

**ND STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING**

Thursday February 23, 2017 – 3:00 PM
Workforce Safety & Insurance
1600 E Century Ave, Bismarck, ND 58503

AGENDA

1. Call to Order and Approval of Agenda – Chair (committee action) (5 minutes)
2. Approval of November 17, 2016 Minutes – Chair (committee action) (5 minutes)
3. 2016 - 2017 Second Quarter Audit Activities Report – Terra Miller Bowley (committee action)(10 minutes)
4. Executive Limitation Audit – Terra Miller Bowley (committee action)(10 minutes)
5. GASB 68 Schedule Audit Update – Terra Miller Bowley (information)(10 minutes)
6. TFFR Employer Auditing: Audit Recommendation Follow-up – Janilyn Murtha and Terra Miller Bowley(information)(20 minutes)
7. Committee Meeting with Executive Director and Deputy Executive Director – Dave Hunter and Fay Kopp, SIB Audit Committee Members (15 minutes)
8. Committee Meeting with Supervisor of Audit Services and Auditor – Terra Miller Bowley and Dottie Thorsen, SIB Audit Committee Members (15 minutes)
9. Other – Next SIB Audit Committee Meeting

North Dakota State Capitol Building
Thursday May 25, 2016 - 3:00 PM
Peace Garden Room

10. Adjournment

Any individual requiring an auxiliary aid or service should contact the Retirement and Investment Office at (701) 328-9885 at least (3) days prior to the scheduled meeting.

**STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
NOVEMBER 17, 2016, MEETING**

COMMITTEE MEMBERS PRESENT: Rebecca Dorwart, Chair
Mike Gessner, TFFR Board (TLCF)
Mike Sandal, PERS Board
Josh Wiens, External Representative

MEMBER ABSENT: Cindy Ternes, Workforce Safety & Insurance

STAFF PRESENT: Connie Flanagan, Fiscal & Invt Ops Mgr
Bonnie Heit, Assist to the Audit Committee
David Hunter, ED/CIO
Terra Miller Bowley, Suprv Audit Services
Dottie Thorsen, Internal Auditor

GUESTS: Thomas Rey, CliftonLarsonAllen (TLCF)

CALL TO ORDER:

Ms. Dorwart called the State Investment Board (SIB) Audit Committee meeting to order at 3:00 p.m. on Thursday, November 17, 2016, at Workforce Safety & Insurance, 1600 E Century Ave., Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. WIENS AND CARRIED ON A VOICE VOTE TO APPROVE THE AGENDA FOR THE NOVEMBER 17, 2016, MEETING AS DISTRIBUTED.

AYES: MR. SANDAL, MR. WIENS, MR. GESSNER, AND MS. DORWART

NAYS: NONE

MOTION CARRIED

ABSENT: MS. TERNES

MINUTES:

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. WIENS AND CARRIED ON A VOICE VOTE TO ACCEPT THE SEPTEMBER 23, 2016, MINUTES AS DISTRIBUTED.

AYES: MR. GESSNER, MR. SANDAL, MR. WIENS, AND MS. DORWART

NAYS: NONE

MOTION CARRIED

ABSENT: MS. TERNES

RIO FINANCIAL AUDIT:

Mr. Thomas Rey, CliftonLarsonAllen, LLP (CLA), reviewed the results of the June 30, 2016, financial audit of the Retirement and Investment Office. CLA issued an unmodified "clean" opinion that the financial statements are presented fairly, in all material respects, and in conformity with U.S. Generally Accepted Accounting Principles (GAAP).

Mr. Rey also briefed the Audit Committee on the GASB 68 Census Data Audits. Employer census testing was completed with 17 employers. No findings were noted. Work on the GASB 68 schedules will began this month and CLA expects to issue their final report on the schedules by the end of 2016.

The Audit Committee congratulated RIO personnel on their excellent work on the financial audit report.

IT WAS MOVED BY MR. WIENS AND SECONDED BY MR. SANDAL AND CARRIED BY A VOICE VOTE TO APPROVE THE CLIFTONLARSONALLEN JUNE 30, 2016 FINANCIAL AUDIT OF RIO.

AYES: MR. WIENS, MR. SANDAL, MR. GESSNER, AND MS. DORWART

NAYS: NONE

MOTION CARRIED

ABSENT: MS. TERNES

AUDIT ACTIVITIES REPORT:

Ms. Miller Bowley reviewed activities of the Audit Division for the period of July 1, 2016 - September 30, 2016.

Eleven employer audits were completed. Five employer audits were in progress at fiscal year-end, which included two employers from the third audit cycle and three from the fourth audit cycle. Five audits in the fourth audit cycle were pending and not yet started. Five employers from the fourth audit cycle received audit notifications but the information requested had yet to be received from the employers.

Discussion followed on employers who have reoccurring reporting discrepancies. The Audit Committee discussed what options are available to the Teachers' Fund for Retirement Board, RIO personnel, as well as the Audit Committee themselves.

After discussion, the Audit Committee felt this issue should be brought before the Teachers' Fund for Retirement Board to determine what options if any are available to hold these employers accountable. The Audit Committee felt strongly that since they are a Committee of the State Investment Board that a recommendation should be made to the Teachers' Fund for Retirement Board but only after discussions have occurred with the Board and legal counsel sought.

The Audit Division completed the following audits - Benefits Payments Audit, Teachers' Fund for Retirement (TFFR) File Maintenance Audit, and Executive Limitation Audit.

Ms. Miller Bowley stated the TFFR Cost Effective Benefit Payments/Benefit Recalculation Audit was delayed. The audit was not completed in fiscal year 2016 and has been carried over to be completed in fiscal year 2017. The audit is currently in progress.

The Audit Division also assisted the external auditors, CliftonLarsonAllen, during the current financial audit of RIO along with the GASB 68 census data audits.

The Audit Division in conjunction with the Retirement Division created an internship program. The internship program ran from May 16 - August 19, 2016. The Supervisor of Audit Services and the Retirement Program Manager provided ongoing support and assistance to the intern throughout the program.

The Audit Division continues to make progress on their procedures manual. Procedures for the TFFR File Maintenance Audit have been placed on RIO's intranet site. Procedures for the TFFR Cost Effective Benefit Payments Audit and the Benefit Payment Audit are in progress.

Staff continues to attend local Institute of Internal Audit (IIA) meetings as well as regional conferences and other misc. seminars and webinars. Ms. Miller Bowley completed the requirements for a Certified Internal Auditor (CIA) designation in July 2016.

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. WIENS AND CARRIED BY A VOICE VOTE TO ACCEPT THE JULY 1, 2016 - SEPTEMBER 30, 2016, AUDIT ACTIVITIES REPORT.

AYES: MR. GESSNER, MR. WIENS, MR. SANDAL, AND MS. DORWART

NAYS: NONE

MOTION CARRIED

ABSENT: MS. TERNES

OTHER:

The next Audit Committee meeting is scheduled for Thursday, February 23, 2017, at 3:00 pm at Workforce Safety and Insurance, 1600 E Century Ave, Bismarck, ND.

With no further business to come before the Audit Committee, Ms. Dorwart adjourned the meeting at 3:45 p.m.

Respectfully Submitted:

Ms. Rebecca Dorwart, Chair
SIB Audit Committee

Bonnie Heit
Assistant to the Audit Committee

**RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES
2016 - 2017 2nd Quarter Audit Activities Report
October 1, 2016 – December 31, 2016**

The audit objective of Audit Services is twofold: first, to provide comprehensive, practical audit coverage of the Retirement and Investment Office (RIO) programs; second, to assist RIO management and the State Investment Board (SIB) by conducting special reviews or audits.

Audit coverage is based on the July 1, 2016 through June 30, 2017 work plan approved by the SIB Audit Committee. The audit activities undertaken are consistent with the Audit Services charter and goals, and the goals of RIO. To the extent possible, our audits are being carried out in accordance with the International Standards for the Professional Practice of Internal Auditing. Audit effort is being directed to the needs of RIO and the concerns of management and the SIB Audit Committee.

Retirement Program Audit Activities

• **TFFR Compliance Audits and Not In Compliance (NIC) Reviews**

We examine employer reporting to the Teachers' Fund for Retirement (TFFR) to determine whether retirement salaries and contributions reported for members of TFFR are in compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). Other reporting procedures reviewed during the audit process are calculation of service hours and eligibility for TFFR membership. A written report is issued after each audit examination is completed.

From October 1, 2016 to December 31, 2016:

- Five TFFR Compliance Audits were completed.
- Eight TFFR Compliance Audits were in progress.
- Three TFFR Compliance Audits were pending but not yet started.

A total of sixteen TFFR Compliance Audits had been completed year to date as of December 31, 2016. Since September Audit Services has suspended all other audit activity, when possible, to focus all available resources on the completion of TFFR Compliance Audits. At this time Audit Services does believe that a total of 20 – 25 TFFR Compliance Audits will be completed by the end of the fiscal year which would be consistent with the approved audit plan.

This is an area that requires special emphasis due to the level of risk identified through previous audit results. Our long-range plans include auditing each employer over a five year period.

• **TFFR File Maintenance Audits**

Audit Services tests changes made to TFFR member account data by RIO employees on a quarterly basis. Audit tables are generated and stored indicating any file maintenance changes made to member accounts. The TFFR File Maintenance Audit for the first quarter of fiscal year 2017 was completed and no exceptions were noted.

Administrative and Investment Audit Activities

• **Executive Limitation Audit**

On an annual basis Audit Services reviews the Executive Director/CIO's level of compliance with SIB Governance Manual Executive Limitation policies A-1 through A-11. Executive Limitation A-2 references staff relations. In an effort to gain insight into the relationship which exists between the Executive Director/CIO and staff an organization wide employee survey is conducted to provide employees the opportunity to evaluate the effectiveness of the Executive Director/CIO in the area of leadership, communication, and valuing employees. This survey was administered in December 2016.

Professional Development Activities

Audit Services continues to pursue networking and professional development opportunities via the IIA's local chapter, Central Nodak. Staff attended monthly IIA meetings throughout the quarter. In November 2016 the Supervisor of Audit Services participated in the IIA's annual student night as a round table discussion leader. The

Supervisor of Audit Services attended the IIA's fall seminar in October 2016 which focused on forensic accounting and financial statement fraud analysis. Staff anticipates attending the IIA's spring seminar in May 2017. Funds for professional development will likely be eliminated in the next biennium and the spring seminar represents one of the last opportunities prior to the end of the current biennium for any type of professional development.

Summary

Audit effort is directed to activities that are of greatest concern to the SIB Audit Committee, RIO Management, and our external audit partners. Audit Services will continue to work closely with the SIB Audit Committee, RIO Management, and our external audit partners to continue to improve overall efficiency, effectiveness, and economy of total audit activity.

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
LEEDS PUBLIC SCHOOL DISTRICT
NOVEMBER 22, 2016**

PURPOSE

The Teachers' Fund for Retirement (TFFR) Board of Trustees, through the Retirement and Investment Office (RIO), is responsible for ensuring that required reports and payments for TFFR members are made by public school districts and other member employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

An Audit Program (AP) has been established within RIO to carry out this responsibility. This AP is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with RIO/TFFR Management upon completion. Independent reports are filed with the Audit Committee of the State Investment Board (SIB) quarterly. All independent reports filed with the Audit Committee of the SIB are published on the RIO website in compliance with North Dakota open records and meetings laws.

SCOPE

This audit is designed to test the accuracy of retirement salaries and contributions reported by the employer to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). The employer's master contracts, employer payment plan, salary schedules, extra-curricular payment schedules, along with the individual teacher contracts, are used in the examination.

A representative sample of TFFR accounts were selected for the 2013/14 through 2014/15 school years. For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. Member contributions, employer contributions, and salaries reported for the selected members were examined. Please reference the Worksheet labeled Primary Test for the review of salaries.

The Primary Test calculates the member and employer contributions due to TFFR based on the information provided by the employer. The results are then compared to the amounts actually reported by the employer for the years being audited.

The Primary Test did not disclose any reporting procedure used by the employer that would affect a large portion of the population for fiscal years 2013/14 through 2014/15. Therefore, the Primary Test was not expanded to include 100 percent of the members.

Also, it is the policy of the TFFR Board that the time limitation applied to reporting errors shall be from the onset of the error or 36 months prior to the beginning of the current school year for fiscal year 2013/14.

FINDINGS

In our opinion, for the time period covered in the audit, the retirement salaries for fiscal years 2013/14 through 2014/15 reported by Leeds Public Schools were in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (9). The following findings were noted.

1. The employer reported coaching salary without a written agreement for one member.
2. The employer did not issue written agreements for the 21st Century Program for two members.
3. The employer did not report eligible contract salary for one member.
4. The employer reported contract salary which was not earned for one member.
5. The employer did not report eligible extra-curricular committee salary for one member.
6. The employer did not actively monitor retirees who have returned to covered employment to ensure that they did not exceed the maximum allowable hours.

RECOMMENDATIONS

TFFR recommends that District personnel review the *TFFR Employer Guide* for assistance in reporting salary to TFFR. The website address is www.nd.gov/rio/TFFR/Publications.

CORRECTIVE ACTION

Finding 1 and Finding 2:

The employer reported coaching salary without a written agreement for one member. The employer did not issue written agreements for the 21st Century Program for two members. For a member to be reported to TFFR, the member must have a current license and be contractually employed in teaching, supervisory, administrative, or extracurricular services by a participating employer. TFFR recommends that the employer provide written agreements to **all** members. A written agreement can be a contract, school board minutes or other official document evidencing a contractual relationship between a teacher and a participating employer. If written agreements are not issued to a teacher employed elsewhere or to teachers without a continuing contract with the employer, the salary would not be reported.

One member did not have a written agreement or continuing agreement with the employer in 2014/15 and 2015/16, therefore coaching salary earned is not reportable to TFFR. Salary, contributions, and service hours will be deleted for this member. RIO will notify the member that adjustments have been made to the account. It is the responsibility of the employer to refund contributions owed to the member. Two members did not have a written agreement for the 21st Century Program but did have continuing agreements with the employer or were covered by a third party agreement with a special education unit. Corrections will not be required to these member accounts. *For information on the salary reviewed, see the Primary Test, the Changes in Salaries and Contributions worksheet, and Service Hours Corrections worksheet.*

Finding 3:

The employer did not report eligible contract salary for one member. Salary earned by a member for teaching, supervisory, administrative, and extracurricular services during the school year is considered eligible salary and is reportable to TFFR. The member account will not be corrected given the immaterial dollar amount of the error. *For information on the salary reviewed, see the Primary Test.*

Finding 4:

The employer reported contract salary which was not earned for one member. Undocumented and unidentified salary was reported to TFFR for one member. Payroll records, contracts, and other supporting documentation provided by the employer confirm the salary which was reported to TFFR was not earned by the member. The member account will not be corrected given the immaterial dollar amount of the error. *For information on the salary reviewed, see the Primary Test.*

Finding 5:

The employer did not report eligible extra-curricular committee salary for one member. The member participated in RTI committee work. Salary earned by a member for teaching, supervisory, administrative, and extracurricular services during the school year is considered eligible salary and is reportable to TFFR. The member account will not be corrected given the immaterial dollar amount of the error. *For information on the salary reviewed, see the Primary Test.*

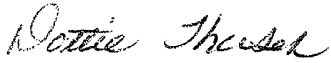
Finding 6:

The employer did not actively monitor retirees who have returned to covered employment to ensure that they do not exceed the maximum allowable hours. State law allows retirees who are receiving TFFR retirement benefits to return to covered employment under certain limitations. If the retiree exceeds the General Rule – Annual Hour Limit, TFFR must discontinue payment of retirement benefits. The employer is required to report actual hours worked by retirees who have returned to covered employment to TFFR. It is recommended that the employer establish procedures to monitor retirees who have returned to covered employment to ensure proper reporting of hours and salary. Examples of salary where hours are reportable include but are not limited to: contract, additional days, driver's education, in-staff subbing, summer, and after-school salary. Extra-curricular and professional development service hours are not reported (please note that the salary is reportable).

The amount of contributions overpaid is \$755.53. Please reference the *Salary Correction Summary* worksheet for additional information. The check for the overpaid contributions will be sent to the Business Manager. Please provide a written response detailing the actions to be taken to correct the above findings by December 28, 2016.

The findings and recommendations in this compliance audit are based on state statutes and rules in effect during the audit period. Legislative and rule changes may occur after the audit period. Therefore, any future modifications to negotiated agreements, salary schedules, or special payments should be discussed with TFFR in advance to confirm whether amounts should be reported as eligible TFFR salary and subject to member and employer contributions. Written authorization and documentation describing the payment details will be requested in order to make eligible salary determinations.

In addition to the compliance audit, all accounts are reviewed as members notify the TFFR of their intent to retire.



Dottie Thorsen
Auditor

Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
MCKENZIE COUNTY PUBLIC SCHOOLS
DECEMBER 19, 2016**

PURPOSE

The Teachers' Fund for Retirement (TFFR) Board of Trustees, through the Retirement and Investment Office (RIO), is responsible for ensuring that required reports and payments for TFFR members are made by public school districts and other member employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

An Audit Program (AP) has been established within RIO to carry out this responsibility. This AP is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with RIO/TFFR Management upon completion. Independent reports are filed with the Audit Committee of the State Investment Board (SIB) quarterly. All independent reports filed with the Audit Committee of the SIB are published on the RIO website in compliance with North Dakota open records and meetings laws.

SCOPE

This audit is designed to test the accuracy of retirement salaries and contributions reported by the employer to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). The employer's master contracts, employer payment plan, salary schedules, extra-curricular payment schedules, along with the individual teacher contracts, are used in the examination.

A representative sample of TFFR accounts was selected from members of the employer for the 2013/14 through 2014/15 school years. For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. Member contributions, employer contributions, and salaries reported for the selected members were examined. Please reference the worksheet labeled *Primary Test*.

The Primary Test calculates the member and employer contributions due to TFFR based on the information provided by the employer. The results are then compared to the amounts actually reported by the employer for the years being audited.

The Primary Test did not disclose any reporting procedure used by the employer that would affect a large portion of the population for fiscal years 2013/14 through 2014/15. Therefore, the Primary Test was not expanded to include 100 percent of the members.

However, it is the policy of the TFFR Board that the time limitation applied to reporting errors shall be from the onset of the error or 36 months prior to the beginning of the current school year.

FINDINGS

In our opinion, for the time period covered in the audit, the retirement salaries for fiscal years 2013/14 through 2014/15 reported by McKenzie County Public Schools were generally in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (9). The following findings were noted.

1. The employer incorrectly reported service hours for three members.
2. The employer did not report actual hours worked for a retiree who returned to covered employment in 2014/15.
3. The employer did not report contract salary for one retiree who had returned to covered employment in 2014/15.
4. The employer did not issue written agreements to all summer school teachers.
5. The employer reported summer salary in the wrong fiscal year for two members.
6. The employer did not report summer curriculum salary for one member in 2013/14.

RECOMMENDATIONS AND CORRECTIVE ACTION

TFFR recommends that District personnel review the *TFFR Employer Guide* for assistance in reporting salary to TFFR. The website address is www.nd.gov/rio/TFFR/Publications.

