



FINANCIAL STATEMENTS
June 30, 2024 and 2023

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INDEPENDENT AUDITORS' REPORT

Governor Doug Burgum
The Legislative Assembly
Janilyn Murtha, Executive Director
State Investment Board
Teachers' Fund for Retirement Board
North Dakota Retirement and Investment Office

Opinion

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 comprises the statement of net position - fiduciary funds as of June 30, 2024, and the related statement of changes in net position - fiduciary funds for the year 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 year ended June 30, 2024, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of RIO, as of June 30, 2024, and the respective changes in financial position, for the year 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 respective financial position of each fund of the individual funds of RIO as of June 30, 2024, and 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.

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, 2024, and the changes in its financial position for the years ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RIO, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RIO's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 RIO's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the RIO's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary 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 nonmajor fund financial statements. The schedules of administrative expenses, consultant expenses, investment expenses and appropriations - budget basis – fiduciary funds (schedules), 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matter - Prior Period Financial Statements

The financial statements of RIO as of June 30, 2023 were audited by other auditors who report date dated November 3, 2023 expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Audit Standards*, we have also issued our report dated November 1, 2024, 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 of the effectiveness of RIO's internal control over financial reporting or on compliance. That report is an integral part of an audit performance in accordance with *Government Auditing Standards* in considering RIO's internal control over financial reporting and compliance.

UHY LLP

Columbia, Maryland
November 1, 2024



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governor Doug Burgum
The Legislative Assembly
Janylyn Murtha, Executive Director
State Investment Board
Teachers' Fund for Retirement
North Dakota Retirement and Investment Office

We have audited, in accordance with the 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, the financial statements of the North Dakota Retirement and Investment Office (RIO), a department of the State of North Dakota, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise RIO's basic financial statements, and the combining and individual fund financial statements, and have issued our report thereon dated November 1, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered RIO's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RIO's internal control. Accordingly, we do not express an opinion on the effectiveness of RIO's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether RIO's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

UHY LLP
Columbia, Maryland
November 1, 2024

North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2024 and 2023

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, 2024 and 2023. Please read this 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 30 investment clients (noting that TFFR is one of the 30 investment clients) in two investment pools and three individual investment accounts.

Financial Highlights

Total net position increased in fiscal year 2024 from the previous fiscal year in the fiduciary funds by \$2.8 billion (14.3%). Fiscal year 2023 net position also had increased \$1.5 billion (8.3%) from fiscal year 2022. The increase in FY2024 is primarily due to investment returns and significant deposits into the Legacy Fund. Approximately 30% of the FY2024 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 \$836.7 million and \$858.7 million in FY2024 and FY2023, respectively. Meanwhile, net investment income for the Legacy Fund exceeded \$1.8 billion in FY2024 and \$683 million in FY2023.

Total additions to the fiduciary funds was a positive \$3.6 billion in FY2024 and a positive \$2.6 billion in FY2023. A large portion of this change was driven by an increase in net investment income and an increase in purchase of units. Net investment income was \$1.9 billion in FY2024 following an increase of \$1.3 billion in FY2023. Changes in purchases of units each year are highly dependent on Legacy Fund deposits and thus on oil and gas production. There was an increase in purchases of units in the investment program in FY2024 and FY2023 as the price and production of oil remained strong throughout the year. Total fiduciary fund purchases of units increased \$410.2 million (38.1%) in FY2024 and increased \$158.7 million (17.3%) in FY2023.

Deductions in the fiduciary funds decreased in FY2024 by \$306.8 million (28%) and increased in FY2023 by \$503.7 million (86%). 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 \$486.6 million was made in June 2023.

Payments to TFFR members in the form of benefits and refunds increased by \$15.4 million (5.9%) and \$10.5 million (4.4%) in FY2024 and FY2023, 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, 2024 and 2023, the TFFR pension plan had a Net Pension Liability (NPL) of \$1.41 billion and of \$1.40 billion, and Plan Fiduciary Net Position as a percent of Total Pension Liability (TPL) of 70.4% and 69.3%, respectively.

North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2024 and 2023

Overview of the Financial Statements

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

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

Fund Financial Statements

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

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

Financial Analysis

RIO's fiduciary fund total assets as of June 30, 2024 and 2023, were \$22.65 billion and \$19.69 billion, respectively, and were comprised mainly of investments. Total assets increased by \$3.0 billion (15.0%) in fiscal year 2024 primarily due to on-going deposits to the Legacy Fund and Budget Stabilization Fund as well as strong financial markets in FY2024. The increase of \$1.48 billion (8.1%) in fiscal year 2023 primarily due to on-going deposits to the Legacy Fund and Budget Stabilization Fund as well as stronger financial markets in FY2023.

Total liabilities as of June 30, 2024 and 2023, were \$286.63 million and \$135.98 million. Both year-end liabilities were comprised mainly of the securities lending collateral payable.

RIO's fiduciary fund total net position was \$22.4 billion and \$19.6 billion at the close of fiscal years 2024 and 2023, respectively.

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

	<u>2024</u>	<u>2023</u>	<u>Total % Change</u>
Assets			
Investments	\$ 22,295.6	\$ 19,449.9	14.6%
Securities Lending Collateral	212.1	119.0	78.2%
Receivables	101.2	94.1	7.5%
Cash & Other	36.9	27.4	34.6%
Total Assets	<u>22,645.8</u>	<u>19,690.4</u>	15.0%
Deferred Outflows of Resources			
Deferred outflows related to pensions	4.0	3.1	27.2%
Liabilities			
Obligations under Securities Lending	212.1	119.0	78.2%
Accounts Payable & Accrued Expenses	74.6	17.0	339.1%
Total Liabilities	<u>286.7</u>	<u>136.0</u>	110.8%
Deferred Inflows of Resources			
Deferred inflows related to pensions	3.2	1.8	81.8%
Total Net Position	<u>\$ 22,359.9</u>	<u>\$ 19,555.7</u>	14.3%

	<u>2023</u>	<u>2022</u>	<u>Total % Change</u>
Assets			
Investments	\$ 19,449.9	\$ 17,948.5	8.4%
Sec Lending Collateral	119.0	147.7	-19.4%
Receivables	94.1	95.3	-1.3%
Cash & Other	27.4	24.4	12.3%
Total Assets	<u>19,690.4</u>	<u>18,215.9</u>	8.1%
Deferred Outflows of Resources			
Deferred outflows related to pensions	3.1	1.8	71.2%
Liabilities			
Obligations under Securities Lending	119.0	147.7	-19.4%
Accounts Payable & Accrued Expenses	17.0	9.8	72.5%
Total Liabilities	<u>136.0</u>	<u>157.5</u>	-13.7%
Deferred Inflows of Resources			
Deferred inflows related to pensions	1.8	3.0	-40.3%
Total Net Position	<u>\$ 19,555.7</u>	<u>\$ 18,057.2</u>	8.3%

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

	<u>2024</u>	<u>2023</u>	<u>Total % Change</u>
Additions			
Contributions	\$ 209.0	\$ 197.7	5.7%
Net Investment Income (Loss)	1,888.1	1,311.3	44.0%
Net Securities Lending Income	1.4	1.0	34.8%
Purchase of Units	1,487.6	1,077.4	38.1%
Total Additions	<u>3,586.1</u>	<u>2,587.4</u>	38.6%
Deductions			
Payments to TFFR members	277.7	262.3	5.9%
Administrative Expenses	7.4	6.0	24.0%
Redemption of Units	496.9	820.6	-39.4%
Total Deductions	<u>782.0</u>	<u>1,088.9</u>	-28.2%
Total Change in Net Position	<u>\$ 2,804.1</u>	<u>\$ 1,498.5</u>	87.1%

	<u>2023</u>	<u>2022</u>	<u>Total % Change</u>
Additions			
Contributions	\$ 197.7	\$ 194.8	1.5%
Net Investment Income	1,311.3	(1,645.7)	179.7%
Net Securities Lending Income	1.0	0.8	34.5%
Purchase of Units	1,077.4	918.7	17.3%
Total Additions	<u>2,587.4</u>	<u>(531.4)</u>	586.9%
Deductions			
Payments to TFFR members	262.3	251.8	4.1%
Administrative Expenses	6.0	4.6	30.1%
Redemption of Units	820.6	328.7	149.6%
Total Deductions	<u>1,088.9</u>	<u>585.1</u>	86.1%
Total Change in Net Position	<u>\$ 1,498.5</u>	<u>\$ (1,116.5)</u>	234.2%

Statement of Changes in Net Position - Additions

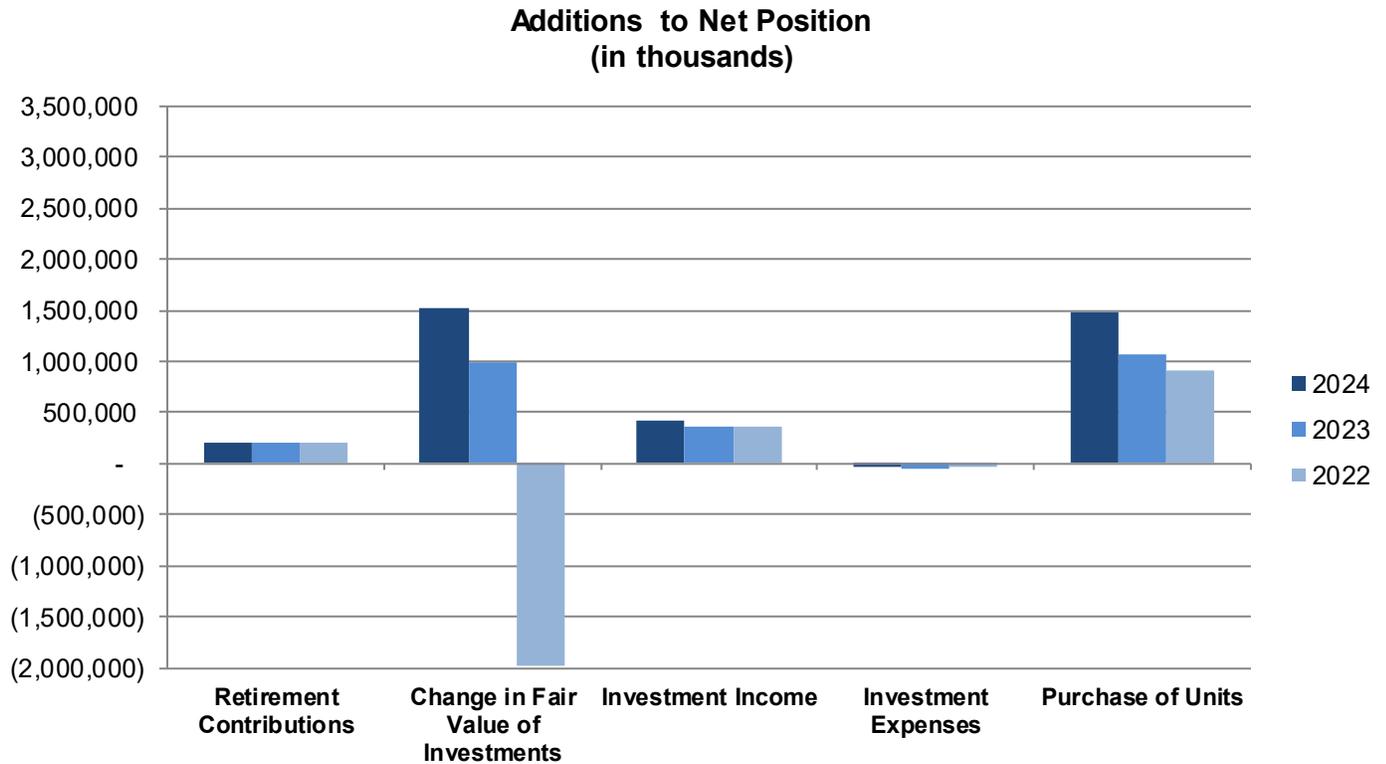
Contributions collected by the pension trust fund increased by \$11.3 million (5.7%) in FY2024 and \$2.9 million (1.5%) in FY2023 due to both an increase in the number of active members contributing to the fund and an increase in the average salary of active members. Net investment income (including net securities lending income and net of investment expenses) increased by \$577 million (44.0%) in FY2024 and increased by \$2.96 billion (179.7%) in FY2023.

North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2024 and 2023

Deposits of funds into the investment trust fund (purchase of units) increased by \$332.7 million in FY2024 and \$158.7 million in FY2023, mainly due to changes in amounts available for deposits to the Legacy Fund and Budget Stabilization Fund.



Statement of Changes in Net Position - Deductions

Benefits paid to TFFR plan participants, including partial lump-sum distributions, increased by \$11.1 million (4.4%) and \$9.7 million (3.9%) in FY2024 and FY2023, 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 increased by \$4.3 million (54.4%) in FY2024 and \$778 thousand (10.9%) in FY2023.

Administrative expenses again increased by \$1.4 million in FY2024 after also increasing by \$1.4 million in FY2023. The FY2024 the increase is due to a couple of different factors. The first factor for FY2024 is an increase due to the continuation of the Pension Administration System (PAS) modernization project that began in FY2020. The total budget for this multi-year PAS project is \$9.0 million, with approximately \$5.7 million expended through June 30, 2024. This project will go live in FY2025. Also, in FY2024 the agency has begun to implement an in-house investment program. With this program the office is gaining resources to assist with handling client fund investments within our office as opposed to using an outside investment managers.

