002	103,247,616	46.59%	6.80%	10.99%
TOTAL EMERGING MARKETS EQUITY			290,487,791	46.48%	14.24%	14.68%
<i>MSCI Emerging Markets Index</i>				40.90%	11.28%	13.03%
Axiom International Investors	Core	07/2014	214,372,545	43.51%	15.16%	15.66%
Dimensional Fund Advisors	Small Cap	10/2005	76,115,246	55.55%	11.68%	11.92%

**SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
FOR PERIODS ENDED JUNE 30, 2021
PENSION INVESTMENT POOL (CONTINUED)**

	Style	Date	Fair Value	Annualized Rates of Return Net of Fees		
		Initiated		1 Year	3 Years	5 Years
TOTAL PRIVATE EQUITY			529,201,177	48.81%	18.53%	14.26%
Adams St. Partners (1998-2003 Funds)	Diversified Private Equity	01/1998	1,429,127	9.93%	3.30%	4.54%
Adams St. Partners (2000-2004 Non-U.S. Funds)	Diversified Private Equity	01/2000	827,045	5.93%	3.04%	4.56%
Adams St. Partners (2008 Non-U.S. Fund)	Diversified Private Equity	01/2008	7,317,585	49.77%	23.62%	20.65%
Adams St. Partners (2010 Global Funds)	Diversified Private Equity	04/2010	13,271,544			
Adams St. Partners (2015 Global Fund)	Diversified Private Equity	10/2015	43,460,823	59.36%	29.89%	31.35%
Adams St. Partners (2016 Global Fund)	Diversified Private Equity	12/2016	32,328,965	46.65%	22.01%	*
Adams St. Partners (2017 Global Fund)	Diversified Private Equity	10/2017	61,545,303	48.09%	21.02%	*
Adams St. Partners (2018 Global Fund)	Diversified Private Equity	10/2018	46,991,491	51.97%	*	*
Adams St. Partners (2019 Global Fund)	Diversified Private Equity	10/2019	26,006,100	133.56%	*	*
Adams St. Partners (2020 Global Fund)	Diversified Private Equity	10/2020	7,236,907	*	*	*
Adams St. Partners (Direct Co-Investment)	Direct Private Equity	09/2006	218,382	-15.59%	-32.32%	-23.55%
Blackrock Private Equity Partners	Diversified Private Equity	01/2017	192,902,235	59.23%	21.38%	*
Blackrock Private Equity Partners (2020 Series)	Diversified Private Equity	12/2020	18,815,586	*	*	*
Sixth Street Advisers, LLC	Diversified Private Equity	08/2020	29,406,872	*	*	*
Other Miscellaneous PE Funds	Varies	10/1999	47,443,212	10.49%	3.76%	2.36%
TOTAL GLOBAL FIXED INCOME			1,889,203,186	4.92%	6.63%	5.65%
Composite Benchmark ⁽¹⁾				4.20%	6.07%	4.30%
TOTAL INVESTMENT GRADE FIXED INCOME			1,406,124,519	1.49%	6.37%	4.86%
Bloomberg Aggregate Index				-0.33%	5.34%	3.03%
Manulife Asset Management	Securitized	04/2012	157,202,311	6.88%	5.50%	4.96%
PIMCO	Distressed Sr. Debt	10/2012	98,872,442	8.56%	5.77%	8.79%
PIMCO	Core Constrained	03/2012	484,101,062	1.61%	6.24%	5.86%
Prudential Global Investment Management	Core	03/2018	488,613,634	1.68%	6.07%	*
State Street Global Advisors	Passive Blm Long Treasury	06/2013	177,335,070	-10.51%	8.04%	3.15%
TOTAL BELOW INVESTMENT GRADE FIXED INCOME			483,078,667	14.49%	7.34%	7.98%
Bloomberg High Yield Corp 2% Issuer Cap				15.34%	7.42%	7.47%
Ares Management	Private Credit	07/2017	132,948,056	13.53%	7.65%	*
Cerberus Capital Management	Private Credit	11/2017	141,528,269	11.09%	9.63%	*
Goldman Sachs	Mezzanine Debt-2006	04/2006	69,329	6.04%	6.31%	16.79%
Goldman Sachs	Mezzanine Debt-Fund V	11/2007	135,179	66.09%	41.71%	23.56%
Loomis Sayles & Company	High Yield Bonds	04/2004	192,375,840	16.61%	7.07%	7.31%
PIMCO	Res. & Comm. Debt	10/2013	16,021,994	28.42%	2.78%	5.46%

**SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
FOR PERIODS ENDED JUNE 30, 2021
PENSION INVESTMENT POOL (CONTINUED)**

	Style	Date Initiated	Fair Value	Annualized Rates of Return Net of Fees		
				1 Year	3 Years	5 Years
TOTAL GLOBAL REAL ASSETS			1,162,891,208	9.98%	6.27%	6.18%
<i>Composite Benchmark ⁽¹⁾</i>				6.22%	4.52%	4.77%
TOTAL GLOBAL REAL ESTATE			726,280,346	8.91%	5.68%	6.76%
<i>NCREIF Total Index</i>				7.37%	5.50%	6.13%
INVESCO Realty Advisors	Core Commingled	08/1997	351,013,663	7.45%	5.00%	6.20%
INVESCO Realty Advisors	Core Plus LP (Fund III)	05/2012	232,276	*	*	*
INVESCO Realty Advisors	Core Plus LP (Fund IV)	04/2015	32,383,584	11.33%	9.83%	9.84%
INVESCO Realty Advisors	Core Plus LP (Fund V)	02/2019	57,473,506	20.44%	*	*
INVESCO Realty Advisors	Asian LP (Fund III)	11/2015	19,284,297	9.94%	14.28%	27.09%
J.P. Morgan Investment Management, Inc.	Core Commingled	10/1987	265,242,362	6.67%	4.74%	5.81%
J.P. Morgan Investment Management, Inc.	European LP	09/2009	650,658	6.20%	-6.38%	-15.20%
TOTAL OTHER REAL ASSETS			436,610,862	11.65%	7.13%	*
<i>Composite Benchmark ⁽¹⁾</i>				4.81%	3.24%	*
TOTAL TIMBER			121,048,742	4.87%	5.08%	0.48%
<i>NCREIF Timber Index</i>				3.10%	2.12%	2.65%
Timberland Investment Resources - Teredo	Timberland	06/2001	28,677,213	7.30%	4.94%	0.63%
Timberland Investment Resources - Springbank	Timberland	09/2004	92,371,529	4.25%	5.17%	0.47%
TOTAL INFRASTRUCTURE			315,562,120	14.47%	7.92%	8.07%
<i>Benchmark ⁽³⁾</i>				5.26%	3.59%	3.07%
Grosvenor CIS Fund I	Infrastructure	12/2011	12,546,544	15.73%	7.41%	7.61%
Grosvenor CIS Fund II	Infrastructure	03/2015	24,243,560	25.15%	15.29%	11.32%
The Rohatyn Group ⁽²⁾	Asian Infrastructure	07/2008	15,250,000	-3.24%	-12.53%	-3.75%
I Squared Capital	Infrastructure	06/2018	54,278,520	19.91%	9.23%	*
J.P. Morgan Investment Management, Inc.	Infrastructure	05/2007	135,137,229	10.93%	7.44%	7.71%
Macquarie Infrastructure Partners Inc.	Infrastructure (Fund IV)	11/2019	66,745,855	20.58%	*	*
Macquarie Infrastructure Partners Inc.	Infrastructure (Fund V)	06/2020	7,360,412	*	*	*
TOTAL CASH EQUIVALENTS			64,227,134	0.11%	1.28%	1.20%
<i>90 Day T-Bills</i>				0.09%	1.34%	1.17%
Bank of North Dakota	Money Market	09/2016	10,593,969	0.10%	1.28%	*
Northern Trust Asset Management	STIF	07/1994	53,633,165	0.11%	1.26%	1.20%

**SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
FOR PERIODS ENDED JUNE 30, 2021
INSURANCE INVESTMENT POOL**

	Style	Date Initiated	Fair Value	Annualized Rates of Return Net of Fees		
				1 Year	3 Years	5 Years
TOTAL INSURANCE INVESTMENT POOL			\$ 3,208,248,767	9.74%	7.03%	6.82%
<i>Policy Target ⁽¹⁾</i>				7.18%	6.70%	5.62%
TOTAL GLOBAL EQUITY			548,343,105	43.06%	14.04%	*
<i>Composite Benchmark ⁽¹⁾</i>				42.30%	14.62%	*
TOTAL DOMESTIC EQUITY			355,714,950	45.40%	16.41%	16.57%
<i>Composite Benchmark ⁽¹⁾</i>				47.25%	17.99%	*
TOTAL DOMESTIC LARGE CAP EQUITY			277,493,977	46.17%	19.03%	17.69%
<i>Russell 1000 Index</i>				43.07%	19.16%	17.99%
Parametric Portfolio Associates	Enhanced S&P 500	11/2008	54,913,098	42.02%	18.99%	17.66%
Los Angeles Capital Management	Structured Growth	08/2003	84,366,219	42.93%	25.16%	21.84%
Los Angeles Capital Management	Enhanced Russell 1000	04/2004	57,535,731	42.72%	19.69%	17.36%
LSV Asset Management	Structured Value	06/1998	80,678,929	55.31%	10.89%	12.60%
TOTAL DOMESTIC SMALL CAP EQUITY			78,220,973	41.99%	7.37%	12.22%
<i>Russell 2000 Index</i>				62.03%	13.52%	16.47%
Atlanta Capital Investment Managers	High Quality	12/2019	25,461,008	36.38%	*	*
Riverbridge Partners, LLC	Small Cap Growth	10/2020	27,500,877	*	*	*
Victory Capital Management Inc.	Small Cap Value	10/2020	25,259,088	*	*	*
TOTAL INTERNATIONAL EQUITY			192,628,155	38.94%	9.73%	12.54%
<i>MSCI World ex-US</i>				33.60%	8.57%	10.36%
William Blair Investment Management	Growth-oriented	06/2016	78,801,905	37.92%	16.18%	16.68%
Dimensional Fund Advisors	Small Cap Value	11/2007	19,498,486	43.90%	3.86%	8.75%
LSV Asset Management	Core	11/2004	74,668,266	35.72%	4.19%	8.58%
The Vanguard Group	Small Cap Growth	06/2003	19,659,498	42.51%	6.51%	11.26%
TOTAL GLOBAL FIXED INCOME			1,442,138,868	2.87%	6.50%	5.11%
<i>Bloomberg Aggregate Index</i>				-0.33%	5.34%	3.03%
Manulife Asset Management	Securitized	12/2013	116,085,273	6.87%	5.50%	4.96%
PIMCO	Distressed Sr. Debt	10/2012	41,031,067	8.63%	5.79%	8.81%
PIMCO	Res. & Comm. Debt	10/2013	8,185,573	28.42%	2.78%	5.46%
PIMCO	Core Constrained	05/2019	198,223,534	1.42%	*	*
Prudential Global Investment Management	Core-Plus	08/2006	382,202,354	2.76%	6.71%	4.60%
State Street Global Advisors	Passive Blmbg Gov't/Credit	06/2013	200,897,971	-0.35%	6.03%	3.35%
Wells Capital Management	Baa Average Bonds	04/2002	115,599,669	9.16%	9.81%	6.84%
Western Asset Management Co.	Core Bonds	07/1990	379,913,427	1.29%	6.13%	4.27%

**SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
FOR PERIODS ENDED JUNE 30, 2021
INSURANCE INVESTMENT POOL (CONTINUED)**

	Style	Date Initiated	Fair Value	Annualized Rates of Return Net of Fees		
				1 Year	3 Years	5 Years
TOTAL GLOBAL REAL ASSETS			402,451,782	6.47%	4.99%	*
<i>Composite Benchmark ⁽¹⁾</i>				6.11%	5.30%	*
TOTAL DIVERSIFIED REAL ASSETS			301,325,112	6.75%	5.36%	5.40%
<i>Composite Benchmark ⁽¹⁾</i>				5.58%	5.22%	4.11%
Grosvenor CIS Fund I	Infrastructure	12/2011	6,273,273	15.73%	7.41%	7.61%
J.P. Morgan Investment Management, Inc.	Infrastructure	11/2008	41,466,220	10.32%	7.26%	7.59%
Timberland Investment Resources	Timberland	10/2008	50,254,949	2.70%	0.21%	3.65%
Western Asset Management Co.	TIPS	05/2004	203,330,670	6.93%	6.27%	4.39%
TOTAL REAL ESTATE			101,126,670	5.86%	3.96%	5.43%
<i>NCREIF Total Index</i>				7.37%	5.50%	6.13%
INVESCO Realty Advisors	Core Commingled	10/2012	53,679,737	7.45%	5.01%	6.21%
J.P. Morgan Investment Management, Inc.	Core Commingled	11/2005	47,446,933	4.13%	2.80%	4.60%
TOTAL CASH EQUIVALENTS			37,399,631	0.05%	1.19%	1.04%
<i>90 Day T-Bills</i>				0.09%	1.34%	1.17%
Bank of North Dakota	Money Market	09/2016	20,280,232	0.10%	1.28%	*
Northern Trust Asset Management	STIF	07/2013	17,119,399	0.01%	1.11%	0.95%
TOTAL SHORT-TERM FIXED INCOME			777,915,381	3.96%	3.62%	2.34%
<i>Benchmark ⁽⁴⁾</i>				0.44%	2.96%	1.81%
Barings	Active Short Duration	08/2019	390,480,922	6.74%	*	*
J.P. Morgan Investment Management, Inc.	Short Term Bonds	09/2011	387,434,459	1.30%	3.59%	2.21%

**SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
FOR PERIODS ENDED JUNE 30, 2021
LEGACY FUND**

	Style	Date Initiated	Fair Value	Annualized Rates of Return Net of Fees		
				1 Year	3 Years	5 Years
TOTAL LEGACY FUND			\$ 8,993,285,005	22.68%	10.31%	10.10%
<i>Policy Target ⁽¹⁾</i>				20.65%	10.15%	9.36%
TOTAL GLOBAL EQUITY			4,683,072,360	42.35%	13.46%	*
<i>Composite Benchmark ⁽¹⁾</i>				42.21%	14.07%	*
TOTAL DOMESTIC EQUITY			2,846,529,608	44.96%	15.82%	16.28%
<i>Composite Benchmark ⁽¹⁾</i>				48.11%	17.76%	*
TOTAL DOMESTIC LARGE CAP EQUITY			2,136,414,164	45.85%	18.81%	17.60%
<i>Russell 1000 Index</i>				43.07%	19.16%	17.99%
Parametric Portfolio Associates	Enhanced S&P 500	08/2013	422,067,204	42.46%	19.06%	17.66%
Los Angeles Capital Management	Structured Growth	08/2013	682,996,657	43.18%	24.79%	21.68%
Los Angeles Capital Management	Enhanced Russell 1000	08/2013	478,830,493	43.28%	19.60%	17.22%
LSV Asset Management	Structured Value	08/2013	552,519,810	54.58%	11.12%	12.98%
TOTAL DOMESTIC SMALL CAP EQUITY			710,115,444	41.82%	7.69%	12.46%
<i>Russell 2000 Index</i>				62.03%	13.52%	16.47%
Atlanta Capital Investment Managers	High Quality	12/2019	225,458,157	36.09%	*	*
Riverbridge Partners, LLC	Small Cap Growth	10/2020	235,266,231	*	*	*
Victory Capital Management Inc.	Small Cap Value	10/2020	249,391,056	*	*	*
TOTAL INTERNATIONAL EQUITY			1,814,729,646	38.46%	9.92%	12.56%
<i>MSCI World ex-US</i>				33.60%	8.57%	10.36%
William Blair Investment Management	Core	08/2013	838,530,567	37.92%	16.29%	16.75%
Dimensional Fund Advisors	Small Cap Value	08/2013	199,018,476	43.90%	3.86%	8.75%
LSV Asset Management	Core	08/2013	578,954,968	35.61%	4.43%	8.60%
The Vanguard Group	Small Cap Growth	08/2013	198,225,635	42.51%	6.51%	11.26%
TOTAL PRIVATE EQUITY			21,813,106	*	*	*
50 South Capital Advisors, LLC	Diversified Private Equity	06/2021	2,209,343	*	*	*
Sixth Street Advisers, LLC	Diversified Private Equity	08/2020	19,603,763	*	*	*
TOTAL GLOBAL FIXED INCOME			2,927,871,623	3.29%	6.65%	4.90%
<i>Bloomberg Aggregate Index</i>				-0.33%	5.34%	3.03%
Ares Management	Private Credit	07/2017	88,632,036	13.53%	7.65%	*
Bank of North Dakota - Match Loan CD Program	In-State Investment Prgm	various	43,159,562	2.67%	3.01%	*
Cerberus Capital Management	Private Credit	11/2017	113,301,837	11.36%	9.76%	*
Manulife Asset Management	Securitized	12/2013	229,269,048	6.88%	5.50%	4.96%
PIMCO	Distressed Sr. Debt	12/2013	53,588,076	8.47%	5.73%	8.77%
PIMCO	Res. & Comm. Debt	12/2013	7,836,422	28.42%	2.78%	5.46%
Prudential Global Investment Management	Core-Plus	12/2013	876,242,284	2.44%	6.80%	4.77%
State Street Global Advisors	Passive Blmbg Gov't/Credit	12/2013	408,268,324	-0.34%	6.04%	3.36%
Wells Capital Management	Baa Average Bonds	12/2013	235,453,723	9.00%	9.80%	6.76%
Western Asset Management Co.	Core Bonds	12/2013	872,120,311	1.00%	6.22%	4.24%

**SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
FOR PERIODS ENDED JUNE 30, 2021
LEGACY FUND (CONTINUED)**

	Style	Date Initiated	Fair Value	Annualized Rates of Return Net of Fees		
				1 Year	3 Years	5 Years
TOTAL GLOBAL REAL ASSETS			1,193,899,701	9.04%	6.55%	*
<i>Composite Benchmark ⁽¹⁾</i>				6.44%	5.44%	*
TOTAL DIVERSIFIED REAL ASSETS			829,375,525	10.59%	7.76%	5.93%
<i>Composite Benchmark ⁽¹⁾</i>				5.96%	5.39%	4.09%
Grosvenor CIS Fund II	Infrastructure	03/2015	60,608,900	25.15%	15.29%	11.32%
I Squared Capital	Infrastructure	06/2018	62,629,063	19.91%	9.58%	*
J.P. Morgan Investment Management, Inc.	Infrastructure	03/2015	111,028,424	10.24%	7.21%	7.55%
Macquarie Infrastructure Partners Inc.	Infrastructure (Fund IV)	11/2019	77,014,448	20.58%	*	*
Macquarie Infrastructure Partners Inc.	Infrastructure (Fund V)	06/2020	11,040,618	*	*	*
Western Asset Management Co.	TIPS	02/2014	507,054,072	7.06%	6.34%	4.43%
TOTAL REAL ESTATE			364,524,176	5.79%	3.88%	5.39%
<i>NCREIF Total Index</i>				7.37%	5.50%	6.13%
INVESCO Realty Advisors	Core Commingled	08/2013	185,546,347	7.45%	5.00%	6.20%
J.P. Morgan Investment Management, Inc.	Core Commingled	08/2013	178,977,829	4.12%	2.79%	4.60%
TOTAL CASH EQUIVALENTS			188,441,321	0.04%	1.18%	1.04%
<i>90 Day T-Bills</i>				0.09%	1.34%	1.17%
Bank of North Dakota	Money Market	09/2016	21,164,164	0.10%	1.28%	*
Northern Trust Asset Management	STIF	07/2013	167,277,157	0.01%	1.11%	0.94%

OTHER INDIVIDUAL INVESTMENT ACCOUNTS

	Style	Date Initiated	Fair Value	Annualized Rates of Return Net of Fees		
				1 Year	3 Years	5 Years
NDPERS RETIREE HEALTH INSURANCE CREDIT FUND						
SEI Investments Management	Balanced Account	07/2009	\$ 180,243,295	25.57%	11.98%	10.96%
<i>Policy Target ⁽¹⁾</i>				24.19%	11.79%	10.76%
JOB SERVICE ND PENSION FUND						
SEI Investments Management	Balanced Account	12/2015	\$ 96,672,930	6.46%	5.33%	4.94%
<i>Policy Target ⁽¹⁾</i>				7.97%	6.58%	6.34%
TOBACCO PREVENTION AND CONTROL TRUST FUND						
State Street Global Advisors	Short Term Bonds	10/2015	-	0.11%	2.75%	1.60%
Northern Trust Asset Management	STIF	10/2015	1,000	0.01%	1.11%	0.95%
TOTAL TOBACCO PREVENTION AND CONTROL TRUST FUND			\$ 1,000	0.08%	2.73%	2.29%
<i>Policy Target ⁽¹⁾</i>				0.07%	2.71%	2.30%

* This manager/category has less than the indicated years under management due to addition of asset class or replacement of investment managers during the period.

(1) Policy targets and composite benchmarks consist of target weights of the underlying index returns within each category.

(2) Management of this fund was transferred from JP Morgan to The Rohatyn Group in May, 2018.

(3) CPI-W through 6/30/18 then 50% CPI-U lagged one quarter and 50% NFI-ODCE Equal Weight Net Index thereafter.

(4) Bloomberg Government 1-3 Year Index through 3/31/17 and Bloomberg Government/Credit 1-3 Year Index thereafter.

The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon fair values and are subject to independent calculation. Returns are shown after the effect of investment management fees (net of fees).

Columns may not foot due to rounding.

LARGEST HOLDINGS (By Fair Value)
JUNE 30, 2021

PENSION INVESTMENT POOL

Shares	Stocks	Fair Value
359,916	Microsoft Corporation	\$ 97,501,244
677,042	Apple Incorporated	92,727,672
20,236	Amazon Company Incorporated	69,615,078
158,409	Meta Platforms Incorporated	55,080,393
15,690	Alphabet Incorporated (Class C)	39,324,161
15,417	Alphabet Incorporated (Class A)	37,645,076
172,154	T-Mobile US Incorporated	24,933,064
39,501	Adobe Systems Incorporated	23,133,366
167,466	Taiwan Semiconductor Manufacturing Company	20,122,715
68,682	PayPal Holdings Incorporated	20,019,429
Par	Bonds	Fair Value
35,300,000	FNMA Single Family Mortgages 2% 30 Years Settles August	\$ 35,573,024
19,060,000	US Treasury Bonds 1.375% Due 11-15-2040	17,121,241
14,740,000	US Treasury Bonds 2.5% Due 05-15-2046	15,968,717
12,676,878	FNMA Pool 2.5% Due 06-01-2041	13,185,168
11,517,123	FNMA 2% Due 11-01-2035	11,888,786
10,067,481	FHLMC Pool 2% Due 04-01-2036	10,415,113
8,300,000	US Treasury Bonds 2.25% Due 08-15-2027	8,876,461
7,980,000	US Treasury Notes 2.625% Due 02-15-2029	8,750,569
8,234,018	FNMA Pool 2% Due 04-01-2036	8,534,262
8,200,000	US Treasury Bonds 1.875% Due 02-15-2041	8,027,031

INSURANCE INVESTMENT POOL

Shares	Stocks	Fair Value
81,133	Apple Incorporated	\$ 11,111,976
36,070	Microsoft Corporation	9,771,363
2,014	Amazon Company Incorporated	6,928,482
15,322	Meta Platforms Incorporated	5,327,613
1,547	Alphabet Incorporated (Class A)	3,777,449
1,498	Alphabet Incorporated (Class C)	3,754,467
3,755	LVMH Moet Hennessy Louis Vuitton SE	2,944,805
3,314	NVIDIA Corporation	2,651,531
3,494	Tesla Incorporated	2,374,872
18,067	Airbus SE	2,323,398
Par	Bonds	Fair Value
22,420,000	US Treasury Bonds 1.375% Due 02-15-2044	\$ 35,432,714
27,000,000	US Treasury Notes Inflation Indexed 0.125% Due 04-15-2022	30,412,308
15,700,000	FNMA Single Family Mortgages 2% 30 Years Settles August	15,821,430
15,680,000	US Treasury Notes 0.125% Due 02-28-2023	15,660,400
11,730,000	US Treasury Notes Inflation Indexed 0.625% Due 01-15-2026	14,639,482
9,780,000	US Treasury Bonds 0.75% Due 02-15-2042	14,071,982
12,500,000	US Treasury Notes 0.125% Due 04-15-2026	13,846,102
11,600,000	US Treasury Notes 0.5% Due 04-15-2024	13,238,849
8,100,000	US Treasury Bonds Index Linked 2.5% Due 01-15-2029	12,976,523
11,500,000	US Treasury Bonds 2.5% Due 02-15-2046	12,457,734

LARGEST HOLDINGS (By Fair Value)
JUNE 30, 2021

LEGACY FUND

Shares	Stocks	Fair Value
540,055	Apple Incorporated	\$ 73,965,933
241,579	Microsoft Corporation	65,443,751
13,967	Amazon Company Incorporated	48,048,715
99,596	Meta Platforms Incorporated	34,630,525
40,234	LVMH Moet Hennessy Louis Vuitton SE	31,552,939
10,619	Alphabet Incorporated (Class A)	25,929,368
10,160	Alphabet Incorporated (Class C)	25,464,211
192,193	Airbus SE	24,715,827
185,927	Taiwan Semiconductor Manufacturing Company	22,340,988
13,974	Straumann Holdings	22,298,534
Par	Bonds	Fair Value
50,080,000	US Treasury Bonds 1.375% Due 02-15-2044	\$ 79,146,758
42,000,000	US Treasury Notes Inflation Indexed 0.125% Due 04-15-2022	47,308,035
34,500,000	US Treasury Notes Inflation Indexed 0.625% Due 01-15-2026	43,057,299
37,500,000	US Treasury Notes 0.5% Due 04-15-2024	42,798,004
29,510,000	US Treasury Bonds 0.75% Due 02-15-2042	42,460,552
35,800,000	US Treasury Notes 0.125% Due 04-15-2026	39,655,237
15,000,000	US Treasury Bonds Inflation Index Linked 3.875% Due 04-15-2029	34,262,885
24,000,000	US Treasury Inflation Index 0.125% Due 01-15-2030	27,343,698
22,000,000	US Treasury Notes Inflation Indexed 0.125% Due 01-15-2023	26,593,272
14,320,000	US Treasury Bonds Index Linked Notes 2.375% Due 01-15-2027	23,227,030

The individual investment accounts for PERS Retiree Health Credit Fund and Job Service Pension Fund are invested in various commingled/mutual funds, and therefore have 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, 2021
INVESTMENT POOLS**

	Pension Investment Pool			Insurance Investment Pool		
	Assets under management (Average)	Fees	Basis points	Assets under management (Average)	Fees	Basis points
Investment manager fees:						
Global equity managers	\$ 903,889,805	\$ 3,383,918	37			
Domestic large cap equity managers	1,303,414,599	3,630,020	28	\$ 275,751,549	\$ 1,055,088	38
Domestic small cap equity managers	352,307,774	2,130,169	60	80,198,043	499,535	62
Developed international equity managers	848,189,023	2,211,782	26	192,959,476	753,157	39
Emerging markets equity managers	262,317,481	2,337,066	89			
Private equity managers	389,387,307	15,580,396	400			
Investment grade fixed income managers	1,241,867,282	4,336,562	35	1,399,880,118	3,956,463	28
Diversified real asset managers				275,973,758	1,098,607	40
Below investment grade fixed income managers	460,642,109	9,731,344	211			
Real estate managers	685,764,987	9,945,213	145	98,097,082	428,466	44
Timber managers	121,591,771	740,597	61			
Infrastructure managers	313,954,017	12,071,293	384			
Cash & equivalents managers	59,310,952	48,103	8	41,930,881	47,454	11
Short term fixed income managers				772,281,953	879,872	11
Total investment manager fees	<u>\$ 6,942,637,107</u>	<u>66,146,463</u>	<u>95</u>	<u>\$ 3,137,072,860</u>	<u>8,718,642</u>	<u>28</u>
Custodian fees		573,937	1		315,315	1
Investment consultant fees		311,828	0		92,216	0
SIB Service Fees		30,118	0		15,693	0
Total investment expenses		<u>\$ 67,062,346</u>	<u>97</u>		<u>\$ 9,141,866</u>	<u>29</u>
Reconciliation of Investment Expenses to Financial Statements						
Investment expenses as reflected in the financial statements		\$ 19,821,655			\$ 6,060,460	
Plus investment management fees included in investment income (net income)						
Domestic large cap equity managers		1,280,340			308,101	
Developed international equity managers		447,446			187,319	
Emerging markets equity managers		472,773				
Private equity managers		15,580,396				
Investment grade fixed income managers		2,765,465			2,006,158	
Diversified real assets managers					532,373	
Below investment grade fixed income managers		8,864,153				
Real estate managers		6,456,180				
Timber managers		740,597				
Infrastructure managers		10,633,341				
Cash & equivalents managers					47,455	
Investment expenses per schedule		<u>\$ 67,062,346</u>			<u>\$ 9,141,866</u>	

Total basis points of individual plans participating in the pools vary depending upon their asset allocation.

Columns may not foot due to rounding.

**SCHEDULE OF INVESTMENT FEES
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
INDIVIDUAL INVESTMENT ACCOUNTS**

	Legacy Fund			PERS Retiree Health Credit Fund Job Service of ND Pension Fund			Tobacco Prevention and Control 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:									
Domestic large cap equity managers	\$ 1,901,303,507	\$ 5,584,173	29						
Domestic small cap equity managers	672,833,885	4,163,044	62						
Developed international equity managers	1,676,066,903	6,382,690	38						
Private equity managers	10,291,186	489,404	476						
Investment grade fixed income managers	2,763,231,010	11,365,054	41						
Diversified real asset managers	781,163,507	13,917,175	178						
Real estate managers	344,629,955	1,515,935	44						
Cash & equivalents managers	95,398,583	104,083	11	\$ 933,818	\$ 1,197	13	\$ 397,287	\$ 1,340	34
Short term fixed income managers							3,063,718	503	2
Balanced account manager - PERS Retiree Health				\$ 167,169,256	\$ 699,401	42			
Balanced account manager - Job Service Pension				95,948,420	430,286	45			
Total investment manager fees	<u>\$ 8,244,918,536</u>	<u>43,521,558</u>	<u>53</u>	<u>\$ 264,051,494</u>	<u>1,130,884</u>	<u>43</u>	<u>\$ 3,461,005</u>	<u>1,843</u>	<u>5</u>
Custodian fees		758,783	1		18,814	1		2,200	6
Investment consultant fees		491,565	1		-	0		-	0
SIB Service Fees		-	0		31,473	1		1,000	3
Total investment expenses		<u>\$ 44,771,906</u>	<u>54</u>		<u>\$ 1,181,171</u>	<u>45</u>		<u>\$ 5,043</u>	<u>15</u>
Reconciliation of Investment Expenses to Financial Statements									
Investment expenses as reflected in the financial statements		\$ 20,990,995			\$ 817,560			\$ 3,704	
Plus investment management fees included in investment income (net income)									
Domestic large cap equity managers		957,434							
Developed international equity managers		1,600,919							
Private equity managers		489,404							
Investment grade fixed income managers		8,342,817							
Diversified real assets managers		12,286,254							
Cash & equivalents managers		104,083						1,339	
Balanced account managers					363,611				
Investment expenses per schedule		<u>\$ 44,771,906</u>			<u>\$ 1,181,171</u>			<u>\$ 5,043</u>	

Columns may not foot due to rounding.

**SCHEDULE OF COMMISSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Brokers	Number of shares traded	Total commissions	Commissions per share
Jefferies	13,195,973	\$ 123,659	\$ 0.009
UBS	10,133,978	105,077	0.010
JPMorgan	9,398,105	134,937	0.014
Merrill Lynch	8,813,016	57,575	0.007
Robert W. Baird & Co.	8,790,815	153,320	0.017
Morgan Stanley	8,744,657	76,800	0.009
Credit Suisse	7,619,018	80,255	0.011
Barclays	7,352,381	67,289	0.009
Citigroup	6,057,843	39,057	0.006
Liquidnet	6,002,640	108,835	0.018
Other 66 Brokers *	32,858,284	488,442	0.015
Total commissions	<u>118,966,710</u>	<u>\$ 1,435,246</u>	<u>\$ 0.012</u>

* 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

Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

The North Dakota Teachers' Fund for Retirement (TFFR) is a pension benefit plan (the Fund) 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 active and retired members of the Fund 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 public 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 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 value basis.

The TFFR Board has an actuarial valuation performed annually and an Experience Study and Asset Liability Study performed every five years. The actuarial assumed rate of return on assets was reduced to 7.25% from 7.75% as of July 1, 2020 after being reduced from 8.0% as of July 1, 2015. 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:

- 1) Improve the Plan's funding status to protect and sustain current and future benefits.
- 2) Minimize the employee and employer contributions needed to fund the Plan over the long term.
- 3) Avoid substantial volatility in required contribution rates and fluctuations in the Plan's funding status.
- 4) 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's/School Districts' 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 a 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 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's/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 %
Global Equity	55
Public Equity	45
Private Equity	10
Global Fixed Income	26
Investment Grade	18
Non-investment Grade	8
Global Real Assets	18
Global Real Estate	9
Other	9
Cash	1

An allocation to Global Alternatives of up to 10% is authorized but shall not increase the expected volatility of the portfolio as measured in the Investment Objectives section; and if utilized, all other targets will be adjusted pro-rata. 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 while minimizing rebalancing costs. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

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 task.
- 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. 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 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:

- A list of the advisory services managing investments for the board.
- A list of investments at market value, compared to previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- 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.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 1,847,424,785	57.1%	43.22%
Public Equity	1,600,694,233	49.5%	41.75%
World Equity	371,557,923	11.5%	43.34%
Domestic Equity	743,298,691	23.0%	42.34%
Domestic Large Cap Equity	588,263,580	18.2%	42.48%
Domestic Small Cap Equity	155,035,111	4.8%	40.81%
International Equity	485,837,619	15.0%	39.21%
Developed International Equity	376,095,056	11.6%	37.45%
Emerging Markets Equity	109,742,563	3.4%	46.48%
Private Equity	246,730,552	7.6%	48.82%
Global Fixed Income	864,769,161	26.7%	4.65%
Investment Grade Fixed Income	657,308,820	20.3%	1.49%
Non-Investment Grade Fixed Income	207,460,341	6.4%	14.61%
Global Real Assets	483,568,812	15.0%	9.92%
Global Real Estate	294,454,646	9.1%	8.91%
Other	189,114,166	5.8%	11.57%
Timber	54,640,659	1.7%	4.87%
Infrastructure	134,473,507	4.2%	14.49%
Cash Equivalents	38,050,716	1.2%	0.11%
Total Fund	\$ 3,233,813,474		26.54%
Policy Benchmark			26.26%

Columns may not foot due to rounding.