Finding 1:

The employer incorrectly reported service hours for three members. Corrections will be made to the member accounts and RIO will notify the members that adjustments have been made. Please reference the worksheets labeled *Service Hours Correction* for additional information.

Finding 2:

The employer did not report actual hours worked for a retiree who returned to covered employment in 2014/15. State law allows retirees who are receiving TFFR retirement benefits to return to covered employment under certain limitations. If the retiree exceeds these limitations, TFFR must discontinue payment of retirement benefits. One such limitation which must be adhered to is the General Rule - Annual Hour Limit, retirees who returned to covered employment under the General Rule are restricted in the hours which can be worked based on the length of the contract issued. The employer is required to report actual hours worked by retirees who have returned to covered employment. The employer must also be aware of annual hour limitations and ensure that retirees are not exceeding those limits. **Actual hours reported for re-employed retirees should include the number of hours for teaching, in-staff subbing, summer school (including drivers education), and after-school hours, but excluding extra-curricular and professional development hours.** Please remember that salary for extra-curricular and professional development hours is still reportable. No correction will be made to the service hours reported because the hours did not exceed the maximum allowable number.

Finding 3:

The employer did not report contract salary for one retiree who has returned to covered employment in 2014/15. Due to an isolated payroll error, all eligible salary earned was not reported to TFFR. The member account will not be corrected due to the immaterial dollar amount of the salary error. Please reference the worksheet labeled *Primary Test* for additional information.

Finding 4:

The employer did not issue written agreements to all summer school teachers. TFFR recommends that the employer provide written agreements to **all** members for summer salary. A written agreement can be a contract, school board minutes or other official document evidencing a contractual relationship between a teacher and a participating employer. If written agreements are not issued to a teacher employed elsewhere or teachers without a continuing contract with the employer, the salary would not be reported to TFFR. Please reference the worksheet labeled *Primary Test* for additional information.

Finding 5:

The employer reported summer salary in the wrong fiscal year for two members. Salary is reportable in the fiscal year in which the pay is earned. The salary will be moved to the correct fiscal year and service hours (if applicable) will be corrected. The error caused an overpayment of contributions due to a contribution rate change in 2014/15. RIO will notify the members that an adjustment has been made to their account. Please reference the worksheet labeled *Primary Test, Change in Salaries and Contributions, and Service Hours Correction* for additional information.

Finding 6:

The employer did not report eligible summer curriculum salary for one member in 2013/14. This was an isolated occurrence. The error caused a shortage of contributions. RIO will bill the employer for the contributions due with interest and correct the account. The member will be notified that an adjustment has been made. Please reference the worksheet labeled *Primary Test and Change in Salaries and Contributions* for additional information.

The *Salary Correction Summary* details the amount of the attached invoice for the contributions due. **Please provide the contributions due and a written response detailing actions to be taken to correct the above findings by January 27, 2017.**

The findings and recommendations in this compliance audit are based on state statutes and rules in effect during the audit period. Legislative and rule changes may occur after the audit period. Therefore, any future modifications to negotiated agreements, salary schedules, or special payments should be discussed with TFFR in advance to confirm whether amounts should be reported as eligible TFFR salary and subject to member and employer contributions. Written authorization and documentation describing the payment details will be requested in order to make eligible salary determinations.

In addition to the compliance audit, all accounts are reviewed as members notify the TFFR of their intent to retire.

Dottie Thorsen

Dottie Thorsen
Auditor

Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
MCCLUSKY PUBLIC SCHOOL DISTRICT
DECEMBER 6, 2016**

PURPOSE

The Teachers' Fund for Retirement (TFFR) Board of Trustees, through the Retirement and Investment Office (RIO), is responsible for ensuring that required reports and payments for TFFR members are made by public school districts and other member employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

An Audit Program (AP) has been established within RIO to carry out this responsibility. This AP is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with RIO/TFFR Management upon completion. Independent reports are filed with the Audit Committee of the State Investment Board (SIB) quarterly. All independent reports filed with the Audit Committee of the SIB are published on the RIO website in compliance with North Dakota open records and meetings laws.

SCOPE

This audit is designed to test the accuracy of retirement salaries and contributions reported by the employer to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). The employer's master contracts, employer payment plan, salary schedules, extra-curricular payment schedules, along with the individual teacher contracts, are used in the examination.

A representative sample of TFFR accounts was selected from members of the employer for the 2014/15 through 2015/16 school years. For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. Member contributions, employer contributions, and salaries reported for the selected members were examined. Please reference the worksheet labeled *Primary Test* for additional information.

The Primary Test calculates the member and employer contributions due to TFFR based on the information provided by the employer. The results are then compared to the amounts actually reported by the employer for the years being audited.

The Primary Test did not disclose any reporting procedure used by the employer that would affect a large portion of the population for fiscal years 2014/15 through 2015/16. Therefore, the Primary Test was not expanded to include 100 percent of the members.

However, it is the policy of the TFFR Board that the time limitation applied to reporting errors shall be from the onset of the error or 36 months prior to the beginning of the current school year.

FINDINGS

In our opinion, for the time period covered in the audit, the retirement salaries for fiscal years 2014/15 through 2015/16 reported by the McClusky Public School District are in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (9). The following findings were noted.

1. The employer reported ineligible bus driver salary for one member.
2. The employer reported eligible summer salary in the wrong fiscal year for two members.
3. The employer does not actively monitor retirees who have returned to covered employment to ensure that they do not exceed the maximum allowable hours.

RECOMMENDATIONS AND CORRECTIVE ACTION

TFFR recommends that District personnel review the *TFFR Employer Guide* for assistance in reporting salary to TFFR. The website address is www.nd.gov/rio/TFFR/Publications.

Finding 1:

The employer reported ineligible bus driver salary for one member. Bus driver pay including substitute, route, and extra-curricular is ineligible retirement salary and therefore not reportable to TFFR. Due to the immaterial dollar amount of the error no corrections will be made to the member account. Please reference the worksheet labeled *Primary Test* for additional information.

Finding 2:

The employer reported eligible summer salary in the wrong fiscal year for two members. Eligible salary is reportable in the fiscal year in which the salary is earned, regardless of when the salary is actually paid. The salary will be moved to the correct fiscal year. The error caused an overpayment of member and employer contributions due to a contribution rate change in 2014-2015. RIO will notify the members that adjustments have been made to their accounts and refund the overpayment of contributions. Please reference the worksheets labeled *Primary Test*, *Changes in Salaries and Contributions*, and *Salary Correction Summary* for additional information.

Finding 3:

The employer does not actively monitor retirees who have returned to covered employment to ensure that they do not exceed the maximum allowable hours. State law allows retirees who are receiving TFFR retirement benefits to return to covered employment under certain limitations. If the retiree exceeds these limitations, TFFR must discontinue payment of retirement benefits. One such limitation which must be adhered to is the General Rule – Annual Hour Limit. Retirees who return to covered employment under the General Rule are restricted in the hours which can be worked based on the length of the contract issued. The employer is required to report actual hours worked by retirees who have returned to covered employment. The employer must also be aware of annual hour limitations and ensure that retirees are not exceeding those limits. Reported hours for re-employed retirees should include the number of hours the member was employed but exclude extra-curricular and professional development hours. It is recommended that the employer establish procedures to monitor retirees who have returned to covered employment to ensure proper reporting of hours to TFFR.

The amount of contributions overpaid is \$8.72. A check for the amount overpaid will be sent to the Business Manager. Please reference the worksheet labeled *Salary Correction Summary* for additional information. **Please provide a written response detailing the actions the employer intends to take to address the findings noted above by January 13, 2017.**

The findings and recommendations in this compliance audit are based on state statutes and rules in effect during the audit period. Legislative and rule changes may occur after the audit period. Therefore, any future modifications to negotiated agreements, salary schedules, or special payments should be discussed with TFFR in advance to confirm whether amounts should be reported as eligible TFFR salary and subject to member and employer contributions. Written authorization and documentation describing the payment details will be requested in order to make eligible salary determinations.

In addition to the compliance audit, all accounts are reviewed as members notify the TFFR of their intent to retire.



Terra L. Miller Bowley
Supervisor of Audit Services

Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
WHITE SHIELD PUBLIC SCHOOL DISTRICT
DECEMBER 6, 2016**

PURPOSE

The Teachers' Fund for Retirement (TFFR) Board of Trustees, through the Retirement and Investment Office (RIO), is responsible for ensuring that required reports and payments for TFFR members are made by public school districts and other member employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

An Audit Program (AP) has been established within RIO to carry out this responsibility. This AP is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with RIO/TFFR Management upon completion. Independent reports are filed with the Audit Committee of the State Investment Board (SIB) quarterly. All independent reports filed with the Audit Committee of the SIB are published on the RIO website in compliance with North Dakota open records and meetings laws.

SCOPE

This audit is designed to test the accuracy of retirement salaries and contributions reported by the employer to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). The employer's master contracts, employer payment plan, salary schedules, extra-curricular payment schedules, along with the individual teacher contracts, are used in the examination.

A representative sample of TFFR accounts was selected from members of the employer for the 2013/14 through 2014/15 school years. For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. Member contributions, employer contributions, and salaries reported for the selected members were examined. See *Primary Test*.

The Primary Test calculates the member and employer contributions due to TFFR based on the information provided by the employer. The results are then compared to the amounts actually reported by the employer for the years being audited. See *Primary Test*.

The *Primary Test* did not disclose any reporting procedure used by the employer that would affect a large portion of the population for fiscal years 2013/14 through 2014/15. Therefore, the *Primary Test* was not expanded to include 100 percent of the members.

However, it is the policy of the TFFR Board that the time limitation applied to reporting errors shall be from the onset of the error or 36 months prior to the beginning of the current school year.

FINDINGS

In our opinion, for the time period covered in the audit, the retirement salaries for fiscal years 2013/14 through 2014/15 reported by the White Shield Public School District are in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (9). The following findings were noted.

1. The employer did not report eligible professional development salary for fifteen members.
2. The employer did not report eligible administrative salary for one member.
3. The employer reported salary and service hours without a written agreement for one member.
4. The employer did not report actual hours worked for retirees who have returned to covered employment.
5. The employer does not issue written agreements for summer school.

RECOMMENDATIONS AND CORRECTIVE ACTION

TFFR recommends that personnel review the *TFFR Employer Guide* for assistance in reporting salary to TFFR. The website address is www.nd.gov/rio/TFFR/Publications.

During the course of the audit there were several instances where documentation needed to identify salary reported to TFFR could not be located. Please keep in mind that written documentation describing payment details is critical in determining if salary or special payments are eligible TFFR retirement salary. In many cases such documentation will be required by the staff of the RIO and the TFFR Board when considering such matters. Please review current payroll record keeping practices to ensure that in the future salary and/or special payments are properly documented.

Finding 1:

The employer did not report eligible professional development salary for fifteen members. Once a member is contracted to perform teaching, supervisory, administrative, or extracurricular services, additional payments for performance of duties of a teacher are considered eligible retirement salary. This includes salary earned for attending in-services, workshops, and other professional development activities such as study groups. Reimbursement for expenses and/or tuition is excluded. Fifteen member accounts will require corrections and RIO will notify the members that adjustments have been made to their accounts. The employer will be billed with interest for the contributions owed. Please reference the worksheets labeled *Primary Test*, *Changes in Salaries and Contributions*, and *Salary Correction Summary* for additional information.

Finding 2:

The employer did not report eligible administrative salary for one member. Salary earned for teaching, supervisory, administrative, and extracurricular services during the school year is considered eligible TFFR salary. This includes additional days worked outside of the contracted period by administrators during the summer months. One member account will require corrections and RIO will notify the member that adjustments have been made to their account. The employer will be billed with interest for the contributions owed. Please reference the worksheets labeled *Primary Test*, *Changes in Salaries and Contributions*, and *Salary Correction Summary* for additional information.

Finding 3:

The employer reported salary and services hours without a written agreement for one member. Written agreements must be issued to individuals contracted with another employer or to individuals without a continuing contract with the employer in order for eligible salary and service hours earned to be reported to TFFR. One member opted to continue working for the employer over the summer after their contract terminated. The member did not have a continuing contract with the employer and the employer did not issue a written agreement for the additional days worked after the member's contract had terminated. Therefore any salary and service hours earned were not TFFR eligible and should not have been reported. No corrections will be required as the member's account has been refunded. Please reference worksheet labeled *Primary Test* for additional information.

Finding 4:

The employer did not report actual hours worked for retirees who have returned to covered employment. State law allows retirees who are receiving TFFR retirement benefits to return to covered employment under certain limitations. If the retiree exceeds these limitations, TFFR must discontinue payment of retirement benefits. One such limitation which must be adhered to is the General Rule – Annual Hour Limit, retirees who return to covered employment under the General Rule are restricted in the hours which can be worked based on the length of the contract issued. The employer is required to report actual hours worked by retirees who have returned to covered employment. The employer must also be aware of annual hour limitations and ensure that retirees are not exceeding those limits. Reported hours for re-employed retirees should include the number of hours the member was employed including in-staff subbing hours but excluding extra-curricular and professional development hours.

Finding 5:

The employer does not issue written agreements for summer school. TFFR recommends that the employer provide written agreements to all individuals participating in summer school programs. A written agreement can be a contract, school board minutes, or other official document evidencing a contractual relationship between a teacher and a participating employer. If written agreements are not issued to teachers contracted with another employer or to teachers without a continuing contract with the employer, the summer salary would not be reportable.

The amount of the contributions owed by the employer is \$1,363.84. An invoice for the amount of contributions due is included. Please reference attached *Salary Correction Summary* for additional details. **Please provide payment for the contributions owed and a written response detailing the actions the employer intends to take to correct the above findings by January 13, 2017.**

The findings and recommendations in this compliance audit are based on state statutes and rules in effect during the audit period. Legislative and rule changes may occur after the audit period. Therefore, any future modifications to negotiated agreements, salary schedules, or special payments should be discussed with TFFR in advance to confirm whether amounts should be reported as eligible TFFR salary and subject to member and employer contributions. Written authorization and documentation describing the payment details will be requested in order to make eligible salary determinations.

In addition to the compliance audit, all accounts are reviewed as members notify the TFFR of their intent to retire.

A handwritten signature in black ink, reading "Terra L. Miller Bowley". The signature is written in a cursive, flowing style.

Terra L. Miller Bowley
Supervisor of Audit Services

Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
FT. TOTTEN SCHOOL DISTRICT
DECEMBER 21, 2016**

PURPOSE

The Teachers' Fund for Retirement (TFFR) Board of Trustees, through the Retirement and Investment Office (RIO), is responsible for ensuring that required reports and payments for TFFR members are made by public school districts and other member employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

An Audit Program (AP) has been established within RIO to carry out this responsibility. This AP is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with RIO/TFFR Management upon completion. Independent reports are filed with the Audit Committee of the State Investment Board (SIB) quarterly. All independent reports filed with the Audit Committee of the SIB are published on the RIO website in compliance with North Dakota open records and meetings laws.

SCOPE

This audit is designed to test the accuracy of retirement salaries and contributions reported by the employer to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). The employer's master contracts, employer payment plan, salary schedules, extra-curricular payment schedules, along with the individual teacher contracts, are used in the examination.

A representative sample of TFFR accounts was selected for the 2012/13 through 2013/14 school years. For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. Member contributions, employer contributions, and salaries reported for the selected members were examined. Please reference the worksheet labeled Primary Test for the review of salaries.

The Primary Test calculates the member and employer contributions due to TFFR based on the information provided by the employer. The results are then compared to the amounts actually reported by the employer for the years being audited.

The Primary Test disclosed a reporting procedure that affected a large portion of the population for fiscal year 2012/13. Therefore, the Primary Test was expanded to include 100 percent of the members reported to TFFR in fiscal year 2012/13.

Also, it is the policy of the TFFR Board that the time limitation applied to reporting errors shall be from the onset of the error or 36 months prior to the beginning of the current school year for fiscal year 2013/14.

FINDINGS

In our opinion, for the time period covered in the audit, the retirement salaries for fiscal years 2012/13 through 2013/14 reported by the Ft. Totten Public School District were not in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (9). The following findings were noted.

1. The Employer did not report one pay period for all members in 2012/13.
2. The Employer did not report eligible extra-curricular salary for eight members in 2012/13.
3. The Employer reported eligible salary after a deduction for one member in 2012/13.
4. The Employer reported salary which was not earned for a retired teacher who returned to covered employment in 2012/13.
5. The Employer reported salary without a written agreement for one member in 2012/13.

6. The Employer reported ineligible special education para-professional salary for one member in 2012/13.
7. The Employer reported ineligible ticket-taking salary and insurance reimbursements for three members in 2012/13 and 2013/14.
8. The Employer did not report eligible after-school and summer salary for three members in 2013/14.
9. The Employer did not report actual hours worked for retirees who had returned to covered employment in 2012/13 and 2013/14.

RECOMMENDATIONS AND CORRECTIVE ACTION

TFFR recommends that personnel review the *TFFR Employer Guide* for assistance in reporting salary to TFFR. The website address is www.nd.gov/rio/TFFR/Publications. TFFR can also schedule in-house training at our office in Bismarck for Ft. Totten Public School District personnel. For more information, please contact Shelly Schumacher or Tami Volkert at 1-800-952-2970.

Software Unlimited, Inc. can assist with programming issues. Additional information on the services provided by Software Unlimited, Inc. can be found by calling the vendor directly at 1-800-756-0035 or accessing their website at <http://www.su-inc.com/>. The *TFFR Employer Guide* also provides information on electronic reporting and compatible software vendors on page 22 and 23.

Finding 1:

The Employer did not report one pay period for all members in 2012/13. Three pay periods occurred in January 2013. Eligible salary paid in the third pay period which occurred on January 28, 2013 was not reported to TFFR. The error caused a shortage of member and employer contributions. Twenty-seven member accounts will be corrected. RIO will notify the members that adjustments have been made to their accounts. *For information on the salary reviewed, see the attached Primary Test and Changes in Salaries and Contributions worksheets.*

Finding 2:

The Employer did not report eligible extra-curricular salary for eight members in 2012/13. Eligible salary includes salary received for coaching and assistant coaching duties, supervision of students at athletic and other school events, participation in professional development activities, teaching in after school and summer school programs, and in-staff subbing. The error caused a shortage of member and employer contributions. Eight member accounts will be corrected. RIO will notify the members that adjustments have been made to their accounts. *For information on the salary reviewed, see the Primary Test and the Changes in Salaries and Contributions worksheets.*

Finding 3:

The Employer reported eligible salary after a deduction for one member in 2012/13. The employer reported eligible salary after a deduction for professional organization dues for one member. Deductions from eligible salary prior to the calculation of TFFR contributions cause salary and contributions to be under reported to TFFR. The member account will be corrected. RIO will notify the member that an adjustment has been made to their account. *For information on the salary reviewed, see the Primary Test and the Changes in Salaries and Contributions worksheets.*

Finding 4:

The Employer reported salary which was not earned for a retired teacher who returned to covered employment in 2012/13. Payroll records, contracts, and other supporting documents provided by the employer confirm that the salary which was reported was not earned by or paid to the member. The member account will be corrected. This error caused an overpayment of member and employer contributions. RIO will notify the member that an adjustment has been made to their account. *For information on the salary reviewed, see the Primary Test and the Changes in Salaries and Contributions worksheets.*

Finding 5:

The Employer reported salary without a written agreement for one member in 2012/13. In order to be a member of TFFR, an individual must be currently licensed to teach in North Dakota by the Education Standards and Practices Board and

contractually employed (including third-party agreements) in teaching, supervisory, administrative, or extracurricular services by any state institution, multi district special education unit, area career and technology center, regional education association, school board, or other governing body of a participating employer. .