North Dakota Retirement and Investment Office

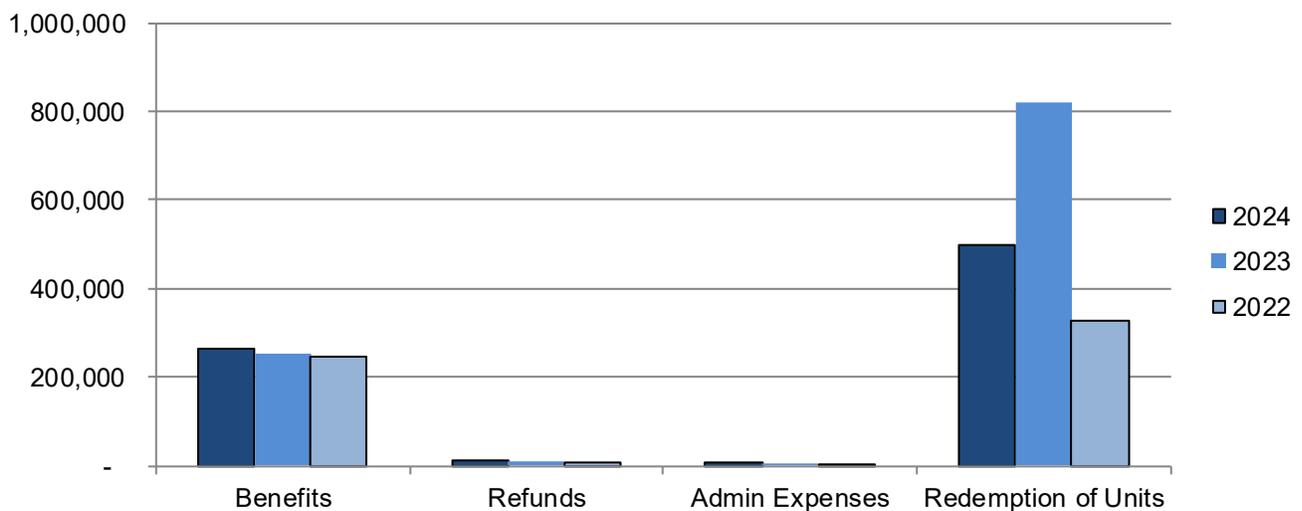
Management's Discussion and Analysis

June 30, 2024 and 2023

The increase in FY2023 was due to multiple factors within the agency. The first factor was due to the continuation of the Pension Administration System modernization project as previously discussed. An additional factor was the increase in the pension expense from the ND Public Employees Retirement System pension plan for the State of ND due to the decrease of the NDPERS system discount rate. Also, in FY2023 an additional 6 full time employees were granted to RIO during a special legislative session which has increased the salary line for the agency.

The redemption of units in the investment trust funds decreased by \$323.7 million in FY2024 after increasing by \$491.9 million in FY2023. Biennial swings will continue in this line item due to the biennial earnings transfers from the Legacy Fund required under the State Constitution.

Deductions from Net Position (in thousands)



Conclusion

The economic outlook for the economy is generally positive but there are some risks and uncertainties. A survey of economists predict that GDP will grow 2.6% thru the end of 2024 continuing a trend of economic expansion greater than the Federal Reserve's long term growth assumption of 1.8%. The outlook for inflation also continues to improve towards the Federal Reserve's target inflation rate of 2.0%. In addition, rate cuts by the Fed should lead to more borrowing and help to continue a growth in consumer demand. Business investment also continues at a healthy pace enabling higher productivity and GDP growth potential in the future. Growth and moderate inflation are good for both the equity and the fixed income markets which have relatively high valuations currently. Geo-political conflicts continue to be a worry. The Ukraine war has the potential to widen and include other countries, the middle east conflicts are also escalating. The other geo-political concern is the increasing trade tension among major trading partners. Both sets of conflicts have the potential to impact supply chains and inflation ultimately leading to a slower economy and higher inflation. The risks aside, higher growth, lower inflation and rate reductions have the potential to continue a positive market environment.

North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2024 and 2023

For the fiscal year ended June 30, 2024, 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 7.87%, 10.89% and 6.34%, respectively, with both the legacy and insurance pool outperforming their corresponding policy benchmarks. Public equity and fixed income were both up as opposed to the prior year. Global public equities for pension, insurance, and legacy were up 15.49%, 18.17%, and 18.00%, respectively. Total fixed income for pension, insurance, and legacy were also up 5.55%, 4.17%, and 4.57%, respectively. Alternatively, real asset performance was down for FY2024. The pension pool's real asset allocation was down (4.75%), while the Legacy Fund and insurance pool's real asset portfolios were down (3.33%) and (.91%), respectively. Private equity in the pension pool and legacy fund returned 2.99% and 3.03% for the fiscal year.

For the fiscal year ended June 30, 2023, 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 7.76%, 8.19% and 3.01%, respectively, with both the legacy and insurance pool outperforming their corresponding policy benchmarks. Investment returns for global equities exceeded policy benchmarks in fiscal year 2023 largely due to factors mentioned above. Public equity and fixed income were both up as opposed to the prior year. Global public equities for pension, insurance, and legacy were up 15.49%, 16.72%, and 16.51%, respectively. Total fixed income was also slightly up for pension, insurance, and legacy at 1.56%, 0.30%, and 1.32%, respectively. Alternatively, real asset performance was down for FY2023. The pension pool's real asset allocation was down (5.01%), while the Legacy Fund and insurance pool's real asset portfolios down (1.24%) and (2.48%), respectively. Private equity in the pension pool and legacy fund returned 9.25% and 4.30% for the fiscal year.

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.

As reported by the valuation report provided by GRS, TFFR's funding level increased from 71.21% to 71.63% on an actuarial basis from July 1, 2023 to July 1, 2024. Based on the fair value of assets rather than the actuarial value of assets, the funded ratio increased to 70.42% compared to 69.34% last year. The Plan has a net investment loss of \$57.5 million, down from \$85.6 million from the previous year that has not yet been recognized in the actuarial value of assets due to the five-year smoothing. GRS has observed that as the net asset losses currently being deferred are phased into the actuarial value of assets over the next four years this will put adverse pressure on the results in coming years. GRS also noted that the plan experience an actuarial asset loss of \$12.8 million during fiscal year ending 2024 and this loss was due to the actuarial value of assets earning a return less than the assumed 7.25%.

North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2024 and 2023

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. Fund actuary GRS has opined 2043, as such, the current Member and Employer contribution rates are expected to be sufficient to meet the Board financing objectives.

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, 2024 and 2023

	Pension Trust		Investment Trust		Total	
	2024	2023	2024	2023	2024	2023
Assets:						
Investments, at fair value						
Global equities	\$ 1,842,466,840	\$ 1,765,727,972	\$ 9,512,487,152	\$ 7,634,156,673	\$ 11,354,953,992	\$ 9,399,884,645
Global fixed income	877,328,837	785,396,084	6,871,538,198	6,118,263,992	7,748,867,035	6,903,660,076
Global real assets	519,442,836	550,692,368	2,050,151,692	2,492,901,108	2,569,594,528	3,043,593,476
In State Investments	-	-	408,303,484	-	408,303,484	-
Cash equivalents	43,215,803	11,465,710	170,667,778	91,320,247	213,883,581	102,785,957
Total investments	<u>3,282,454,316</u>	<u>3,113,282,134</u>	<u>19,013,148,304</u>	<u>16,336,642,020</u>	<u>22,295,602,620</u>	<u>19,449,924,154</u>
Invested securities lending collateral	45,978,717	24,099,094	166,096,162	94,904,315	212,074,879	119,003,409
Receivables:						
Investment income	11,667,607	10,215,544	63,445,669	54,917,457	75,113,276	65,133,001
Contributions	25,997,776	28,887,364	-	-	25,997,776	28,887,364
Miscellaneous	14,515	10,502	38,637	37,003	53,152	47,505
Total receivables	<u>37,679,898</u>	<u>39,113,410</u>	<u>63,484,306</u>	<u>54,954,460</u>	<u>101,164,204</u>	<u>94,067,870</u>
Due from other state agency	743	889	-	641	743	1,530
Cash and cash equivalents	30,863,710	23,963,066	1,032,821	866,980	31,896,531	24,830,046
Equipment (net of depreciation)	-	-	-	-	-	-
Software (not in production)	5,005,816	2,580,327	-	-	5,005,816	2,580,327
Total assets	<u>3,401,983,200</u>	<u>3,203,038,920</u>	<u>19,243,761,593</u>	<u>16,487,368,416</u>	<u>22,645,744,793</u>	<u>19,690,407,336</u>
Deferred outflows of resources						
Related to pensions	<u>2,041,484</u>	<u>1,715,386</u>	<u>1,965,412</u>	<u>1,433,652</u>	<u>4,006,896</u>	<u>3,149,038</u>
Liabilities:						
Accounts payable	529,280	624,924	373,591	173,010	902,871	797,934
Investment expenses payable	1,538,824	1,702,692	8,117,911	8,735,757	9,656,735	10,438,449
Securities lending collateral	45,978,717	24,099,094	166,096,162	94,904,315	212,074,879	119,003,409
Accrued expenses	3,419,488	3,432,474	2,150,014	2,220,534	5,569,502	5,653,008
Miscellaneous payable	-	-	45,641	42,921	45,641	42,921
Due to other state funds	-	-	58,328,500	-	58,328,500	-
Due to other state agencies	38,561	39,647	11,539	6,177	50,100	45,824
Total liabilities	<u>51,504,870</u>	<u>29,898,831</u>	<u>235,123,358</u>	<u>106,082,714</u>	<u>286,628,228</u>	<u>135,981,545</u>
Deferred inflows of resources						
Related to pensions	<u>1,511,973</u>	<u>947,020</u>	<u>1,704,875</u>	<u>822,733</u>	<u>3,216,848</u>	<u>1,769,753</u>
Fiduciary net position:						
Restricted for pensions	3,351,007,841	3,173,908,455	-	-	3,351,007,841	3,173,908,455
Held in trust for investment pool participants:						
Pension pool	-	-	4,611,350,216	4,167,815,538	4,611,350,216	4,167,815,538
Insurance pool	-	-	3,257,008,659	2,966,057,036	3,257,008,659	2,966,057,036
Held in trust for individual investment accounts	-	-	11,140,539,897	9,248,024,047	11,140,539,897	9,248,024,047
Total fiduciary net position	<u>\$ 3,351,007,841</u>	<u>\$ 3,173,908,455</u>	<u>\$ 19,008,898,772</u>	<u>\$ 16,381,896,621</u>	<u>\$ 22,359,906,613</u>	<u>\$ 19,555,805,076</u>
Each participant unit is valued at \$1.00						
Participant units outstanding			<u>19,008,898,772</u>	<u>16,381,896,621</u>		

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

North Dakota Retirement and Investment Office
Statement of Changes in Net Position – Fiduciary Funds
Years Ending June 30, 2024 and 2023

	Pension Trust		Investment Trust		Total	
	2024	2023	2024	2023	2024	2023
Additions:						
Contributions:						
Employer contributions	\$ 108,087,909	\$ 102,307,888	\$ -	\$ -	\$ 108,087,909	\$ 102,307,888
Member contributions	99,610,414	94,283,739	-	-	99,610,414	94,283,739
Purchased service credit	1,195,665	1,108,690	-	-	1,195,665	1,108,690
Interest, penalties and other	87,985	(10,492)	-	-	87,985	(10,492)
Total contributions	208,981,973	197,689,825	-	-	208,981,973	197,689,825
Investment income:						
Net change in fair value of investments	203,124,840	175,293,526	1,312,660,066	817,632,974	1,515,784,906	992,926,500
Interest, dividends and other income	52,075,126	49,487,353	358,908,756	311,158,011	410,983,882	360,645,364
	255,199,966	224,780,879	1,671,568,822	1,128,790,985	1,926,768,788	1,353,571,864
Less investment expenses	6,293,751	7,468,043	32,363,429	34,820,522	38,657,180	42,288,565
Net investment income	248,906,215	217,312,836	1,639,205,393	1,093,970,463	1,888,111,608	1,311,283,299
Securities lending activity:						
Securities lending income	265,638	198,283	1,441,225	1,070,688	1,706,863	1,268,971
Less securities lending expenses	(53,091)	(39,632)	(288,013)	(216,321)	(341,104)	(255,953)
Net securities lending income	212,547	158,651	1,153,212	854,367	1,365,759	1,013,018
Purchase of units (\$1 per unit)	77,550,000	-	1,410,074,169	1,077,407,627	1,487,624,169	1,077,407,627
Total additions	535,650,735	415,161,312	3,050,432,774	2,172,232,457	3,586,083,509	2,587,393,769
Deductions:						
Benefits paid to participants	264,450,311	253,704,476	-	-	264,450,311	253,704,476
Partial lump-sum distributions	984,583	657,452	-	-	984,583	657,452
Refunds	12,225,640	7,920,125	-	-	12,225,640	7,920,125
Administrative expenses	3,312,773	2,891,047	4,071,447	3,061,781	7,384,220	5,952,828
Redemption of units (\$1 per unit)	77,578,042	-	419,359,176	820,581,407	496,937,218	820,581,407
Total deductions	358,551,349	265,173,100	423,430,623	823,643,188	781,981,972	1,088,816,288
Change in fiduciary net position	177,099,386	149,988,212	2,627,002,151	1,348,589,269	2,804,101,537	1,498,577,481
Fiduciary net position:						
Beginning of year	\$ 3,173,908,455	\$ 3,023,920,243	\$ 16,381,896,621	\$ 15,033,307,352	\$ 19,555,805,076	\$ 18,057,227,595
End of Year	\$ 3,351,007,841	\$ 3,173,908,455	\$ 19,008,898,772	\$ 16,381,896,621	\$ 22,359,906,613	\$ 19,555,805,076

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

Note 1 - Summary of Significant Accounting Policies

RIO is an agency of the State of North Dakota operating through the legislative authority of North Dakota Century Code (NDCC) Chapter 54-52.5 and is considered part of the State of North Dakota financial reporting entity and included in the State of North Dakota's 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. Additions are recorded when earned and deductions 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 three 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, ND University System Capital Building Fund, Budget Stabilization Fund, Arts Across the Prairie Maintenance Endowment fund, Water Projects Stabilization Fund and the ND State Historical Society are managed in the insurance pool. The Legacy Fund, Job Service of North Dakota, and PERS Retiree Health investments are managed by the SIB in individual investment accounts.