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 nine-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, one member is the State Health Officer or their designee and two are legislative appointees.

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 and Public Safety 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 State Law Enforcement (BCI) employee contribution is 6.0% and employer contribution is 9.81%, for the Public Safety Plan with prior service the employee contribution is 5.5% and the employer contribution is 9.81% and for the Public Safety 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 7.0%.

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, 21-10-01, 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 employee's 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 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 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	58	46-66
Public Equity	51	42-57
Private Equity	7	4-9
Global Fixed Income	23	16-30
Investment Grade	16	11-21
Non-investment Grade	7	5-9
Global Real Assets	19	10-25
Global Real Estate	11	5-15
Other (Infrastructure/Timber)	8	5-10
Global Alternatives		0-10
Cash		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.

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.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 2,427,673,374	60.3%	42.90%
Public Equity	2,159,685,121	53.6%	41.80%
World Equity	464,162,658	11.5%	43.33%
Domestic Equity	1,014,355,930	25.2%	42.45%
Domestic Large Cap Equity	807,364,946	20.1%	42.57%
Domestic Small Cap Equity	206,990,984	5.1%	40.81%
International Equity	681,166,533	16.9%	39.66%
Developed International Equity	509,782,074	12.7%	37.48%
Emerging Markets Equity	171,384,459	4.3%	46.48%
Private Equity	267,988,253	6.7%	48.81%
Global Fixed Income	944,359,992	23.5%	5.08%
Investment Grade Fixed Income	687,840,153	17.1%	1.51%
Non-Investment Grade Fixed Income	256,519,839	6.4%	14.41%
Global Real Assets	628,752,206	15.6%	9.97%
Global Real Estate	402,937,378	10.0%	8.91%
Other	225,814,828	5.6%	11.74%
Timber	61,213,203	1.5%	4.87%
Infrastructure	164,601,625	4.1%	14.49%
Cash Equivalents	24,727,052	0.6%	0.11%
Total Fund	\$ 4,025,512,624		27.15%
Policy Benchmark			25.84%

Columns may not foot due to rounding.

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 was established to provide benefits to members eligible to receive them in accordance with the provisions of the Fund.

Fund Goals

The plan benefits are financed through both employer and employee contributions and the investment earnings on assets held in the Fund. The BCEPP 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 BCEPP Board acknowledges the material impact that funding the pension plan has on the City'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 BCEPP 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 projects.

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 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 BCEPP 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 City's ability to continue to provide pension benefits to plan participants. Thus, the BCEPP 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 BCEPP 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 BCEPP Board believes that such an approach, prudently implemented, best serves the long-run interests of the City and, therefore, of plan participants.

Investment Objectives

The BCEPP 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 the BCEPP Board 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 BCEPP Board in determining an acceptable volatility target for the Fund and an optimal asset allocation 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 BCEPP Board approves the appropriate policy mix for the Fund.

Asset Class	Policy Target %
Global Equity	46
Public Equity	42
Private Equity	4
Global Fixed Income	34
Investment Grade	27
Non-investment Grade	7
Global Real Assets	20
Global Real Estate	12
Other	8

An allocation to Global Alternatives of up to 10% is authorized but shall not increase the expected volatility of the portfolio as measured in Section 5; and if utilized, all other targets will be adjusted pro-rata. The BCEPP 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 while minimizing rebalancing costs. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

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 BCEPP 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:

- A list of advisory services managing investments for the SIB.
- A list of investments at market value, compared to previous reporting period, of each account managed by each advisory service.
- Earnings, percentage earned, and change in market value of each account's investments.
- 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.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 58,936,138	45.9%	42.68%
Public Equity	52,982,826	41.2%	41.72%
World Equity	12,502,309	9.7%	43.32%
Domestic Equity	24,022,830	18.7%	41.88%
Domestic Large Cap Equity	19,248,176	15.0%	42.56%
Domestic Small Cap Equity	4,774,654	3.7%	40.81%
International Equity	16,457,687	12.8%	40.10%
Developed International Equity	12,284,362	9.6%	37.45%
Emerging Markets Equity	4,173,325	3.2%	46.48%
Private Equity	5,953,312	4.6%	48.81%
Global Fixed Income	43,305,820	33.7%	3.97%
Investment Grade Fixed Income	34,282,496	26.7%	1.49%
Non-Investment Grade Fixed Income	9,023,324	7.0%	13.96%
Global Real Assets	25,747,064	20.0%	10.03%
Global Real Estate	15,739,572	12.3%	8.91%
Other	10,007,492	7.8%	11.82%
Timber	2,343,826	1.8%	4.87%
Infrastructure	7,663,666	6.0%	14.47%
Cash Equivalents	459,551	0.4%	0.11%
Total Fund	\$ 128,448,573		21.89%
Policy Benchmark			20.54%

Columns may not foot due to rounding.

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 was established to provide benefits to members eligible to receive them in accordance with the provisions of the Fund.

Fund Goals

The plan benefits are financed through both employer and employee contributions and the investment earnings on assets held in the Fund. The BCPBP 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 BCPBP Board acknowledges the material impact that funding the pension plan has on the City'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 BCPBP 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 projects.

Responsibilities and Discretion of the State Investment Board (SIB)

The BCPBP Board has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The BCPBP 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 BCPPP 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 City's ability to continue to provide pension benefits to plan participants. Thus, the BCPPP 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 BCPPP 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 BCPPP Board believes that such an approach, prudently implemented, best serves the long-run interests of the City and, therefore, of plan participants.

Investment Objectives

The BCPPP 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 the BCPPP Board 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 BCPPP Board in determining an acceptable volatility target for the Fund and an optimal asset allocation 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 BCEPP Board approves the appropriate policy mix for the Fund.

Asset Class	Policy Target %
Global Equity	51
Public Equity	46
Private Equity	5
Global Fixed Income	29
Investment Grade	22
Non-investment Grade	7
Global Real Assets	20
Global Real Estate	12
Other	8

An allocation to Global Alternatives of up to 10% is authorized but shall not increase the expected volatility of the portfolio as measured in Section 5; and if utilized, all other targets will be adjusted pro-rata. The BCPPP 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 while minimizing rebalancing costs. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

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 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:

- A list of advisory services managing investments for the SIB.
- A list of investments at market value, compared to previous reporting period, of each account managed by each advisory service.
- Earnings, percentage earned, and change in market value of each account's investments.
- 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.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 26,433,790	50.9%	42.79%
Public Equity	23,430,615	45.1%	41.70%
World Equity	5,046,523	9.7%	43.32%
Domestic Equity	10,757,846	20.7%	41.88%
Domestic Large Cap Equity	8,619,672	16.6%	42.56%
Domestic Small Cap Equity	2,138,174	4.1%	40.81%
International Equity	7,626,246	14.7%	40.24%
Developed International Equity	5,692,605	11.0%	37.45%
Emerging Markets Equity	1,933,641	3.7%	46.48%
Private Equity	3,003,175	5.8%	48.81%
Global Fixed Income	14,919,278	28.7%	4.37%
Investment Grade Fixed Income	11,275,748	21.7%	1.49%
Non-Investment Grade Fixed Income	3,643,530	7.0%	13.82%
Global Real Assets	10,423,234	20.1%	9.91%
Global Real Estate	6,352,844	12.2%	8.91%
Other	4,070,390	7.8%	11.51%
Timber	1,047,222	2.0%	4.87%
Infrastructure	3,023,168	5.8%	14.47%
Cash Equivalents	155,831	0.3%	0.11%
Total Fund	\$ 51,932,133		23.97%
Policy Benchmark			22.80%

Columns may not foot due to rounding.

CITY OF GRAND FORKS PENSION PLAN

Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

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.

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.

Benefit provisions are established by the City Council. The employers contribute such amounts as necessary to provide the promised benefits. The contribution amounts are determined by the annual valuation report and approved by the City Council.

Fund Goals

The plan benefits are financed through both employer and employee contributions and the investment earnings on assets held in the Fund. The City Council 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 City Council acknowledges the material impact that funding the pension plan has on the City’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 City Council 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 projects.

Responsibilities and Discretion of the State Investment Board (SIB)

The City Council has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The City Council 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 City Council 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 City Council's ability to continue to provide pension benefits to plan participants. Thus, the City Council 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 City Council 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 City Council believes that such an approach, prudently implemented, best serves the long-run interests of the City and, therefore, of plan participants.

Investment Objectives

The City Council'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 the City Council 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 City Council 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 City Council approves the appropriate policy asset mix for the Fund.

Asset Class	Policy Target %
Global Equity	60
Public Equity	55
Private Equity	5
Global Fixed Income	24
Investment Grade	17
Non-investment Grade	7
Global Real Assets	15
Global Real Estate	7
Other	8
Cash	1

An allocation to Global Alternatives of up to 10% is authorized but shall not increase the expected volatility of the portfolio as measured in Section 5; and if utilized, all other targets will be adjusted pro-rata. The City Council 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 while minimizing rebalancing costs. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

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 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.

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

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 City Council 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:

- A list of the advisory services managing investments for the SIB.
- A list of investments at market value, compared to previous reporting period, of each account managed by each advisory service.
- Earnings, percentage earned, and change in market value of each account’s investments.
- 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.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 48,971,760	59.9%	42.93%
Public Equity	44,253,524	54.1%	42.03%
World Equity	7,978,219	9.8%	43.32%
Domestic Equity	26,330,670	32.2%	42.14%
Domestic Large Cap Equity	21,095,838	25.8%	42.56%
Domestic Small Cap Equity	5,234,832	6.4%	40.81%
International Equity	9,944,635	12.2%	40.34%
Developed International Equity	7,424,532	9.1%	37.45%
Emerging Markets Equity	2,520,103	3.1%	46.48%
Private Equity	4,718,236	5.8%	48.81%
Global Fixed Income	19,506,559	23.9%	5.16%
Investment Grade Fixed Income	13,765,006	16.8%	1.49%
Non-Investment Grade Fixed Income	5,741,553	7.0%	14.48%
Global Real Assets	12,535,328	15.3%	10.26%
Global Real Estate	5,847,625	7.2%	8.91%
Other	6,687,703	8.2%	11.52%
Timber	1,665,079	2.0%	4.87%
Infrastructure	5,022,624	6.1%	14.47%
Cash Equivalents	769,068	0.9%	0.11%
Total Fund	\$ 81,782,715		27.55%
Policy Benchmark			26.91%

Columns may not foot due to rounding.

PARK DISTRICT OF THE CITY OF GRAND FORKS PENSION PLAN

Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

The Park District of the City of Grand Forks, North Dakota Pension Plan (the “Plan”) is a cost-sharing public employee pension plan operated by The Park District of the City of Grand Forks, North Dakota (the “District”) which serves as the Plan Administrator (“Administrator”) and Plan Sponsor (“Sponsor”). 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 (“NDPERS”) pension plan. All future hires after December 31, 2009, will be required to participate in the NDPERS plan. The investment assets of the Plan are held within the Plan Fund (“Fund”).

Benefit provisions are established by the Park Board (“Board”) of the Sponsor. 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 Board.

Fund Goals

The plan benefits are financed through both employer and employee contributions and the investment earnings on assets held in the Fund. The 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 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 projects.

Responsibilities and Discretion of the State Investment Board (SIB)

The 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 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 Board's 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 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 the Board 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 %
Global Equity	54.5
Public Equity	47
Domestic Equity	27
Large	22
Small	5
International Equity	20
Developed	10
Emerging	10
Private Equity	7.5
Global Fixed Income	25.5
Investment Grade	18
Non-Investment Grade	7.5
Global Real Assets	20
Global Real Estate	10
Other	10

An allocation to Global Alternatives of up to 10% is authorized but shall not increase the expected volatility of the portfolio as measured in Section 5; and if utilized, all other targets will be adjusted pro-rata. 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 while minimizing rebalancing costs. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

Restrictions

- 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 may 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 may 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 time horizon and similar risk.

For the purpose of this document, social investing is defined as the consideration of socially responsible criteria in the investment or commitment of public fund money for the purpose of obtaining an effect other than a maximized return of the Fund.

- 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 City Council'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 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:

- A list of the advisory services managing investments for the SIB.
- A list of investments at market value, compared to previous reporting period, of each account managed by each advisory service.
- Earnings, percentage earned, and change in market value of each account's investments.
- 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.

- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 5,103,279	54.4%	43.82%
Public Equity	4,295,630	45.8%	42.43%
World Equity	903,977	9.6%	43.32%
Domestic Equity	1,937,976	20.7%	42.25%
Domestic Large Cap Equity	1,581,631	16.9%	42.56%
Domestic Small Cap Equity	356,345	3.8%	40.81%
International Equity	1,453,677	15.5%	42.14%
Developed International Equity	719,977	7.7%	37.45%
Emerging Markets Equity	733,700	7.8%	46.48%
Private Equity	807,649	8.6%	48.81%
Global Fixed Income	2,342,376	25.0%	5.95%
Investment Grade Fixed Income	1,652,296	17.6%	1.49%
Non-Investment Grade Fixed Income	690,080	7.4%	17.29%
Global Real Assets	1,864,564	19.9%	10.72%
Global Real Estate	948,281	10.1%	8.91%
Other	916,283	9.8%	12.68%
Timber	138,753	1.5%	4.87%
Infrastructure	777,530	8.3%	14.47%
Cash Equivalents	64,916	0.7%	0.11%
Total Fund	\$ 9,375,135		26.46%
Policy Benchmark			24.54%

Columns may not foot due to rounding.

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:

- The rate of return, net of fees and expenses, should at least match that of the policy portfolio, over a minimum evaluation period of five years.
- Risk, as measured by the annual standard deviation of net returns for the Fund, should not exceed that of the policy portfolio by more than 100 basis points over a minimum evaluation period of five years.
- Risk adjusted excess returns of the Fund, net of fees and expenses, should match or exceed the policy benchmark over a minimum evaluation period of five years.

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 2018, 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.

<u>Asset Class</u>	<u>Target Allocation</u>
Global Equity	22%
Large Cap Equity	11%
Small Cap Equity	3%
International Equity	8%
Global Fixed Income	60%
Domestic Fixed Income	60%
Global Real Assets	17%
Diversified Real Assets	12%
<i>TIPS</i>	9%
<i>Infrastructure/Timber</i>	3%
Real Estate	5%
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:

- Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.
- No transaction shall be made which threatens the tax exempt status of the Fund.
- All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
- No unhedged short sales or speculative margin purchases shall be made.
- 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."*

- 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.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 506,112,915	21.9%	43.10%
Domestic Large Cap Equity	256,178,348	11.1%	46.17%
Domestic Small Cap Equity	69,155,298	3.0%	42.01%
International Equity	180,779,269	7.8%	38.96%
Global Fixed Income	1,388,622,113	60.1%	2.88%
Global Real Assets	397,177,653	17.2%	6.46%
Diversified Real Assets	296,276,531	12.8%	6.76%
Real Estate	100,901,122	4.4%	5.86%
Cash Equivalents	19,404,959	0.8%	0.05%
Total Fund	<u>\$ 2,311,317,640</u>		11.57%
Policy Benchmark			9.19%

Columns may not foot due to rounding.

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 probable safety of capital as well as probable 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 shall notify the Fund 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 consultant. 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	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.

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:

- A list of advisory services managing investments for the Board.
- A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- 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.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 7,936,366	34.8%	43.37%
Domestic Large Cap Equity	4,252,654	18.6%	46.17%
Domestic Small Cap Equity	1,409,384	6.2%	41.99%
International Equity	2,274,328	10.0%	38.94%
Global Fixed Income	12,602,037	55.2%	3.01%
Cash Equivalents	2,280,661	10.0%	0.05%
Total Fund	\$ 22,819,064		15.64%
Policy Benchmark			13.71%

Columns may not foot due to rounding.

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 statutory 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 probable safety of capital as well as probable 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 shall notify the Fund 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 consultant. 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	55.0%
Cash Equivalents	45.0%

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:

- A list of advisory services managing investments for the Board.
- A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- 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.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Fixed Income	\$ 2,121,842	55.1%	2.92%
Cash Equivalents	1,728,500	44.9%	0.05%
Total Fund	\$ 3,850,342		1.64%
Policy Benchmark			-0.13%

Columns may not foot due to rounding.

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 NDCC 23.1-12. 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 aboveground 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. Operating expenses are paid from the Fund as incurred.