The Employer did not issue the member a written agreement and was also unable to provide copies of Time and Attendance Reports used by the member to request payment from the Employer for participation in the after-school program. Since the individual did not have a written agreement with the employer and Time and Attendance Reports could not be produced, the salary earned for participation in the after school program is ineligible. This error resulted in an overpayment of contributions to TFFR. The individual has closed their TFFR account, no correction will be made. *For information on the salary reviewed, see the Primary Test worksheet.*

Finding 6:

The Employer reported ineligible special education para-professional salary for one member in 2012/13. Salary earned for teacher's aide pay and/or para-professional duties is ineligible salary and not reportable to TFFR. This error resulted in an overpayment of contributions to TFFR. The member has closed their account with TFFR, no correction will be made. *For information on the salary reviewed, see the Primary Test worksheet.* For information on salary, see the Terms and Definition section starting on page 8 of the *TFFR Employer Guide*.

Finding 7:

The Employer reported ineligible ticket-taking salary and insurance reimbursements for three members in 2012/13 and 2013/14. Fringe benefits or side, non-wage benefits which accompany or are in addition to a member's employment including reimbursement for insurance programs is ineligible salary and not reportable to TFFR. Ticket taking is also ineligible salary and not reportable to TFFR. This error resulted in an overpayment of contributions to TFFR. The three member accounts will be corrected. RIO will notify the members that an adjustment has been made to their accounts. *For information on the salary reviewed, see the Primary Test and the Changes in Salaries and Contributions worksheets.* For information on salary, see the Terms and Definition section starting on page 8 of the *TFFR Employer Guide*.

Finding 8:

The Employer also did not report eligible after-school and summer salary for three members in 2013/14. Eligible salary includes participation in after-school and summer school programs and is reportable to TFFR. The three member accounts will be corrected. This error caused a shortage of member and employer contributions. RIO will notify the members that adjustments have been made to their accounts. *For information on the salary reviewed, see the Primary Test and the Changes in Salaries and Contributions worksheets.*

Finding 9:

The Employer did not report actual hours worked for retirees who returned to covered employment in 2012/13 and 2013/14. State law allows retirees who are receiving TFFR retirement benefits to return to covered employment under certain limitations. One such limitation which must be adhered to is the General Rule – Annual Hour Limit, retirees who return to covered employment under the General Rule are restricted in the number of hours which can be worked based on the length of the contract issued. If the retirees exceed the limitations, TFFR must discontinue payment of retirement benefits. For example, a retiree who has a nine month or 182 day contract is allowed to work a maximum of 700 hours. If the member works half-time (four hours a day) for 182 days they would exceed the allowable 700 hours (182*4 hours equals 728 hours). The Employer is required to report actual hours worked by retirees who have returned to covered employment to TFFR. It is recommended that the Employer adjust the contract language and establish procedures to monitor retirees who have returned to covered employment to ensure proper reporting of hours and salary. The process and procedures for reporting a retired teacher can be found on page 31 of the *TFFR Employer Guide*. Examples of salary where hours are applied to the maximum limits of time are as follows: contract, additional days, Drivers Education, in-staff subbing, summer, and after-school salary. Extra-curricular and professional development service hours are not reported (please note that the salary is reportable).

The amount of contributions and interest due is \$15,774.02. Please reference the worksheet labeled Salary Correction Summary for additional information. An invoice bill for the amount due will be sent to the Business Manager. Please provide payment for the amount of contributions and interest due as well as a written response detailing the actions to be taken to correct the above findings by February 3, 2017.

When an employer is found not in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (9), it is the policy of Audit Services to follow-up and review a sample of salaries that have been reported to TFFR after the audit period to ensure that reporting procedures have been corrected. The follow-up review will occur once one full year of unaudited salary information is available.

The findings and recommendations in this compliance audit are based on state statutes and rules in effect during the audit period. Legislative and rule changes may occur after the audit period. Therefore, any future modifications to negotiated agreements, salary schedules, or special payments should be discussed with TFFR in advance to confirm whether amounts should be reported as eligible TFFR salary and subject to member and employer contributions. Written authorization and documentation describing the payment details will be requested in order to make eligible salary determinations.

In addition to the compliance audit, all accounts are reviewed as members notify the TFFR of their intent to retire.



Dottie Thorsen
Auditor

bh
Enclosures

Audit Services – North Dakota Retirement and Investment Office
TFFR File Maintenance Audit for the First Quarter
July 1, 2016 – September 30, 2016
Final Audit Report
November 3, 2016

Background The Audit Services Division of the Retirement and Investment Office (RIO) reviews system generated (CPAS) audit tables to ensure transactions initiated by staff are expected and appropriate given an individual's role within the organization. The accuracy of month end reporting of lump sum payments and installment purchases of service credit is verified. Member accounts are also reviewed to ensure contact and demographic information has been updated correctly per Member Action Forms on file. This review is a part of the Audit Services Division continuous monitoring activities.

Results Summary

Audit Services determined that audit table transactions which occurred in September 2016 for all user IDs were expected and appropriate based on the organizational role held by the individual who initiated the transactions. Month end reporting of lump sum payments and installment purchases of service credit was accurate. The staff of Retirement Services adhered to established procedures for the processing of purchases, refunds, rollovers, and partial lump sum options (PLSO). Actuarially significant contact and demographic information was found to be incorrect on one member account per Member Action Form on FileNet. Actuarially significant contact and demographic information was accurate and documentation was retained on FileNet for all other member accounts reviewed.

Scope

Audit information is obtained throughout the quarter under review. System generated audit table reports are run for the month under review by Audit Services staff. Staff roles and responsibilities and departmental procedures are verified at least annually and as needed throughout the year with Division management. System generated reports of lump sum payments and installment purchases of service credit are provided monthly by the Information Services Division which also provides a listing of system User IDs, security roles, and any changes to either on a yearly basis. Each staff member within the Information Systems Division also provides a change documentation log which details transactions completed and who requested each transaction. Member Action Forms (SFN 50981 5-14) are collected in the first quarter of each fiscal year with the assistance of the Office Assistant. Actual audit work commences the month following the end of each quarter.

- Phase I –
 - Review audit table reports for all CPAS User IDs which have listed transactions.
 - Identify transactions and investigate further any transactions which do not appear to be usual and customary.
- Phase II –
 - Review accuracy of month end reporting of lump sum payments and installment purchases of service credit.
 - Sample selection and testing of the processing of purchases, refunds, rollovers, and partial lump sum options (PLSO) determining level of adherence to established procedures.
- Phase III –
 - Sample selection and testing of member account updates to contact and demographic information.

Observations, Conclusions and Recommendations

Observations, Conclusions and Recommendations Phase I

CPAS generated audit tables log transactions initiated by staff, each of whom is assigned a unique user ID. The transactions are related to the day to day business operations of the Teachers' Fund for Retirement (TFFR). For each quarter under review, Audit Services staff selects one month and reviews all transactions for appropriateness based on the organizational role of the individual assigned to each user ID. Any transactions

which do not appear to be usual and customary are investigated further. For the first quarter of fiscal year 2017, the month of September was selected. Audit Services determined that audit table transactions which occurred in September 2016 for all user IDs were expected and appropriate based on the organizational role held by the individual who initiated the transactions.

Observations, Conclusions and Recommendations Phase II

The NDRIO Lump Sum Payment Register lists all refunds, rollovers, and PLSOs paid to members each month. The TFFR Installment Purchase of Credit report lists the current status each month of all in- progress installment purchases of service credit. Audit Services verifies that the entries on these two system generated reports correspond to a transaction on an audit table based on the organizational role held by the individual who initiated the transaction.

For each quarter under review Audit Services staff selects one month and completes additional testing. For the first quarter of fiscal year 2017, the month of September was selected. Additional testing was completed on three entries selected from the NDRIO Lump Sum Payment Register. This included a member initiated account refund/rollover, retirement/partial lump sum option refund, and one refund resulting from the death of a member. Additional testing was completed on one entry selected from the TFFR Installment of Purchase Credit Report and a lump sum purchase selected from a staff member's table report. Both of the accounts reviewed were purchases of refunded time.

Audit Services determined that month end reporting of lump sum payments and installment purchases of service credit was accurate. The staff of Retirement Services adhered to established procedures for the processing of purchases, refunds, rollovers, and partial lump sum options (PLSO). Additional testing also confirmed that supporting documentation was located in FileNet and required system process was located in CPAS for each member account selected. No discrepancies were identified between required supporting documentation and CPAS system information.

Observations, Conclusions and Recommendations Phase III

Member Action Forms are submitted to TFFR by members who are updating their status with the pension fund. For example a member may be enrolling in TFFR, returning to covered employment after a period of inactivity, or changing/adding a participating employer. Members can also designate or update a beneficiary via a Member Action Form. Member Action Forms are collected by the Office Assistant during the first quarter of each fiscal year. Audit Services staff randomly selects six member action forms for further review.

On one of six Member Action Forms reviewed it was determined that an incorrect birthdate had been previously entered into CPAS for the member. The birthdate of a member is considered actuarially significant information. Upon notification the Retirement Program Manager corrected the member birthdate in CPAS. All actuarially significant contact and demographic information on all other member accounts reviewed was accurate and documentation was retained on FileNet.

Distribution:

Fay Kopp, Deputy Executive Director/Chief Retirement Officer
Shelly Schumacher, Retirement Program Manager
Connie Flanagan, Fiscal and Investment Operations Manager
Rich Nagel, Supervisor of Information Systems

To: State Investment Board
From: Dave Hunter, Executive Director / CIO
Date: January 20, 2017
RE: Executive Director / CIO Effectiveness Survey – Cover Memo

Background, Scope and Results Summary:

The background, scope and results of the annual Executive Director / CIO Effectiveness Survey are summarized and detailed on the following ten pages.

Overview of the Executive Director / CIO Employee Opinion Survey Results:

I am pleased to report that 86% of the survey responses indicated that they “Agree” or “Strongly Agree” with the overall effectiveness of the ED/CIO, for which I am sincerely grateful. This is a moderate decline from last year in which 91% of the survey responses were recorded as “Agree” or “Strongly Agree”, but remains a marked improvement from 78% two years ago. **The most significant area of improvement over the last two years occurred in “Leadership” which improved to 93% in 2016** (versus 89% in 2015 and 63% in 2014). I am also pleased to report that **“Valuing Employees” remained high at 93%** (although down from 96% in 2015). **I clearly need to improve my “Communication” rating which declined to 74% in 2016 from 89% in 2015** (versus 63% in 2014) and have developed a plan to enhance overall office communication which is in the process of being rolled out this month. RIO team members provided a great deal of constructive feedback which demonstrates a high level of engagement and sincere desire for further improvements. I take all constructive comments and recommendations to heart. As such, I endeavor to continue to improve upon my own overall effectiveness in the upcoming year.

SIB Review of the Executive Director/CIO:

RIO’s Supervisor of Audit Services, Terra Miller-Bowley, is in the process of finalizing the Executive Limitations Audit for 2016 and will present the findings to the SIB Audit Committee and SIB in February. **SIB Governance Manual C-4 on “Monitoring Executive Performance” states that “Each March the board will conduct a formal evaluation of the ED/CIO. This evaluation will be based on accomplishments of Ends and Compliance with Executive Limitations. At the February board meeting, the chairperson will appoint a three-member committee to review the board’s evaluation and make a recommendation to the full board concerning the salary for ED/CIO.”** Terra will also be available to assist the Executive Review Committee as needed. In prior years RIO’s Audit Services Division has surveyed members of the SIB on behalf of the Executive Review Committee as a part of the evaluation process of the Executive Director/CIO.

Attachments: Executive Director / CIO Effectiveness Survey

Executive Limitations: Staff Relations / Survey Results

Approval Rating

(Strongly Agree or Agree / Total Responses)

The ED/CIO provides a clear sense of purpose and direction, roles and responsibilities, for me and our team as a whole.

The ED/CIO have confidence in the ED/CIO.

The ED/CIO demonstrates integrity and sets an example for others to follow.

The ED/CIO takes time to understand other perspectives and is open to changing his position.

The ED/CIO keeps employees informed about what is occurring throughout the organization.

Information and knowledge are shared openly within this organization.

The ED/CIO seeks input from all team members.

The ED/CIO shows genuine concern for team members.

The ED/CIO treats employees with respect.

<u>Three-Year Trend Analysis:</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Leadership 1	78%	80%	89%
Leadership 2	78%	87%	89%
Leadership 3	94%	100%	100%
Communication 1	89%	93%	78%
Communication 2	39%	93%	83%
Communication 3	61%	80%	61%
Valuing Employees 1	61%	87%	83%
Valuing Employees 2	100%	100%	94%
Valuing Employees 3	100%	100%	100%

Overall Approval Rating	78%	91%	86%
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The Overall Approval Rating remained good at 86%, although it declined by 5% (from 91%) in the prior year.

Leadership Average	83%	89%	93%
Communication Average	63%	89%	74%
Valuing Employees Average	87%	96%	93%

The Leadership rating improved to 93% in 2016, while the Communication rating declined from 89% to 74% last year. Valuing Employees remained good at 93%.

Proposed Action Plan:

- 1 Review and discuss the results of the ED/CIO survey at the January office meeting.
- 2 Invite input on the recent elimination of the Office Calendar and its impact on office information sharing.
- 3 Request managers to hold team meetings to learn of new ways to improve office communication.

North Dakota Retirement and Investment Office
Audit Services
Executive Director/CIO Effectiveness Survey Results
January 4, 2017

Background

The Audit Services Division of the Retirement and Investment Office (RIO) on an annual basis reviews the Executive Director/CIO's level of compliance with State Investment Board (SIB) Governance Manual Executive Limitation policies A-1 through A-11. Executive Limitation policy A-2 references staff relations. In an effort to gain insight into the relationship which exists between the Executive Director/CIO and staff an organization wide employee opinion survey is conducted annually to provide employees the opportunity to evaluate the effectiveness of the Executive Director/CIO in the areas of leadership, communication, and valuing employees. The results of this survey are then used to determine the Executive Director/CIO's compliance with Executive Limitation policy A-2.

Scope

The survey is comprised of nine multiple choice questions and one open ended question. The multiple choice questions focus on the areas of leadership, communication, and valuing employees with three questions dedicated to each area. Staff are presented with a statement and asked to select the option which best reflects how strongly they agree or disagree with the statement. Available options include strongly agree, agree, neither agree or disagree, disagree, and strongly disagree. The open ended question provides staff with the opportunity to provide comments and constructive feedback pertaining to their overall satisfaction with the job being done by the Executive Director/CIO, what the Executive Director/CIO has done well, and what the Executive Director/CIO could do better in the future.

Results Summary

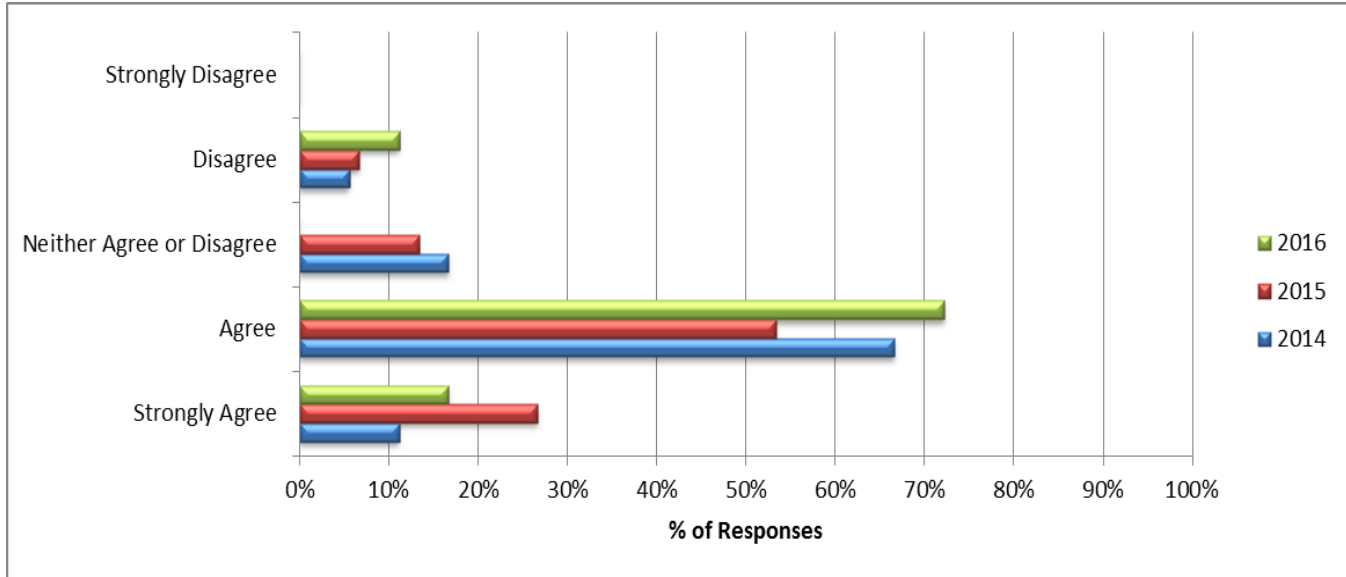
Survey participation increased in 2016, responses were received from all eighteen employees. This is consistent with 2014 participation levels and an improvement over 2015. Overall survey responses continued to trend positive although some minor dissent was noted. Employees continue to provide the Executive Director/CIO with high marks with regards to leadership. The Executive Director/CIO continues to provide a clear sense of purpose and direction and defines roles and responsibilities for team members. The confidence employees have in the Executive Director/CIO continues to increase year after year and employees overwhelmingly believe the Executive Director/CIO demonstrates integrity and sets an example for others. Communication continues to be an area where employees find opportunity for improvement. However responses received regarding communication were contradictory in nature. An increased number of employees indicated that they do not believe the Executive Director/CIO takes time to understand other perspectives and is open to changing his mind. There is also less belief that information and knowledge are shared openly within the organization. However more employees do believe that the Executive Director/CIO keeps employees informed about what is occurring throughout the organization and seeks input from all team members. Consistent with prior years the Executive Director/CIO received favorable responses in the area of valuing employees. Staff overwhelmingly agrees that the Executive Director/CIO shows genuine concern for staff and treats everyone with respect.