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2024 and 2023

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, Risk Management, Risk Management Workers Comp, Cultural Endowment Fund, Legacy Fund, Budget Stabilization Fund and Water Projects 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 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 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 the Financial Statements

June 30, 2024 and 2023

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 US 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.

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2024 and 2023

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

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

Pensions 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, 2024 were deposited in the Bank of North Dakota. At June 30, 2024 and 2023, the carrying amount of TFFR's deposits was \$30,863,710 and \$23,963,066 respectively, and the bank balance was \$30,897,063 and \$23,995,175, 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 infrastructure loan fund, 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 \$428,328,767 and \$239,321,410 at June 30, 2024 and 2023, respectively. In addition, these funds carry cash and cash equivalents totaling \$1,032,822 and \$866,982 at June 30, 2024 and 2023, 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.

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2024 and 2023

Note 3 - Investments

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

Interest Rate Risk

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

At June 30, 2024 and 2023, the following tables show the investments by investment type and maturity (expressed in thousands).

2024	All values in \$000				
	Total Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years
Asset Backed Securities	\$ 557,514	\$ 904	\$ 186,300	\$ 195,659	\$ 174,651
Bank Loans	1,481	-	1,135	346	-
Collateralized Bonds	859	-	-	859	-
Commercial Mortgage-Backed	327,993	5	4,755	8,667	314,566
Commercial Paper	144,105	144,105	-	-	-
Corporate Bonds	2,830,052	119,107	1,814,575	549,229	347,141
Corporate Convertible Bonds	7,634	-	-	-	7,634
Government Agencies	35,793	4,948	21,300	7,045	2,500
Government Bonds	726,783	8,074	266,955	44,197	407,557
Gov't Mortgage Backed	1,290,878	94	26,670	38,544	1,225,570
Gov't-issued CMB	11,728	21	5,396	1,032	5,279
Index Linked Government Bonds	306,967	43,087	161,471	56,789	45,620
Municipal/Provincial Bonds	20,146	596	3,422	1,967	14,161
Non-Government Backed CMOs	107,561	-	2,649	2,580	102,332
Repurchase Agreements	(8,422)	(8,422)	-	-	-
Short Term Bills and Notes	10,999	10,999	-	-	-
Sukuk	2,530	-	1,282	1,248	-
Funds/Pooled Investments	1,174,639	1,874	696,672	316,660	159,433
Total Debt Securities	\$ 7,549,240	\$ 325,392	\$ 3,192,582	\$ 1,224,822	\$ 2,806,444

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2024 and 2023

2023	All values in \$000				
	Total Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years
Asset Backed Securities	\$ 439,098	\$ 3,843	\$ 127,372	\$ 178,924	\$ 128,959
Bank Loans	-	-	-	-	-
Collateralized Bonds	1,652	-	-	1,652	-
Commercial Mortgage-Backed	322,945	5	3,839	9,147	309,954
Commercial Paper	106,717	106,717	-	-	-
Corporate Bonds	1,920,369	83,902	1,085,624	350,601	400,242
Corporate Convertible Bonds	11,596	-	7,058	81	4,457
Government Agencies	32,016	6,347	17,763	5,737	2,169
Government Bonds	774,763	6,537	287,578	73,578	407,070
Govt Mortgage Backed	1,264,892	91	6,455	14,156	1,244,190
Govt-issued CMB	18,255	55	3,967	9,243	4,990
Index Linked Government Bonds	635,558	8,677	358,588	123,678	144,615
Municipal/Provincial Bonds	22,222	2,171	3,766	3,125	13,160
Non-Government Backed CMOs	106,134	806	4,986	6,040	94,302
Repurchase Agreements	(786)	(786)	-	-	-
Short Term Bills and Notes	14,388	14,388	-	-	-
Sukuk	2,506	-	1,282	1,224	-
Funds/Pooled Investments	1,432,690	-	685,151	596,419	151,120
Total Debt Securities	\$ 7,105,015	\$ 232,753	\$ 2,593,429	\$ 1,373,605	\$ 2,905,228

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 \$7.3 million and \$4.8 million and IOs valued at \$20.7 million and \$18.9 million at June 30, 2024 and 2023, respectively. The SIB has no policy regarding IO or PO strips.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Investment Board maintains a highly diversified portfolio of debt securities encompassing a wide range of credit ratings. Although the SIB has no overall policy regarding credit risk, each debt securities manager is given a specific set of guidelines to invest within based on the mandate for which it was hired. The guidelines specify in which range of credit the manager may invest. These ranges include investment grade and below investment grade categories. The following tables present the SIB's ratings as of June 30, 2024 and 2023, (expressed in thousands).

North Dakota Retirement and Investment Office

Notes to the Financial Statements

June 30, 2024 and 2023

2024	Total Fair Value	Credit Rating*										
		AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	\$ 557,514	\$ 338,611	\$ 81,761	\$ 53,846	\$ 17,601	\$ 327	\$ 573	\$ 2,069	\$ -	\$ 221	\$ 544	\$ 61,961
Bank Loans	1,481	-	-	-	-	880	429	-	-	-	-	172
Collateralized Bond	859	859	-	-	-	-	-	-	-	-	-	-
Commercial Mortgage Backed	327,993	252,230	11,369	11,519	6,281	2,532	2,125	69	-	-	-	41,868
Commercial Paper	144,105	-	-	80,428	-	-	-	-	-	-	-	63,677
Corporate Bonds	2,830,052	8,914	54,695	519,603	1,242,869	558,862	350,101	84,488	184	-	1,141	9,195
Corporate Convertible Bonds	7,634	-	-	-	1,576	6,058	-	-	-	-	-	-
Govt Agencies	35,479	3,460	2,880	971	12,027	7,703	1,407	174	-	-	-	6,857
Govt Bonds	65,845	-	779	6,809	29,039	8,983	2,259	764	-	-	-	17,212
Govt Mortgage Backed	1,091,812	-	1,074,396	5,673	8,602	2,606	380	-	-	-	-	155
Govt Issued CMB	7,804	373	6,212	-	-	-	-	-	-	-	-	1,219
Index Linked Government Bonds	96,681	73,202	-	-	3,044	-	-	-	-	-	-	20,435
Municipal/Provincial Bonds	20,146	2,761	12,316	2,616	-	581	-	1,872	-	-	-	-
Non-Govt Backed CMOs	107,561	34,354	7,598	3,420	3,913	2,200	445	217	337	-	-	55,077
Repurchase Agreements	(8,422)	-	-	-	-	-	-	-	-	-	-	(8,422)
Short Term Bills & Notes	1,397	-	1,397	-	-	-	-	-	-	-	-	-
Sukuk	2,530	-	-	-	2,530	-	-	-	-	-	-	-
Funds/Pooled Investments	1,162,258	-	777,943	103,470	83,890	18,737	27,233	-	-	-	-	150,985
Total Credit Risk of Debt Securities	\$ 6,452,729	\$ 714,764	\$ 2,031,346	\$ 788,355	\$ 1,411,372	\$ 609,469	\$ 384,952	\$ 89,653	\$ 521	\$ 221	\$ 1,685	\$ 420,391
US Govt & Agencies **	1,096,511											
Total Debt Securities	\$ 7,549,240											

2023	Total Fair Value	Credit Rating*										
		AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	\$ 439,098	\$ 241,736	\$ 60,920	\$ 47,744	\$ 17,512	\$ 1,684	\$ 498	\$ 2,437	\$ 741	\$ -	\$ 607	\$ 65,219
Collateralized Bond	1,652	1,652	-	-	-	-	-	-	-	-	-	-
Commercial Mortgage Backed	322,945	246,189	10,782	8,128	8,600	1,037	2,449	1,604	18	-	-	44,138
Commercial Paper	106,717	-	-	57,240	-	-	-	-	-	-	-	49,477
Corporate Bonds	1,920,369	11,430	53,474	503,201	1,089,641	189,402	52,693	11,467	39	25	117	8,880
Corporate Convertible Bonds	11,596	-	-	-	1,426	4,457	-	1,852	-	-	-	3,861
Govt Agencies	31,455	3,467	3,411	6,306	10,135	3,682	-	-	-	-	-	4,454
Govt Bonds	54,168	-	2,556	1,881	29,067	13,418	2,395	852	-	-	-	3,999
Govt Mortgage Backed	1,062,793	-	1,032,051	9,381	17,876	1,888	388	-	-	-	-	1,209
Govt Issued CMB	15,871	2,239	13,029	-	603	-	-	-	-	-	-	-
Index Linked Government Bonds	117,046	-	-	-	-	-	-	-	-	-	-	117,046
Municipal/Provincial Bonds	22,222	2,764	11,674	5,481	629	723	-	951	-	-	-	-
Non-Govt Backed CMOs	106,134	28,615	7,466	14,956	6,784	3,335	938	378	361	-	-	43,301
Repurchase Agreements	(786)	-	-	-	-	-	-	-	-	-	-	(786)
Short Term Bills & Notes	4,479	-	4,479	-	-	-	-	-	-	-	-	-
Sukuk	2,506	-	-	-	2,506	-	-	-	-	-	-	-
Funds/Pooled Investments	1,420,254	448,497	263,424	511,166	66,210	18,471	26,042	-	-	-	-	86,444
Total Credit Risk of Debt Securities	5,638,519	\$ 986,589	\$ 1,463,266	\$ 1,165,484	\$ 1,250,989	\$ 238,097	\$ 85,403	\$ 19,541	\$ 1,159	\$ 25	\$ 724	\$ 427,242
US Govt & Agencies **	1,466,496											
Total Debt Securities	\$ 7,105,015											

- * 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.

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** 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 *Gov't Agencies*, *Gov't Bonds*, *Gov't Mortgage Backed*, *Gov't Issued CMB*, *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, 2024 and 2023, 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, 2024 and 2023. **June 30, 2024** (expressed in thousands).

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2024

Currency	Short-Term	Debt	Equity	Real Estate	Total
Argentine peso	\$ 1	\$ -	\$ -	\$ -	\$ 1
Australian dollar	(32)	-	-	-	(32)
Brazilian real	902	3,349	-	-	4,251
British pound sterling	(23,783)	13,907	81,642	-	71,766
Canadian dollar	(13,553)	10,048	28,008	-	24,503
Chilean peso	(273)	-	-	-	(273)
Chinese yuan renminbi	283	-	-	-	283
Danish krone	(47)	-	31,882	-	31,835
Euro	(58,972)	48,440	170,346	-	159,814
Hong Kong Off-Shore-Chinese yuan renminbi	7,698	-	-	-	7,698
Hong Kong dollar	-	-	6,394	-	6,394
Hungarian forint	1	-	-	-	1
Indian rupee	8,417	-	-	-	8,417
Indonesian rupiah	2,382	-	-	-	2,382
Japanese yen	2,976	(3,552)	115,054	-	114,478
Mexican peso	(7,776)	11,933	-	-	4,157
New Israeli shekel	-	-	-	-	-
New Taiwan dollar	(4,203)	-	-	-	(4,203)
Norwegian krone	87	-	-	-	87
Polish zloty	(2)	-	-	-	(2)
Russian ruble	605	-	3,059	-	3,664
Singapore dollar	(3,447)	-	-	-	(3,447)
South Korean won	(450)	-	21,961	-	21,511
Swedish krona	7	-	22,545	-	22,552
Swiss franc	2	-	32,958	-	32,960
Thai baht	(242)	-	-	-	(242)
Turkish lira	8,398	-	-	-	8,398
International commingled funds (various currencies)	-	-	4,086,118	33,832	4,119,950
Total international investment securities	<u>\$ (81,021)</u>	<u>\$ 84,125</u>	<u>\$4,599,967</u>	<u>\$ 33,832</u>	<u>\$ 4,636,903</u>

Negative amounts represent short positions.