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 probable safety of capital as well as probable 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 shall notify the Fund within 30 days of any substantial or notable changes in money managers, performance measurement services, and consultants, including hiring and terminating a money manager, performance measurement service, or consultant. 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:

Global Fixed Income	50.0%
Cash Equivalents	50.0%

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:

- A list of advisory services managing investments for the Board.
- A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- 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.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Fixed Income	\$ 3,139,989	50.1%	3.04%
Cash Equivalents	3,125,801	49.9%	0.05%
Total Fund	\$ 6,265,790		1.56%
Policy Benchmark			-0.11%
<i>Columns may not foot due to rounding.</i>			

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 probable safety of capital as well as probable 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 shall notify the Fund within 30 days of any substantial or notable changes in money managers, performance measurement services, and consultants, including hiring or terminating money managers, performance measurement services, or consultants. 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:

- A list of advisory services managing investments for the Board.
- A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- 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.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 2,129,710	29.8%	43.07%
Domestic Large Cap Equity	1,064,862	14.9%	46.17%
Domestic Small Cap Equity	352,881	4.9%	41.99%
International Equity	711,967	10.0%	38.94%
Global Fixed Income	2,508,513	35.2%	2.74%
Cash Equivalents	2,498,209	35.0%	0.05%
Total Fund	\$ 7,136,432		12.75%
Policy Benchmark			11.59%

Columns may not foot due to rounding.

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 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:

- 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 the risk of the policy benchmark by more than 1% over a minimum evaluation period of five years. For example, if the risk of the policy benchmark is 4%, the Fund's risk should not exceed 5% over a five-year period.
- 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

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%

While the Fund recognizes fluctuations in market values will lead to short-term deviations from policy targets, the Fund does not intend to engage in tactical asset allocation. Rebalancing of the Fund to this allocation will be done in accordance with the SIB's rebalancing policy.

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. 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.

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. 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 Fund 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:

- A list of the advisory services managing investments for the board.
- A list of investments at market value, compared to previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- 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.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 1,306,102	29.8%	45.10%
Domestic Large Cap Equity	980,987	22.3%	46.17%
Domestic Small Cap Equity	325,115	7.4%	41.99%
Global Fixed Income	2,864,256	65.3%	3.28%
Cash Equivalents	218,945	5.0%	0.05%
Total Fund	\$ 4,389,303		14.48%
Policy Benchmark			12.56%

Columns may not foot due to rounding.

STATE RISK MANAGEMENT WORKERS COMPENSATION 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 actuarial assumed rate of return is 3%.

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 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:

- 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 the risk of the policy benchmark by more than 1% over a minimum evaluation period of five years. For example, if the risk of the policy benchmark is 4%, the Fund's risk should not exceed 5% over a five-year period.
- 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

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%

While the Fund recognizes fluctuations in market values will lead to short-term deviations from policy targets, the Fund does not intend to engage in tactical asset allocation. Rebalancing of the Fund to this allocation will be done in accordance with the SIB's rebalancing policy.

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. 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.

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. 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 Fund 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:

- A list of the advisory services managing investments for the board.
- A list of investments at market value, compared to previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- 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.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 1,583,255	36.7%	45.11%
Domestic Large Cap Equity	1,189,214	27.6%	46.17%
Domestic Small Cap Equity	394,041	9.1%	41.99%
Global Fixed Income	2,597,970	60.3%	3.19%
Cash Equivalents	129,065	3.0%	0.05%
Total Fund	\$ 4,310,290		17.28%
Policy Benchmark			15.74%

Columns may not foot due to rounding.

NORTH DAKOTA CULTURAL ENDOWMENT FUND

Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

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.

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.

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 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.

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 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.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 334,616	54.6%	44.00%
Domestic Large Cap Equity	205,448	33.5%	46.17%
Domestic Small Cap Equity	68,091	11.1%	41.99%
International Equity	61,077	10.0%	38.94%
Global Fixed Income	227,483	37.1%	2.83%
Global Real Assets	32,010	5.2%	5.86%
Real Estate	32,010	5.2%	5.86%
Cash Equivalents	18,399	3.0%	0.05%
Total Fund	\$ 612,508		24.21%
Policy Benchmark			23.49%

Columns may not foot due to rounding.

NORTH DAKOTA 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. The statutory cap for the 2019-21 biennium is \$726,534,475. 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 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 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 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	Minimum of 90%
Bank Loans w/floating yield	Maximum of 5%
Absolute Return Strategies	Maximum of 5%

On June 17, 2017, the Advisory Board acknowledged the Bank of North Dakota Match Loan Certificates of Deposit Program (BND CD) was transferred to the Legacy Fund in early-2017.

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.

Actual Asset Allocation – June 30, 2021

<u>Asset Allocation</u>	<u>Fair Value</u>	<u>Percent of Total</u>	<u>One Year Return (net)</u>
Short-term Fixed Income	\$ 744,139,925	99.3%	3.96%
Cash Equivalents	<u>5,497,602</u>	0.7%	0.05%
Total Fund	<u>\$ 749,637,527</u>		3.92%
Policy Benchmark			0.44%

Columns may not foot due to rounding.

NORTH DAKOTA ASSOCIATION OF COUNTIES

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.

Risk Tolerance

Funds 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 funds in excess of those required for operating and claims payment needs. The investment funds may be comprised of fixed income securities and equity securities. Individual investments may be either actively or passively managed.

Investment Objective

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.

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. Risk, as measured by the annual standard deviation of net returns for the Fund, should not exceed that of the policy portfolio by more than 100 basis points 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 Fund 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 Fund approves the appropriate policy mix for the Fund.

Large Cap Equity	20%
Small Cap Equity	5%
International Equity	10%
Domestic Fixed Income	62%
Cash Equivalents	3%

While the Fund recognizes fluctuations in market values will lead to short-term deviations from policy targets, the Fund does not intend to engage in tactical asset allocations. 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 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:

- A list of advisory services managing investments for the Board.
- A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- 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.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 2,694,164	34.8%	43.52%
Domestic Large Cap Equity	1,539,545	19.9%	46.17%
Domestic Small Cap Equity	382,652	4.9%	41.99%
International Equity	771,967	10.0%	38.94%
Global Fixed Income	4,820,350	62.2%	2.73%
Cash Equivalents	232,341	3.0%	0.05%
Total Fund	\$ 7,746,855		15.72%
Policy Benchmark			13.48%

Columns may not foot due to rounding.

CITY OF BISMARCK DEFERRED SICK LEAVE ACCOUNT

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:

- Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
- All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
- No funds shall be borrowed.
- No unhedged short sales or speculative margin purchases shall be made.
- 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."

- 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:

- The cost does not exceed the fair market value at the time of investment.
- 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.
- Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
- 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.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 252,005	29.8%	43.07%
Domestic Large Cap Equity	125,981	14.9%	46.17%
Domestic Small Cap Equity	41,827	4.9%	41.99%
International Equity	84,197	10.0%	38.94%
Global Fixed Income	551,462	65.2%	3.01%
Cash Equivalents	42,062	5.0%	0.05%
Total Fund	\$ 845,529		13.80%
Policy Benchmark			11.44%

Columns may not foot due to rounding.

NDPERS GROUP INSURANCE ACCOUNT

Investment Objectives and Policy Guidelines

Introduction

The ND Public Employees Retirement System (PERS) 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)

PERS has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. It is the responsibility of PERS 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 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. The SIB will implement changes to this policy as promptly as is prudent.

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. The investment objective of the Fund is to maximize the return on the deposits within the short-term time-frame involved.

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 materially exceed that of the policy portfolio.

Policy and Guidelines

The asset allocation of the Fund is established by PERS, 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 this factor, the following allocation is deemed appropriate for the Fund:

Short Term Fixed Income	95% (not to exceed \$36m)
Cash Equivalents	5%

This cash will be held in an enhanced money market account at the Fund's custodian.

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.

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.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Short Term Fixed Income	\$ 32,859,785	95.1%	3.96%
Cash Equivalents	1,698,812	4.9%	0.05%
Total Fund	\$ 34,558,597		3.63%
Policy Benchmark			0.41%

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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 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 the 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 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.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 24,742,896	49.7%	43.01%
Domestic Large Cap Equity	11,388,780	22.9%	46.17%
Domestic Small Cap Equity	5,907,061	11.9%	41.99%
International Equity	7,447,055	15.0%	38.94%
Global Fixed Income	19,505,247	39.2%	2.92%
Global Real Assets	5,010,441	10.1%	6.78%
Diversified Real Assets	5,010,441	10.1%	6.78%
Cash Equivalents	497,121	1.0%	0.05%
Total Fund	\$ 49,755,705		22.07%
Policy Benchmark			21.23%

Columns may not foot due to rounding.

ND STATE BOARD OF MEDICINE FUND

Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

The North Dakota State Board of Medicine (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 Medicine is governed by NDCC Chapter 43-17.

The North Dakota State Board of Medicine Fund (the Fund) is an unrestricted operating reserve set aside to provide a margin of safety and stability in the Board's 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 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.

US Equity	16%
Global ex US Equity	11%
Fixed Income	67%
Real Estate	6%

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:

- A list of the advisory services managing investments for the SIB.
- A list of investments at market value, compared to previous reporting period, of each account managed by each advisory service.
- Earnings, percentage earned, and change in market value of each account's investments.
- 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.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 743,940	26.7%	42.64%
Domestic Large Cap Equity	330,563	11.9%	46.17%
Domestic Small Cap Equity	109,490	3.9%	41.99%
International Equity	303,887	10.9%	38.94%
Global Fixed Income	1,856,526	66.7%	2.60%
Global Real Assets	173,830	6.2%	5.86%
Real Estate	173,830	6.2%	5.86%
Cash Equivalents	7,259	0.3%	0.05%
Total Fund	\$ 2,781,555		12.58%
Policy Benchmark			10.46%

Columns may not foot due to rounding.

LEWIS & CLARK INTERPRETIVE CENTER ENDOWMENT FUND

Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The Lewis & Clark Interpretive Center Endowment Fund (Fund) was created in 2003 exclusively for the maintenance, repair and upkeep of the ND Lewis & Clark Interpretive Center/Rest Area, for programming and facility improvements. The original principal was endowed to the North Dakota Lewis & Clark Bicentennial Foundation who transferred the funds to the North Dakota Parks and Recreation Department (Parks and Rec) in 2017.

Fund Goals

It is the intention of Parks and Rec to utilize the earnings of the Fund to supplement its biennial appropriation for the maintenance of the Lewis & Clark Interpretive Center.

Responsibilities and Discretion of the State Investment Board (SIB)

Parks and Rec has entered into a contract with the SIB for investment services as allowed under 21-10-06. Parks and Rec 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 a 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.

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.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. SIB investment responsibility 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

Parks and Rec is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to maintain principal value over the long-term.

Investment Objectives

Parks and Rec'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. Risk, as measured by annual standard deviation of net returns for the Fund, should not exceed that of the policy benchmark by more than 100 basis points 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

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 Parks and Rec 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 discussion of its own collective risk tolerance, Parks and Rec approves the appropriate policy asset mix for the Fund.

Global Equity	35%
Global Fixed Income	64%
Cash Equivalents	1%

While Parks and Rec recognizes fluctuations in market values will lead to short-term deviations from policy targets, Parks and Rec 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 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 Parks and Rec quarterly and investment performance presentations will be provided to Parks and Rec upon request, 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:

- A list of advisory services managing investments for Parks and Rec.
- A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- 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.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 318,333	34.8%	42.89%
Domestic Large Cap Equity	154,670	16.9%	46.17%
Domestic Small Cap Equity	45,103	4.9%	41.99%
International Equity	118,560	13.0%	38.94%
Global Fixed Income	587,938	64.2%	2.54%
Cash Equivalents	9,238	1.0%	0.05%
Total Fund	<u>\$ 915,509</u>		15.45%
Policy Benchmark			13.24%

Columns may not foot due to rounding.

ATTORNEY GENERAL SETTLEMENT FUND

Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The ND Office of the Attorney General (Trustee) has established the AG Settlement Fund to support attorney related compensation needs and educational initiatives.

The AG Settlement Fund (Fund) was established with an initial investment contribution on September 30, 2019, and expects to make semi-annual withdrawals that will likely result in the entire balance being depleted by approximately June 30, 2025. Additional contributions may occur in future years which could extend the expected investment horizon of the Fund and/or potentially alter its investment risk, return and liquidity profile.

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, short-term fixed income and cash.

Objective #2: The need for growth of capital to preserve the real purchasing power of Fund assets is minimal as the investment term is not expected to be more than a few years.

Objective #3: Sufficient liquidity must be maintained as the Fund will be liquidated in semi-annual distributions over the next few years. Short-term fixed income and cash equivalent investments shall be used to achieve this objective.

Responsibilities and Discretion of the State Investment Board (SIB)

The ND Office of the Attorney General (Trustee) has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The Trustee 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 Trustee's risk tolerance with respect to the management of the Fund's asset is low. The Trustee is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to maintain principal value over time.

Investment Objectives

The Trustee'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 the investment period of approximately three years.
2. The Fund's risk, measured by the standard deviation of net returns, should not exceed 1% of the policy benchmark over a minimum evaluation period of three 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 three 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 Trustee 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 Trustee approves the appropriate policy asset mix for the Fund.

Short-Term Fixed Income & Cash	100%
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While the Trustee recognizes fluctuations in market values will lead to short-term deviations from policy targets, the Trustee 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 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. Emphasis will be placed on three (or five) year results, if applicable. 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 Trustee 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:

- A list of advisory services managing investments for the Fund.
- A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- 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.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Short Term Fixed Income	\$ 915,671	99.0%	3.96%
Cash Equivalents	9,399	1.0%	0.05%
Total Fund	\$ 925,070		3.92%
Policy Benchmark			0.44%

Columns may not foot due to rounding.

ND VETERANS' CEMETERY TRUST FUND

Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The ND Veterans' Cemetery Trust Fund (Fund) was established in 1997 as a permanent fund to be used to support the veterans' cemetery. As spelled out in NDCC 39-04-10.10, the Fund receives a portion of the annual surcharge assessed on the issuance of North Dakota veterans' number plates. The North Dakota State Treasurer has full authority to invest the fund in the same manner as the State Investment Board is authorized to make investments. Upon request of the Adjutant General, the interest in the Fund must be deposited into the Veterans' Cemetery Maintenance Fund for the purpose of funding salaries and maintenance of the veterans' cemetery.

Responsibilities and Discretion of the State Investment Board (SIB)

The ND State Treasurer (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 the manner provided in Section 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 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. The 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.

Policy Asset Mix

After consideration of all the liquidity needs, spending policy and time horizon of the Fund and a discussion of its risk tolerance, the Client approves the following policy asset mix for the Fund:

Global Equities	50%
Global Fixed Income	35%
Global Real Assets	15%

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

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, 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 Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

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 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 Client 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 Fund, including:

- A list of advisory services managing investments for the Fund.
- A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
- Earnings, percentage earned, and change in market value of each fund's investments.
- 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.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 188,803	49.5%	42.63%
Domestic Large Cap Equity	82,925	21.8%	46.17%
Domestic Small Cap Equity	30,030	7.9%	41.99%
International Equity	75,848	19.9%	38.94%
Global Fixed Income	133,142	34.9%	2.54%
Global Real Assets	57,848	15.2%	6.65%
Diversified Real Assets	38,140	10.0%	6.93%
Real Estate	19,708	5.2%	5.86%
Cash Equivalents	1,258	0.3%	0.05%
Total Fund	\$ 381,051		21.96%
Policy Benchmark			20.72%

Columns may not foot due to rounding.

NORTH DAKOTA 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 (Advisory 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 Advisory 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 Advisory Board, will implement necessary changes to this policy in an efficient and prudent manner.

Risk Tolerance

The Advisory 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 Advisory 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 Advisory Board approved the following policy asset mix for the Legacy Fund as of April 2, 2013. The Advisory Board and SIB re-affirmed this same asset allocation policy in May of 2018. In late-2020, the Advisory Board and SIB approved a \$100 million increase in the Bank of North Dakota in-state investment program raising the total commitment up to \$400 million (with a 5% target allocation within Fixed Income). On Feb. 16, 2021, the Advisory Board approved a new Private Capital target of 3% including a preference for in-state investments at a competitive rate of return with a recommended range of +/- 3%. The Legacy Fund's revised asset allocation policy, as approved by the SIB on Feb. 26, 2021, is below:

Asset Class	Policy Target Percentage
Broad US Equity	28%
Broad International Equity	19%
Private Capital	3%
Fixed Income and BND	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.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Global Equity	\$ 4,683,072,360	52.1%	42.35%
Broad US Equity	2,846,529,608	31.7%	44.96%
Domestic Large Cap Equity	2,136,414,164	23.8%	45.85%
Domestic Small Cap Equity	710,115,444	7.9%	41.82%
Broad International Equity	1,814,729,646	20.2%	38.46%
Private Equity	21,813,106	0.2%	*
Global Fixed Income	2,927,871,623	32.6%	3.29%
Global Real Assets	1,193,899,701	13.3%	9.04%
Real Estate	364,524,176	4.1%	5.78%
Diversified Real Assets	829,375,525	9.2%	10.59%
Cash Equivalents	188,441,321	2.1%	0.04%
Total Fund	<u>\$ 8,993,285,005</u>		22.68%
Policy Benchmark			20.65%

** This category does not have the specified years of history under SIB management or data is not available.*

Columns may not foot due to rounding.

RETIREMENT PLAN FOR EMPLOYEES OF JOB SERVICE NORTH DAKOTA

Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

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 4.25%.