The responses to the open ended question were very positive with a majority of employees indicating that they are very satisfied with the job being done by the Executive Director/CIO. Comments indicate that the Executive Director/CIO provides great leadership to RIO. Numerous employees indicated that Executive Director/CIO is open, approachable, professional, and respectful, exhibits a positive attitude, and genuinely cares for employees. Many employees indicated that they are very appreciative of the efforts which have been made for staff over the last year including more jeans days, increased flex scheduling, gift cards, improved working conditions, office lunches, etc. Employees also indicated that they believe efforts have been made to improve communication throughout the office during the past year and would encourage the Executive Director/CIO to continue those efforts in the coming year. Several employees did express concern regarding the phasing out of the office calendar and its effect on communication in the future. A number of employees also expressed concern regarding decreased morale throughout the office during the last year and decreasing participation in office activities. A few employees also indicated concern regarding the equitable treatment of employees, expressing a sentiment that some employees and/or divisions are favored over others.

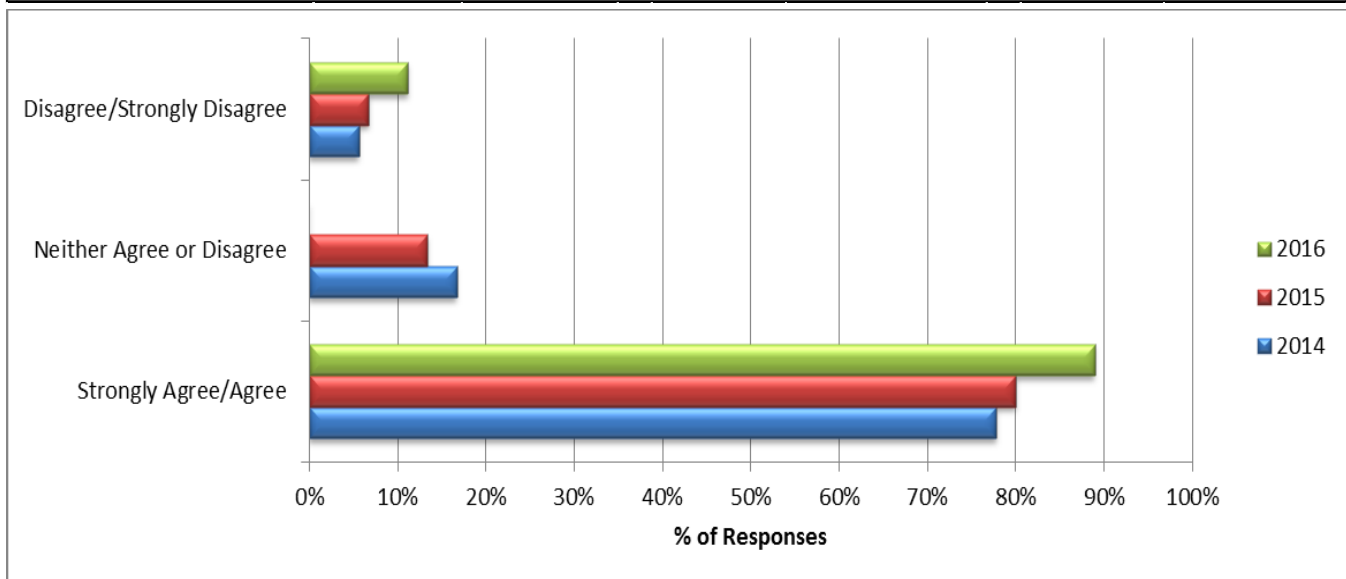
Executive Director/CIO Effectiveness - Leadership

Question 1: *The Executive Director/CIO provides a clear sense of purpose and direction, roles and responsibilities, for me and our team as a whole.*

<u>Answer Choices</u>	<u>2014</u>		<u>2015</u>		<u>2016</u>	
	<u>Responses</u>	<u>% Responses</u>	<u>Responses</u>	<u>% Responses</u>	<u>Responses</u>	<u>% Responses</u>
Strongly Agree	2	11.11%	4	26.67%	3	16.67%
Agree	12	66.67%	8	53.33%	13	72.22%
Neither Agree or Disagree	3	16.67%	2	13.33%	0	0.00%
Disagree	1	5.56%	1	6.67%	2	11.11%
Strongly Disagree	0	0.00%	0	0.00%	0	0.00%
	18	100.00%	15	100.00%	18	100.00%



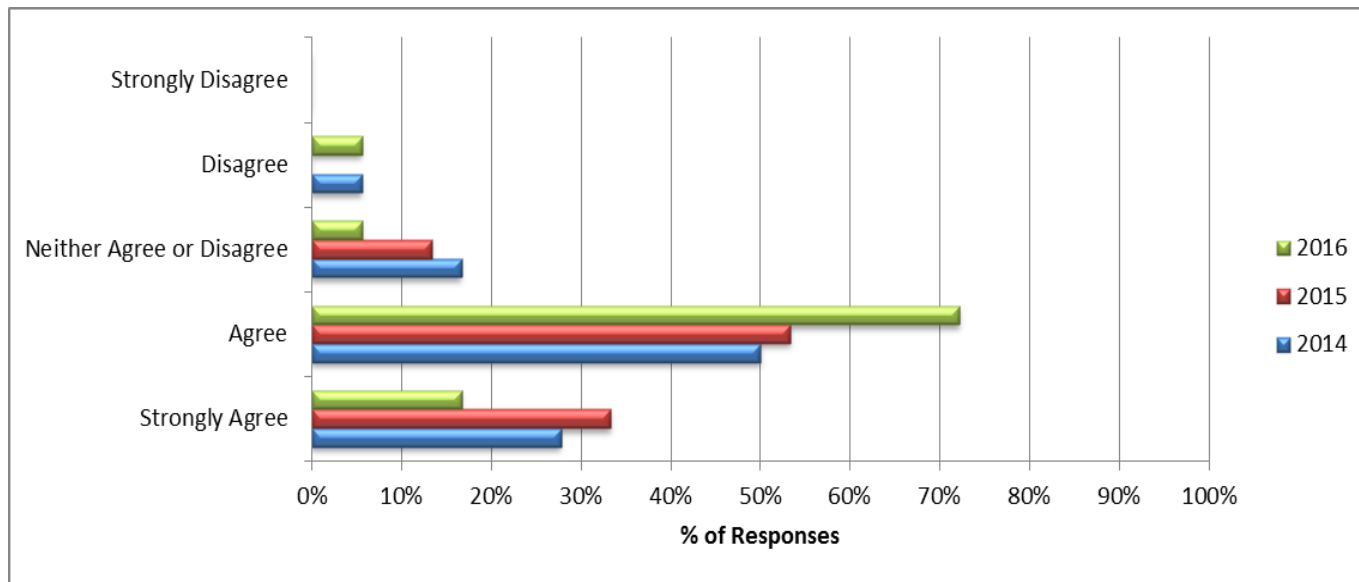
<u>Answer Choices</u>	<u>2014</u>		<u>2015</u>		<u>2016</u>	
	<u>Responses</u>	<u>% Responses</u>	<u>Responses</u>	<u>% Responses</u>	<u>Responses</u>	<u>% Responses</u>
Strongly Agree/Agree	14	77.78%	12	80.00%	16	88.89%
Neither Agree or Disagree	3	16.67%	2	13.33%	0	0.00%
Disagree/Strongly Disagree	1	5.56%	1	6.67%	2	11.11%
	18	100.00%	15	100.00%	18	100.00%



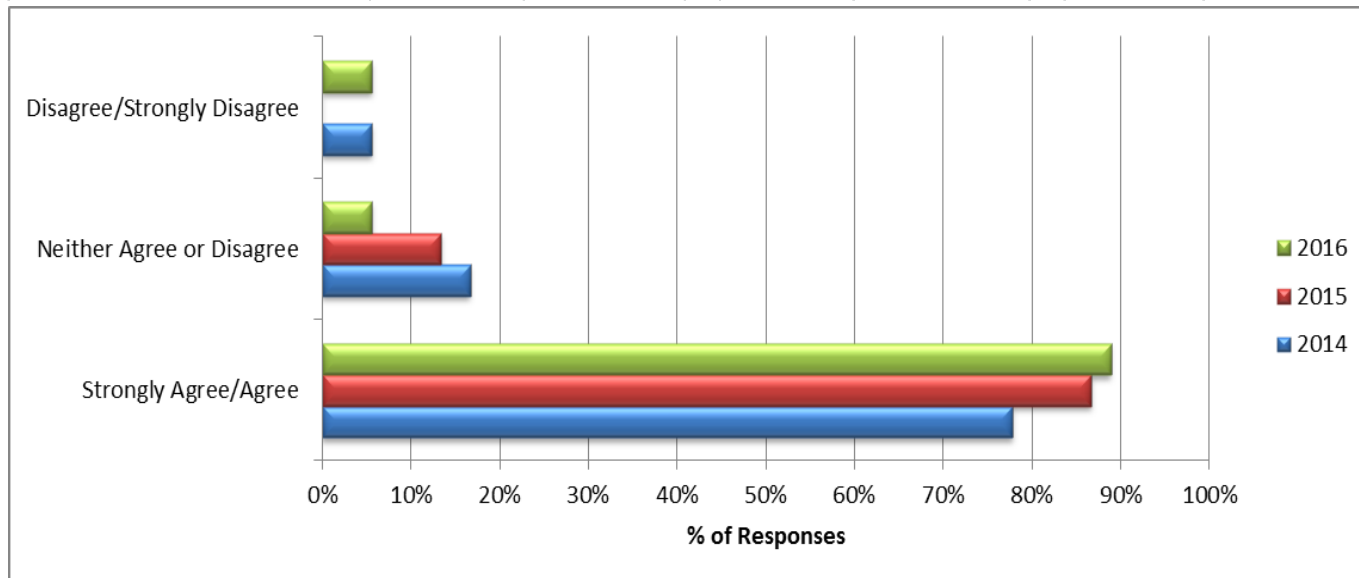
Executive Director/CIO Effectiveness – Leadership

Question 2: Employees have confidence in the Executive Director/CIO.

<u>Answer Choices</u>	<u>2014</u>		<u>2015</u>		<u>2016</u>	
	<u>Responses</u>	<u>% Responses</u>	<u>Responses</u>	<u>% Responses</u>	<u>Responses</u>	<u>% Responses</u>
Strongly Agree	5	27.78%	5	33.33%	3	16.67%
Agree	9	50.00%	8	53.33%	13	72.22%
Neither Agree or Disagree	3	16.67%	2	13.33%	1	5.56%
Disagree	1	5.56%	0	0.00%	1	5.56%
Strongly Disagree	0	0.00%	0	0.00%	0	0.00%
	18	100.00%	15	100.00%	18	100.00%



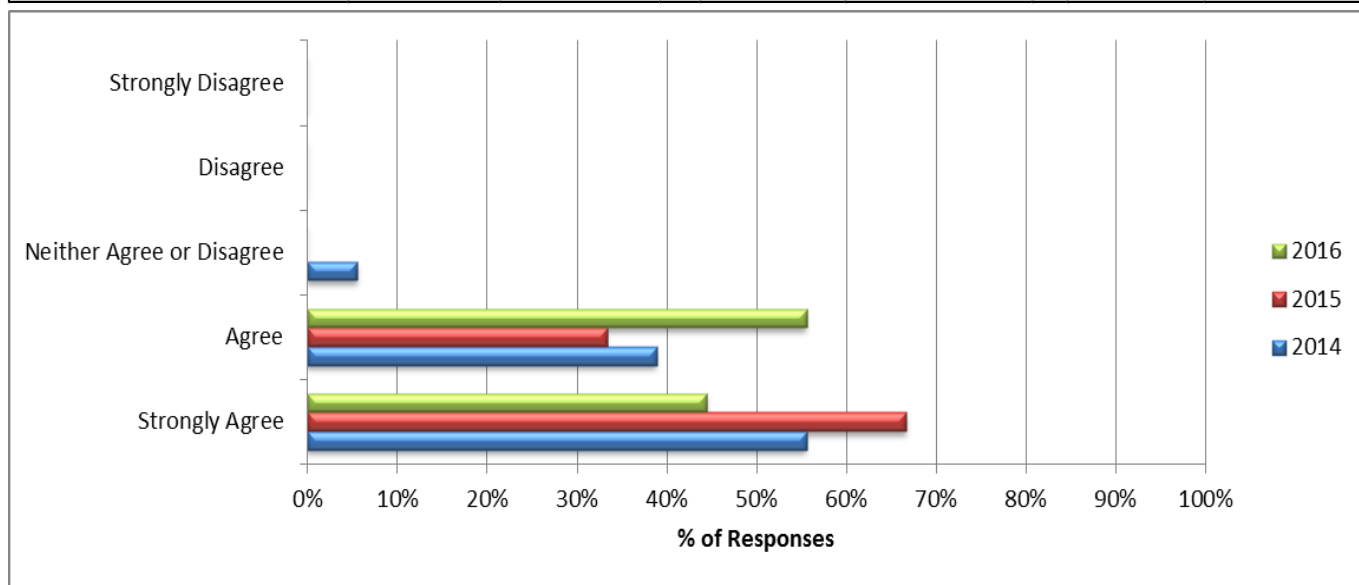
<u>Answer Choices</u>	<u>2014</u>		<u>2015</u>		<u>2016</u>	
	<u>Responses</u>	<u>% Responses</u>	<u>Responses</u>	<u>% Responses</u>	<u>Responses</u>	<u>% Responses</u>
Strongly Agree/Agree	14	77.78%	13	86.67%	16	88.89%
Neither Agree or Disagree	3	16.67%	2	13.33%	1	5.56%
Disagree/Strongly Disagree	1	5.56%	0	0.00%	1	5.56%
	18	100.00%	15	100.00%	18	100.00%



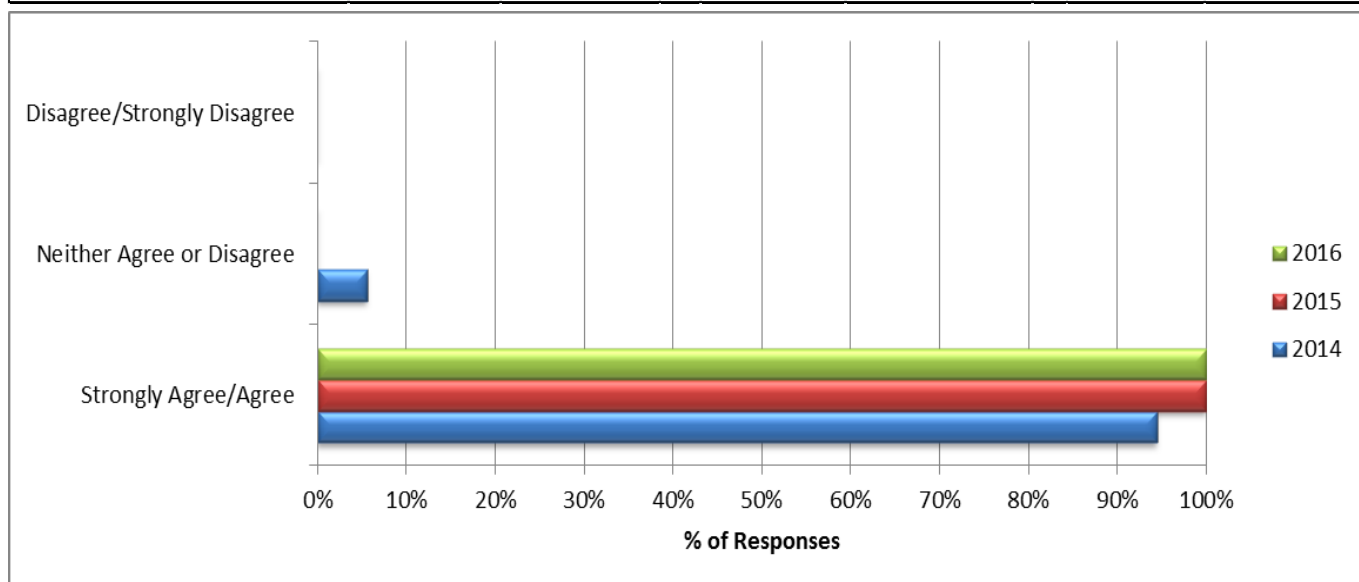
Executive Director/CIO Effectiveness - Leadership

Question 3: The Executive Director/CIO demonstrates integrity and sets an example for others to follow.

<i>Answer Choices</i>	<u>2014</u>		<u>2015</u>		<u>2016</u>	
	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>
Strongly Agree	10	55.56%	10	66.67%	8	44.44%
Agree	7	38.89%	5	33.33%	10	55.56%
Neither Agree or Disagree	1	5.56%	0	0.00%	0	0.00%
Disagree	0	0.00%	0	0.00%	0	0.00%
Strongly Disagree	0	0.00%	0	0.00%	0	0.00%
	18	100.00%	15	100.00%	18	100.00%



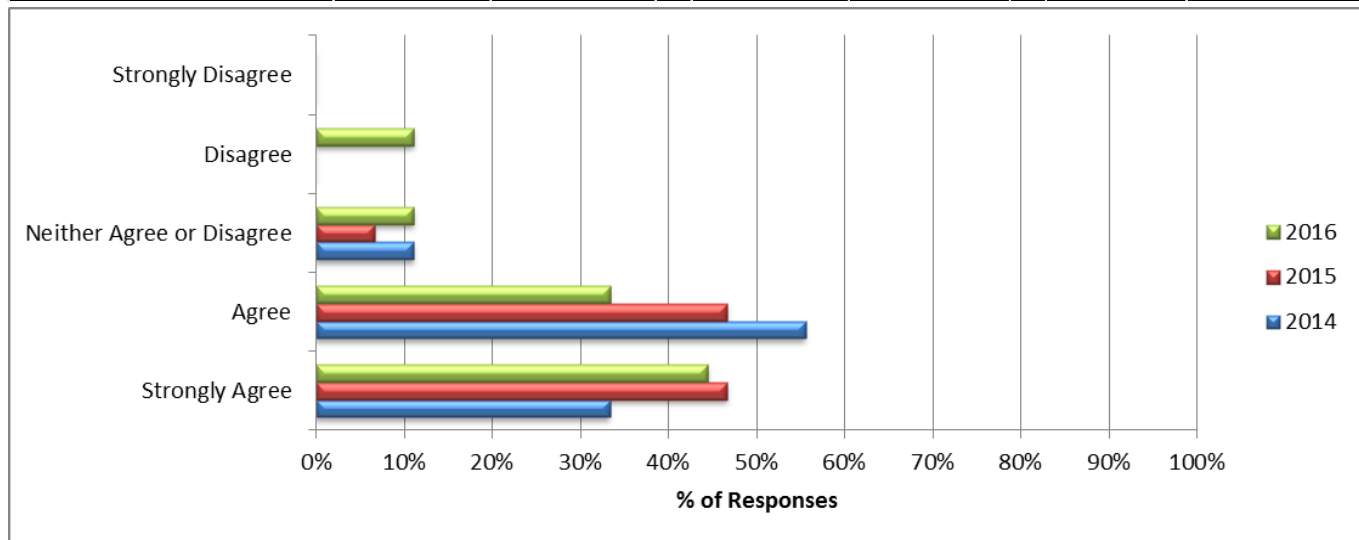
<i>Answer Choices</i>	<u>2014</u>		<u>2015</u>		<u>2016</u>	
	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>
Strongly Agree/Agree	17	94.44%	15	100.00%	18	100.00%
Neither Agree or Disagree	1	5.56%	0	0.00%	0	0.00%
Disagree/Strongly Disagree	0	0.00%	0	0.00%	0	0.00%
	18	100.00%	15	100.00%	18	100.00%