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2023

Currency	Short-Term	Debt	Equity	Real Estate	Total
Argentine peso	\$ 12	\$ -	\$ -	\$ -	\$ 12
Australian dollar	9,127	-	6,168	-	15,295
Brazilian real	(30)	-	3,955	-	3,925
British pound sterling	(25,935)	18,162	90,232	-	82,459
Canadian dollar	(1,533)	288	25,969	-	24,724
Chilean peso	(315)	-	-	-	(315)
Chinese yuan renminbi	301	-	-	-	301
Danish krone	(62)	-	20,407	-	20,345
Euro	(24,754)	25,571	111,552	610	112,979
Hong Kong Off-Shore-Chinese yuan renminbi	4,239	-	12,233	-	16,472
Hong Kong dollar	-	-	20,282	-	20,282
Hungarian forint	1	-	-	-	1
Indian rupee	6,644	-	-	-	6,644
Indonesian rupiah	1,174	-	-	-	1,174
Japanese yen	44,521	(40,083)	35,267	-	39,705
Mexican peso	(337)	-	-	-	(337)
New Israeli shekel	(1)	-	-	-	(1)
New Taiwan dollar	370	-	-	-	370
New Zealand dollar	-	-	-	-	-
Norwegian krone	87	-	5,532	-	5,619
Peruvian nuevo sol	202	-	-	-	202
Polish zloty	(2)	-	-	-	(2)
Russian ruble	276	-	2,092	-	2,368
Singapore dollar	(3,943)	-	-	-	(3,943)
South African rand	-	-	-	-	-
South Korean won	(338)	-	6,011	-	5,673
Swedish krona	562	-	26,479	-	27,041
Swiss franc	2	-	28,659	-	28,661
Thai baht	4,432	-	-	-	4,432
International commingled funds (various currencies)	-	-	2,690,182	32,629	2,722,811
Total international investment securities	\$ 14,700	\$ 3,938	\$3,085,020	\$ 33,239	\$ 3,136,897

Negative amounts represent short positions.

Derivative Securities

Derivatives are financial arrangements between two parties whose payments are based on, or “derived” from, the performance of some agreed upon benchmark. The investment policies of the SIB’s clients allow the use of derivative securities to hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative instruments. The fair value of all derivative securities is reported in the statement of net position. At June 30, 2024 and 2023, 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 \$76.6 and \$64.7 million for fiscal years 2024 and 2023, respectively. At June 30, 2024 and 2023, the SIB investment portfolio had the

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Notes to the Financial Statements

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notional futures balances shown below (expressed in thousands).

<u>Futures</u>	Notional Value	
	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Cash & Cash Equivalent Derivative Futures		
Long	\$ 171,610	\$ 139,071
Short	122,023	(394,403)
Commodity Derivative Futures		
Short	(18,719)	(81,977)
Equity Derivative Futures		
Long	457,320	446,414
Fixed Income Derivative Futures		
Long	289,982	755,688
Short	(305,874)	(922,277)
Total Futures	<u>\$ 716,342</u>	<u>\$ (57,484)</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 \$4.9 million and \$3.5 million in fiscal years 2024 and 2023, respectively. At June 30, 2024 and 2023, the SIB investment portfolio had the following option balances (expressed in thousands).

<u>Options</u>	Fair Value	
	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Cash & Other Options		
Call	\$ 1,349	\$ (170)
Put	42	(1,931)
Equity Options		
Call	697	438
Fixed Income Options		
Call	43	(57)
Put	(94)	(277)
Total Options	<u>\$ 2,037</u>	<u>\$ (1,997)</u>

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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 \$1.5 million and \$(670) thousand for fiscal years 2024 and 2023, respectively. The maximum loss that would be recognized at June 30, 2024 and 2023, if all counterparties failed to perform as contracted is \$2.5 million and \$2.5 million, respectively. Swap fair values are determined by a third-party pricing source. At June 30, 2024 and 2023, 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.

Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2024	June 30, 2023		June 30, 2024	June 30, 2023
Bank of America/Aa2 (7 contracts)	\$ (9,135)	\$ -	2028 - 2029	\$ 314	\$ -
Bank of America/Aa2 (5 contracts)	-	(128,400)	2027 - 2028	-	2,145
Barclays Capital Inc/A1 (1 contracts)	(3,250)	-	2029	2	-
Barclays Capital Inc/A1 (1 contracts)	-	(4,000)	2028	-	(29)
BNP Paribas Sa Paris/Aa3 (1 contract)	(100)	-	2027	(1)	-
BNP Paribas Sa Paris/Aa3 (1 contract)	-	(100)	2027	-	(4)
Citibank/A1 (2 contracts)	(400)	-	2024 - 2027	(1)	-
Citibank/A1 (2 contract)	-	(400)	2024 - 2027	-	(9)
Citigroup Global Markets/A1 (1 contracts)	(2,790)	-	2029	179	-
Citigroup Global Markets/A1 (11 contracts)	-	(4,655)	2023 - 2028	-	61
Goldman Sachs/A2 (6 contracts)	(1,500)	-	2027	(11)	-
Goldman Sachs/A2 (6 contracts)	-	2,400	2023 - 2027	-	(52)
JP Morgan Chase/Aa2 (4 contracts)	(13,709)	-	2024 - 2029	854	-
JP Morgan Chase/Aa2 (1 contract)	-	(400)	2024	-	(4)
Morgan Stanley/A1 (8 contracts)	(11,825)	-	2026 - 2029	220	-
Morgan Stanley/A1 (1 contract)	-	28,000	2028	-	(432)
Wells Fargo Bank/Aa2 (11 contracts)	1,304	-	2024 - 2029	(251)	-
Wells Fargo Bank/Aa2 (13 contracts)	-	(924)	2023 - 2028	-	(27)
Total Credit Default Swaps	\$ (41,405)	\$ (113,279)		\$ 1,305	\$ 1,649

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.

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Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2024	June 30, 2023		June 30, 2024	June 30, 2023
Bank of America/Aa2 (5 contracts)	\$ -	\$ 48,338	2024 - 2041	\$ -	\$ 708
Bank of America/Aa2 (48 contracts)	229,088	-	2025 - 2054	2,914	-
Citigroup Global Markets/A1 (43 contracts)	106,975	93,429	2024 - 2054	213	1,093
Citigroup Global Markets/A1 (47 contracts)	-	-	2025 - 2053	-	-
JP Morgan Chase/Aa2 (18 contracts)	-	61,954	2024 - 2034	-	948
JP Morgan Chase/Aa2 (16 contracts)	100,071	-	2024 - 2054	547	-
Morgan Stanley/A1 (61 contracts)	141,878	-	2024 - 2054	2,527	-
Morgan Stanley/A1 (8 contracts)	-	64,670	2025 - 2033	-	(632)
Wells Fargo Bank/Aa2 (13 contracts)	-	116,255	2025 - 2052	-	1,942
Wells Fargo Bank/Aa2 (65 contracts)	164,383	-	2024 - 2054	3,910	-
Total Interest Rate Swaps	\$ 742,395	\$ 384,646		\$ 10,111	\$ 4,059

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).

Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2024	June 30, 2023		June 30, 2024	June 30, 2023
Goldman Sachs/A2 (2 contracts)	\$ -	\$ 18,956	2023	\$ -	\$ (452)
Goldman Sachs/A2 (2 contracts)	19,305	-	2024	(184)	-
JP Morgan Chase/Aa2 (1 contracts)	2,260	-	2024	(17)	-
JP Morgan Chase/Aa2 (1 contracts)	-	2,313	2023	-	38
Total Inflation Swaps	\$ 21,565	\$ 21,269		\$ (201)	\$ (414)

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.

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Counterparty/Moody's Rating	Notional Amount		Expiration Date Range	Fair Value	
	June 30, 2024	June 30, 2023		June 30, 2024	June 30, 2023
Goldman Sachs/A2 (1 contract)	\$ -	\$ 6,310	2023	\$ -	\$ (227)
Goldman Sachs/A2 (1 contract)	6,310	-	2024	(355)	-
Bank of America/Aa2 (1 contract)	20,035	-	2024	(932)	-
Citibank/A1 (2 contracts)	16,910	-	2024	(415)	-
JP Morgan Chase/Aa2 (2 contracts)	10,140	-	2024	(210)	-
JP Morgan Chase/Aa2 (3 contracts)	-	15,725	2023	-	(289)
Total Total Return Swaps	\$ 53,395	\$ 22,035		\$ (1,912)	\$ (516)

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 \$4.0 million and \$(2.3) million for fiscal years 2024 and 2023, respectively. At June 30, 2024 and 2023, 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	
					6/30/2024	6/30/2023
AUD	Australian dollar	\$ (57)	\$ 57	\$ (114)	\$ (57)	\$ 9,126
BRL	Brazilian real	(796)	5,278	(6,075)	(692)	(118)
GBP	British pound sterling	(12,171)	10,472	(22,643)	(12,054)	(29,110)
CAD	Canadian dollar	(1,832)	684	(2,516)	(1,828)	(58)
CLP	Chilean peso	(279)	-	(279)	(273)	(315)
CNH	Chinese offshore	(23)	2,384	(2,408)	(24)	(23)
CNY	Chinese Yuan	284	567	(283)	283	301
DKK	Danish Krone	(76)	19	(95)	(75)	(63)
EUR	Euro	(38,647)	21,564	(60,211)	(38,360)	(70,774)
HUF	Hungarian Forint	0	2	4	6	-
IDR	Indonesia Rupiah	1,018	1,018	-	1,011	(115)
INR	Indian Rupee	3,506	3,506	-	3,509	6,644
JPY	Japanese yen	(993)	-	(993)	(978)	4,693
MXN	Mexican peso	(3,824)	4	(3,828)	(3,871)	(363)
ILS	New Israeli shekel	-	-	-	-	-
NZD	New Zealand dollar	-	-	-	-	-
NOK	Norwegian Krone	-	-	-	-	-
PEN	Peruvian nuevo sol	0	-	-	-	202
PLN	Poland Zloty	-	-	-	-	-
SGD	Singapore Dollar	(846)	841	(1,687)	(842)	(3,948)
ZAR	South African rand	-	2	4	6	-
KRW	South Korean won	(318)	-	(318)	(318)	(338)
THB	Thai Baht	(247)	-	(247)	(247)	4,432
TWD	Taiwan Dollar	(2,037)	-	(2,037)	(2,026)	370
TRY	Turkish Lira	3,788	3,788	-	3,869	-
USD	United States dollar	53,552	103,734	(50,182)	53,552	77,812
Total forwards subject to currency risk					\$ 591	\$ (1,645)

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, 2024 and 2023, the tables below show the SIB's derivative investments subject to interest rate risk (expressed in thousands).

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All values in \$000

2024	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	\$ 277,741	\$ (56,049)	\$ 26,669	\$ 122,023	\$ 185,098	\$ -	\$ -
Futures-commodity contracts	(18,719)	-	(18,719)	-	-	-	-
Total	\$ 259,022	\$ (56,049)	\$ 7,950	\$ 122,023	\$ 185,098	\$ -	\$ -

	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	\$ (46)	\$ (102)	\$ 41	\$ 15	\$ -	\$ -	\$ -
Options on Futures	(157)	(26)	82	(213)	-	-	-
Options - Foreign Exchange Contracts	1,533	5	863	665	-	-	-
Options - Credit Contracts	10	7	3	-	-	-	-
Swaps - Interest Rate Contracts	8,199	(1,611)	(405)	(418)	2,204	1,321	7,108
Swaps - Credit Contracts	1,305	-	30	-	1,275	-	-
Total	\$ 10,844	\$ (1,727)	\$ 614	\$ 49	\$ 3,479	\$ 1,321	\$ 7,108

2023	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	\$ (421,921)	\$ (537,437)	\$ 371,085	\$ (170,589)	\$ (84,980)	\$ -	\$ -
Futures-commodity contracts	(81,977)	-	(81,977)	-	-	-	-
Total	\$ (503,898)	\$ (537,437)	\$ 289,108	\$ (170,589)	\$ (84,980)	\$ -	\$ -

	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	\$ (450)	\$ (147)	\$ (191)	\$ (112)	\$ -	\$ -	\$ -
Options on futures	(1,985)	78	(858)	(941)	(264)	-	-
Options - Foreign Exchange Contracts	-	-	-	-	-	-	-
Swaps - interest rate contracts	3,543	(448)	(38)	(22)	(2,537)	1,392	5,196
Swaps - credit contracts	1,649	-	3	13	2,070	(437)	-
Total	\$ 2,757	\$ (517)	\$ (1,084)	\$ (1,062)	\$ (731)	\$ 955	\$ 5,196

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.

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The following tables show the fair value leveling of the SIB's investment portfolio at June 30, 2024 and 2023 (expressed in thousands).