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 4.75% return and 2.5% 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 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 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 2017. 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	2%
Global Equity	18%
US High Yield Bonds	3%
Emerging Markets Debt	3%
Core Fixed Income	34%
Limited Duration Fixed Income	10%
Diversified Short Term Fixed Income	5%
Short Term Corporate Fixed Income	25%

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.
- 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.

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

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.

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.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Equity	\$ 1,899,838	2.0%	28.77%
Global Equity	17,208,321	17.8%	23.47%
U.S. High Yield Bonds	2,910,774	3.0%	22.73%
Emerging Markets Debt	2,869,404	3.0%	9.57%
Core Fixed Income	32,831,852	34.0%	0.51%
Limited Duration Fixed Income	9,641,479	10.0%	1.17%
Diversified Short Term Fixed Income	4,811,408	5.0%	5.97%
Short Term Corporate Fixed Income	24,064,293	24.9%	0.71%
Cash Equivalents	435,561	0.5%	0.11%
Total Fund	\$ 96,672,930		6.46%
Policy Benchmark			7.97%
<i>Columns may not foot due to rounding.</i>			

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 1.14 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 6.5%.

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 December 2020 – Callan Corporation

Broad US Equity	39%
Global ex-US Equity	26%
Fixed Income	35%

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.
- 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.

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."

- C. 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.

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.

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	\$ 61,280,207	34.0%	42.52%
Domestic Small Cap Equity	10,771,336	6.0%	58.28%
International Equity	46,230,031	25.6%	35.68%
Core Plus Fixed Income	61,279,787	34.0%	3.59%
Cash Equivalents	681,934	0.4%	0.01%
Total Fund	\$ 180,243,295		25.57%
Policy Benchmark			24.19%

Columns may not foot due to rounding.

TOBACCO PREVENTION AND CONTROL FUND

(Note: This fund's investments were liquidated during June 2021, with only a residual cash balance remaining at 6/30/21.)

Investment Objectives and Policy Guidelines

Plan Characteristics and Constraints

The North Dakota Tobacco Prevention and Control fund (Fund) was established in 1999 for the purpose of creating and implementing a comprehensive statewide tobacco prevention and control plan (comprehensive plan). NDCC 54-27-25(2). The comprehensive plan was administered by the Executive Committee until the Sixty-fifth Legislative Assembly repealed Chapter 23-42 of the ND Century Code, effectively eliminating the Executive Committee. During that same session, House Bill (HB) 1015 assigned administrative authority of the Fund to the Office of Management and Budget (OMB) for the biennium beginning July 1, 2017, and ending June 30, 2019.

Fund Goals

The Fund consists of the tobacco settlement dollars obtained by the state under section IX(c)(2) of the agreement adopted by the east central judicial district court in its judgment entered December 28, 1998 [Civil No. 98-3778] in State of North Dakota, ex rel. Heidi Heitkamp v. Philip Morris, Inc. Interest earned on the Fund must be credited to the Fund. NDCC 54-27-25(2). OMB recognizes that a sound investment program is essential to ensure the funds are available to be used as appropriated by the legislative assembly.

Responsibilities and Discretion of the State Investment Board (SIB)

OMB has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. OMB 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.

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

OMB is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to meet legislatively appropriated expenditures.

Investment Objectives

OMB'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. Risk, as measured by the annual standard deviation of net returns for the Fund, should not exceed that of the policy portfolio by more than 100 basis points 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.

4. OMB understands and acknowledges that the tobacco-free investment restriction may impair the Fund’s ability to maximize investment returns when compared to investments that are not made in conjunction with a tobacco-free investment restriction.

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-liability analysis designed to assist OMB 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 of its own collective risk tolerance, OMB approves the appropriate policy asset mix for the Fund.

<u>Asset Class</u>	<u>Policy Target</u>	<u>Rebalancing Range</u>
Global Fixed Income	85%	80-90%
Cash	15%	10-20%

While OMB recognizes fluctuations in market values will lead to short-term deviations from policy targets, OMB 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. 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. Because the statutory purpose of the Fund is to reinforce best practices related to comprehensive tobacco prevention and control programs, and to invest in or profit from the manufacturer and sale of tobacco products would contradict that purpose, the assets shall only be invested in securities issued by tobacco-free firms, defined as those which generate revenues of no greater than 0% from tobacco products. In the event of an inadvertent de Minimis investment in a firm with any exposure to tobacco products, the inadvertent investment will be immediately divested upon discovery. For investment purposes “tobacco product” means tobacco or any product containing, made from, or derived from tobacco, in whole or in part, that is intended for human consumption, whether chewed, smoked, absorbed, dissolved, inhaled, snorted, sniffed, consumed, or ingested by any other means, including cigarettes, cigars, electronic smoking devices, pipe tobacco, chewing tobacco, snuff, snus, liquid, or other kinds and forms of tobacco. “Tobacco product” includes any product or device that contains nicotine, in any form, that is derived from tobacco. Any product that contains nicotine shall be presumed to contain nicotine derived from tobacco unless the nicotine is confirmed to be derived from a different source.
- 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, OMB'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. 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 Executive Committee quarterly and investment performance presentations will be provided to the Executive Committee upon request, 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:

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

Actual Asset Allocation – June 30, 2021

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Short-Term Fixed Income	\$ -	0.0%	0.11%
Cash Equivalents	1,000	100.0%	0.01%
Total Fund	\$ 1,000		0.08%
Policy Benchmark			0.07%
<i>Fund was liquidating as of June 30, 2021.</i>			
<i>Columns may not foot due to rounding.</i>			

Actuarial Section



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Chicago, IL 60606-1724
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Via Email

December 9, 2021

Board of Trustees
North Dakota Teachers' Fund for Retirement
3442 East Century Avenue
Bismarck, ND 58507-7100

Re: Actuarial Valuation as of July 1, 2021

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, 2021.

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 State 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 are experienced in performing valuations for large public retirement systems. They 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 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 liability (UAAL) over a period of 21 years beginning July 1, 2021, although at any given time, the statutory rates may be insufficient.

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 (22 years remaining as of July 1, 2021). For this calculation, payroll is assumed to increase 3.25% per year. As of July 1, 2021, the ADC is 12.37%

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compared to 13.19% last year. This year's rate is less than the 12.75% rate currently required by law. The decrease in ADC is driven by favorable investment experience.

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) increased from last year. The funded ratio as of July 1, 2021 is 68.6%, compared to 65.7% as of July 1, 2020. Based on the market value of assets rather than the actuarial value of assets, the funded ratio increased to 75.7% compared to 63.4% last year.

The Plan has a net investment gain of \$308.7 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 primarily due to the market gain during FY 2021, partially offset by market losses during FY 2019 and FY 2020. As this gain is recognized over the next four years, the funded ratio is expected to increase, assuming the assets earns 7.25% on a market basis in the future.

REPORTING CONSEQUENCES

TFFR is required to disclose certain annual information in its Annual Comprehensive Financial Report, 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. In March 2020, the Board adopted new assumptions, effective for the July 1, 2020, valuation. In our opinion, the actuarial assumptions as approved by the Board are reasonable, taking into account the experience of the Plan and reasonable long-term expectations, and represent our best estimate of the anticipated long-term experience of the Plan. The actuarial assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice.

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.

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.

Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on a proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these



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models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

DATA

Member data for retired, active, and inactive participants was supplied as of July 1, 2021, by the staff of the Retirement Office. 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 and have no reason to doubt its substantial accuracy. Asset information was also supplied by the staff. That assistance is gratefully acknowledged.

ANNUAL COMPREHENSIVE FINANCIAL REPORT SCHEDULES


The undersigned provided the following supporting schedules and exhibits included in the Financial, Actuarial and Statistical Sections of the ND Retirement and Investment Office Annual Comprehensive Financial Report:

- Financial / Required Supplementary Information
 - Net Pension Liability
 - Sensitivity of Net Pension Liability
 - Schedules of Changes in Net Pension Liability and Related Ratios
 - Schedule of Employer Contributions
- Actuarial
 - Schedule of Active Members
 - Analysis of Change in Actuarially Determined Contribution
 - Development of Unfunded Actuarial Accrued Liability
 - Solvency Test
 - Schedule of Funding Progress
- Statistical
 - Schedule of Retirees by Benefit Amount
 - Schedule of Retirees by Benefit Type

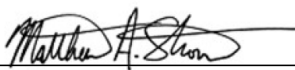
Sincerely,

Segal

By:


Kim Nicholl, FSA, MAAA, EA, FCA
Senior Vice President and Actuary


Tatsiana Dybal, FSA, MAAA, EA
Vice President and Actuary


Matthew A. Strom, FSA, MAAA, EA
Senior Vice President and Actuary



SUMMARY OF ACTUARIAL VALUATION RESULTS

	2021	2020
Demographic Data for Plan Year Beginning July 1:		
• Number of		
- Retirees and Beneficiaries	9,262	9,036
- Inactive, Vested	1,754	1,715
- Inactive, Nonvested (due a refund of employee contributions)	1,213	1,132
- Active Members	11,627	11,347
• Payroll (annualized)	\$749.4 million	\$711.0 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	12.37%	13.19%
• Margin/(Deficit)	0.38%	-0.44%
Assets:		
• Fair value	\$3,282.4 million	\$2,650.5 million
• Actuarial value	2,973.7 million	2,745.0 million
• Return on market value (per actuary)	26.1%	3.3%
• Return on actuarial value	10.3%	6.2%
• Ratio - actuarial value to market value	90.6%	103.6%
• Net cash flow % relative to market value	-1.6%	-2.0%
Actuarial Information:		
• Normal cost %	12.41%	12.28%
• Normal cost	\$98.4 million	\$92.3 million
• Actuarial accrued liability	\$4,336.0 million	\$4,181.0 million
• Unfunded actuarial accrued liability (UAAL)	\$1,362.4 million	\$1,436.0 million
• Funded ratio	68.6%	65.7%
• Effective amortization period	21 years	24 years
GASB Information:		
• Discount rate	7.25%	7.25%
• Total pension liability	\$4,336.1 million	\$4,181.0 million
• Plan fiduciary net position	\$3,282.4 million	\$2,650.5 million
• Net pension liability	\$1,053.7 million	\$1,530.5 million
• Plan fiduciary net position as % of total pension liability	75.7%	63.4%
Gains/(Losses):		
• Asset experience	\$ 83.8 million	\$ (40.9) million
• Liability experience	(7.7) million	21.4 million
• Administrative Expenses	(0.5) million	0.2 million
• Benefit changes	0.0 million	0.0 million
• Assumption/method changes	0.0 million	(51.8) million
• Total Gain/(Loss)	\$ 75.6 million	\$(71.1) 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 March 19, 2020, effective for the July 1, 2021 valuation.

ACTUARIAL ASSUMPTIONS

Investment Return Rate 7.25% per annum, compounded annually, equal to an assumed 2.30% inflation rate plus a 5.18% real rate of return, less 0.23% for adverse deviation. (Adopted effective July 1, 2020.)

Mortality Rates The mortality rates were based on historical and current demographic data, as used in the experience study dated March 19, 2020. The underlying tables reasonably reflect the mortality experience of the Fund as of the measurement date.

Post-Retirement Non-Disabled: 104% of the Pub T-2010 Retiree Table and 95% of the Pub T-2010 Contingent Survivor Table with generational mortality improvement using Scale MP-2019. (Adopted effective July 1, 2020.) Sample 2010 rates are as follows:

Age	Retiree Rates		Survivor Rates	
	Male	Female	Male	Female
55	0.23%	0.20%	0.78%	0.42%
60	0.37%	0.30%	0.96%	0.59%
65	0.62%	0.46%	1.31%	0.85%
70	1.11%	0.80%	2.02%	1.29%
75	2.11%	1.52%	3.21%	2.04%
80	4.00%	2.93%	5.09%	3.39%
85	7.53%	5.60%	8.31%	6.00%
90	13.79%	10.49%	13.70%	10.76%
95	23.21%	18.75%	21.66%	17.66%
100	33.91%	29.29%	30.98%	26.75%

The mortality tables are adjusted forward from 2010 using a generational projection to reflect future mortality improvement.

Post-Retirement Disabled: PubNS-2010 Non-Safety Disabled Mortality Table with generational mortality improvement using Scale MP-2019. (Adopted effective July 1, 2020.)

Pre-Retirement Non-Disabled: Pub T-2010 Employee Table with generational mortality improvement using Scale MP-2019. (Adopted effective July 1, 2020.)

Summary of Actuarial Assumptions and Methods (continued)**Retirement Rates**

The following rates of retirement are assumed for members eligible to retire.
(Adopted effective July 1, 2020.)

Age	Unreduced Retirement*		Reduced Retirement
	Male	Female	Unisex
50-54	15.0%	15.0%	2.0%
55-56	15.0%	15.0%	2.0%
57	15.0%	15.0%	3.0%
58	15.0%	15.0%	3.5%
59	15.0%	15.0%	4.0%
60	15.0%	15.0%	5.0%
61	30.0%	25.0%	9.0%
62	30.0%	30.0%	10.0%
63	25.0%	30.0%	11.0%
64	35.0%	40.0%	12.0%
65	30.0%	35.0%	
66	25.0%	30.0%	
67	25.0%	20.0%	
68-74	20.0%	20.0%	
75	100.0%	100.0%	

** 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), 12.5% is added to the rate at the age (and only this age) the member becomes first eligible for an unreduced retirement benefit.*

Disability Rates

Shown below for selected ages. (Adopted effective July 1, 2020.)

Age	Unisex
20	0.0088%
25	0.0088%
30	0.0088%
35	0.0088%
40	0.0264%
45	0.0440%
50	0.0704%
55	0.1232%
60	0.2376%

Summary of Actuarial Assumptions and Methods (continued)**Termination Rates**

Termination rates based on service, for causes other than death, disability, or retirement. (Adopted effective July 1, 2020.)

Years from Hire	Male	Female	Years from Hire	Male	Female
0	15.00%	15.00%	10	2.50%	2.75%
1	13.00%	11.00%	11-12	2.00%	2.50%
2	11.00%	9.50%	13	2.00%	2.25%
3	8.00%	7.50%	14	1.50%	2.25%
4	6.00%	6.00%	15-16	1.50%	1.75%
5	5.25%	5.50%	17-18	1.50%	1.50%
6	4.00%	4.50%	19-22	0.75%	1.25%
7	3.75%	4.00%	23-24	0.75%	1.00%
8	3.00%	2.75%	24+	0.75%	0.75%
9	2.50%	2.75%			

Termination rates eliminated at first retirement eligibility.

Salary Increase Rates

Inflation rate of 2.30% plus productivity increase rate of 1.50%, plus step-rate/promotional increase as shown below. (Adopted effective July 1, 2020.)

Years from Hire	Annual Step-Rate Promotional Component	Annual Total Salary Increase
0	11.00%	14.80%
1	3.00%	6.80%
2	2.75%	6.55%
3-4	2.50%	6.30%
5-6	2.00%	5.80%
7-8	1.75%	5.55%
9-11	1.50%	5.30%
12-13	1.25%	5.05%
14-15	1.00%	4.80%
16-18	0.75%	4.55%
19-22	0.50%	4.30%
23-29	0.25%	4.05%
30+	0.00%	3.80%

Summary of Actuarial Assumptions and Methods (continued)

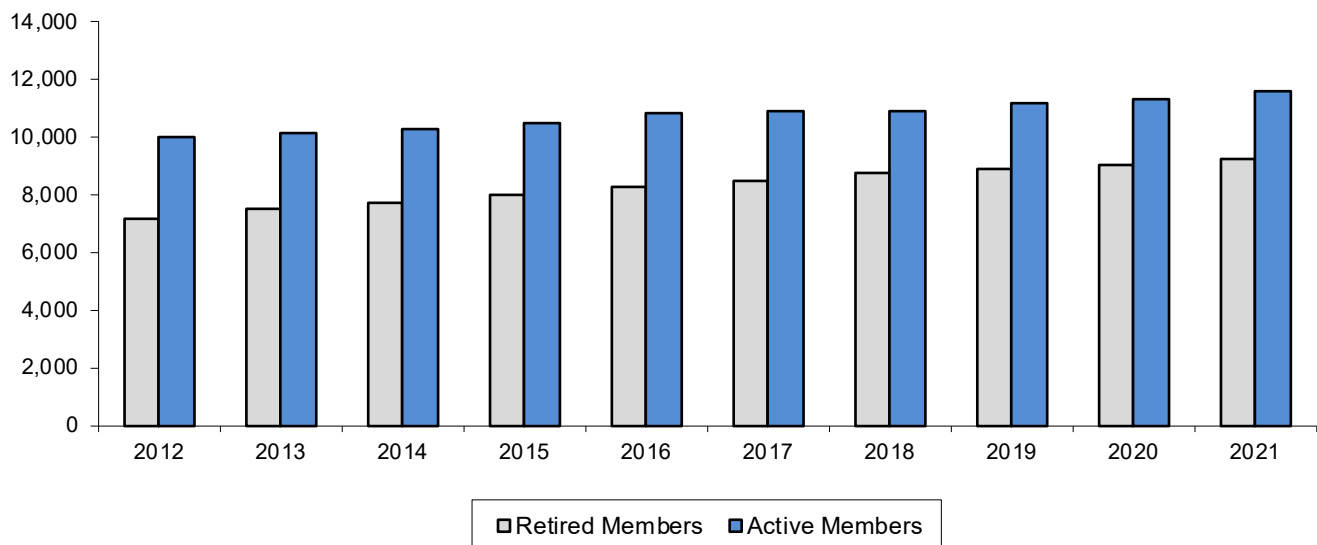
<u>Payroll Growth Rate</u>	3.25% per annum. This assumption does not include any allowance for future increase in the number of members. (Adopted effective July 1, 2010.)
<u>Percent Married</u>	For valuation purposes, 75% of members are assumed to be married. Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses. (Adopted effective July 1, 1992.)
<u>Percent Electing a Deferred Termination Benefit</u>	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.)
<u>Loading Factor for New Retirees</u>	The liability includes a 3% load for members who retired during the year ended June 30, 2020, to reflect that their benefits are not finalized as of the valuation date.
<u>Annual Administrative Expenses</u>	Administrative expenses of \$2,739,978 (actual expenses for the previous year, increased with inflation) are expected to be paid for the year beginning July 1, 2021.
<u>Asset Valuation Method</u>	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 expenses. The actuarial value is further adjusted, if necessary, to be within 20% of the market value.
<u>Actuarial Cost Method</u>	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.
<u>Amortization Period and Method</u>	The actuarially 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.
<u>Justification for Change in Actuarial Assumptions</u>	Changes made to the actuarial assumptions were based on the March 19, 2020, experience study.