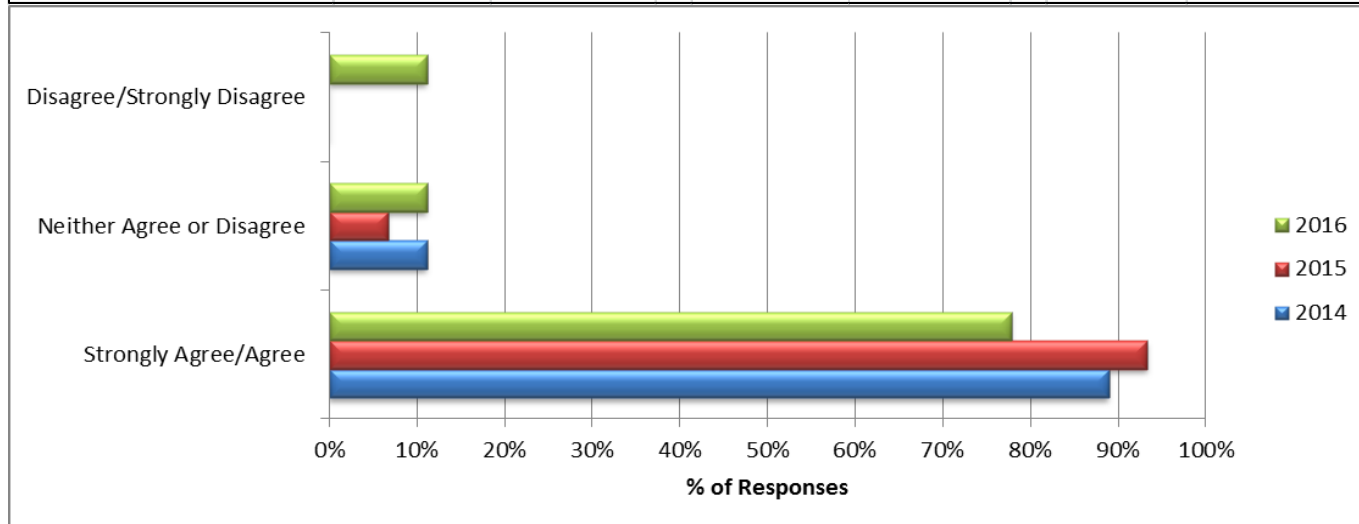
Executive Director/CIO Effectiveness – Communication

Question 4: *The Executive Director/CIO takes time to understand other perspectives and is open to changing his position.*

<i>Answer Choices</i>	<i>2014</i>		<i>2015</i>		<i>2016</i>	
	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>
Strongly Agree	6	33.33%	7	46.67%	8	44.44%
Agree	10	55.56%	7	46.67%	6	33.33%
Neither Agree or Disagree	2	11.11%	1	6.67%	2	11.11%
Disagree	0	0.00%	0	0.00%	2	11.11%
Strongly Disagree	0	0.00%	0	0.00%	0	0.00%
	18	100.00%	15	100.00%	18	100.00%



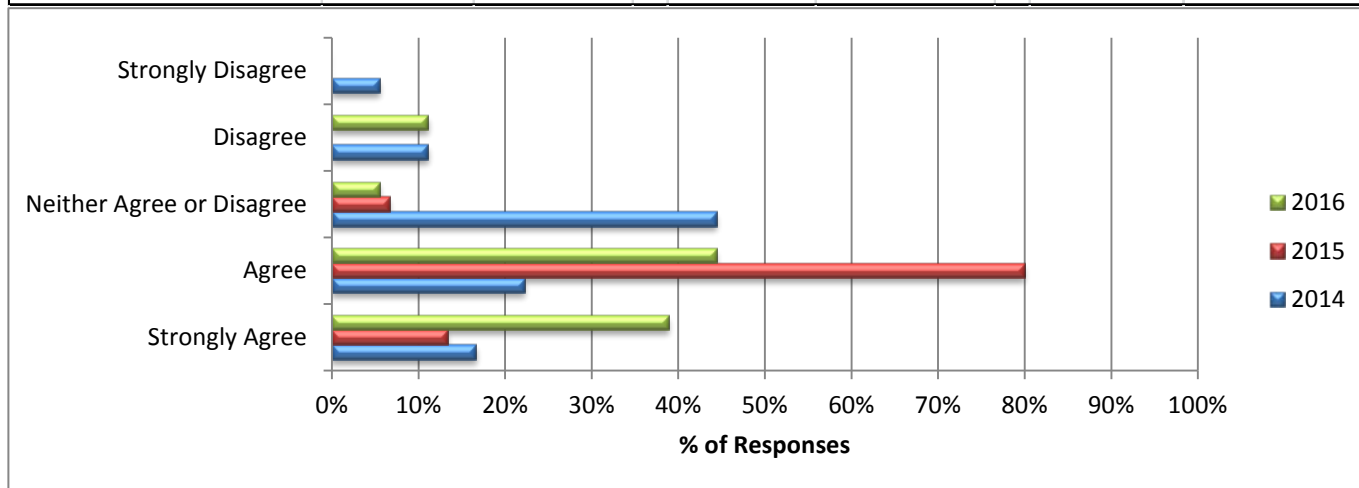
<i>Answer Choices</i>	<i>2014</i>		<i>2015</i>		<i>2016</i>	
	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>
Strongly Agree/Agree	16	88.89%	14	93.33%	14	77.78%
Neither Agree or Disagree	2	11.11%	1	6.67%	2	11.11%
Disagree/Strongly Disagree	0	0.00%	0	0.00%	2	11.11%
	18	100.00%	15	100.00%	18	100.00%



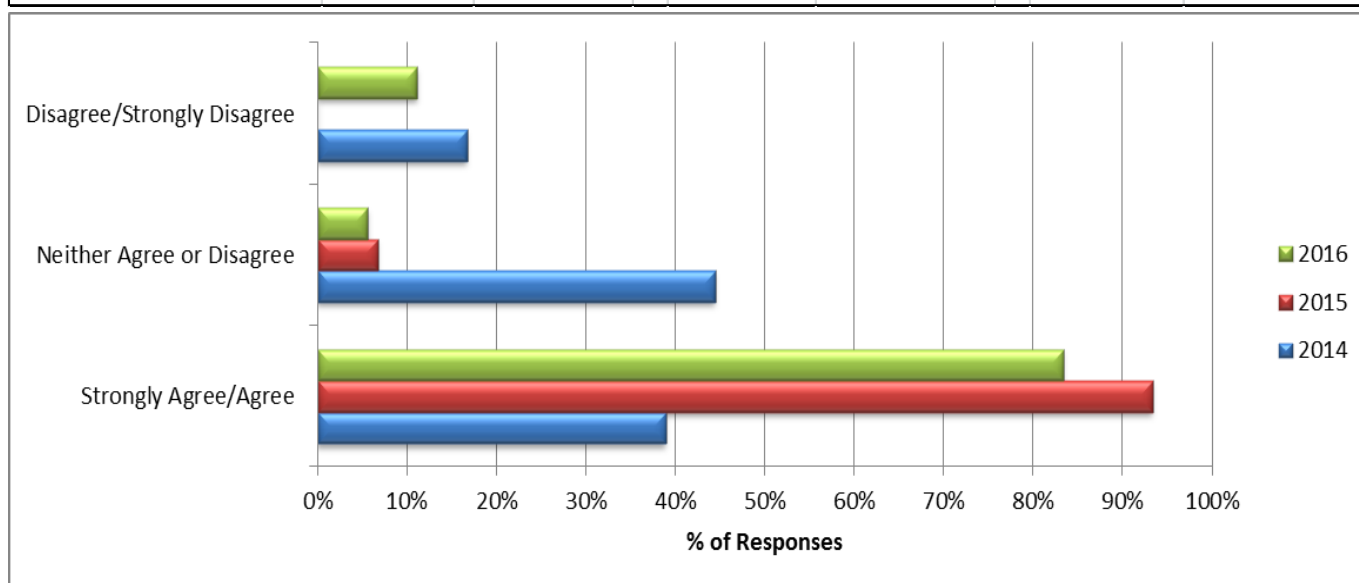
Executive Director/CIO Effectiveness - Communication

Question 5: The Executive Director/CIO keeps employees informed about what is occurring throughout the organization.

<i>Answer Choices</i>	<u>2014</u>		<u>2015</u>		<u>2016</u>	
	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>
Strongly Agree	3	16.67%	2	13.33%	7	38.89%
Agree	4	22.22%	12	80.00%	8	44.44%
Neither Agree or Disagree	8	44.44%	1	6.67%	1	5.56%
Disagree	2	11.11%	0	0.00%	2	11.11%
Strongly Disagree	1	5.56%	0	0.00%	0	0.00%
	18	100.00%	15	100.00%	18	100.00%



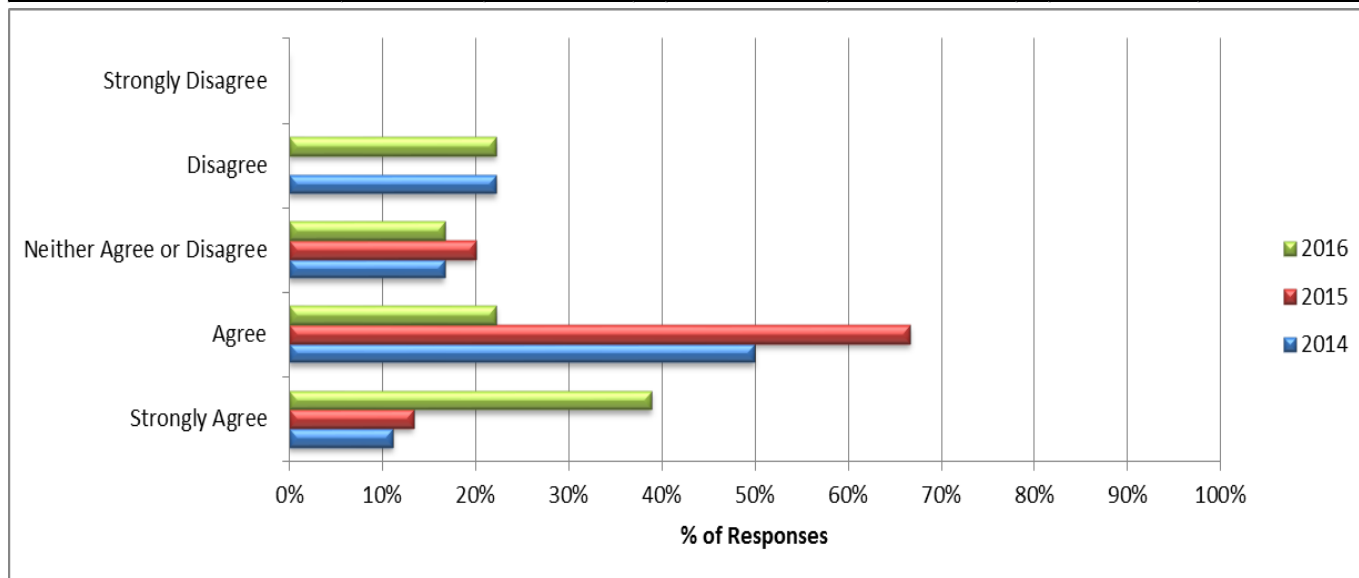
<i>Answer Choices</i>	<u>2014</u>		<u>2015</u>		<u>2016</u>	
	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>
Strongly Agree/Agree	7	38.89%	14	93.33%	15	83.33%
Neither Agree or Disagree	8	44.44%	1	6.67%	1	5.56%
Disagree/Strongly Disagree	3	16.67%	0	0.00%	2	11.11%
	18	100.00%	15	100.00%	18	100.00%



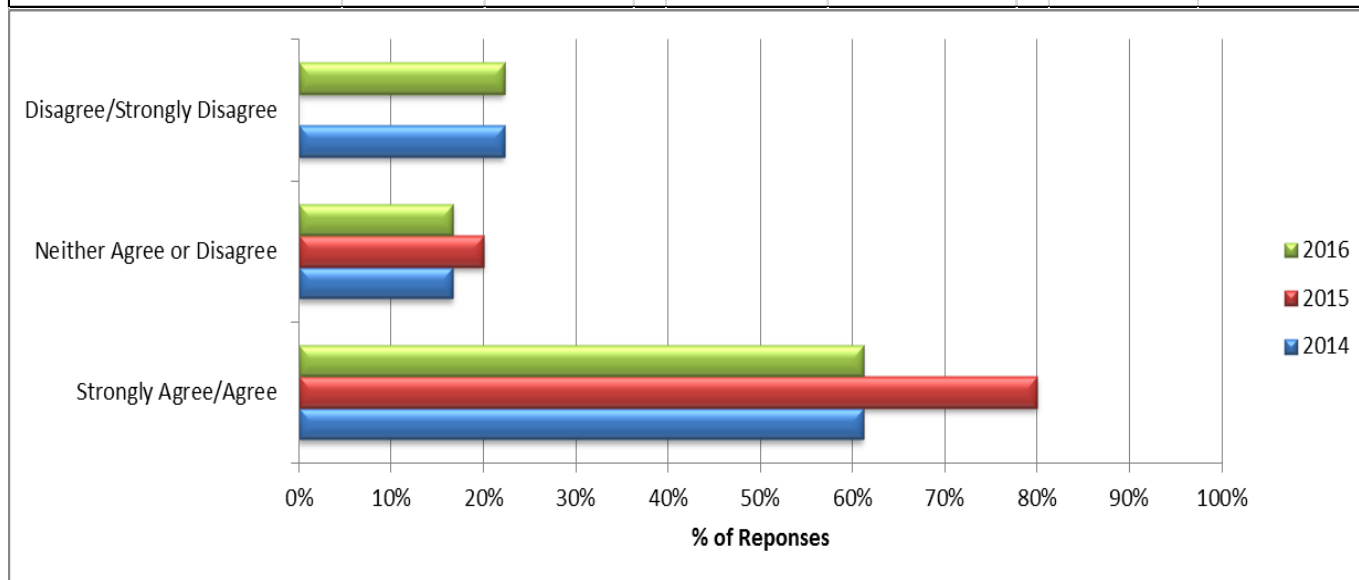
Executive Director/CIO Effectiveness - Communication

Question 6: Information and knowledge are shared openly within this organization.

<i>Answer Choices</i>	<u>2014</u>		<u>2015</u>		<u>2016</u>	
	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>
Strongly Agree	2	11.11%	2	13.33%	7	38.89%
Agree	9	50.00%	10	66.67%	4	22.22%
Neither Agree or Disagree	3	16.67%	3	20.00%	3	16.67%
Disagree	4	22.22%	0	0.00%	4	22.22%
Strongly Disagree	0	0.00%	0	0.00%	0	0.00%
	18	100.00%	15	100.00%	18	1



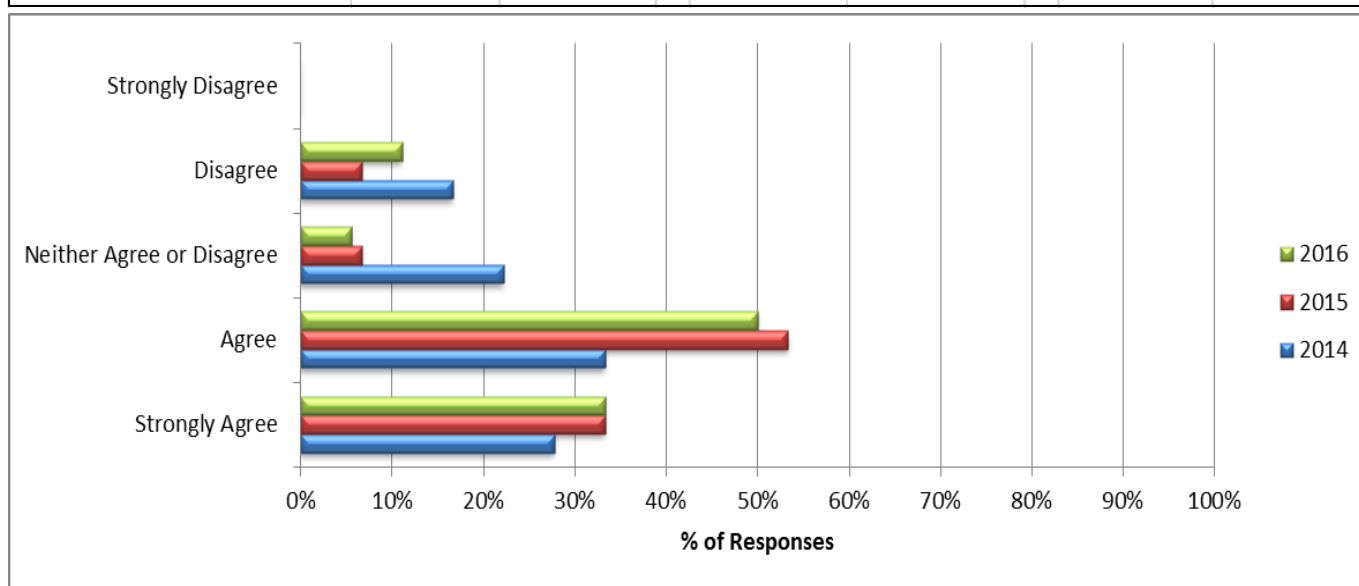
<i>Answer Choices</i>	<u>2014</u>		<u>2015</u>		<u>2016</u>	
	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>
Strongly Agree/Agree	11	61.11%	12	80.00%	11	61.11%
Neither Agree or Disagree	3	16.67%	3	20.00%	3	16.67%
Disagree/Strongly Disagree	4	22.22%	0	0.00%	4	22.22%
	18	100.00%	15	100.00%	18	100.00%



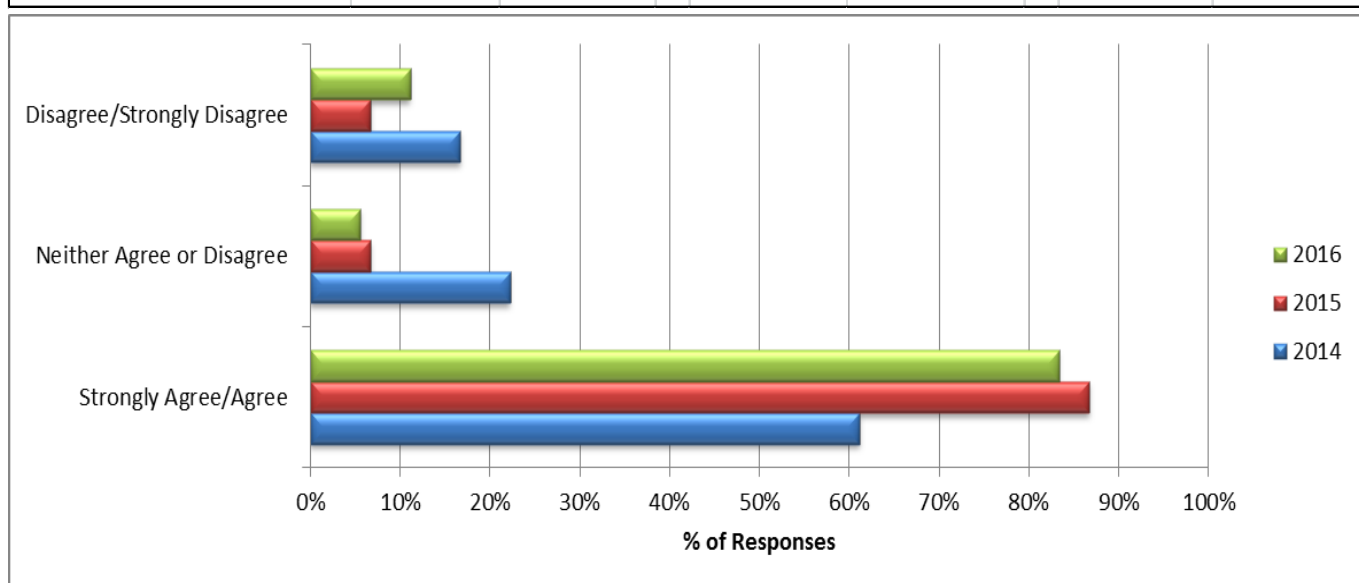
Executive Director/CIO Effectiveness – Valuing Employees

Question 7: The Executive Director/CIO seeks input from all team members.