2024	Dollars in (000)			
	Fair Value 6/30/24	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	\$ 144,105	\$ -	\$ 144,105	\$ -
Short Term Bills and Notes	10,999	-	10,999	-
Total Short Term Securities	155,104	-	155,104	-
Fixed Income Investments				
Asset Backed Securities	557,515	-	555,514	2,001
Bank Loans	1,480	-	1,480	-
Collateralized Bonds	859	-	859	-
Commercial Mortgage-Backed	327,994	-	327,994	-
Corporate Bonds	2,830,053	-	2,830,053	-
Corporate Convertible Bonds	7,634	-	7,634	-
Funds - Fixed Income ETF	17,017	17,017	-	-
Government Agencies	35,794	-	35,794	-
Government Bonds	726,782	-	726,782	-
Government Mortgage Backed Securities	1,290,880	-	1,290,880	-
Govt-issued Commercial Mortgage-Backed	11,729	-	11,729	-
Index Linked Government Bonds	306,967	-	306,967	-
Municipal/Provincial Bonds	20,146	-	20,146	-
Non-Government Backed C.M.O.s	106,968	-	104,955	2,013
Sukuk	2,530	-	2,530	-
Total Fixed Income Investments	6,244,348	17,017	6,223,317	4,014
Equity Investments				
Common Stock	3,227,800	3,227,333	-	467
Convertible Equity	-	-	-	-
Funds - Equities ETF	406,558	406,558	-	-
Preferred Stock	40	-	-	40
Stapled Securities	-	-	-	-
Total Equity Investments	3,634,398	3,633,891	-	507
Derivative Investments				
Exchange Cleared Swaps	11,382	-	11,382	-
Options	2,037	541	1,496	-
Swaps	(2,079)	-	(2,079)	-
Total Derivative Investments	11,340	541	10,799	-
Total Investments by Fair Value Level	\$ 10,045,190	\$ 3,651,449	\$ 6,389,220	\$ 4,521

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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	\$ 1,157,621	\$ -	Daily, monthly	1-15 days
Commingled Funds-Equities	4,921,741	-	Daily, monthly	1-15 days
Distressed Debt	230,764	-	Quarterly, Not eligible	60 days
Long/Short	924,093	-	Monthly	15 days
Mezzanine Debt	1	-	Not eligible	Not eligible
Private Credit	551,682	120,700	Not eligible	Not eligible
Private Equity	1,774,040	428,163	Not eligible	Not eligible
Real Assets	2,351,216	456,684	Quarterly, Not eligible	30-90 days
Total Investments Measured at the NAV	\$ 11,911,158	\$ 1,005,547		
Investments at Other Than Fair Value				
Cash and adjustments to cash	\$ 35,988			
Bank Certificates of Deposit	311,051			
Other miscellaneous securities	638			
Repurchase Agreements	(8,422)			
Total Investments at Other Than Fair Value	\$ 339,255			
Total Investments	\$ 22,295,603			

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2023	Dollars in (000)			
	Fair Value 6/30/23	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	\$ 106,717	\$ -	\$ 106,717	\$ -
Short Term Bills and Notes	14,388	-	14,388	-
Total Short Term Securities	121,105	-	121,105	-
Fixed Income Investments				
Asset Backed Securities	439,098	-	438,500	598
Bank Loans	-	-	-	-
Collateralized Bonds	1,652	-	1,652	-
Commercial Mortgage-Backed	322,945	-	322,945	-
Corporate Bonds	1,918,998	-	1,918,998	-
Corporate Convertible Bonds	11,596	-	11,596	-
Funds - Fixed Income ETF	16,687	16,687	-	-
Government Agencies	32,016	-	32,016	-
Government Bonds	774,763	-	774,763	-
Government Mortgage Backed Securities	1,264,892	-	1,264,823	69
Govt-issued Commercial Mortgage-Backed	18,255	-	18,255	-
Index Linked Government Bonds	635,558	-	635,558	-
Municipal/Provincial Bonds	22,222	-	22,222	-
Non-Government Backed C.M.O.s	102,353	-	102,353	-
Sukuk	2,506	-	2,506	-
Total Fixed Income Investments	5,563,541	16,687	5,546,187	667
Equity Investments				
Common Stock	3,124,600	3,124,202	-	398
Convertible Equity	290	290	-	-
Funds - Equities ETF	282,983	282,983	-	-
Preferred Stock	-	-	-	-
Stapled Securities	-	-	-	-
Total Equity Investments	3,407,873	3,407,475	-	398
Derivative Investments				
Exchange Cleared Swaps	5,778	-	5,778	-
Options	(1,997)	(1,547)	(450)	-
Swaps	(1,000)	-	(1,000)	-
Total Derivative Investments	2,781	(1,547)	4,328	-
Total Investments by Fair Value Level	\$ 9,095,300	\$ 3,422,615	\$ 5,671,620	\$ 1,065

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	Dollars in (000)			
		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments Measured at the Net Asset Value (NAV)				
Commingled Funds-Debt	\$ 1,416,003	\$ -	Daily, monthly	1-15 days
Commingled Funds-Equities	3,223,944	-	Daily, monthly	1-15 days
Distressed Debt	211,245	-	Quarterly, Not eligible	60 days
Long/Short	811,402	-	Monthly	15 days
Mezzanine Debt	1	-	Not eligible	Not eligible
Private Credit	623,507	120,700	Not eligible	Not eligible
Private Equity	1,034,930	540,130	Not eligible	Not eligible
Real Assets	2,814,301	455,448	Quarterly, Not eligible	30-90 days
Total Investments Measured at the NAV	\$ 10,135,333	\$ 1,116,278		
Investments at Other Than Fair Value				
Cash and adjustments to cash	\$ 34,099			
Bank Certificates of Deposit	180,767			
Other miscellaneous securities	5,211			
Repurchase Agreements	(786)			
Total Investments at Other Than Fair Value	\$ 219,291			
Total Investments	\$ 19,449,924			

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, 2024 and June 30, 2023, all unfunded commitments in the SIB distressed debt portfolios

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had been released. One of the funds in this category is not eligible for redemptions, while the other fund is eligible for redemptions with quarterly liquidity and 60 days' notice.

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, 2024 and 2023.

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 no unfunded commitments as of both June 30, 2024 and 2023.

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 \$216.7 million and \$120.7 million as of June 30, 2024 and 2023, 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 and Legacy Fund. 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 \$432.6 million and \$540.1 million in unfunded private equity commitments as of June 30, 2024 and 2023, 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.

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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:

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 11 real estate funds in the portfolio. Five 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, 2024 and 2023. The remaining six funds are closed-ended limited partnerships that are not eligible for redemptions. Those six funds have a combined unfunded commitment of \$132.1 million and \$158.7 million as of June 30, 2024 and 2023, 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 1-4 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, 2024 and 2023, include both open and closed-ended funds. The three 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 17 closed-ended funds have unfunded commitments of \$240.7 million and \$296.8 million at June 30, 2024 and 2023, 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 47 and 74 days as of June 30, 2024 and 2023, respectively. Cash open collateral is invested in a short-term investment pool, which had an interest sensitivity of 3 and 3 days as of June 30, 2024 and

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2023, respectively. 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 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, 2024 and 2023 (expressed in thousands).

2024	Securities Lent	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for cash collateral:			
US agency securities	\$ 577	\$ -	\$ 599
US government securities	101	-	103
US corporate fixed income securities	119,421	-	122,659
Global agency securities	-	-	-
Global government securities	334	-	366
Global corporate fixed income securities	2,087	-	2,257
US equities	83,847	-	86,091
Global equities	-	-	-
Lent for non-cash collateral:			
US agency securities	3,382	3,479	-
US government securities	3,876	4,006	-
US corporate fixed income securities	274,905	281,995	-
US equities	185,692	189,355	-
Global equities	1,229	1,324	-
Global corporate fixed	12	13	-
Total	<u>\$ 675,463</u>	<u>\$ 480,172</u>	<u>\$ 212,075</u>

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2023	Securities Lent	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for cash collateral:			
US agency securities	\$ 636	\$ -	\$ 651
US government securities	327	-	336
US corporate fixed income securities	55,426	-	56,543
Global government securities	555	-	579
Global corporate fixed income securities	1,997	-	2,152
US equities	55,709	-	56,892
Global equities	1,557	-	1,627
Lent for non-cash collateral:			
US agency securities	1,541	1,577	-
US government securities	7,671	7,850	-
US corporate fixed income securities	98,961	101,098	-
US equities	338,691	344,275	-
Global equities	1,414	1,499	-
Global corporate fixed	8,396	9,061	-
Total	<u>\$ 573,091</u>	<u>\$ 465,360</u>	<u>\$ 119,003</u>

Note 4 - Capital Assets

	June 30, 2022	Additions	Retirements	June 30, 2023	Additions	Retirements	June 30, 2024
Office equipment	\$16,879	\$ -	\$ -	\$16,879	\$ -	\$ -	\$16,879
Less accumulated depreciation on office equipment	(16,879)	-	-	(16,879)	-	-	(16,879)
Software	1,894,499	1,899,328	-	3,793,827	2,425,489	-	6,219,316
Less accumulated depreciation on software	(1,213,500)	-	-	(1,213,500)	-	-	(1,213,500)
	<u>\$ 680,999</u>	<u>\$ 1,899,328</u>	<u>\$ -</u>	<u>\$ 2,580,327</u>	<u>\$ 2,425,489</u>	<u>\$ -</u>	<u>\$ 5,005,816</u>

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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, 2024 and 2023:

	2024	2023
Due To Other State Agencies		
Information Technology Department	\$ 46,645	\$ 39,202
Health Department	-	30
Department of Transportation	31	-
Office of Attorney General	3,079	2,875
Office of Management and Budget	345	3,717
Total due to other state agencies	<u>\$ 50,100</u>	<u>\$ 45,824</u>
Due From Other State Agencies		
Public Employees Retirement System	<u>\$ 743</u>	<u>\$ 1,530</u>
Total due from other state agencies	<u>\$ 743</u>	<u>\$ 1,530</u>
Due To Other State Funds		
Budget Stabilization Fund	<u>\$ 58,328,500</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.

Note 6 - 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, 2024 and 2023 are summarized as follows:

	Beginning Balance 7/1/2023	Additions	Reductions	Ending Balance 6/30/2024	Amounts Due Within One Year
Accrued Leave	<u>\$258,130</u>	<u>\$264,235</u>	<u>(\$206,135)</u>	<u>\$316,230</u>	<u>\$154,695</u>
	Beginning Balance 6/30/2022	Additions	Reductions	Ending Balance 6/30/2023	Amounts Due Within One Year
Accrued Leave	<u>\$158,988</u>	<u>\$194,600</u>	<u>(\$95,458)</u>	<u>\$258,130</u>	<u>\$143,765</u>

Pension and Investment Trust Funds liquidate the accrued annual leave.

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Note 7 - 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, 2024 and 2023, the number of participating employer units was 204 and 206, respectively, consisting of the following:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Public School Districts	168	171
County Superintendents	4	4
Special Education Units	20	19
Vocational Education Units	4	4
Other	8	8
Total	<u>204</u>	<u>206</u>

TFFR's membership consisted of the following:

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	2024	2023
Retirees and beneficiaries currently receiving benefits	9,693	9,615
Terminated employees - vested	2,147	2,010
Terminated employees - nonvested	1,878	1,711
Total	<u>13,718</u>	<u>13,336</u>
Current employees		
Vested	8,453	8,336
Nonvested	3,492	3,430
Total	<u>11,945</u>	<u>11,766</u>

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.

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 8.02% and 7.35% for the years ended June 30, 2024 and 2023, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the

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changing amounts actually invested.

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, 2024 and 2023, TFFR had net realized gains of \$115,149,049 and \$37,160,466, respectively.

Net Pension Liability

The components of the net pension liability of TFFR at June 30, 2024 and 2023 (expressed in thousands), were as follows:

	June 30, 2024	June 30, 2023
Total pension liability	\$ 4,758,417	\$ 4,577,220
Plan fiduciary net position	<u>(3,351,008)</u>	<u>(3,173,908)</u>
Net pension liability (NPL)	<u>\$ 1,407,409</u>	<u>\$ 1,403,312</u>
Plan fiduciary net position as a percentage of the total pension liability	70.4%	69.3%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2024 and 2023, using the following actuarial assumptions:

Valuation date	July 1, 2024	July 1, 2023
Inflation	2.30%	2.30%
Salary increases	Composed of 3.80% wage inflation, plus step-rate promotional increases for members with less than 30 years of service	Composed of 3.80% wage inflation, plus step-rate promotional increases for members with less than 30 years of service
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, 2024 and 2023, valuations, the post-retirement healthy mortality table was 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 table was the Pub-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

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.

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This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates.

The 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, 2024 and 2023 are summarized in the following tables:

2024	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.0%	5.8%
Global Fixed Income	26.0%	2.9%
Global Real Assets	18.0%	6.3%
Cash Equivalents	1.0%	1.6%

2023	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.0%	6.2%
Global Fixed Income	26.0%	3.0%
Global Real Assets	18.0%	4.4%
Cash Equivalents	1.0%	0.9%

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 2.30% for expected inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2024 and 2023. 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, 2024 and 2023 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

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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, 2024 and 2023. 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, 2024 and 2023.

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, 2024 and 2023, 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 (expressed in thousands):

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employers' net pension liability	\$ 1,982,327	\$ 1,407,409	\$ 927,768

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employers' net pension liability	\$ 1,953,806	\$ 1,403,312	\$ 946,493

Note 8 - 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 eligible health, prescription drug plan, dental, vision, and long-term care plan premium expense. 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 plan is assigned to a Board comprised of eleven members. The Board consists of a Chairman, who is appointed by the Governor; three members appointed by the Governor; four members of the legislative assembly appointed by the chairman of the legislative management; and three members elected by the active membership of the

NDPERS system.

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. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. 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 NDPERS in the North Dakota Administrative Code.

Refunds of Member Contributions

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. 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.

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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. Beginning January 1, 2020 members first enrolled in the NDPERS main system and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the part a closed plan.

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, 2024 and 2023, RIO reported a liability of \$4,281,321 and \$4,453,741, 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 were measured as of June 30, 2023 and 2022, 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, 2023, RIO's pension plan proportion was 0.214521 percent and as of June 30, 2022, was 0.150263 percent. RIO's OPEB plan proportion was 0.144851 percent as of June 30, 2023 and was 0.105029 percent as of June 30, 2022.