SCHEDULE OF ACTIVE MEMBERS

Valuation Year	Active Members		Covered Payroll (annualized)		Average Salary		Average Age	Average Service
	Number	Percent Increase	Amount in \$ Millions	Percent Increase	\$ Amount	Percent Increase		
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
2016	10,813	2.8%	627.0	6.3%	57,986	3.4%	42.3	12.1
2017	10,874	0.6%	650.1	3.7%	59,780	3.1%	42.1	11.9
2018	10,881	0.1%	653.5	0.5%	60,055	0.5%	41.9	11.8
2019	11,175	2.7%	680.5	4.1%	60,893	1.4%	41.8	11.7
2020	11,347	1.5%	711.0	4.5%	62,663	2.9%	41.8	11.7
2021	11,627	2.5%	749.4	5.4%	64,455	2.9%	41.4	11.4

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
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%
2016	427	12.6	203	3.1	8,249	22,692	180.6	7.3%
2017	447	14.3	195	2.9	8,501	23,399	191.1	5.8%
2018	458	15.3	216	3.3	8,743	24,180	202.4	5.9%
2019	400	12.9	225	3.5	8,918	24,804	215.3	6.0%
2020	362	11.8	244	4.2	9,036	25,392	224.4	4.2%
2021	481	16.2	255	4.6	9,262	26,064	235.2	4.8%

**ACTIVE MEMBERS VS RETIRED MEMBERS
10-YEAR SUMMARY**

ANALYSIS OF CHANGE IN ACTUARIALLY DETERMINED CONTRIBUTION (ADC)

	7/1/2021	7/1/2020
Prior valuation	13.19 %	12.84 %
Increases/(decreases) due to:		
Effect of change in remaining amortization period	0.00 %	0.00 %
Effect of change in covered payroll and normal cost	(0.29)%	(0.20)%
Effect of contributions (more)/less than actuarially determined contribution	0.03 %	(0.03)%
Effect of gains and losses on accrued liability and administrative expenses	0.15 %	(0.20)%
Effect of investment (gain)/loss	(0.72)%	0.38 %
Effect of legislative changes	0.00 %	0.00 %
Effect of change in actuarial assumptions	0.00 %	0.40 %
Net effect of other changes	0.01 %	0.00 %
Total change	(0.82)%	0.35 %
Current valuation	12.37 %	13.19 %
Statutory employer contribution rate	12.75 %	12.75 %
Margin available [contribution sufficiency/(deficiency)]	<u>0.38 %</u>	<u>(0.44)%</u>

DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)

	(\$ in millions)	
	7/1/2021	7/1/2020
UAAL at beginning of year	\$ 1,436.0	\$ 1,357.9
Normal cost	89.2	82.8
Total contributions	(191.5)	(181.1)
Interest on:		
UAAL and normal cost	110.6	111.6
Total contributions	(6.3)	(6.3)
Expected UAAL	\$ 1,438.0	\$ 1,364.9
Changes due to (gain)/loss from:		
Investments	\$ (83.8)	\$ 40.9
Demographics	8.2	(21.6)
Change in actuarial assumptions	-	51.8
UAAL at end of year	<u>\$ 1,362.4</u>	<u>\$ 1,436.0</u>

SOLVENCY TEST

Valuation Year	Actuarial Accrued Liability (AAL) (in millions)			Actuarial Value of Assets (\$ in millions)	Portion of AAL Covered by Valuation Assets		
	Active Member Contributions	Retirees and Beneficiaries	Active/Inactive Members (Employer Financed)		Active Member Contributions	Retirees and Beneficiaries	Active/Inactive Members (Employer Financed)
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%
2016	792.8	1,976.3	820.3	2,229.3	100.0%	51.4%	0.0%
2017	839.1	2,092.9	802.0	2,379.8	100.0%	73.6%	0.0%
2018	881.4	2,222.0	760.1	2,526.1	100.0%	74.0%	0.0%
2019	941.5	2,314.0	737.9	2,635.6	100.0%	73.2%	0.0%
2020	1,010.5	2,397.6	772.9	2,745.0	100.0%	72.3%	0.0%
2021	1,063.2	2,515.2	757.7	2,973.7	100.0%	76.0%	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 Payroll
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%
2016	2,229.3	3,589.4	1,360.1	62.1%	627.0	216.9%
2017	2,379.8	3,734.0	1,354.2	63.7%	650.1	208.3%
2018	2,526.1	3,863.5	1,337.5	65.4%	653.5	204.7%
2019	2,635.6	3,993.4	1,357.9	66.0%	680.5	199.5%
2020	2,745.0	4,181.0	1,436.0	65.7%	711.0	202.0%
2021	2,973.7	4,336.1	1,362.4	68.6%	749.4	181.8%

Please also refer to the Schedule of Employer Contributions in the required supplementary information to the financial statements on page 66.

SUMMARY OF PLAN PROVISIONS

Effective Date: July 1, 1971.

Plan Year: July 1 through June 30

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.

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.

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.

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%.

Salary: A 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.

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)

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.

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.

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.

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.

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 that 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.

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.

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.

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 prior to benefit commencement (0.5% per month).

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.

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.

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 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. Effective 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:

Various technical and administrative changes that do not have an actuarial effect on the Plan were enacted.

2017 Legislative Session:

There were no material changes made during the 2017 legislative session.

2019 Legislative Session:

There were no material changes made during the 2019 legislative session.

2021 Legislative Session:

There were no material changes made during the 2021 legislative session.

Statistical Section

This part of the Retirement and Investment Office's (RIO) annual comprehensive 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.

Contents	Page
Financial Trends	206
These schedules contain trend information to help the reader understand how RIO's financial performance and well-being have changed over time.	
Demographic Information	208
These schedules offer demographic indicators to help the reader understand the environment within which RIO's financial activities take place.	
Operating Information	212
These schedules contain service data to help the reader understand how the information in RIO's financial report relates to the services RIO provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant years.

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
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
2016	76,342,685	82,839,932	12.75	8,283,962	2,768,245	170,234,824
2017	79,309,153	86,058,868	12.75	266,924,541	2,553,200	434,845,762
2018	79,877,611	86,675,715	12.75	211,539,397	2,181,106	380,273,829
2019	82,429,594	89,444,881	12.75	135,202,032	1,916,787	308,993,294
2020	85,735,134	93,032,453	12.75	86,364,800	2,175,497	267,307,884
2021	90,557,210	98,264,202	12.75	684,298,642	2,559,121	875,679,175

DEDUCTIONS

Fiscal Year	Benefits Paid to Participants	Refunds	Administrative Charges	Total Deductions	Change in Net Position
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
2016	180,617,784	5,350,896	1,851,656	187,820,336	(17,585,512)
2017	191,104,694	5,411,850	2,173,431	198,689,975	181,583,854
2018	202,417,031	5,561,668	2,128,794	210,107,493	98,885,801
2019	215,328,174	5,900,392	2,251,083	223,479,649	85,513,645
2020	224,361,530	6,489,704	2,095,405	232,946,639	34,361,245
2021	235,205,084	5,923,187	2,678,375	243,806,646	631,872,529

BENEFIT AND REFUND DEDUCTIONS BY TYPE

Fiscal Year	Annuity Payments					Refunds			Total Benefit Expenses
	Service Retirements	PLSO Distributions	Disability Retirements	Beneficiaries	Total Annuity Payments	Separation	Death	Total Refunds	
2012	\$ 125,721,931	\$ 532,104	\$ 1,685,206	\$ 7,311,327	\$ 135,250,568	\$ 2,870,693	\$ 182,702	\$ 2,479,194	\$ 137,729,762
2013	135,498,122	863,990	1,738,006	7,843,205	145,943,323	3,451,162	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	4,618,157	732,739	3,889,671	172,239,433
2016	168,179,310	992,233	1,920,107	9,526,134	180,617,784	4,776,556	635,294	5,350,896	185,968,680
2017	177,795,295	1,075,553	1,892,150	10,341,696	191,104,694	4,631,061	780,789	5,411,850	196,516,544
2018	188,684,763	768,829	1,903,460	11,059,979	202,417,031	4,770,163	791,505	5,561,668	207,978,699
2019	200,474,295	1,237,129	1,948,753	11,667,997	215,328,174	5,252,032	648,360	5,900,392	221,228,566
2020	209,416,623	425,297	2,040,107	12,479,503	224,361,530	5,533,401	956,303	6,489,704	230,851,234
2021	218,700,510	993,499	1,984,567	13,526,508	235,205,084	5,021,054	902,133	5,923,187	241,128,271

SCHEDULE OF CONTRIBUTION RATES LAST 10 FISCAL YEARS

Fiscal Year	Member Rate	Employer Rate
2012	7.75%	8.75%
2013	9.75%	10.75%
2014	9.75%	10.75%
2015	11.75%	12.75%
2016	11.75%	12.75%
2017	11.75%	12.75%
2018	11.75%	12.75%
2019	11.75%	12.75%
2020	11.75%	12.75%
2021	11.75%	12.75%

**PRINCIPAL PARTICIPATING EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Participating Employer	2021			2012		
	Covered Employees	Rank	% of Total System	Covered Employees	Rank	% of Total System
Bismarck Public Schools	1,275	1	10.17%	1,098	1	10.03%
Fargo Public Schools	1,207	2	9.63%	1,072	2	9.79%
West Fargo Schools	1,140	3	9.10%	789	5	7.21%
Grand Forks Schools	859	4	6.85%	671	3	6.13%
Minot Schools	709	5	5.66%	662	4	6.05%
Mandan Public Schools	371	6	2.96%	299	6	2.73%
Dickinson Schools	349	7	2.78%	248	7	2.27%
Williston Schools	330	8	2.63%	225	9	2.06%
Jamestown Schools	220	9	1.76%	206	8	1.88%
Devils Lake Schools	173	10	1.38%	165	10	1.51%
All Other ¹	5,900		47.08%	5,513		50.36%
Total (210 & 222 employers) ²	12,533		100.00%	10,948		100.00%

¹ In 2021 "all other" consisted of:

Type	Number	Employees
School Districts	163	5,246
County Superintendents	4	4
Special Education Units	20	409
Vocational Centers	4	62
State Agencies/Institutions	5	139
Other	4	40
Total	200	5,900

¹ In 2012 "all other" consisted of:

Number	Employees
170	5,029
8	8
19	340
5	51
4	73
6	12
212	5,513

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, 2021**School Districts**

Alexander	Grand Forks	Minto
Anamoose	Grenora	Mohall-Lansford-Sherwood
Apple Creek Elementary	Griggs County Central	Montpelier
Ashley	Halliday	Mott-Regent
Bakker Elementary	Hankinson	Mt. Pleasant
Barnes County North	Harvey	Munich
Beach	Hatton	Napoleon
Belcourt	Hazelton – Moffit	Naughton Rural
Belfield	Hazen	Nedrose
Beulah	Hebron	Nesson
Billings County School	Hettinger	New England
Bismarck	Hillsboro	New Rockford-Sheyenne
Bottineau	Hope - Page	New Salem-Almont
Bowbells	Horse Creek Elementary	New Town
Bowman	Jamestown	Newburg United
Burke Central	Kenmare	North Border School
Carrington	Kensal	North Sargent
Cavalier	Kidder County School	North Star
Center-Stanton	Killdeer	Northern Cass
Central Cass	Kindred	Northwood
Central Valley	Kulm	Oakes
Dakota Prairie	Lakota	Oberon Elementary
Devils Lake	LaMoure	Park River Area
Dickinson	Langdon	Parshall
Divide	Larimore	Pingree – Buchanan
Drake	Leeds	Powers Lake
Drayton	Lewis and Clark	Richardton-Taylor
Dunseith	Lidgerwood	Richland
Earl Elementary	Linton	Rolette
Edgeley	Lisbon	Roosevelt
Edmore	Litchville-Marion	Rugby
Eight Mile	Little Heart Elementary	Sargent Central
Elgin/New Leipzig	Lone Tree Elementary	Sawyer
Ellendale	Maddock	Scranton
Emerado Elementary	Mandan	Selfridge
Enderlin Area School	Mandaree	Solen-Cannonball
Fairmount	Manning Elementary	South Heart
Fargo	Manvel Elementary	South Prairie Elementary
Fessenden-Bowdon	Maple Valley	St. John's
Finley-Sharon	Mapleton Elementary	St. Thomas
Flasher	Marmarth Elementary	Stanley
Fordville Lankin	Max	Starkweather
Fort Ransom Elementary	Mayville – Portland CG	Sterling
Fort Totten	McClusky	Strasburg
Fort Yates	McKenzie County School	Surrey
Gackle-Streeter	Medina	Sweet Briar Elementary
Garrison	Menoken Elementary	TGU
Glen Ullin	Midkota	Thompson
Glenburn	Midway	Tioga
Goodrich	Milnor	Turtle Lake – Mercer
Grafton	Minnewauken	Twin Buttes Elementary
	Minot	Underwood

SCHEDULE OF PARTICIPATING EMPLOYERS (Continued)

School Districts (cont.)

United
Valley-Edinburg
Valley City
Velva
Wahpeton
Warwick
Washburn
West Fargo
Westhope
White Shield
Williams County School
Williston
Wilton
Wing
Wishek
Wyndmere
Yellowstone
Zeeland

Total School Districts 173

County Superintendents

McKenzie County
Nelson County
Slope County
Ward County

Total County Super. 4

Special Education Units

Burleigh County Special Ed.
Central Regional Education Assoc.
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 20

Vocational Centers

North Valley Career & Tech Center
Roughrider Area Career & Tech
SE Region Career & Tech Center
Sheyenne Valley Area Voc Center

Total Vocational Centers 4

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

Great NW Cooperative
ND United
Roughrider Service Program
South East Education Co-Op

Total Other 4

Total Employers 210

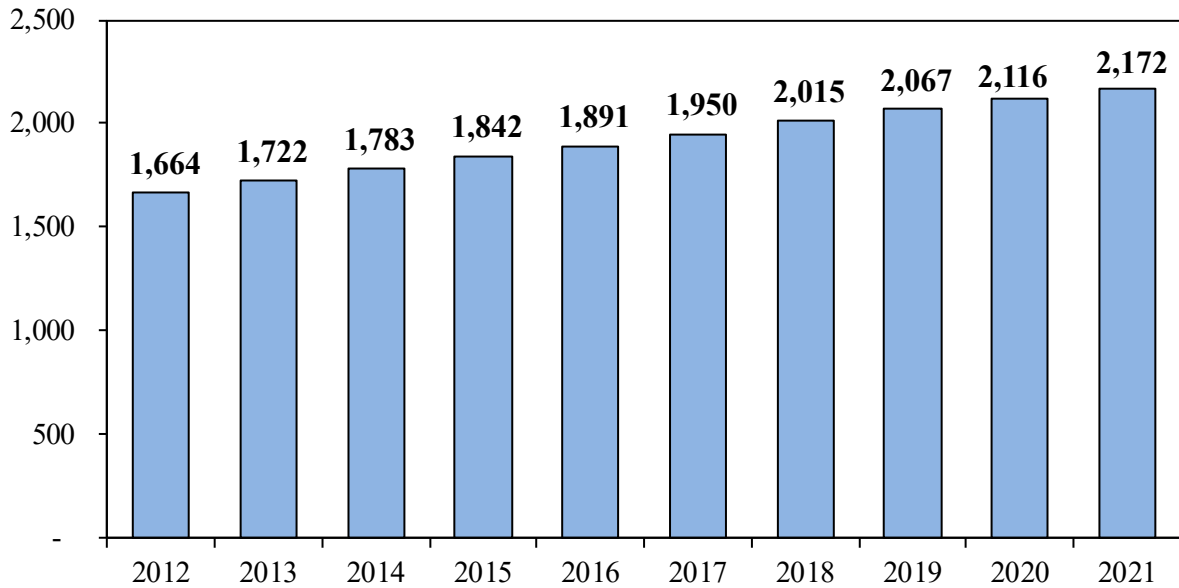
**SCHEDULE OF RETIREES RESIDING IN NORTH DAKOTA BY COUNTY
AS OF JUNE 30, 2021**