Answer Choices	2014		2015		2016	
	Responses	% Responses	Responses	% Responses	Responses	% Responses
Strongly Agree	5	27.78%	5	33.33%	6	33.33%
Agree	6	33.33%	8	53.33%	9	50.00%
Neither Agree or Disagree	4	22.22%	1	6.67%	1	5.56%
Disagree	3	16.67%	1	6.67%	2	11.11%
Strongly Disagree	0	0.00%	0	0.00%	0	0.00%
	18	100.00%	15	100.00%	18	100.00%



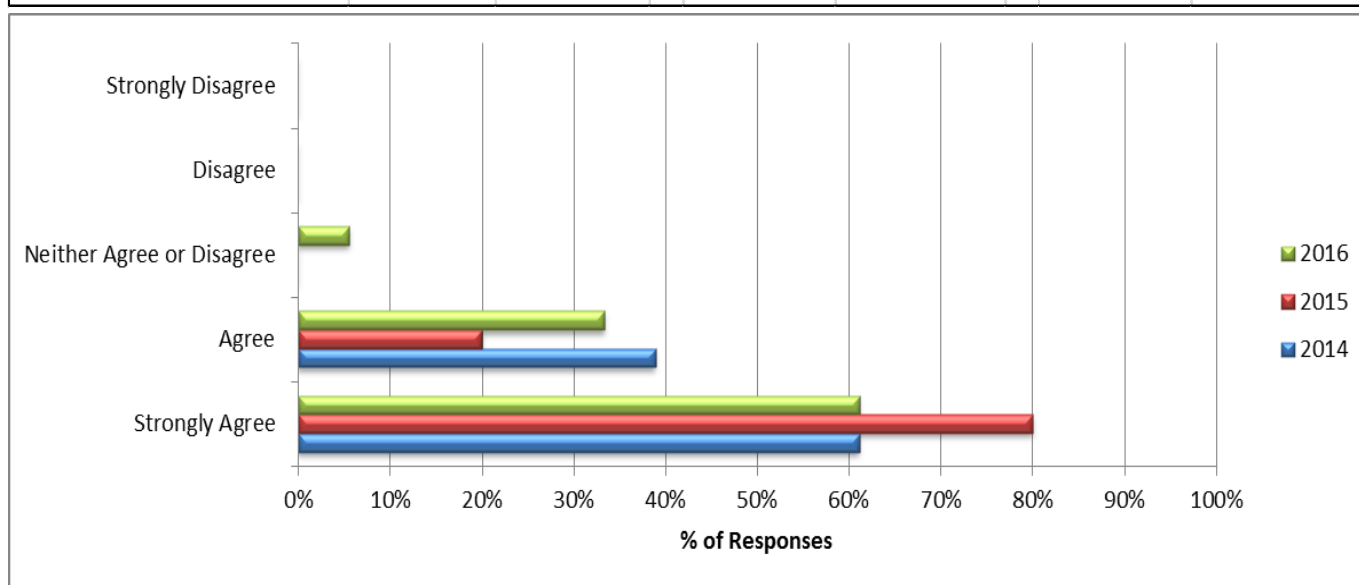
Answer Choices	2014		2015		2016	
	Responses	% Responses	Responses	% Responses	Responses	% Responses
Strongly Agree/Agree	11	61.11%	13	86.67%	15	83.33%
Neither Agree or Disagree	4	22.22%	1	6.67%	1	5.56%
Disagree/Strongly Disagree	3	16.67%	1	6.67%	2	11.11%
	18	100.00%	15	100.00%	18	100.00%



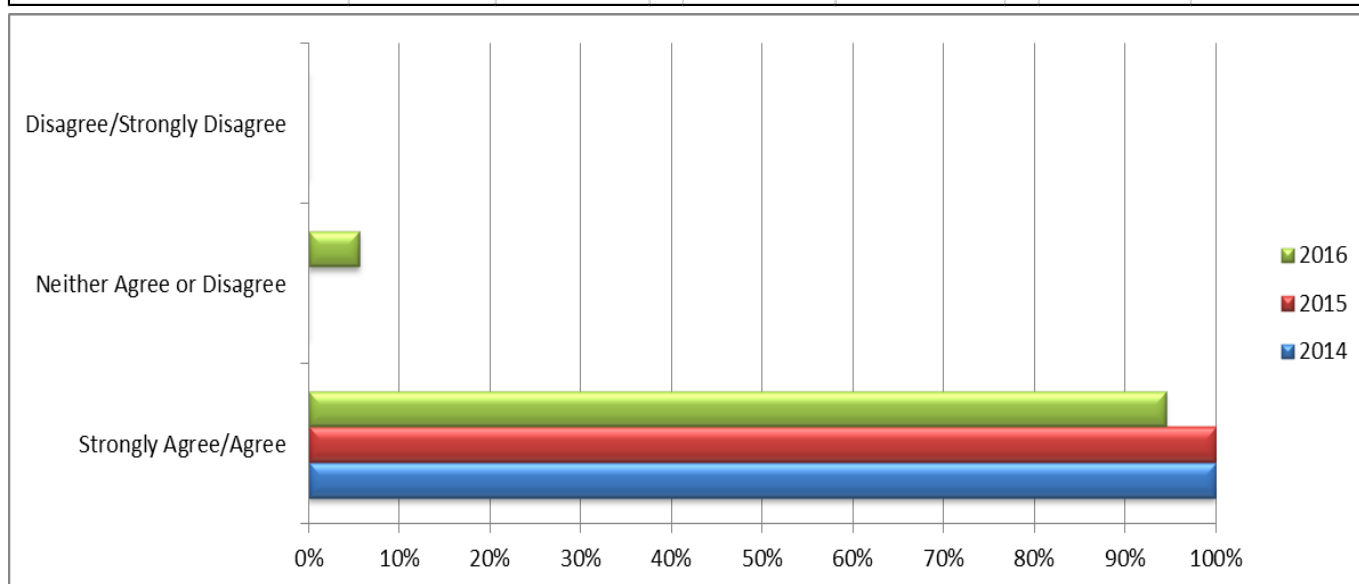
Executive Director/CIO Effectiveness – Valuing Employees

Question 8: The Executive Director/CIO shows genuine concern for team members.

<i>Answer Choices</i>	<u>2014</u> <i>Responses</i>	<u>2014</u> <i>% Responses</i>	<u>2015</u> <i>Responses</i>	<u>2015</u> <i>% Responses</i>	<u>2016</u> <i>Responses</i>	<u>2016</u> <i>% Responses</i>
Strongly Agree	11	61.11%	12	80.00%	11	61.11%
Agree	7	38.89%	3	20.00%	6	33.33%
Neither Agree or Disagree	0	0.00%	0	0.00%	1	5.56%
Disagree	0	0.00%	0	0.00%	0	0.00%
Strongly Disagree	0	0.00%	0	0.00%	0	0.00%
	18	100.00%	15	100.00%	18	100.00%



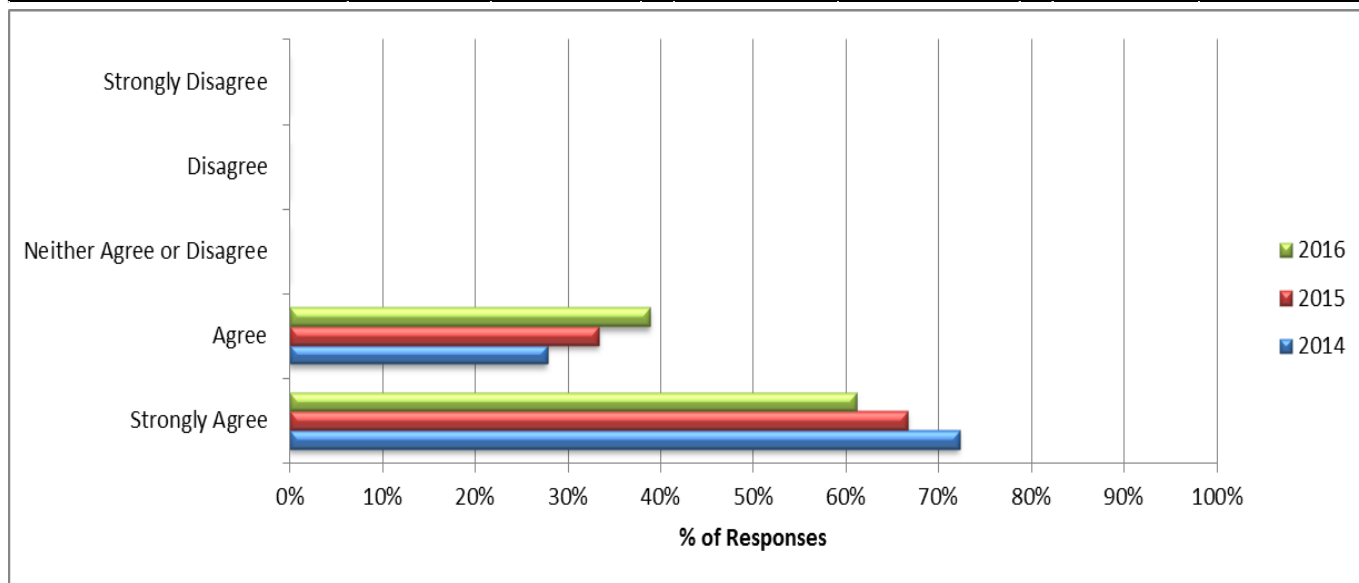
<i>Answer Choices</i>	<u>2014</u> <i>Responses</i>	<u>2014</u> <i>% Responses</i>	<u>2015</u> <i>Responses</i>	<u>2015</u> <i>% Responses</i>	<u>2016</u> <i>Responses</i>	<u>2016</u> <i>% Responses</i>
Strongly Agree/Agree	18	100.00%	15	100.00%	17	94.44%
Neither Agree or Disagree	0	0.00%	0	0.00%	1	5.56%
Disagree/Strongly Disagree	0	0.00%	0	0.00%	0	0.00%
	18	100.00%	15	100.00%	18	100.00%



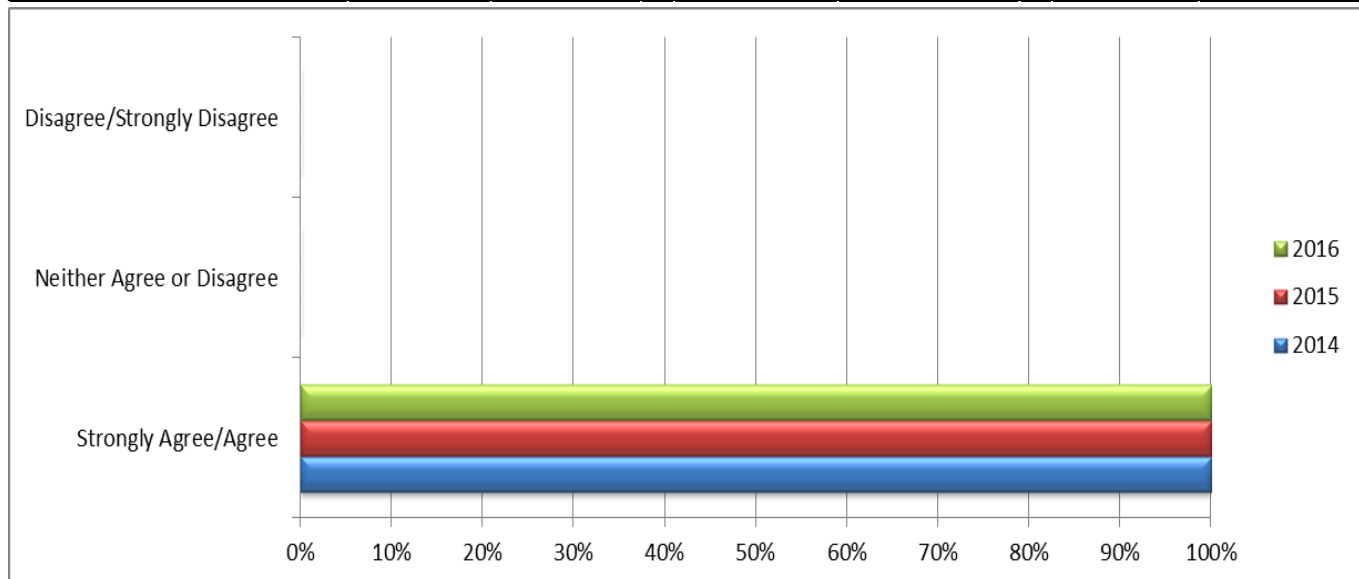
Executive Director/CIO Effectiveness – Valuing Employees

Question 9: The Executive Limitation/CIO treats employees with respect.

<i>Answer Choices</i>	<u>2014</u>		<u>2015</u>		<u>2016</u>	
	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>
Strongly Agree	13	72.22%	10	66.67%	11	61.11%
Agree	5	27.78%	5	33.33%	7	38.89%
Neither Agree or Disagree	0	0.00%	0	0.00%	0	0.00%
Disagree	0	0.00%	0	0.00%	0	0.00%
Strongly Disagree	0	0.00%	0	0.00%	0	0.00%
	18	100.00%	15	100.00%	18	100.00%



<i>Answer Choices</i>	<u>2014</u>		<u>2015</u>		<u>2016</u>	
	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>	<i>Responses</i>	<i>% Responses</i>
Strongly Agree/Agree	18	100.00%	15	100.00%	18	100.00%
Neither Agree or Disagree	0	0.00%	0	0.00%	0	0.00%
Disagree/Strongly Disagree	0	0.00%	0	0.00%	0	0.00%
	18	100.00%	15	100.00%	18	100.00%



**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
 AUDIT SERVICES DIVISION
 FISCAL YEAR 2016 -2017**

	FY 2017 1st QTR	FY 2017 2nd QTR	FY 2017 3rd QTR	FY 2017 4th QTR	FY 2017 TOTAL
1. Audit					
Retirement Program Audits:					
TFFR Employer Audits	504.25	549.50	0.00	0.00	1053.75
<i>Drayton Public School District</i>	0.00	30.50			30.50
<i>Dunseith Public School District</i>	0.00	30.50			30.50
<i>Fort Totten Public School District*</i>	132.50	27.00			159.50
<i>Fort Yates Public School District</i>	30.75	53.50			84.25
<i>Glen Ullin Public School District</i>	0.00	9.00			9.00
<i>Langdon Public School District - Special Audit</i>	0.00	70.00			70.00
<i>Leeds Public School District</i>	20.00	46.25			66.25
<i>McClusky Public School District</i>	0.00	24.25			24.25
<i>McKenzie County Public School District</i>	30.50	37.25			67.75
<i>Northwood Public School District</i>	0.00	46.00			46.00
<i>Parshall Public School District - Special Audit</i>	44.00				44.00
<i>Powers Lake Public School District</i>	0.00	64.25			64.25
<i>White Shield Public School District*</i>	23.50	3.00			26.50
<i>Williston Public School District</i>	0.00	31.75			31.75
<i>Audit Peer Reviews/TFFR Meeting(s)/Audit Planning/Audit Notifications/Intern Assistance</i>	223.00	76.25			299.25
REA Audit	0.00	0.00			0.00
Benefit Payments Audit	88.50	0.00			88.50
TFFR File Maintenance Audit(s)	26.25	37.00			63.25
Annual Salary Verification Project	0.00	0.00			0.00
TFFR Cost Effective Benefit Payments/Benefit Recalculation	26.25	2.00			28.25
ACL Software Project	0.00	0.00			0.00
Agency Administrative and Investment Audits					
Executive Limitation Audit	9.00	2.00			11.00
Investment Performance Summary Review	0.00	0.00			0.00
RIO External Auditor Assistance	13.25	0.00			13.25
Audit Services Procedure Manual	15.00	12.00			27.00
2. Administrative					
Administrative - Staff Mtgs, Time Reports, Email, Records Retention, General Reporting	125.50	152.50			278.00
Audit Committee/SIB/TFFR Attendance and Preparation	63.00	28.75			91.75
Professional Development/CE/General Education	14.50	20.25			34.75
Annual Leave, Sick Leave, and Holidays	170.50	236.00			406.50
Weekly Total:	1056.00	1040.00	0.00	0.00	2096.00

Additional information has been provided under the TFFR Employer Audit section of the quarterly hours report. If the employer has been highlighted green, the audit has been completed and the hours listed were the total number of audit hours required to complete the audit unless otherwise noted.

*Fort Totten Public School District required a total of 353 audit hours.

*White Shield Public School District required a total of 63 audit hours.