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Notes to the Financial Statements

June 30, 2024 and 2023

RIO recognized pension and OPEB expense of \$416,820 and \$401,259 for the years ended June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, RIO reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2024	2023	2024	2023
Differences between expected and actual experience	\$ 137,381	\$ 25,563	\$ 24,470	\$ 83,750
Changes in assumptions	2,311,803	2,619,766	3,151,703	1,604,425
Net differences between projected and actual earnings on plan investments	118,994	175,369	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,176,734	139,323	40,675	81,577
Employer contributions subsequent to the measurement date	261,984	189,018	-	-
Total	\$ 4,006,896	\$ 3,149,039	\$ 3,216,848	\$ 1,769,752

Deferred outflows of resources related to pensions and OPEB resulting from employer contributions subsequent to the measurement date in the amount of \$261,984 will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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	
2025	\$ 342,194
2026	(123,856)
2027	410,587
2028	(100,861)
2029	-
2029	-
	<u>\$ 528,064</u>

Actuarial assumptions

The total pension and OPEB liabilities in the July 1, 2024 and 2023 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

2023 - Pension Plan

Inflation	2.25%
Salary Increase (Payroll Growth)	3.5% to 17.75%, including inflation
Investment Rate of Return	6.50%, net of investment expense
Cost-of-living Adjustments	None

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2022 - Pension Plan

Inflation	2.25%
Salary Increase (Payroll Growth)	3.5% to 17.75%, including inflation
Investment Rate of Return	5.10%, net of investment expense
Cost-of-living Adjustments	None

For active members, inactive members and healthy retirees in both 2023 and 2022, mortality rates were based on the Sex-distinct Pub-2010 table 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.

2023 & 2022 - OPEB Plan

Inflation	2.25%
Salary Increase (Payroll Growth)	Not applicable.
Investment Rate of Return	5.75%, net of investment expense
Cost of Living Adjustments	None

For active members, inactive members and healthy retirees in both 2023 and 2022, mortality rates were based on the MortalityPub-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.

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

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 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:

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2023 - Pension Plan

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58%	6.9%
Global Fixed Income	23%	2.5%
Global Real Assets	19%	4.3%

2022 - Pension Plan

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58%	6.4%
Global Fixed Income	23%	0.3%
Global Real Assets	19%	4.6%

2023 - OPEB Plan

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equity	33%	6.1%
Small Cap Domestic Equity	6%	7.1%
International Equity	26%	6.5%
Core-Plus Fixed Income	35%	2.6%

2022 - OPEB Plan

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equity	33%	5.6%
Small Cap Domestic Equity	6%	6.5%
International Equity	26%	6.0%
Core-Plus Fixed Income	35%	0.2%

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. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

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 2023, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69% (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 6.50%.

For 2022, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69% (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 5.10%.

The discount rate used to measure the total OPEB liability for 2023 was 5.75% and for 2022 was 5.39%. 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, 2023 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:

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2024

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
RIO's net pension liability	\$5,703,248	\$ 4,136,506	\$2,836,772

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
RIO's net OPEB liability	190,322	144,815	106,503

2023

	1% Decrease (4.10%)	Current Discount Rate (5.10%)	1% Increase (6.10%)
RIO's net pension liability	\$5,712,233	\$ 4,327,674	\$3,191,000

	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
RIO's net OPEB liability	160,917	126,067	96,812

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 at <https://www.ndpers.nd.gov/about/financial-actuarial-reports/annual-report-archive>

Note 9 - 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.

REQUIRED SUPPLEMENTARY INFORMATION

North Dakota Retirement and Investment Office

Required Supplementary Information

For Fiscal Year Ended June 30, 2024

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 100,869	\$ 96,101	92,336	\$ 87,088	\$ 80,591	\$ 77,756	\$ 78,041	\$ 75,476	\$ 68,239	\$ 60,618
Interest	325,552	318,879	311,929	300,698	306,791	296,876	287,375	276,412	265,440	249,064
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	32,437	(55,450)	(8,505)	8,366	(20,732)	(23,495)	(27,939)	(10,749)	(8,093)	2,209
Changes of assumptions	-	-	-	-	51,813	-	-	-	-	171,325
Benefit payments, including refunds of member contributions	(277,661)	(262,282)	(251,847)	(241,128)	(230,851)	(221,228)	(207,979)	(196,516)	(185,969)	(172,239)
Net change in total pension liability	181,197	97,248	143,913	155,024	187,612	129,909	129,498	144,623	139,617	310,977
Total pension liability - beginning	4,577,221	4,479,973	4,336,060	4,181,036	3,993,424	3,863,515	3,734,017	3,589,394	3,449,777	3,138,800
Total pension liability - ending (a)	\$ 4,758,418	\$ 4,577,221	4,479,973	\$ 4,336,060	\$ 4,181,036	\$ 3,993,424	\$ 3,863,515	\$ 3,734,017	\$ 3,589,394	\$ 3,449,777
Plan fiduciary net position										
Contributions - employer	\$ 108,088	\$ 102,308	100,331	\$ 98,264	\$ 93,032	\$ 89,445	\$ 86,676	\$ 86,059	\$ 82,840	\$ 78,422
Contributions - member	99,610	94,284	92,462	90,557	85,735	82,429	79,878	79,309	76,343	72,268
Contributions - purchased service credit	1,196	1,109	2,017	2,559	2,175	1,917	2,181	2,553	2,768	1,601
Contributions - other	88	(10)	25	126	159	159	194	236	45	172
Net investment income	249,092	217,471	(198,881)	684,173	86,206	135,043	211,345	266,688	8,239	73,205
Benefit payments, including refunds of member contributions	(277,661)	(262,282)	(251,847)	(241,128)	(230,851)	(221,228)	(207,979)	(196,516)	(185,969)	(172,239)
Administrative expenses	(3,313)	(2,891)	(2,592)	(2,678)	(2,095)	(2,251)	(2,129)	(2,173)	(1,852)	(1,923)
Net change in plan fiduciary net position	177,100	149,989	(258,485)	631,873	34,361	85,514	170,166	236,156	(17,586)	51,506
Plan fiduciary net position - beginning *	3,173,909	3,023,920	3,282,405	2,650,532	2,616,171	2,530,657	2,360,491	2,124,335	2,141,921	2,090,415
Plan fiduciary net position - ending (b)	\$ 3,351,009	\$ 3,173,909	3,023,920	\$ 3,282,405	\$ 2,650,532	\$ 2,616,171	\$ 2,530,657	\$ 2,360,491	\$ 2,124,335	\$ 2,141,921
Plan's net pension liability - ending (a) - (b)	\$ 1,407,409	\$ 1,403,312	1,456,053	\$ 1,053,655	\$ 1,530,504	\$ 1,377,253	\$ 1,332,858	\$ 1,373,526	\$ 1,465,059	\$ 1,307,856
Plan fiduciary net position as a percentage of the total pension liability	70.4%	69.3%	67.5%	75.7%	63.4%	65.5%	65.5%	63.2%	59.2%	62.1%
Covered payroll	847,923	802,413	786,912	770,700	729,661	701,528	679,809	674,971	649,725	615,105
Plan's net pension liability as a percentage of covered payroll	166.0%	174.9%	185.0%	136.7%	209.8%	196.3%	196.1%	203.5%	225.5%	212.6%

Notes to Schedule:

* Restated in 2015 due to GASB 68 implementation.

Changes of assumptions:

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2020.

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Required Supplementary Information

For Fiscal Year Ended June 30, 2024

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
2024	\$ 105,990	\$ 108,088	\$ (2,098)	\$ 847,923	12.75%
2023	97,252	102,308	(5,056)	802,413	12.75%
2022	97,341	100,331	(2,990)	786,912	12.75%
2021	101,655	98,264	3,391	770,700	12.75%
2020	93,688	93,032	656	729,661	12.75%
2019	90,778	89,445	1,333	701,528	12.75%
2018	88,307	86,676	1,631	679,809	12.75%
2017	89,231	86,059	3,172	674,971	12.75%
2016	84,724	82,840	1,884	649,725	12.75%
2015	71,168	78,422	(7,254)	615,105	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	20 years as of July 1, 2023
Asset valuation method	5-year smoothed market
Inflation	2.30%
Salary increases	Composed of 3.80% wage inflation, plus step-rate promotional increases for members with less than 30 years of service.
Investment rate of return	7.25%
Retirement age	Experience-based tables of rates based on age and gender
Mortality	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. Disabled: Pub NS-2010 Retiree Table with generational mortality improvement using Scale MP-2019.

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

ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSES

<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
8.02%	7.35%	-6.17%	26.36%	3.37%	5.46%	9.15%	12.81%	0.39%	3.56%

North Dakota Retirement and Investment Office

Required Supplementary Information

For Fiscal Year Ended June 30, 2024

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
RIO's proportion of NDPERS net pension liability (asset)	0.214521%	0.150263%	0.141582%	0.140747%	0.151523%	0.153507%	0.156317%	0.152969%	0.145546%	0.121849%
RIO's proportion of NDPERS net OPEB liability (asset)	0.144851%	0.105029%	0.132262%	0.122537%	0.141245%	0.144121%	0.147503%			
RIO's proportionate share of NDPERS net pension liability (asset)	\$ 4,137	\$ 4,328	\$ 1,475.71	\$ 4,428	\$ 1,776	\$ 2,591	\$ 2,513	\$ 1,491	\$ 990	\$ 773
RIO's proportionate share of NDPERS net OPEB liability (asset)	145	126	74	103	113	114	117			
RIO's covered payroll	\$ 2,286	\$ 1,605	\$ 1,843	\$ 1,631	\$ 1,584	\$ 1,567	\$ 1,596	\$ 1,507	\$ 1,377	\$ 1,026
RIO's proportionate share of NDPERS net pension liability (asset) as a percentage of its covered payroll	180.95%	269.64%	80.071%	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	6.33%	7.85%	3.99%	6.32%	7.16%	7.28%	7.31%			
NDPERS Plan fiduciary net position as a percentage of the total pension liability	65.31%	54.47%	78.26%	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	62.74%	56.28%	76.63%	63.38%	63.13%	61.89%	59.78%			

*Complete data for this schedule is not available prior to 2018 for OPEB 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

For Fiscal Year Ended June 30, 2024

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
RIO's Statutorily required pension contributions	\$ 244	\$ 174	\$ 119	\$ 131	\$ 116	\$ 113	\$ 112	\$ 114	\$ 107	\$ 98
RIO's Statutorily required OPEB contributions	18	15	14	21	19	18	18	18		
RIO's pension contributions in relation to the statutory required contribution	244	174	119	131	116	113	112	114	107	98
RIO's OPEB contributions in relation to the statutory required contribution	18	15	14	21	19	18	18	18		
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
RIO's Covered payroll	\$ 2,977	\$ 2,286	\$ 1,605	\$ 1,843	\$ 1,631	\$ 1,584	\$ 1,567	\$ 1,596	\$ 1,507	\$ 1,377
RIO's pension contributions as a percentage of covered payroll	8.19%	7.62%	7.40%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%
RIO's OPEB contributions as a percentage of covered payroll	0.61%	0.65%	0.86%	1.14%	1.14%	1.14%	1.14%	1.14%		

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

North Dakota Retirement and Investment Office
 Combining Statement of Net Position – Investment Trust Funds – Fiduciary Funds
 June 30, 2024 (with Summarized Comparative Totals for 2023)

	Pension Pool Participants					Insurance Pool Participants				Petroleum Tank Release Comp. Fund	Insurance Regulatory Trust Fund		
	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					
	Assets:												
	Investments												
Global equities	\$2,584,378,867	\$61,237,060	\$28,526,243	\$47,011,650	\$4,835,104	\$433,004,284	\$5,803,488	\$ -	\$ -	\$1,459,111			
Global fixed income	1,023,613,249	44,681,618	16,139,838	18,842,791	2,207,481	134,000,540	8,873,342	2,094,754	3,034,491	1,658,576			
Global real assets	698,182,769	23,120,784	9,551,430	10,773,155	1,678,307	351,092,026	-	-	-	-			
In State Investments	-	-	-	-	-	-	-	-	-	-			
Cash equivalents	27,986,735	457,382	183,252	771,779	24,165	25,190,643	1,630,821	1,728,394	3,078,359	1,649,542			
Total investments	4,334,161,620	129,496,844	54,400,763	77,399,375	8,745,057	2,123,287,493	16,307,651	3,823,148	6,112,850	4,767,299			
Invested sec lending collateral	64,061,639	1,825,352	791,637	1213,869	133,560	19,248,457	167,628	28,756	4,1885	34,385			
Investment income receivable	9,190,359	288,391	109,307	109,141	25,495	10,351,104	152,650	29,976	62,557	26,511			
Operating Cash	256,453	-	-	-	-	159,529	1,770	1,272	14,13	10,15			
Miscellaneous receivable	9,233	-	-	-	-	4,603	40	8	13	4			
Due from other state agencies	-	-	-	-	-	-	-	-	-	-			
Total assets	4,407,679,304	131,610,587	55,301,707	78,722,385	8,904,112	2,153,051,186	16,629,739	3,883,160	6,218,718	4,829,214			
Deferred outflows of resources													
Related to pensions	491,831	-	-	-	-	281,702	2,870	496	861	272			
Liabilities:													
Investment expenses payable	2,088,610	70,047	28,419	36,117	5,817	919,702	8,707	1,055	1,554	1,849			
Securities lending collateral	64,061,639	1,825,352	791,637	1213,869	133,560	19,248,457	167,628	28,756	4,1885	34,385			
Accounts payable	82,938	-	-	-	-	34,479	298	62	98	30			
Accrued expenses	564,629	-	-	-	-	352,539	4,260	641	1,223	286			
Miscellaneous payable	-	8,899	3,756	5,319	719	-	-	-	-	-			
Due to other state funds	-	-	-	-	-	-	-	-	-	-			
Due to other state agencies	2,757	-	-	-	-	1,375	12	2	4	1			
Total liabilities	66,800,573	1,904,298	823,812	1,255,305	140,096	20,556,552	180,905	30,516	44,764	36,551			
Deferred inflows of resources													
Related to pensions	435,626	-	-	-	-	241,524	2,361	422	693	278			
Fiduciary net position held in trust for external investment pool participants													
	\$ 4,340,934,936	\$ 129,706,289	\$ 54,477,895	\$ 77,467,080	\$ 8,764,016	\$ 2,132,534,812	\$ 16,449,343	\$ 3,852,718	\$ 6,174,122	\$ 4,792,657			
Each participant unit is valued at \$ 100													
Participant units outstanding	4,340,934,936	129,706,289	54,477,895	77,467,080	8,764,016	2,132,534,812	16,449,343	3,852,718	6,174,122	4,792,657			