County	Number	Average Benefit	County	Number	Average Benefit	County	Number	Average Benefit
Adams	29	\$ 2,033	Griggs	44	\$ 2,145	Richland	159	\$ 2,450
Barnes	177	2,398	Hettinger	29	1,983	Rolette	113	2,268
Benson	56	2,296	Kidder	42	1,893	Sargent	46	1,890
Billings	5	2,066	LaMoure	66	2,086	Sheridan	13	1,723
Bottineau	135	1,964	Logan	21	2,013	Sioux	11	1,975
Bowman	50	1,987	McHenry	70	2,104	Slope	3	2,478
Burke	39	1,518	McIntosh	37	1,906	Stark	244	2,375
Burleigh	968	2,324	McKenzie	62	2,071	Steele	23	2,255
Cass	1,233	2,440	McLean	127	2,101	Stutsman	241	2,249
Cavalier	71	1,861	Mercer	120	2,188	Towner	30	2,188
Dickey	72	2,093	Morton	305	2,273	Traill	114	2,331
Divide	33	1,976	Mountrail	83	1,847	Walsh	173	2,173
Dunn	45	2,295	Nelson	66	1,992	Ward	666	2,344
Eddy	37	2,042	Oliver	19	2,538	Wells	73	2,285
Emmons	45	2,103	Pembina	121	2,317	Williams	202	2,446
Foster	51	2,321	Pierce	72	1,942	Out of State	1,854	1,730
Golden Valley	22	1,951	Ramsey	148	2,264			
Grand Forks	667	2,416	Ransom	58	2,102	GRAND TOTALS:	9,262	\$ 2,172
Grant	32	1,628	Renville	40	2,104			

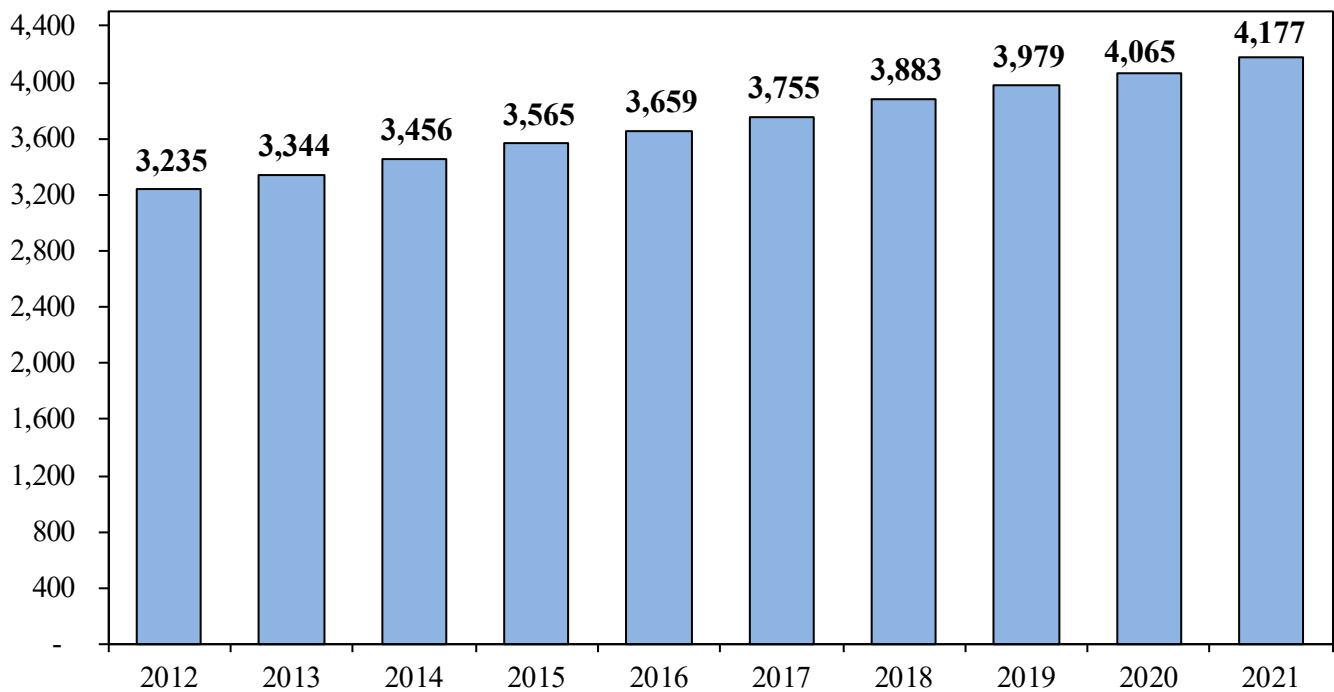
SCHEDULE OF AVERAGE BENEFIT PAYMENTS

Valuation Year		Years of Service								TOTAL
		< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	> 34	
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	2.7	7.4	12.5	17.3	22.7	27.5	32.1	38.2	27.4
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	2.8	7.4	12.5	17.3	22.7	27.5	32.1	38.2	27.5
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	2.8	7.4	12.5	17.3	22.7	27.5	32.1	38.1	27.5
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	2.8	7.3	12.5	17.3	22.7	27.5	32.1	38.1	27.5
2016	Number of Retirees	118	400	530	540	897	1,692	2,541	1,531	8,249
	Average Monthly Benefit	224	344	547	890	1,435	1,871	2,292	2,868	1,891
	Average Final Average Salary	2,096	2,425	2,523	2,998	3,497	3,716	3,958	4,263	3,659
	Average Years of Service	3.0	7.0	12.0	17.0	23.0	28.0	32.0	38.0	27.0
2017	Number of Retirees	126	419	549	558	920	1,747	2,596	1,586	8,501
	Average Monthly Benefit	215	352	560	917	1,504	1,925	2,346	2,993	1,950
	Average Final Average Salary	2,139	2,501	2,590	3,070	3,647	3,809	4,034	4,403	3,755
	Average Years of Service	3.0	7.0	12.0	17.0	23.0	28.0	32.0	38.0	27.0
2018	Number of Retirees	123	444	560	588	952	1,781	2,659	1,636	8,743
	Average Monthly Benefit	211	361	576	981	1,557	1,990	2,407	3,119	2,015
	Average Final Average Salary	2,140	2,600	2,691	3,303	3,773	3,943	4,137	4,566	3,883
	Average Years of Service	2.8	7.3	12.4	17.3	22.7	27.5	32.1	38.2	27.4
2019	Number of Retirees	132	474	573	597	965	1,814	2,698	1,665	8,918
	Average Monthly Benefit	205	365	592	1,007	1,616	2,039	2,471	3,226	2,067
	Average Final Average Salary	2,167	2,687	2,757	3,384	3,913	4,032	4,233	4,693	3,979
	Average Years of Service	2.9	7.3	12.4	17.3	22.7	27.5	32.1	38.3	27.3
2020	Number of Retirees	133	502	575	608	970	1,838	2,726	1,684	9,036
	Average Monthly Benefit	203	379	619	1,031	1,657	2,087	2,523	3,322	2,116
	Average Final Average Salary	2,201	2,805	2,882	3,459	4,004	4,110	4,306	4,806	4,065
	Average Years of Service	2.8	7.3	12.4	17.3	22.7	27.5	32.1	38.3	27.2
2021	Number of Retirees	140	535	592	625	999	1,866	2,782	1,723	9,262
	Average Monthly Benefit	200	388	643	1,062	1,713	2,139	2,599	3,428	2,172
	Average Final Average Salary	2,198	2,910	2,989	3,565	4,135	4,218	4,428	4,938	4,177
	Average Years of Service	2.9	7.2	12.4	17.3	22.7	27.5	32.1	38.3	27.2

AVERAGE BENEFIT PAYMENTS



AVERAGE FINAL AVERAGE SALARY



SCHEDULE OF RETIREES BY BENEFIT AMOUNT

Monthly Benefit	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Under \$200	270	263	260	253	251	241	231	228	224	215
200 to 399	446	454	463	448	460	461	465	462	464	464
400 to 599	413	409	424	434	435	445	449	443	454	473
600 to 799	398	397	399	403	400	387	392	402	417	418
800 to 999	375	378	387	400	401	398	402	408	410	409
1,000 to 1,199	490	496	498	500	497	506	511	522	533	518
1,200 to 1,399	468	476	490	504	513	528	527	532	535	525
1,400 to 1,599	527	544	550	555	567	583	590	587	591	573
1,600 to 1,799	600	607	608	620	622	619	619	615	607	592
1,800 to 1,999	606	602	608	611	605	608	599	599	586	570
2,000 to 2,199	576	574	573	570	566	557	557	537	522	501
2,200 to 2,399	555	549	542	538	531	514	484	462	435	409
2,400 to 2,599	457	443	440	436	421	406	398	377	349	325
2,600 to 2,799	415	403	402	384	372	356	347	320	303	281
2,800 to 2,999	414	403	387	378	356	336	309	301	261	227
3,000 to 3,199	365	358	341	329	314	292	277	228	206	178
3,200 to 3,399	331	310	301	288	272	239	210	178	147	124
3,400 to 3,599	279	254	239	220	197	175	156	141	114	92
3,600 to 3,799	239	215	197	186	162	144	132	101	83	72
3,800 to 3,999	190	166	154	131	115	105	79	62	58	42
4,000 & Over	848	735	655	555	444	349	291	242	190	143
TOTAL	9,262	9,036	8,918	8,743	8,501	8,249	8,025	7,747	7,489	7,151

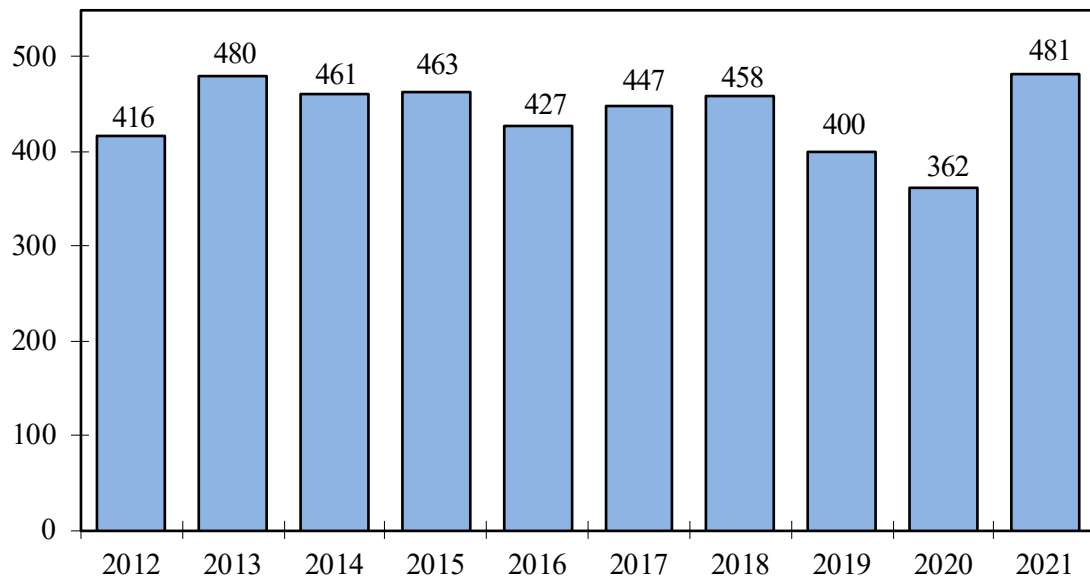
SCHEDULE OF RETIREES BY BENEFIT TYPE

Form of Payment	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Service:										
Straight Life	3,017	2,983	2,994	2,988	2,960	2,917	3,096	3,014	2,916	2,801
100% J&S	3,712	3,571	3,483	3,358	3,195	3,035	2,733	2,570	2,449	2,279
50% J&S	730	700	689	680	666	644	576	552	531	515
5 Years C&L	12	14	17	18	18	19	19	21	22	23
10 Years C&L	162	164	175	173	172	175	171	175	177	178
20 Years C&L	166	151	143	130	113	100	96	91	85	73
Level	491	508	518	530	540	545	559	568	574	579
Subtotal	8,290	8,091	8,019	7,877	7,664	7,435	7,250	6,991	6,754	6,448
Disability:										
Straight Life	94	96	98	97	102	105	105	105	103	96
100% J&S	21	22	21	20	18	14	12	13	12	13
50% J&S	7	6	5	5	6	7	8	7	6	8
5 Years C&L	1	1	1	1	1	1	1	2	2	2
10 Years C&L	0	0	0	0	0	0	0	0	0	0
20 Years C&L	2	2	2	2	1	1	2	2	1	1
Subtotal	125	127	127	125	128	128	128	129	124	120
Beneficiaries:										
Straight Life	777	759	717	698	667	662	631	612	599	571
5 Years Certain Only	0	0	0	0	0	3	2	2	2	2
10 Years Certain Only	10	9	4	4	4	11	9	9	9	9
20 Years Certain Only	29	20	23	12	12	10	5	4	1	1
QDRO Alternate Payee*	31	30	28	27	26					
Subtotal	847	818	772	741	709	686	647	627	611	583
TOTAL	9,262	9,036	8,918	8,743	8,501	8,249	8,025	7,747	7,489	7,151

* Prior to 2017, QDRO Alternate Payees were included within the other listed beneficiary options.

SCHEDULE OF NEW RETIREES BY TYPE

Valuation Year	<u>Retirement</u>	<u>Disability</u>	<u>Beneficiary</u>	<u>Total</u>
2012	371	7	38	416
2013	425	11	44	480
2014	407	7	47	461
2015	415	5	43	463
2016	354	5	68	427
2017	391	4	52	447
2018	398	3	57	458
2019	326	4	70	400
2020	282	3	77	362
2021	403	5	73	481

TOTAL NEW RETIREES

**SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30
PENSION INVESTMENT POOL**

	2021	2020	2019	2018	2017
Public Employees Retirement System					
Net position beginning of year	\$ 3,209,215,627	\$ 3,151,659,466	\$ 3,023,532,073	\$ 2,779,324,311	\$ 2,457,275,530
Net change in fair value of investments	811,750,964	44,741,951	103,282,337	196,115,456	266,102,905
Interest, dividends and other income	64,016,475	67,495,427	68,783,166	66,566,132	61,615,229
Expenses	(11,255,030)	(8,697,618)	(8,255,626)	(6,981,342)	(7,653,510)
Net securities lending income	222,050	166,401	217,516	227,516	224,157
Net change in net position resulting from unit transactions	(52,075,000)	(46,150,000)	(35,900,000)	(11,720,000)	1,760,000
Net position end of year	<u>\$ 4,021,875,086</u>	<u>\$ 3,209,215,627</u>	<u>\$ 3,151,659,466</u>	<u>\$ 3,023,532,073</u>	<u>\$ 2,779,324,311</u>
City of Bismarck Employees Pension Plan					
Net position beginning of year	\$ 106,845,584	\$ 104,464,584	\$ 99,136,094	\$ 91,886,553	\$ 82,369,575
Net change in fair value of investments	21,344,943	1,826,538	3,701,861	5,176,598	7,655,028
Interest, dividends and other income	2,243,633	2,335,114	2,384,963	2,310,859	2,110,479
Expenses	(345,797)	(286,083)	(265,103)	(245,148)	(255,656)
Net securities lending income	6,719	5,431	6,769	7,232	7,127
Net change in net position resulting from unit transactions	(1,750,000)	(1,500,000)	(500,000)	-	-
Net position end of year	<u>\$ 128,345,082</u>	<u>\$ 106,845,584</u>	<u>\$ 104,464,584</u>	<u>\$ 99,136,094</u>	<u>\$ 91,886,553</u>
City of Bismarck Police Pension Plan					
Net position beginning of year	\$ 42,509,258	\$ 41,841,987	\$ 40,089,884	\$ 38,108,450	\$ 33,953,131
Net change in fair value of investments	9,398,347	637,666	1,426,526	2,356,809	3,396,504
Interest, dividends and other income	870,634	893,700	929,699	921,416	862,083
Expenses	(141,287)	(116,264)	(106,866)	(99,784)	(106,294)
Net securities lending income	2,682	2,169	2,744	2,993	3,026
Net change in net position resulting from unit transactions	(750,000)	(750,000)	(500,000)	(1,200,000)	-
Net position end of year	<u>\$ 51,889,634</u>	<u>\$ 42,509,258</u>	<u>\$ 41,841,987</u>	<u>\$ 40,089,884</u>	<u>\$ 38,108,450</u>
City of Grand Forks Pension Plan					
Net position beginning of year	\$ 67,401,110	\$ 68,399,889	\$ 63,623,648	\$ 63,347,814	\$ 57,923,958
Net change in fair value of investments	16,531,382	1,027,301	2,413,739	4,557,454	5,945,750
Interest, dividends and other income	1,285,751	1,368,354	1,463,331	1,398,714	1,342,535
Expenses	(215,357)	(169,943)	(160,844)	(137,236)	(160,995)
Net securities lending income	4,428	3,815	4,958	4,991	5,157
Net change in net position resulting from unit transactions	(3,293,786)	(3,228,306)	1,055,057	(5,548,089)	(1,708,591)
Net position end of year	<u>\$ 81,713,528</u>	<u>\$ 67,401,110</u>	<u>\$ 68,399,889</u>	<u>\$ 63,623,648</u>	<u>\$ 63,347,814</u>
Grand Forks Park District Pension Plan					
Net position beginning of year	\$ 7,398,893	\$ 7,173,670	\$ 6,773,249	\$ 6,156,995	\$ 5,715,936
Net change in fair value of investments	1,804,671	107,635	258,536	461,549	611,751
Interest, dividends and other income	182,972	178,522	167,316	123,586	119,884
Expenses	(28,509)	(22,064)	(20,402)	(10,205)	(13,430)
Net securities lending income	504	428	508	368	447
Net change in net position resulting from unit transactions	7,781	(39,298)	(5,537)	40,956	(277,593)
Net position end of year	<u>\$ 9,366,312</u>	<u>\$ 7,398,893</u>	<u>\$ 7,173,670</u>	<u>\$ 6,773,249</u>	<u>\$ 6,156,995</u>

**SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30
INSURANCE INVESTMENT POOL**

	2021	2020	2019	2018	2017
Workforce Safety & Insurance Fund					
Net position beginning of year	\$ 2,124,783,107	\$ 2,064,717,584	\$ 1,922,758,322	\$ 1,893,847,576	\$ 1,831,144,126
Net change in fair value of investments	202,419,817	77,621,108	86,250,882	56,336,181	105,693,277
Interest, dividends and other income	45,087,703	47,479,431	50,611,227	47,422,961	46,210,318
Expenses	(5,164,378)	(4,137,639)	(4,018,848)	(4,009,141)	(4,348,175)
Net securities lending income	71,176	102,623	116,001	160,745	148,030
Net change in net position resulting from unit transactions	(57,500,000)	(61,000,000)	9,000,000	(71,000,000)	(85,000,000)
Net position end of year	\$ 2,309,697,425	\$ 2,124,783,107	\$ 2,064,717,584	\$ 1,922,758,322	\$ 1,893,847,576
State Fire & Tornado Fund					
Net position beginning of year	\$ 22,812,681	\$ 22,755,052	\$ 23,063,239	\$ 21,996,785	\$ 24,074,271
Net change in fair value of investments	3,090,719	624,250	871,338	706,982	1,593,978
Interest, dividends and other income	396,853	444,343	531,919	488,940	491,258
Expenses	(51,462)	(39,601)	(38,158)	(31,810)	(40,086)
Net securities lending income	968	1,450	1,714	2,342	2,364
Net change in net position resulting from unit transactions	(3,449,958)	(972,813)	(1,675,000)	(100,000)	(4,125,000)
Net position end of year	\$ 22,799,801	\$ 22,812,681	\$ 22,755,052	\$ 23,063,239	\$ 21,996,785
State Bonding Fund					
Net position beginning of year	\$ 3,787,104	\$ 3,609,859	\$ 3,411,247	\$ 3,374,454	\$ 3,296,466
Net change in fair value of investments	21,948	114,953	121,242	(25,066)	30,591
Interest, dividends and other income	45,069	66,240	80,844	65,328	50,948
Expenses	(4,212)	(4,023)	(3,563)	(3,577)	(3,615)
Net securities lending income	26	75	89	108	64
Net change in net position resulting from unit transactions	-	-	-	-	-
Net position end of year	\$ 3,849,935	\$ 3,787,104	\$ 3,609,859	\$ 3,411,247	\$ 3,374,454
Petroleum Tank Release Compensation Fund					
Net position beginning of year	\$ 6,164,315	\$ 5,993,299	\$ 6,166,588	\$ 6,395,816	\$ 7,148,653
Net change in fair value of investments	36,887	170,176	191,339	(39,367)	53,887
Interest, dividends and other income	69,214	106,406	140,430	115,418	99,013
Expenses	(5,885)	(5,680)	(5,201)	(5,463)	(5,859)
Net securities lending income	36	114	143	184	122
Net change in net position resulting from unit transactions	-	(100,000)	(500,000)	(300,000)	(900,000)
Net position end of year	\$ 6,264,567	\$ 6,164,315	\$ 5,993,299	\$ 6,166,588	\$ 6,395,816
Insurance Regulatory Trust Fund					
Net position beginning of year	\$ 5,713,800	\$ 6,219,113	\$ 5,638,435	\$ 5,288,341	\$ 1,085,848
Net change in fair value of investments	332,380	225,107	174,407	114,512	109,740
Interest, dividends and other income	40,881	60,326	81,816	61,910	41,650
Expenses	(7,162)	(4,573)	(4,869)	(3,107)	(4,697)
Net securities lending income	112	189	224	279	200
Net change in net position resulting from unit transactions	1,052,969	(786,362)	329,100	176,500	4,055,600
Net position end of year	\$ 7,132,980	\$ 5,713,800	\$ 6,219,113	\$ 5,638,435	\$ 5,288,341

**SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30
INSURANCE INVESTMENT POOL (Continued)**

	2021	2020	2019	2018	2017
Cultural Endowment Fund					
Net position beginning of year	\$ 493,367	\$ 475,438	\$ 449,190	\$ 431,225	\$ 386,356
Net change in fair value of investments	111,108	9,624	16,907	26,754	40,393
Interest, dividends and other income	9,979	9,929	10,871	9,983	9,403
Expenses	(2,424)	(1,666)	(1,570)	(1,331)	(1,481)
Net securities lending income	30	42	40	59	54
Net change in net position resulting from unit transactions	-	-	-	(17,500)	(3,500)
Net position end of year	<u>\$ 612,060</u>	<u>\$ 493,367</u>	<u>\$ 475,438</u>	<u>\$ 449,190</u>	<u>\$ 431,225</u>
Risk Management Fund					
Net position beginning of year	\$ 4,559,669	\$ 4,909,610	\$ 4,956,766	\$ 5,779,115	\$ 6,531,063
Net change in fair value of investments	512,933	172,210	253,740	169,318	371,439
Interest, dividends and other income	73,266	85,016	106,435	114,213	135,891
Expenses	(9,656)	(7,478)	(7,629)	(6,357)	(9,781)
Net securities lending income	128	311	298	477	503
Net change in net position resulting from unit transactions	(750,000)	(600,000)	(400,000)	(1,100,000)	(1,250,000)
Net position end of year	<u>\$ 4,386,340</u>	<u>\$ 4,559,669</u>	<u>\$ 4,909,610</u>	<u>\$ 4,956,766</u>	<u>\$ 5,779,115</u>
Risk Management Workers Comp Fund					
Net position beginning of year	\$ 5,114,419	\$ 5,188,120	\$ 5,357,456	\$ 5,532,694	\$ 5,512,685
Net change in fair value of investments	626,878	190,845	285,789	215,550	401,369
Interest, dividends and other income	75,948	93,400	102,266	115,169	128,181
Expenses	(10,393)	(8,332)	(7,707)	(6,488)	(10,079)
Net securities lending income	155	386	316	531	538
Net change in net position resulting from unit transactions	(1,500,000)	(350,000)	(550,000)	(500,000)	(500,000)
Net position end of year	<u>\$ 4,307,007</u>	<u>\$ 5,114,419</u>	<u>\$ 5,188,120</u>	<u>\$ 5,357,456</u>	<u>\$ 5,532,694</u>
ND Veterans' Cemetery Trust Fund					
Net position beginning of year	\$ 312,537	\$ -	\$ -	\$ -	\$ -
Net change in fair value of investments	63,161	31,431	-	-	-
Interest, dividends and other income	6,348	1,484	-	-	-
Expenses	(1,476)	(383)	-	-	-
Net securities lending income	22	5	-	-	-
Net change in net position resulting from unit transactions	5	280,000	-	-	-
Net position end of year	<u>\$ 380,597</u>	<u>\$ 312,537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ND Association of Counties Fund					
Net position beginning of year	\$ 6,689,541	\$ 6,331,288	\$ 5,909,536	\$ 4,381,695	\$ 4,046,185
Net change in fair value of investments	934,566	235,639	286,310	109,928	254,411
Interest, dividends and other income	133,195	134,353	145,905	126,224	88,365
Expenses	(17,242)	(12,175)	(10,924)	(8,864)	(7,656)
Net securities lending income	313	436	461	553	390
Net change in net position resulting from unit transactions	-	-	-	1,300,000	-
Net position end of year	<u>\$ 7,740,373</u>	<u>\$ 6,689,541</u>	<u>\$ 6,331,288</u>	<u>\$ 5,909,536</u>	<u>\$ 4,381,695</u>

**SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30
INSURANCE INVESTMENT POOL (Continued)**

	2021	2020	2019	2018	2017
PERS Group Insurance Fund					
Net position beginning of year	\$ 31,479,612	\$ 31,053,242	\$ 31,600,069	\$ 37,481,530	\$ 37,700,792
Net change in fair value of investments	472,325	(218,883)	603,923	(534,557)	(673,576)
Interest, dividends and other income	843,264	946,534	917,321	856,706	809,996
Expenses	(45,970)	(30,879)	(43,655)	(40,622)	(106,491)
Net securities lending income	481	698	1,584	1,252	809
Net change in net position resulting from unit transactions	1,797,245	(271,100)	(2,026,000)	(6,164,240)	(250,000)
Net position end of year	<u>\$ 34,546,957</u>	<u>\$ 31,479,612</u>	<u>\$ 31,053,242</u>	<u>\$ 31,600,069</u>	<u>\$ 37,481,530</u>
Budget Stabilization Fund					
Net position beginning of year *	\$ 726,903,611	\$ 118,647,704	\$ 113,551,329	\$ 6,105,913	\$ 575,715,191
Net change in fair value of investments	10,641,810	(4,511,372)	2,511,852	(694,082)	(2,161,212)
Interest, dividends and other income	18,793,591	17,188,196	2,762,013	1,024,321	5,327,628
Expenses	(1,030,772)	(874,191)	(183,828)	(89,583)	(293,371)
Net securities lending income	10,753	11,162	6,338	2,005	3,131
Net change in net position resulting from unit transactions	(5,944,245)	596,442,112	-	107,202,755	(572,485,454)
Net position end of year	<u>\$ 749,374,748</u>	<u>\$ 726,903,611</u>	<u>\$ 118,647,704</u>	<u>\$ 113,551,329</u>	<u>\$ 6,105,913</u>
City of Bismarck Deferred Sick Leave Fund					
Net position beginning of year	\$ 770,148	\$ 779,146	\$ 729,656	\$ 697,552	\$ 641,629
Net change in fair value of investments	92,267	27,520	33,901	17,889	43,207
Interest, dividends and other income	14,904	15,694	17,687	16,101	14,747
Expenses	(2,683)	(2,258)	(2,152)	(1,960)	(2,097)
Net securities lending income	30	46	54	74	66
Net change in net position resulting from unit transactions	(30,000)	(50,000)	-	-	-
Net position end of year	<u>\$ 844,666</u>	<u>\$ 770,148</u>	<u>\$ 779,146</u>	<u>\$ 729,656</u>	<u>\$ 697,552</u>
City of Fargo FargoDome Permanent Fund					
Net position beginning of year	\$ 43,523,123	\$ 44,828,578	\$ 44,624,198	\$ 41,608,846	\$ 38,746,191
Net change in fair value of investments	8,520,648	673,479	1,219,139	2,364,132	3,624,439
Interest, dividends and other income	847,933	908,396	1,034,503	937,419	814,008
Expenses	(134,854)	(90,931)	(88,641)	(72,390)	(81,422)
Net securities lending income	2,516	3,601	4,379	6,191	5,630
Net change in net position resulting from unit transactions	(3,050,000)	(2,800,000)	(1,965,000)	(220,000)	(1,500,000)
Net position end of year	<u>\$ 49,709,366</u>	<u>\$ 43,523,123</u>	<u>\$ 44,828,578</u>	<u>\$ 44,624,198</u>	<u>\$ 41,608,846</u>
ND State Board of Medicine					
Net position beginning of year	\$ 2,469,292	\$ 2,361,353	\$ 2,250,449	\$ 2,178,536	\$ 2,207,217
Net change in fair value of investments	263,359	57,481	60,744	23,597	69,279
Interest, dividends and other income	53,710	55,665	54,930	50,861	51,834
Expenses	(7,067)	(5,331)	(4,935)	(4,025)	(7,288)
Net securities lending income	102	124	165	1,480	148
Net change in net position resulting from unit transactions	-	-	-	-	(142,654)
Net position end of year	<u>\$ 2,779,396</u>	<u>\$ 2,469,292</u>	<u>\$ 2,361,353</u>	<u>\$ 2,250,449</u>	<u>\$ 2,178,536</u>

**SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30
INSURANCE INVESTMENT POOL (Continued)**

	2021	2020	2019	2018	2017
Lewis & Clark Interpretive Center Endowment					
Net position beginning of year	\$ 793,124	\$ 751,297	\$ 702,897	\$ -	\$ -
Net change in fair value of investments	108,123	27,707	32,619	(1,265)	-
Interest, dividends and other income	16,218	16,467	17,960	4,667	-
Expenses	(2,967)	(2,398)	(2,240)	(666)	-
Net securities lending income	38	51	61	22	-
Net change in net position resulting from unit transactions	-	-	-	700,139	-
Net position end of year	<u>\$ 914,536</u>	<u>\$ 793,124</u>	<u>\$ 751,297</u>	<u>\$ 702,897</u>	<u>\$ -</u>
Attorney General Settlement Fund					
Net position beginning of year	\$ 1,056,388	\$ -	\$ -	\$ -	\$ -
Net change in fair value of investments	15,221	(10,306)	-	-	-
Interest, dividends and other income	25,331	23,305	-	-	-
Expenses	(2,184)	(1,952)	-	-	-
Net securities lending income	16	16	-	-	-
Net change in net position resulting from unit transactions	(170,236)	1,045,325	-	-	-
Net position end of year	<u>\$ 924,536</u>	<u>\$ 1,056,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30
INDIVIDUAL INVESTMENT ACCOUNTS**

	2021	2020	2019	2018	2017
Legacy Fund					
Net position beginning of year	\$ 6,995,309,070	\$ 6,122,227,871	\$ 5,576,084,018	\$ 4,685,637,731	\$ 3,806,541,341
Net change in fair value of investments	1,490,459,152	150,636,769	174,927,813	253,324,655	389,970,910
Interest, dividends and other income	142,241,067	140,318,920	147,634,462	117,456,240	99,597,760
Expenses	(22,156,353)	(14,954,726)	(14,340,987)	(10,853,698)	(10,575,051)
Net securities lending income	478,659	491,195	616,838	648,335	601,637
Net change in net position resulting from unit transactions	(491,129,414)	596,589,041	237,305,727	529,870,755	399,501,134
Net position end of year	<u>\$ 8,115,202,181</u>	<u>\$ 6,995,309,070</u>	<u>\$ 6,122,227,871</u>	<u>\$ 5,576,084,018</u>	<u>\$ 4,685,637,731</u>
Job Service North Dakota					
Net position beginning of year	\$ 95,249,099	\$ 97,195,676	\$ 95,611,108	\$ 97,256,634	\$ 96,528,021
Net change in fair value of investments	4,541,813	149,250	3,497,989	483,223	3,337,293
Interest, dividends and other income	1,805,626	2,792,754	3,043,292	2,739,029	2,187,163
Expenses	(322,167)	(320,937)	(311,651)	(303,667)	(285,579)
Net securities lending income	-	-	-	-	-
Net change in net position resulting from unit transactions	(4,683,097)	(4,567,644)	(4,645,062)	(4,564,111)	(4,510,264)
Net position end of year	<u>\$ 96,591,274</u>	<u>\$ 95,249,099</u>	<u>\$ 97,195,676</u>	<u>\$ 95,611,108</u>	<u>\$ 97,256,634</u>
Tobacco Prevention and Control Fund					
Net position beginning of year	\$ 7,586,495	\$ 9,291,844	\$ 54,357,675	\$ 57,453,579	\$ 54,359,321
Net change in fair value of investments	8,071	282,644	1,117,230	828,375	839,579
Interest, dividends and other income	51	16,454	113,765	102,409	33,094
Expenses	(3,704)	(4,447)	(16,826)	(26,688)	(28,415)
Net securities lending income	-	-	-	-	-
Net change in net position resulting from unit transactions	(7,590,755)	(2,000,000)	(46,280,000)	(4,000,000)	2,250,000
Net position end of year	<u>\$ 158</u>	<u>\$ 7,586,495</u>	<u>\$ 9,291,844</u>	<u>\$ 54,357,675</u>	<u>\$ 57,453,579</u>
PERS Retiree Health Insurance Credit Fund					
Net position beginning of year	\$ 144,126,212	\$ 135,852,378	\$ 126,505,792	\$ 116,059,215	\$ 101,546,422
Net change in fair value of investments	34,154,175	3,791,934	5,197,140	5,447,995	10,061,109
Interest, dividends and other income	2,864,088	3,527,296	3,371,362	3,138,168	2,342,444
Expenses	(495,393)	(417,596)	(391,416)	(379,586)	(335,760)
Net securities lending income	-	-	-	-	-
Net change in net position resulting from unit transactions	(541,000)	1,372,200	1,169,500	2,240,000	2,445,000
Net position end of year	<u>\$ 180,108,082</u>	<u>\$ 144,126,212</u>	<u>\$ 135,852,378</u>	<u>\$ 126,505,792</u>	<u>\$ 116,059,215</u>