Total Hours for 2016-2017	4,176
D. Thorsen Total Hours 2015-2016	2,088
T. Miller Bowley Hours 2015-2016	2,088

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
 TFFR EMPLOYER AUDIT PROGRESS AND STATUS REPORT
 THIRD AUDIT CYCLE

FISCAL YEAR JULY 1, 2016 - JUNE 30, 2017

	Size	Auditor	School District	Anticipated Notification Timeframe	100% or On-site	Info Request	Info Received	Audit Started	Report Date	Corrections to Retirement Services	Invoice/Check Received from Retirement Services	Status	Members	Days b/w Info Request and Received (Business Days)	Days b/w Info Received and Report (Business Days)	Days b/w Info Received and Start Date (Business Days)	Days b/w Start and Report (Business Days)	Days w/Retirement Services (Business Days)	Audit Findings	Hours to Complete
1	S	DT	Ft. Totten	December 2014		12/29/2014	1/30/2015	5/27/2015	12/21/2016	12/5/2016	12/20/2016	Complete	36	25	494	84	411	12	Not In Compliance	353
2	S	TMB	White Shield (Roseglen) (New Admin 09/14)	September 2015		9/4/2015	10/9/2015	11/6/2015	12/6/2016	11/29/2016	12/5/2016	Complete	28	26	303	21	283	5	In Compliance	63
FY 2016 Average:													32	26	399	53	347	9		208

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
 TFFR EMPLOYER AUDIT PROGRESS AND STATUS REPORT
 FOURTH AUDIT CYCLE

FISCAL YEAR JULY 1, 2016 - JUNE 30, 2017

FOURTH AUDIT CYCLE START DATE: May 23, 2016

FOURTH AUDIT CYCLE END DATE:

	Size	District ID	Auditor	Employer	Anticipated Notification Timeframe	100% or On-site	Info Request	Info Received	Audit Started	Report Date	Corrections to Retirement Services	Invoice/Check Received from Retirement Services	Status	Members	Days b/w Info Request and Received (Business Days)	Days b/w Info Received and Report (Business Days)	Days b/w Info Received and Start Date (Business Days)	Days b/w Start and Report (Business Days)	Days w/Retirement Services (Business Days)	Audit Findings	Hours to Complete
1	M	06-001	INTERN	BOWMAN SCHOOL	October 2015		10/19/2015	11/13/2015	5/23/2016	6/16/2016	6/15/2016	6/16/2016	Complete	53	20	155	137	19	2	In Compliance	15
END OF FISCAL YEAR 2015-2016																					
2	S	53-006	INTERN	EIGHT MILE SCHOOL	October 2015		10/19/2015	11/2/2015	5/27/2016	7/1/2016	6/28/2016	7/1/2016	Complete	23	11	175	150	26	4	In Compliance	20
3	S	13-019	INTERN	HALLIDAY SCHOOL	October 2015		10/19/2015	11/12/2015	5/17/2016	7/28/2016	7/19/2016	7/27/2016	Complete	12	19	186	134	53	7	Generally In Compliance	22
4	S	02-007	INTERN	BARNES COUNTY NORTH	October 2015		10/19/2015	11/3/2015	6/1/2016	7/28/2016	7/19/2016	7/27/2016	Complete	31	12	193	152	42	7	In Compliance	13
5	S	25-001	INTERN	VELVA SCHOOL*	October 2015		10/19/2015	6/7/2016	6/7/2016	7/28/2016	7/19/2016	7/27/2016	Complete	47	167	38	1	38	7	In Compliance	18
6	S	41-006	INTERN	SARGENT CENTRAL SCHOOL	April 2016		4/27/2016	5/12/2016	6/16/2016	8/19/2016	8/4/2016	8/18/2016	Complete	28	12	72	26	47	11	Generally In Compliance	30
7	S	20-018	INTERN	GRIGGS COUNTY CENTRAL SCH	May 2016		5/26/2016	6/6/2016	7/14/2016	8/24/2016	8/16/2016	8/24/2016	Complete	32	8	58	29	30	7	In Compliance	15
8	S	40-029	INTERN	ROLETTE SCHOOL	May 2016		5/25/2016	6/2/2016	7/12/2016	8/26/2016	8/16/2016	8/25/2016	Complete	22	7	62	29	34	8	In Compliance	16
9	S	27-014	INTERN	YELLOWSTONE ELEM. SCHOOL	April 2016		4/27/2016	6/9/2016	7/15/2016	8/26/2016	8/17/2016	8/25/2016	Complete	10	32	57	27	31	7	In Compliance	11
10	S	34-118	INTERN	VALLEY - EDINBURG SCHOOL	April 2016		4/27/2016	4/29/2016	6/6/2016	9/7/2016	8/12/2016	9/1/2016	Complete	33	3	94	27	68	15	In Compliance	23
11	S	45-013	INTERN	BELFIELD PUBLIC SCHOOL	April 2016		4/27/2016	5/20/2016	7/11/2016	9/7/2016	8/16/2016	9/1/2016	Complete	34	18	79	37	43	13	In Compliance	13
12	S	31-003	TMB	PARSHALL SCHOOL - SPECIAL AUDIT FY 2016	N/A		8/8/2016	8/9/2016	8/10/2016	9/15/2016	9/1/2016	9/14/2016	Complete	35	2	28	2	27	10	Not In Compliance	45
13	S	03-006	DT	LEEDS SCHOOL	May 2016		5/26/2016	6/13/2016	9/22/2016	11/22/2016	11/7/2016	11/14/2016	Complete	23	13	117	74	44	6	In Compliance	66
14	S	42-019	TMB	MCCLUSKY SCHOOL	October 2016		9/28/2016	10/5/2016	10/18/2016	12/6/2016	11/29/2016	12/5/2016	Complete	17	6	45	10	36	5	In Compliance	24
15	M	27-001	INTERN/DT	MCKENZIE COUNTY SCHOOL	April 2016		4/26/2016	6/10/2016	7/21/2016	12/19/2016	12/1/2016	12/8/2016	Complete	89	34	137	30	108	6	Generally In Compliance	68
16	S	43-004	INTERN/TMB	FORT YATES SCHOOL*	October 2015		10/19/2015	6/10/2016	6/10/2016				In Progress	32	170	0	1	0	0		19
17	S	07-027	TMB	POWERS LAKE SCHOOL*	April 2016		4/26/2016	7/25/2016	10/11/2016				In Progress	25	65	0	57	0	0		
18	M	40-001	TMB	DUNSEITH SCHOOL	May 2016		5/26/2016	7/14/2016	10/10/2016				In Progress	54	36	0	63	0	0		
19	L	53-001	TMB	WILLISTON SCHOOL	October 2016		9/28/2016	10/10/2016	10/21/2016				In Progress	271	9	0	10	0	0		
20	S	10-023	TMB	LANGDON AREA SCHOOL - SPECIAL AUDIT FY 2016	N/A		11/14/2016	11/17/2016	11/18/2016				In Progress	43	4	0	2	0	0		
21	S	34-019	DT	DRAYTON SCHOOL	May 2016		5/26/2016	6/29/2016	11/8/2016				In Progress	28	25	0	95	0	0		
22	S	18-129	DT	NORTHWOOD SCHOOL	May 2016		5/26/2016	7/1/2016	11/17/2016				In Progress	29	27	0	100	0	0		
23	S	30-048	TMB	GLEN ULLIN SCHOOL** 2015-2016 NIC Review	October 2016		9/28/2016	10/28/2016	12/28/2016				In Progress	25	23	0	44	0	0		
24	S	03-005	DT	MINNEWAUKAN SCHOOL	October 2016		9/28/2016	9/28/2016	1/24/2017				In Progress	30	1	0	85	0	0		
25	S	49-003	DT	CENTRAL VALLEY SCHOOL	October 2016		9/28/2016	10/17/2016					Pending	22	14	0	0	0	0		
26	S	38-026	DT	GLENBURN SCHOOL	October 2016		9/28/2016	10/20/2016					Pending	37	17	0	0	0	0		
29	M	09-002		KINDRED SCHOOL	January 2017		1/18/2017	1/26/2017					Pending	56	7	0	0	0	0		
28	S	53-015		TIOGA SCHOOL	January 2017		1/18/2017						Pending	48	0	0	0	0	0		
30	S	25-014		ANAMOOSE SCHOOL	January 2017		1/18/2017						Pending	14	0	0	0	0	0		
27	S	03-030		FT. TOTTEN - SPECIAL AUDIT FY 2016 100%, Master Payroll File, Contracts	February 2017								IT Data Requested		0	0	0	0	0		
31	S	24-056		GACKLE-STREETER PUB SCH	February 2017								IT Data Requested		0	0	0	0	0		
32	S	06-033		SCRANTON SCHOOL	February 2017								IT Data Requested		0	0	0	0	0		
33	S	28-051		GARRISON SCHOOL New Bus. Mgr. 11/2016									IT Data Requested		0	0	0	0	0		
34	S	18-400		ND SCHOOL FOR BLIND											0	0	0	0	0		
35	S	07-036		BURKE CENTRAL SCHOOL											0	0	0	0	0		
36	S	27-002		ALEXANDER SCHOOL											0	0	0	0	0		
37	S	39-201		SOUTH VALLEY SPEC ED											0	0	0	0	0		



Presents:

Forensic Accounting and Financial Statement Fraud Analysis

Gwendolyn McDade, Instructor

CPE
INTERACTIVE

October 25-26, 2016

**MDU Resources Group, Inc.
1200 W. Century Avenue
Bismarck, ND**

Course Description

This course is designed to provide an overview of financial statement and accounting fraud including how it is committed and the motivation behind it.

The course will provide participants with the fraud knowledge and forensic accounting techniques necessary to identify accounting and financial statement fraud within their organizations. Real-life comprehensive fraud case studies and the forensic accounting and fraud examination techniques used to identify and quantify the frauds will be used throughout the course to further the learning process. Participants will work through fraud case study examples and exercises.

This interactive course will be taught through a combination of lecture, group exercises and class participation.

Learning Objectives

- Recognize the most common financial statement fraud schemes
- Identify the red flags of financial statement fraud
- Detect fraud using forensic accounting and audit procedures
- Understand the fraud implications of emerging issues in financial reporting
- Understanding fraud fundamentals used to identify fraud within your organization.
- Knowing and understanding the fraud tree schemes and identifying how they may manifest as fraud scenarios in your organization.
- Understanding the characteristics of fraudsters to identify potential high risk departments or individuals.

Who Should Attend

- Internal audit staff and management
- Financial auditors
- Internal control professionals
- Accounting Staff
- Financial Analysts

Level: Intermediate

Course Outline

Fraud Basics

- The Fraud Triangle
- ACFE 2014 Report to the Nation – Fraud & Corruption Statistics
- Fraudsters - Characteristics and Behaviors

The Fraud Tree Schemes and Scenarios

- Analysis and auditing techniques for identifying Red Flags and potential fraud
- Corruption
 - Financial Statement Fraud
 - Improper Revenue Recognition
- Concealed Liabilities and Expenses
- Asset Misappropriation
- Fraudulent Disbursements

Techniques for Financial Statement Analysis

- Comparative Techniques
- Ratios
- Financial Relationships
- Cash Flow

Understanding Trends and Patterns in Data

- How to spot them
- Understanding what the data is telling you
- Red Flags versus changes in the business
- Personal vs. Professional

Analytics and Forensic Accounting Techniques

- Regression Analysis
- Ratios
- Benford's Law
- Benish M-Score Indicies
- Reasonableness Testing
- Damerau-Levenshtein - Fuzzy Logic

Example Data Analytics Techniques for:

- Accounts Payable
- Payroll
- Inventory & Fixed Assets
- Financial Statements

Investigations - Basics for conducting a fraud investigation

- Planning and conducting an investigation
- Analyzing Documents
- Covert investigations
- Sources of Information
- Forensics
- Useful resources for investigations

Please note: The seminar is designed as a two-day course. Single day attendance is permitted; however, Day 2 programming builds on the materials presented on Day 1.

Seminar Instructor

Gwendolyn McDade, CPA, CIG

Senior Fellow in Financial and Operational Auditing



Gwen is a Certified Public Accountant, a Certified Inspector General, and a Certified Program Integrity Professional.

She has extensive audit and financial management responsibilities in the private sector, non-profit, and government performing internal and external audits, in audit preparation and readiness, launching and sustaining internal controls, establishing finance and internal audit departments, implementing accounting and audit systems, developing and documenting policies and procedures, and delivering operational results and training classes.

As America's Region Internal Audit Manager at Motorola, she worked to implement global controls over \$1 billion of inventory. In her four years as a Deputy Inspector General of Compliance at the Health and Human Services Office of Inspector General, she oversaw a budget of \$10 million and led 200 auditors and nurses in ensuring that state and federal funds were used in accordance with applicable law.

A financial leader in industry and government, Gwen partnered with a \$200 million Global Drivers business at Motorola. She oversaw \$100 million in revenue and \$300 million in assets for a governmental risk pool, earning unqualified opinions of the annual financial statements for eight years while ensuring the existence of effective internal controls and implementing an accounting system.

Gwen is able to convey her knowledge to individuals and national audiences. She trained agency auditors to audit the multi-fund college and university financial statements, delivered training to the IIA and governmental risk pools on internal controls and compliance, and served as a mentor to aspiring leaders.

Forensic Accounting and Financial Statement Fraud Analysis

October 25-26, 2016

Company/Organization _____

Address _____

City _____ State _____ Zip _____

Seminar Fees			
<u>IIA Members</u>		<u>Non-Members</u>	
1 Day	2 Days	1 Day	2 Days
\$250	\$425	\$300	\$475
10% Discount for Groups of 3 or More			

	Name	E-Mail Address	Telephone No.	Which days are you attending?	Seminar Fee (See Above)
Participant #1				<input type="checkbox"/> 25 th <input type="checkbox"/> 26 th	
Participant #2				<input type="checkbox"/> 25 th <input type="checkbox"/> 26 th	
Participant #3				<input type="checkbox"/> 25 th <input type="checkbox"/> 26 th	
Participant #4				<input type="checkbox"/> 25 th <input type="checkbox"/> 26 th	
Participant #5				<input type="checkbox"/> 25 th <input type="checkbox"/> 26 th	
Participant #6				<input type="checkbox"/> 25 th <input type="checkbox"/> 26 th	

Print additional registration forms for more participants.

Amount Due Before Discount	
Less Group Discount (-10%)	
Total Amount Enclosed	

Seminar Hours
8:30 a.m. – 4:30 p.m.

Registration Fee Includes:

- Enrollment
- All course materials
- Refreshments, snacks & lunch

The seminar is designed as a two-day course. Single day attendance is permitted; however, Day 2 programming builds on the materials presented on Day 1.

CPE Credits
8 Credits (1 Day) or 16 Credits (2 Days)

**Mail Registration Form
with check payable to:**

**IIA Central NoDak Chapter
PO Box 64
Bismarck, ND 58502-0064**

A confirmation e-mail will be sent after Registration Form and payment have been received.

**Refunds will not be made for cancellations received after
October 21, 2016**

For Questions or Additional Course Information contact:
Kim Reinke (701) 530-1023 ... kim.reinke@mduresources.com

MEMORANDUM

TO: State Investment Board (SIB)
State Investment Board (SIB) Audit Committee
David Hunter, Executive Director/CIO

FROM: Terra Miller Bowley, Supervisor of Audit Services

DATE: February 23, 2017

SUBJECT: Executive Limitations Final Audit Report

Audit Services has completed the annual review of the Executive Director/CIO's level of compliance with State Investment Board (SIB) Governance Manual Executive Limitation policies for the calendar year beginning January 1, 2016 and ending December 31, 2016.

The policies reviewed during the course of the audit were:

- General Executive Constraint (A-1)
- Staff Relations (A-2)
- Relating to Public and Government (A-3)
- Budgeting (A-4)
- Financial Condition (A-5)
- Communication and Counsel to the Board (A-6)
- Asset Protection (A-7)
- Compensation and Benefits (A-8)
- Conflict of Interest (A-9)
- Code of Conduct (A-10)
- Unrelated Business Interests (A-11)

Audit Services is sufficiently satisfied that the Executive Director/CIO was in compliance with SIB Governance Manual Executive Limitation policies A-1 through A-11 during calendar year 2016.

**RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES
EXECUTIVE LIMITATIONS AUDIT REPORT
January 1, 2016 – December 31, 2016**

Executive Limitations – General Executive Constraint (A-1)

The following documents were reviewed and found to support the Executive Director/CIO's compliance with Executive Limitation A-1:

- Executive Team Members – Communication Questionnaires
- State Investment Board (SIB) Meeting Agendas, Materials, and Minutes

The executive team indicated that frequent communication occurs regarding board and executive issues and processes. Executive team members believe they are well informed and not lacking pertinent or relevant information. The executive team demonstrated greater cohesion than in prior years. There was a greater consensus regarding the most important issues facing the organization. Executive team members overwhelmingly agree that the depth of knowledge and experience currently held by executive staff will insulate the organization from any risk associated with the sudden loss of executive services.

Executive Limitations – Staff Relations (A-2)

The following documents were reviewed and found to support the Executive Director/CIO's compliance with Executive Limitation A-2:

- RIO Administrative Manual and Employee Acknowledgements
- RIO Termination Checklist, Exit Interview, and Employee Termination Documents
- 2016 Executive Director/CIO Effectiveness Survey and Results
- 2016 SIB Executive Review Committee Survey, Results, and Meeting Minutes

RIO maintains an Administrative Manual which includes personnel rules for staff, provides for the effective handling of grievances, and protects against wrongful conditions or violations of state and federal law. During calendar year 2016 the Code of Conduct, Family and Medical Leave, Requesting Leave or Absence from Work, Flextime, Travel, and Infant at Work policies were revised and/or created. All staff members signed acknowledgements indicating that they reviewed and understood all policies contained within the Administrative Manual. RIO implemented a summer internship program in 2016. The summer intern was a temporary employee and departed RIO in August 2016. A termination checklist and an exit interview were completed prior to the intern's departure. Staff and SIB survey responses were positive regarding staff relations.

Executive Limitations – Relating to Public and Government (A-3)

The following documents were reviewed and found to support the Executive Director/CIO's compliance with Executive Limitation A-3:

- 2016 SIB Client Satisfaction Survey and Responses
- RIO Administrative Manual (Media Policy), Media Inquiry, and Open Records Request
- 2016 SIB Executive Review Committee Survey, Results, and Meeting Minutes

SIB clients were asked to rate the services provided by RIO staff on behalf of the SIB. A score of 3.60 was received on a 4.0 weighted average scale. Comments received were generally positive and indicated clients have a great deal of trust in staff, receive excellent customer service, and appreciate the current leadership. The Executive Director/CIO routinely responds to media requests and open records requests. The requests reviewed revealed that information provided by staff was accurate and when applicable distinguished between fact and personal opinion. Members of the SIB overwhelmingly

Executive Limitations – Relating to Public and Government (A-3) (continued)

agreed that the Executive Director/CIO effectively promotes the SIB and provides necessary information to various stakeholders, constituencies, political subdivisions, and the state legislature. This is most often accomplished with appropriately timed and relevant communications, presentations, and general discussions.

Executive Limitations – Budgeting (A-4) and Financial Condition (A-5)

The following documents were reviewed and found to support the Executive Director/CIO's compliance with Executive Limitation A-4 and A-5:

- RIO 2017-2019 Proposed Biennium Budget and Other Supporting Documentation
- Budget and Financial Condition Quarterly Monitoring Reports – SIB Meeting Materials
- 2016 Callan Associates, Inc. Fee Study and Other Supporting Documentation
- 2016 Executive Review Committee Survey, Results, and Meeting Minutes

The 65th Legislative Assembly commenced in January 2016. The 2017-2019 budgeting process was still ongoing at the conclusion of audit work. A review of the quarterly monitoring reports for fiscal year 2016 revealed that RIO operated well within budget and had not made any expenditure which exceeded the appropriation authorized by the legislature. This confirms that the budget planning process currently used by RIO is adequate and results in the development of credible expense projections. During calendar year 2016 RIO did not reduce the level of service of any programs nor request the assistance of the Emergency Commission. Continuing appropriations are reviewed by third parties, one of the largest expenditures is related to investment management fees and consulting expenses. In 2016 Callan Associates, Inc. conducted a fee study and determined that fees are reasonable when compared to returns received. Fees have continued to decline since FY 2013. SIB members surveyed indicated they are satisfied with the Executive Director/CIO's budgeting actions and RIO's overall financial condition.