North Dakota Retirement and Investment Office
 Combining Statement of Net Position – Investment Trust Funds – Fiduciary Funds
 June 30, 2024 (with Summarized Comparative Totals for 2023)

Insurance Pool Participants												
Cultural Endowment Fund	Risk Mgmt Fund	Risk Mgmt Workers' Comp	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	Arts Across the Prairie Maintenance Endowment	Attorney General Settlement Fund
\$333,554	\$1,342,878	\$821,117	\$250,632	\$2,778,941	\$ -	\$ -	\$256,408	\$22,119,806	\$1,190,994	\$323,655	\$854,249	\$ -
220,442	2,802,937	1,302,609	171,302	4,842,572	56,158,352	960,857,103	546,508	16,904,078	2,900,639	582,812	356,873	1,033,628
29,544	-	-	73,960	-	-	-	-	4,341,112	258,458	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
17,541	217,109	61,231	1,172	232,887	2,972,589	9,957,768	41,679	432,608	12,628	8,841	3,677	8,377
601,081	4,362,924	2,184,957	497,066	7,854,400	59,130,941	970,814,871	844,595	43,797,604	4,362,719	915,308	124,799	1,042,005
6,011	53,651	27,169	3,156	84,548	645,709	1,105,490	9,354	454,544	42,557	9,148	7,335	11,929
480	53,084	9,462	330	9,515	402,606	7,477,251	2,353	51,774	4,227	863	129	13,014
222	1,282	1,264	-	-	-	62,649	-	-	-	-	3,597	-
1	9	2	-	-	-	2,070	-	-	-	-	3	-
-	-	-	-	-	-	-	-	-	-	-	-	-
607,795	4,470,950	2,222,854	500,552	7,948,463	60,179,256	989,411,742	856,302	44,303,922	4,409,503	925,319	1,225,863	1,066,948
73	616	471	-	-	-	82,191	-	-	-	-	86	-
394	2,646	1,399	190	4,089	16,904	287,611	445	30,715	1,864	388	438	310
6,011	53,651	27,169	3,156	84,548	645,709	1,105,490	9,354	454,544	42,557	9,148	7,335	11,929
10	66	18	-	-	-	15,504	-	-	-	-	19	-
87	913	775	-	-	-	82,441	-	-	-	-	120	-
-	-	-	185	525	4,058	-	250	3,007	292	250	-	250
-	-	-	-	-	-	58,328,500	-	-	-	-	-	-
-	3	1	-	-	-	618	-	-	-	-	1	-
6,502	57,279	29,362	3,531	89,162	666,671	69,769,575	10,049	488,266	44,713	9,786	7,913	12,489
62	512	366	-	-	-	90,623	-	-	-	-	17	-
\$ 601,304	\$ 4,413,775	\$ 2,193,597	\$ 497,021	\$ 7,859,301	\$ 59,512,585	\$ 919,633,735	\$ 846,253	\$ 43,815,656	\$ 4,364,790	\$ 915,533	\$ 1,218,019	\$ 1,054,459
601,304	4,413,775	2,193,597	497,021	7,859,301	59,512,585	919,633,735	846,253	43,815,656	4,364,790	915,533	1,218,019	1,054,459

North Dakota Retirement and Investment Office
Combining State of Net Position – Investment Trust Funds – Fiduciary Funds
June 30, 2024 (with Summarized Comparative Totals for 2023)

	Insurance Pool Participants			Individual Investment Accounts			Totals	
	ND University System Capital Building Fund	Water Project Stabilization Fund	ND State Historical Society	Legacy Fund	Job Service of North Dakota	PERS Retiree Health Credit Fund	2024	2023
Assets:								
Investments								
Global equities	\$ -	\$ -	\$ -	\$ 6,179,246,705	\$ 16,452,057	\$ 120,260,279	\$ 9,512,487,152	\$ 7,634,156,673
Global fixed income	673,865	-	-	3,256,839,735	66,270,484	63,927,579	6,871,538,198	6,118,263,992
Global real assets	-	-	-	951,050,147	-	-	2,050,151,692	2,492,901,108
In State Investments	-	-	-	408,303,484	-	-	408,303,484	-
Cash equivalents	6,417	44,661,418	873,563	48,350,696	49,324	57,181	170,667,778	91,320,247
Total investments	680,282	44,661,418	873,563	10,843,790,767	82,771,865	184,245,039	19,013,148,304	16,336,642,020
Invested sec lending collateral	7,761	-	-	66,131,221	-	-	166,096,162	94,904,315
Investment income receivable	6,054	57,125	989	35,009,290	430	1,202	63,445,669	54,917,457
Operating Cash	-	-	-	542,355	-	-	1,032,821	866,980
Miscellaneous receivable	-	-	-	22,651	-	-	38,637	37,003
Due from other state agencies	-	-	-	-	-	-	-	641
Total assets	694,097	44,718,543	874,552	10,945,496,284	82,772,295	184,246,241	19,243,761,593	16,487,368,416
Deferred outflows of resources								
Related to pensions	-	-	-	1,103,943	-	-	1,965,412	1,433,652
Liabilities:								
Investment expenses payable	202	-	-	4,409,491	64,897	134,051	8,117,911	8,735,757
Securities lending collateral	7,761	-	-	66,131,221	-	-	166,096,162	94,904,315
Accounts payable	-	-	-	240,069	-	-	373,591	173,010
Accrued expenses	-	-	-	1,142,100	-	-	2,150,014	2,220,534
Miscellaneous payable	250	-	-	-	5,636	12,245	45,641	42,921
Due to other state funds	-	-	-	-	-	-	58,328,500	-
Due to other state agencies	-	-	-	6,765	-	-	11,539	6,177
Total liabilities	8,213	-	-	7,192,946	70,533	146,296	235,123,358	106,082,714
Deferred inflows of resources								
Related to pensions	-	-	-	932,391	-	-	1,704,875	822,733
Fiduciary net position held in trust for external investment pool participants								
	\$ 685,884	\$ 44,718,543	\$ 874,552	\$ 10,873,738,190	\$ 82,701,762	\$ 184,099,945	\$ 19,008,898,772	\$ 16,381,896,621
Each participant unit is valued at \$ 100								
Participant units outstanding	685,884	44,718,543	874,552	10,873,738,190	82,701,762	184,099,945	19,008,898,772	16,381,896,621

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North Dakota Retirement and Investment Office
 Combining Statement of Changes in Net Position – Investment Trust Funds – Fiduciary Funds
 Year Ended June 30, 2024 (with Summarized Comparative Totals for 2023)

	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
Additions:										
Investment income:										
Net change in fair value of investments	\$ 30,106,880	\$ 7,727,832	\$ 3,533,848	\$ 6,371,211	\$ 477,952	\$ 70,167,866	\$ 1,130,234	\$ 26,256	\$ 41,979	\$ (143,231)
Interest, dividends and other income	64,701,143	2,248,444	873,263	1,149,700	176,715	54,818,122	493,141	154,360	252,244	99,509
	365,768,023	9,976,276	4,407,111	7,520,911	654,667	124,985,988	1,623,375	180,616	294,223	(43,722)
Less investment expenses	8,636,790	293,044	121,734	163,016	23,207	3,614,381	27,489	2,881	4,250	2,861
Net investment income	357,131,233	9,683,232	4,285,377	7,357,895	631,460	121,371,607	1,595,886	177,735	289,973	(46,583)
Securities lending activity:										
Securities lending income	312,578	7,730	3,336	5,617	1,203	203,659	2,085	262	376	276
Less Securities lending expenses	(62,476)	(1,545)	(666)	(1,123)	(241)	(40,655)	(416)	(51)	(74)	(56)
Net securities lending income	250,102	6,185	2,670	4,494	962	163,004	1,669	211	302	220
Purchase of units (\$1 per unit)	138,028,042	-	-	3,350,089	304,953	5,000,000	8,757,890	-	-	4,281,550
Total Additions	495,409,377	9,689,417	4,288,047	10,712,478	937,375	126,534,611	10,355,445	177,946	290,275	4,235,187
Deductions:										
Administrative Expenses	1,003,070	-	-	-	-	483,204	4,244	1,075	1,375	996
Redemption of units (\$1 per unit)	63,475,000	3,250,000	750,000	8,124,940	899,006	59,000,000	12,177,820	-	-	6,600,000
Total Deductions	64,478,070	3,250,000	750,000	8,124,940	899,006	59,483,204	12,182,064	1,075	1,375	6,600,996
Change in fiduciary net position	430,931,307	6,439,417	3,538,047	2,587,538	38,369	67,051,407	(1,826,619)	176,871	288,900	(2,365,809)
Fiduciary net position:										
Beginning of year	3,910,003,629	123,266,872	50,939,848	74,879,542	8,725,647	2,065,483,405	18,275,962	3,675,847	5,885,222	7,158,466
End of year	\$ 4,340,934,936	\$ 129,706,289	\$ 54,477,895	\$ 77,467,080	\$ 8,764,016	\$ 2,132,534,812	\$ 16,449,343	\$ 3,852,718	\$ 6,174,122	\$ 4,792,657

North Dakota Retirement and Investment Office
 Combining Statement of Changes in Net Position – Investment Trust Funds – Fiduciary Funds
 Year Ended June 30, 2024 (with Summarized Comparative Totals for 2023)

Insurance Pool Participants

Cultural Endowment Fund	Risk Mgmt Fund	Risk Mgmt Workers' Comp	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 FargoDome Fund	State Board of Medicine	Lewis & Clark Interpretive Center Endowment	Arts Across the Prairie Maintenance Endowment	Attorney General Settlement Fund
\$ 46,209	\$ 232,725	\$ (22,911)	\$ 35,648	\$ 459,944	\$ 1,591,237	\$ 25,512,345	\$ 42,834	\$ 3,176,981	\$ 14,1389	\$ 52,812	\$ 128,199	\$ 39,775
12,501	109,669	47,977	9,454	194,141	2,848,692	37,618,814	21,644	868,958	103,599	22,608	20,217	56,864
58,710	342,394	25,066	45,102	654,085	4,439,929	63,131,159	64,478	4,045,939	244,988	75,420	148,416	96,639
1250	6,782	2,807	1,543	13,562	77,925	113,858	2,291	104,293	7,773	2,307	1,898	2,395
57,460	335,612	22,259	43,559	640,523	4,362,004	62,017,301	62,187	3,941,646	237,215	73,113	146,518	94,244
74	541	279	43	910	5,296	85,039	97	5,505	416	102	118	137
(12)	(108)	(56)	(9)	(180)	(1059)	(16,996)	(20)	(1097)	(83)	(21)	(23)	(26)
62	433	223	34	730	4,237	68,043	77	4,408	333	81	95	111
-	250,000	1,000,000	-	-	184,200,000	176,601,907	-	-	89,1941	-	-	-
57,522	586,045	1,022,482	43,593	641,253	188,566,241	238,687,251	62,264	3,946,054	1,129,489	73,194	146,613	94,355
840	1,100	989	-	-	-	207,414	-	-	-	-	990	-
10,000	450,000	2,250,000	-	-	187,800,000	58,328,500	-	2,750,000	-	-	-	857,730
10,840	451,100	2,250,989	-	-	187,800,000	58,535,914	-	2,750,000	-	-	990	857,730
46,682	134,945	(1,228,507)	43,593	641,253	766,241	180,151,337	62,264	1,196,054	1,129,489	73,194	145,623	(763,375)
554,622	4,278,830	3,422,104	453,428	7,218,048	58,746,344	739,482,398	783,989	42,619,602	3,235,301	842,339	1,072,396	1,817,834
\$ 60,1304	\$ 4,413,775	\$ 2,193,597	\$ 497,021	\$ 7,859,301	\$ 59,512,585	\$ 919,633,735	\$ 846,253	\$ 43,815,656	\$ 4,364,790	\$ 915,533	\$ 1,218,019	\$ 1,054,459

North Dakota Retirement and Investment Office
Combining Statement of Changes in Net Position – Investment Trust Funds – Fiduciary Funds
Year Ended June 30, 2024 (with Summarized Comparative Totals for 2023)

	Insurance Pool Participants			Individual Investment Accounts			Totals	
	ND University	Water	ND	Legacy	Job Service	PERS		
	System	Project	State		of North	Retiree		
	Capital Building Fund	Stabilization Fund	Historical Society	Fund	Dakota	Health Credit Fund	2024	2023
Additions:								
Investment income:								
Change in fair value of investments	\$ 19,885	\$ -	\$ -	\$ 873,602,292	\$ 1,160,091	\$ 16,039,784	\$ 1,312,660,066	\$ 817,632,974
Interest, dividends and other income	32,734	196,299	3,345	182,748,175	3,728,489	5,297,935	358,908,756	311,158,011
	52,619	196,299	3,345	1,056,350,467	4,888,580	21,337,719	1,671,568,822	1,128,790,985
Less investment expenses	1,746	-	-	17,313,862	276,920	542,564	32,363,429	34,820,522
Net investment income	50,873	196,299	3,345	1,039,036,605	4,611,660	20,795,155	1,639,205,393	1,093,970,463
Securities lending activity:								
Securities lending income	73	-	-	805,473	-	-	144,1225	1,070,688
Less Securities lending expenses	(16)	-	-	(161,004)	-	-	(288,013)	(216,321)
Net securities lending income	57	-	-	644,469	-	-	156,112	854,367
Purchase of units (\$1 per unit)	-	44,718,543	871,207	836,684,346	-	5,330,000	14,10,074,169	1,077,407,627
Total Additions	50,930	44,718,543	874,552	1,876,365,420	4,611,660	26,125,155	3,050,432,774	2,172,232,457
Deductions:								
Administrative Expenses	-	-	-	2,366,150	-	-	4,071,447	3,061,781
Redemption of units (\$1 per unit)	415,945	-	-	-	5,320,235	6,900,000	4,19,359,176	820,581,407
Total Deductions	415,945	-	-	2,366,150	5,320,235	6,900,000	423,430,623	823,643,188
Change in fiduciary net position	(365,015)	44,718,543	874,552	1,873,999,270	(708,575)	19,225,155	2,627,002,151	1,348,589,269
Fiduciary net position:								
Beginning of year	1,050,899	-	-	8,999,738,920	83,410,337	164,874,790	16,381,896,621	15,033,307,352
End of year	\$ 685,884	\$ 44,718,543	\$ 874,552	\$ 10,873,738,190	\$ 82,701,762	\$ 184,099,945	\$ 19,008,898,772	\$ 16,381,896,621

North Dakota Retirement and Investment Office
Pension and Investment Trust Funds – Schedule of Administrative Expenses
Years Ended June 30, 2024 and 2023

	Pension Trust		Investment Trust	
	2024	2023	2024	2023
Salaries and wages:				
Salaries and wages	\$ 1,121,651	\$ 987,936	\$ 2,194,985	\$1,655,919
Fringe benefits	578,547	576,853	1,026,873	765,024
Total salaries and wages	<u>1,700,198</u>	<u>1,564,789</u>	<u>3,221,858</u>	<u>2,420,943</u>
Operating expenses:				
Travel	46,573	33,818	91,682	31,330
Supplies	967	4,078	1,117	2,280
Postage and Mailing Services	21,188	19,676	2,395	2,676
Printing	8,823	9,086	366	1,153
Small Office Equipment and Furniture	869	11,556	3,078	15,229
Insurance	670	571	798	669
Rent/Lease of Building Space	53,868	50,507	51,282	44,558
Repairs	-	103	-	127
Information Technology & Communications	255,577	219,140	737,421	677,924
Professional Development	30,704	29,079	21,694	16,859
Operating Fees and Services	29,970	30,970	76,995	78,535
Professional Fees and Services	96,151	82,890	179,295	78,683
Consultant Services	566,587	449,274	184,094	76,326
Total operating expenses	<u>1,111,947</u>	<u>940,748</u>	<u>1,350,217</u>	<u>1,026,349</u>
Pension trust portion of investment program expenses	500,628	385,510	(500,628)	(385,510)
Depreciation	-	-	-	-
Total administrative expenses	<u>3,312,773</u>	<u>2,891,047</u>	<u>4,071,447</u>	<u>3,061,782</u>
Capital assets purchased	<u>2,425,489</u>	<u>1,899,328</u>	-	-
Less - nonappropriated items:				
Consultant Services	243,662	193,110	184,094	76,326
Other operating fees paid under continuing appropriation	162,277	156,181	947,905	775,741
Depreciation	-	-	-	-
Retainage Payable	208,078	170,367	-	-
Accrual adjustments to employee benefits	186,011	231,833	281,678	268,569
Total nonappropriated items	<u>800,028</u>	<u>751,491</u>	<u>1,413,677</u>	<u>1,120,636</u>
Total appropriated administrative expenses	<u>\$4,938,234</u>	<u>\$4,038,884</u>	<u>\$ 2,657,770</u>	<u>\$1,941,146</u>

The accompanying notes are an integral part of these statements.

North Dakota Retirement and Investment Office
Pension and Investment Trust Funds – Schedule of Consultant Expenses
Years Ended June 30, 2024 and 2023

	Pension Trust		Investment Trust	
	2024	2023	2024	2023
Actuary fees:				
Segal Consulting	\$ 11,813	\$121,476	\$ -	\$ -
GRS Consulting	94,329	30,000	-	-
Total Actuary Fees	106,142	151,476	-	-
Auditing/Accounting fees:				
CliftonLarsonAllen LLP	69,954	15,750	17,182	15,750
Total Auditing Fees	69,954	15,750	17,182	15,750
Project management fees:				
Segal Consulting	322,923	255,599	-	-
Disability consulting fees:				
Sanford Health	360	250	-	-
Legal fees:				
K&L Gates LLP	-	1,351	-	(1,351)
Jackson Walker LLP	55,223	12,101	141,833	44,659
ND Attorney General	11,985	12,747	25,079	17,268
Total legal fees:	67,208	26,199	166,912	60,576
Total consultant expenses	<u>\$566,587</u>	<u>\$449,274</u>	<u>\$184,094</u>	<u>\$ 76,326</u>

North Dakota Retirement and Investment Office
Pension and Investment Trust Funds – Schedule of Investment Expenses
Years Ended June 30, 2024 and 2023

	Pension Trust		Investment Trust	
	2024	2023	2024	2023
Investment managers' fees:				
Global equity managers	\$ -	\$ 515,749	\$ -	\$ 740,726
Domestic large cap equity managers	1,454,877	1,796,585	6,973,760	8,074,428
Domestic small cap equity managers	722,894	786,323	4,276,754	3,979,688
International equity managers	964,640	1,041,416	6,836,991	7,211,790
Emerging markets equity managers	202,742	385,510	322,244	618,253
Domestic fixed income managers	1,580,671	1,116,310	8,415,346	13,911,661
Below investment grade fixed income managers	4,150,870	3,396,552	5,751,698	4,768,510
Diversified real assets managers	-	-	7,190,016	11,127,133
Real estate managers	1,400,470	(988,076)	5,238,196	1,439,900
Infrastructure managers	2,414,478	3,430,215	3,169,064	4,501,620
Timber managers	312,206	256,928	386,680	314,297
In State Equity managers	-	-	1,000,000	-
High Yield Fixed Income managers	-	-	430,648	-
Private Credit managers	-	-	14,679,449	-
Private equity managers	3,791,146	3,170,639	6,352,856	5,918,907
Short term fixed income managers	-	-	1,058,705	879,205
Cash & equivalents managers	22,141	29,028	68,979	232,094
Balanced account managers	-	-	1,106,726	1,041,945
Total investment managers' fees	\$ 17,017,135	\$ 14,937,179	\$ 73,258,112	\$ 64,760,157
Custodian fees	308,552	252,016	1,401,696	1,205,164
Investment consultant fees	134,638	106,622	703,803	674,998
SIB Service Fees	-	-	137,184	110,708
Total investment expenses	\$ 17,460,325	\$ 15,295,817	\$ 75,500,795	\$ 66,751,027

Reconciliation of investment expenses to financial statements

	2024	2023	2024	2023
Investment expenses as reflected in the financial statements	\$ 6,293,751	\$ 7,468,043	\$ 32,363,429	\$ 34,820,522
Plus investment management fees included in investment income				
Domestic large cap equity managers	914,283	195,757	3,758,525	974,905
Domestic small cap equity managers	-	-	-	-
International equity managers	56,090	105,741	1,114,355	1,143,953
Emerging markets equity managers	165,458	109,165	263,039	174,357
Domestic fixed income managers	693,268	674,004	2,274,451	9,027,380
Below investment grade fixed income managers	3,718,416	3,010,844	5,356,901	4,508,405
Diversified real assets managers	-	-	5,186,470	9,241,197
Real estate managers	(92,056)	(2,623,992)	241,277	(3,770,955)
Infrastructure managers	1,777,850	2,949,837	2,333,985	3,871,352
Timber managers	142,119	235,779	172,726	286,557
In State Equity	-	-	1,000,000	-
Private Credit Managers	-	-	14,679,449	-
Private equity managers	3,791,146	3,170,639	6,352,856	5,918,907
Short term fixed income managers	-	-	-	-
Cash equivalents managers	-	-	42,895	213,873
Balanced account managers	-	-	360,437	340,574
Investment expenses per schedule	\$ 17,460,325	\$ 15,295,817	\$ 75,500,795	\$ 66,751,027

North Dakota Retirement and Investment Office
 Schedule of Appropriations – Budget Basis – Fiduciary Funds
 July 1, 2023 to June 30, 2025 Biennium

	Approved 2023-2025 Appropriation	2023-2025 Appropriation Adjustment	Adjusted 2023-2025 Appropriation	Fiscal 2024 Expenses	Unexpended Appropriations
All Fund Types:					
Salaries and wages	\$ 8,910,047	\$ 556,104	\$ 9,466,151	\$ 4,454,366	\$ 5,011,785
Operating expenses	2,869,937	1,407,623	4,277,560	1,571,236	2,706,324
Capital Assets	-	4,150,214	4,150,214	1,570,402	2,579,812
Contingency	200,000	-	200,000	-	200,000
Total	<u>\$ 11,979,984</u>	<u>\$ 6,113,941</u>	<u>\$ 18,093,925</u>	<u>\$ 7,596,004</u>	<u>\$ 10,497,921</u>

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

Reconciliation of Administrative Expenses to Appropriated Expenditures

	<u>2024</u>
Administrative expenses as reflected in the financial statements	\$ 7,384,220
Plus:	
Capitalized software purchases - appropriated	2,425,489
Less appropriated accrual expense	
Retainage Payable	(208,078)
Less expenses paid under continuing appropriation:	
Consulting Services*	(427,756)
Other operating fees paid under continuing appropriations*	(1,110,182)
Depreciation expense	-
Changes in benefit accrual amounts	<u>(467,689)</u>
Total appropriated expenses	<u>\$ 7,596,004</u>

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

**Special Comments Requested by the Legislative Audit
and Fiscal Review Committee
Year Ended June 30, 2024**

The Legislative Audit and Fiscal Review Committee requires that certain items be addressed by auditors performing audits of state agencies. These items and our responses are as follows:

Audit Report Communications

1. What type of opinion was issued on the financial statements?

Unmodified

2. Was there compliance with statutes, laws, rules, regulations under which the agency was created and is functioning?

Yes

3. Was internal control adequate and functioning effectively?

Yes

4. Were there any indications of lack of efficiency in financial operations and management of the agency?

No

5. Has action been taken on findings and recommendations included in prior year reports?

There were no prior year findings or recommendations.

6. Was a management letter issued? If so, provide a summary below, including any recommendations and the management response.

No

Audit Committee Communications

1. Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.

For the year ended June 30, 2024, no new accounting policies were adopted, and the application of existing policies was not changed.

2. Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates.

The valuation of alternative investments, including private equity and real asset investments, are a management estimate which is primarily based upon net asset values reported by the investment managers and comprise 16% of the total investment portfolio. The values for these investments are reported based upon the most recent financial data available and are adjusted for cash flows through June 30, 2024. Our audit procedures validated this approach through the use of confirmations sent directly to a sample of investment managers and the review of the most recent audited financial statements for these funds. Furthermore, we reviewed management's estimate and found it to be reasonable.

The actuarial valuation was based on the actuarial assumptions and methods adopted by the Board, including an actuarial expected investment rate of return of 7.25% per annum compounded annually. The valuation takes into account all of the promised benefits to which members are entitled as of July 1, 2024 as required by the North Dakota Century Code. The valuation provides certain information required by GASB to be disclosed in the financial statements. Additionally, the valuation is used to determine the adequacy of the current employer contribution rate. Our audit procedures included reviewing the actuarial valuation and related assumptions used therein and we believe the estimate to be reasonable.

3. Identify any significant audit adjustments.

None

4. Identify any disagreements with management, whether or not resolved to the auditor's satisfaction, relating to financial accounting, reporting, or auditing matters that could be significant to the financial statements.

None

5. Identify any significant difficulties encountered in performing the audit.

None

6. Identify any major issues discussed with management prior to retention.

None

7. Identify any management consultations with other accounts about auditing and accounting matters.

None

8. Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission or whether any exceptions identified in the six audit report questions addressed above are directly related to the operations of an information technology system.

Based on the audit procedures performed, the Retirement and Investment Office's critical information technology system is the CPAS system. There were no exceptions identified that were directly related to this application.

This report is intended solely for the information and use of the audit committee, management, the Legislative Audit and Fiscal Review Committee, and other state officials, and is not intended to be and should not be used by anyone other than these specified parties.

UHY LLP

Columbia, Maryland
November 1, 2024