Executive Limitations – Communication and Counsel to the Board (A-6)

The following documents were reviewed and found to support the Executive Director/CIO's compliance with Executive Limitation A-6:

- 2016 SIB Executive Review Committee Survey, Results, and Meeting Minutes
- SIB Governance Manual Policy C-4 (Monitoring Executive Performance Policy)
- SIB Meeting Agendas, Materials, and Minutes – Calendar Year 2016

SIB members indicated that the Executive Director/CIO routinely provides information to assist in decision making, board education, updates on current issues, and timely problem identification. The Executive Director/CIO also adequately monitors investment performance, managers, and strategies. The Executive Director/CIO met all reporting requirements detailed in SIB Governance Manual Policy C-4.

Executive Limitations – Asset Protection (A-7)

The following documents were reviewed and found to support the Executive Director/CIO's compliance with Executive Limitation A-7:

- State Fire and Tornado Fund Insurance Policy – FY 2016 and FY 2017
- OMB/Risk Management – Risk Management Fund Manual
- State Bonding Fund – Commercial Blanket Bond – CY 2016 and CY 2017
- RIO Financial Audit - Fiscal Year Ended June 30, 2016
- 2016 SIB Executive Review Committee Survey, Results, and Meeting Minutes
- 2016 SIB Meeting Agendas, Materials, and Minutes – Nov 18, 2016

Executive Limitations – Asset Protection (A-7) (continued)

RIO has obtained adequate insurance to protect against theft and casualty losses as well as to protect against liability losses to board members, staff, and the organization. All RIO personnel who have access to funds are properly bonded. External auditors confirmed that funds are received, processed, and distributed under controls which are sufficient to meet State Auditor standards. The financial audit for the fiscal year ended June 30, 2016 received a clean unmodified opinion. Information on actual versus target asset allocation, excess returns for the 1, 3, and 5 year time periods, and current level of risk assumed indicates that the investment process undertaken by RIO is in compliance with the SIB policy on investment.

Executive Limitations – Compensation and Benefits (A-8)

The following documents were reviewed and found to support the Executive Director/CIO's compliance with Executive Limitation A-8:

- OMB ND Salary Ranges – 2015/16 and 2016/17
- Agency Position Number Listing Report – Business Unit 190
- SIB Executive Review Committee – Executive Director/CIO Performance Review
- ND Administrative Code, Chapter 04-07-02
- SIB Meeting Agenda, Materials, and Minutes – May 27, 2016

A review of available documents confirmed that compensation and benefits for staff are in compliance with the ND Administrative Code, Chapter 04-07-02. Current salary and benefits for the Executive Director/CIO are consistent with the recommendations of the SIB Executive Review Committee.

Executive Limitations – General Executive Constraint (A-1), Conflict of Interest (A-9), Code of Conduct (A-10), and Unrelated Business Interests (A-11)

The following documents were reviewed and found to support the Executive Director/CIO's compliance with Executive Limitation A-1, A-9, A-10, and A-11:

- 2016 Executive Limitation/CIO Effectiveness Survey and Results
- 2016 Executive Review Committee Survey and Results
- SIB Governance Manual Policy A-9 and Conflict of Interest Statement
- SIB Meeting Agenda, Materials, and Minutes – Feb 26, 2016 and Jul 22, 2016
- SIB Audit Committee Agenda, Materials, and Minutes – Feb 25, 2016

The Executive Director/CIO affirmed understanding of the Executive Limitation Conflict of Interest Policy (A-9) located within the SIB Governance Manual. Executive team members independently confirmed that they are not aware of any actual or perceived conflicts of interest concerning the Executive Director/CIO. SIB members indicated they believe the Executive Director/CIO maintains high fiduciary standards and adheres to all laws, rules, policies, procedures, and professional ethics. Staff overwhelmingly believes that the Executive Director/CIO demonstrates integrity and sets an example for others to follow.

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Terra Miller Bowley, Supervisor of Audit Services

DATE: February 23, 2017

SUBJECT: GASB 68 Schedules Audit

As anticipated CliftonLarsonAllen (CLA), external auditors of the Retirement and Investment Office (RIO), concluded their audit of the GASB 68 schedules. The final audit report was issued in December 2016 and is included for your review. No action by the Audit Committee is required at this time. CLA will be in attendance at the May 25, 2017 Audit Committee meeting to present the results of the GASB 68 Schedules Audit as well as the audit scope and approach for the upcoming financial audit of RIO for fiscal year July 1, 2016 to June 30, 2017. At that time the SIB Audit Committee will be called upon to approve the GASB 68 Schedules Audit report.

Retirement Services has published the annual GASB 68 financial information for TFFR employers. This information can be located on the RIO website - <http://www.nd.gov/rio/TFFR/Employers/default.htm>.

If after review of the enclosed information any member of the Audit Committee has any questions or concerns which they would like CLA to address during their presentation of the GASB 68 Schedules Audit report on May 25, 2017 please forward those to the Supervisor of Audit Services, Terra Miller Bowley at tmbowley@nd.gov.

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE -
NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
Bismarck, North Dakota**

**SCHEDULES OF EMPLOYER ALLOCATIONS AND
PENSION AMOUNTS BY EMPLOYER
June 30, 2016**

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
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Independent Auditors' Report

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

Report on Schedules

We have audited the accompanying schedule of employer allocations of the North Dakota Retirement and Investment Office - North Dakota Teachers' Fund for Retirement (TFFR), a department of the State of North Dakota, as of and for the year ended June 30, 2016, and the related notes.

We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense as of and for the year ended June 30, 2016 (specified column totals), included in the accompanying schedule of pension amounts by employer of TFFR, and the related notes.

Management's Responsibility for the Schedules

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of pension amounts by employer and specified column totals included in the schedule of pension amounts by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and specified column totals included in the schedule of

pension amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer.

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense for the total of all participating entities for TFFR as of and for the year ended June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the North Dakota Retirement and Investment Office (RIO), which includes TFFR, as of and for the year ended June 30, 2016, and our report thereon, dated November 7, 2016, expressed an unmodified opinion on those statements.

Restriction on Use

Our report is intended solely for the information and use of the management of RIO, Board of Trustees, TFFR employers and their auditors as of and for the year ended June 30, 2016 and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Audit Standards*, we have also issued our report dated December 22, 2016, on our consideration of RIO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RIO's internal control over financial reporting.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 22, 2016

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Employer Allocations
As of and for the year ended June 30, 2016

Employer Name	Covered Employee Payroll	Employer's Proportionate Share Allocation
Alexander School	\$ 1,174,850	0.18082264%
Anamoose School	721,897	0.11110816%
Apple Creek Elem School	345,214	0.05313226%
Ashley School	950,933	0.14635934%
Bakker Elem School	34,500	0.00530994%
Barnes County North	1,587,049	0.24426476%
Beach School	2,138,290	0.32910704%
Belcourt School	8,310,828	1.27913029%
Belfield Public School	1,480,772	0.22790756%
Beulah School	3,422,543	0.52676803%
Billings Co. School Dist.	758,055	0.11667315%
Bismarck Public Schools	69,221,921	10.65403601%
Bismarck State College	-	0.00000000%
Blessed John Paul II Catholic Sch Network	-	0.00000000%
Bottineau School	3,759,574	0.57864088%
Bowbells School	553,570	0.08520072%
Bowman School	2,758,160	0.42451206%
Burke Central School	954,834	0.14695981%
Burleigh County Spec. Ed.	85,938	0.01322689%
Carrington School	2,963,661	0.45614091%
Cavalier School	2,232,972	0.34367967%
Center Stanton School	1,453,696	0.22374025%
Central Cass School	3,458,213	0.53225813%
Central Elementary School	62,919	0.00968396%
Central Valley School	1,231,138	0.18948599%
Dakota Prairie School	1,866,318	0.28724742%
Devils Lake School	10,315,055	1.58760361%
Dickinson School	18,433,992	2.83719976%
Divide School	2,329,371	0.35851646%
Drake School	504,034	0.07757658%
Drayton School	1,238,308	0.19058956%
Dunseith School	2,919,917	0.44940822%
E Central Ctr Exc Childn	772,971	0.11896896%
Earl Elem. School	31,500	0.00484820%
Edgeley School	1,281,117	0.19717837%
Edmore School	725,488	0.11166082%
Eight Mile School	1,544,356	0.23769386%
Elgin-New Leipzig School	1,130,691	0.17402614%
Ellendale School	1,731,625	0.26651659%
Emerado Elementary School	568,168	0.08744740%

The accompanying notes are an integral part of the Schedule of Employer Allocations

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Employer Allocations
As of and for the year ended June 30, 2016

Employer Name	Covered Employee Payroll	Employer's Proportionate Share Allocation
Enderlin Area School District	2,017,580	0.31052838%
Fairmount School	971,080	0.14946017%
Fargo Public Schools	69,044,120	10.62667033%
Fessenden-Bowdon School	1,036,712	0.15956168%
Finley-Sharon School	986,519	0.15183640%
Flasher School	1,073,725	0.16525835%
Fordville Lankin School	584,838	0.09001321%
Fort Ransom Elem School	161,022	0.02478304%
Fort Totten School	1,530,700	0.23559199%
Fort Yates School	1,155,786	0.17788847%
Gackle-Streeter Pub Sch	777,812	0.11971402%
Garrison School	2,299,673	0.35394570%
Glen Ullin School	1,168,141	0.17979002%
Glenburn School	1,868,386	0.28756569%
Goodrich School	289,211	0.04451287%
Grafton School	4,477,799	0.68918388%
Grand Forks School	45,889,133	7.06285618%
Great North West Cooperative	178,220	0.02743007%
Grenora School	1,138,249	0.17518945%
Griggs County Central Sch	1,586,343	0.24415605%
Gst Educational Services	1,595,284	0.24553228%
Halliday School	446,155	0.06866837%
Hankinson School	1,442,217	0.22197355%
Harvey School	2,338,460	0.35991541%
Hatton Eielson Psd	1,131,379	0.17413199%
Hazelton - Moffit School	830,095	0.12776106%
Hazen School	2,881,712	0.44352809%
Hebron School	1,153,324	0.17750965%
Hettinger School	1,432,947	0.22054668%
Hillsboro School	2,456,998	0.37815974%
Hope School	671,562	0.10336098%
Horse Creek Elem. School	26,250	0.00404017%
James River Multidistrict Spec Ed Unit	1,336,061	0.20563488%
Jamestown School	13,078,614	2.01294651%
Kenmare School	1,730,269	0.26630798%
Kensal School	449,639	0.06920446%
Kidder County School District	2,169,113	0.33385103%
Killdeer School	2,636,155	0.40573407%
Kindred School	3,117,666	0.47984406%
Kulm School	1,066,482	0.16414361%

The accompanying notes are an integral part of the Schedule of Employer Allocations

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Employer Allocations
As of and for the year ended June 30, 2016

Employer Name	Covered Employee Payroll	Employer's Proportionate Share Allocation
Lake Region Spec Ed	1,676,065	0.25796530%
Lakota School	1,151,669	0.17725483%
Lamoure School	1,557,013	0.23964192%
Langdon Area School	1,756,152	0.27029165%
Larimore School	2,107,946	0.32443670%
Leeds School	1,065,298	0.16396137%
Lewis And Clark School	2,631,930	0.40508382%
Lidgerwood School	1,168,186	0.17979704%
Linton School	1,651,466	0.25417932%
Lisbon School	3,480,999	0.53576506%
Litchville-Marion School	854,113	0.13145766%
Little Heart Elem. School	101,500	0.01562197%
Logan County	4,079	0.00062785%
Lone Tree Elem. School	256,697	0.03950858%
Lonetree Spec Ed Unit	158,056	0.02432653%
Maddock School	983,360	0.15135015%
Mandan Public Schools	19,302,655	2.97089678%
Mandaree School	1,666,376	0.25647410%
Manning Elem School	84,820	0.01305475%
Manvel Elem. School	803,290	0.12363539%
Maple Valley School	1,585,477	0.24402277%
Mapleton Elem. School	674,068	0.10374674%
Marmarth Elem. School	179,428	0.02761603%
Max School	1,184,279	0.18227395%
May-Port C-G School	2,747,734	0.42290734%
Mcclusky School	742,177	0.11422947%
Mckenzie County	40,223	0.00619078%
Mckenzie County School	6,556,916	1.00918344%
Medina School	1,035,829	0.15942583%
Menoken Elem School	156,600	0.02410251%
Midkota	975,732	0.15017616%
Midway School	1,467,239	0.22582465%
Milnor School	1,374,805	0.21159804%
Minnewaukan School	1,709,119	0.26305272%
Minot School	43,566,502	6.70537700%
Minto School	1,160,831	0.17866504%
Mohall Lansford Sherwood	2,162,738	0.33286989%
Montpelier School	762,833	0.11740855%
Morton County	30,550	0.00470195%
Mott-Regent School	1,543,257	0.23752476%

The accompanying notes are an integral part of the Schedule of Employer Allocations

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Employer Allocations
As of and for the year ended June 30, 2016

Employer Name	Covered Employee Payroll	Employer's Proportionate Share Allocation
Mt Pleasant School	1,648,775	0.25376515%
Munich School	936,292	0.14410593%
N Central Area Career And Tech Center	145,350	0.02237102%
Napoleon School	1,484,611	0.22849835%
Naughton Rural School	74,133	0.01140988%
Nd Center For Distance Education	1,319,021	0.20301221%
Nd Dept Of Public Instruction	185,860	0.02860595%
Nd School For Blind	713,194	0.10976865%
Nd School For Deaf	882,660	0.13585131%
Nd United	312,194	0.04805011%
Nd Youth Correctional Cnt	1,228,635	0.18910081%
Nedrose School	2,454,896	0.37783627%
Nelson County	12,233	0.00188281%
Nesson School	1,628,018	0.25057042%
New England School	1,373,415	0.21138408%
New Public School	2,032,789	0.31286915%
New Rockford Sheyenne School	1,706,324	0.26262259%
New Salem-Almont	1,698,527	0.26142243%
New Town School	4,303,882	0.66241609%
Newburg United District	657,869	0.10125347%
North Border School	2,889,141	0.44467142%
North Sargent School	1,514,698	0.23312921%
North Star	1,678,868	0.25839675%
North Valley Area Career	513,027	0.07896064%
Northern Cass School Dist	2,784,812	0.42861399%
Northern Plains Spec Ed	265,629	0.04088332%
Northwood School	1,534,870	0.23623388%
Oakes School	2,016,337	0.31033702%
Oberon Elem School	279,029	0.04294572%
Oliver - Mercer Spec Ed	997,173	0.15347626%
Page School	678,436	0.10441896%
Park River Area School District	2,036,594	0.31345477%
Parshall School	1,694,763	0.26084321%
Peace Garden Spec Ed	534,749	0.08230387%
Pembina Spec Ed Coop	106,000	0.01631460%
Pingree - Buchanan School	824,499	0.12689965%
Pleasant Valley Elem	-	0.00000000%
Powers Lake School	1,128,303	0.17365859%
Richardton-Taylor	1,715,144	0.26397999%
Richland School	1,448,543	0.22294717%

The accompanying notes are an integral part of the Schedule of Employer Allocations

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Employer Allocations
As of and for the year ended June 30, 2016

Employer Name	Covered Employee Payroll	Employer's Proportionate Share Allocation
Robinson School	-	0.00000000%
Rolette County	-	0.00000000%
Rolette School	1,204,811	0.18543398%
Roosevelt School	425,487	0.06548723%
Roughrider Area Career And Tech Center	95,425	0.01468699%
Roughrider Service Program	302,882	0.04661696%
Rugby School	3,216,322	0.49502824%
Rural Cass Spec Ed	1,083,147	0.16670854%
Sargent Central School	1,432,224	0.22043540%
Sawyer School	876,443	0.13489443%
Scranton School	1,084,034	0.16684501%
Se Region Career And Tech	1,428,830	0.21991312%
Selfridge School	874,264	0.13455905%
Sheyenne Valley Area Voc	744,005	0.11451072%
Sheyenne Valley Spec Ed	1,491,949	0.22962775%
Slope County	24,651	0.00379406%
Solen - Cannonball School	1,543,013	0.23748720%
Souris Valley Spec Ed	1,492,745	0.22975038%
South Cent. Prairie Sp Ed	100,291	0.01543586%
South Heart School	1,540,194	0.23705334%
South Prairie Elem School	1,999,849	0.30779943%
South Valley Spec Ed	434,031	0.06680222%
Southwest Special Education Unit	63,336	0.00974813%
St. John'S School	2,492,018	0.38354979%
St. Thomas School	645,774	0.09939188%
Stanley School	3,242,061	0.49898983%
Starkweather School	572,884	0.08817332%
Sterling School	249,520	0.03840395%
Strasburg School District	810,454	0.12473803%
Surrey School	2,377,864	0.36598010%
Sweet Briar Elem School	83,760	0.01289161%
Tgu School District	2,703,863	0.41615506%
Thompson School	2,085,482	0.32097929%
Tioga School	3,021,747	0.46508097%
Turtle Lake-Mercer School	1,149,145	0.17686637%
Twin Buttes Elem. School	401,385	0.06177770%
Underwood School	1,532,169	0.23581820%
United School	2,928,781	0.45077245%
Upper Valley Spec Ed	2,414,953	0.37168858%
Valley - Edinburg School	1,703,831	0.26223887%

The accompanying notes are an integral part of the Schedule of Employer Allocations

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Employer Allocations
As of and for the year ended June 30, 2016

Employer Name	Covered Employee Payroll	Employer's Proportionate Share Allocation
Valley City School	6,035,942	0.92899971%
Velva School	2,480,059	0.38170909%
Wahpeton School	6,702,203	1.03154471%
Ward County	28,267	0.00435064%
Warwick School	1,722,089	0.26504901%
Washburn School	1,656,329	0.25492780%
West Fargo School	53,554,062	8.24257540%
West River Student Services	691,314	0.10640107%
Westhope School	1,067,860	0.16435580%
White Shield School	1,403,919	0.21607894%
Williston School	18,388,340	2.83017340%
Wilmac Special Education	3,327,347	0.51211632%
Wilton School	1,286,438	0.19799737%
Wing School	659,051	0.10143541%
Wishek School	1,208,061	0.18593429%
Wolford School	517,855	0.07970381%
Wyndmere School	1,405,123	0.21626430%
Yellowstone Elem. School	504,704	0.07767971%
Zeeland School	375,113	0.05773417%
Grand Totals:	\$ 649,724,868	100%

Note: Columns may not foot due to rounding

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Pension Amounts by Employer
As of and for the year ended June 30, 2016

Employer Name	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense		
	Net Pension Liability for the year ended June 30, 2016	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Proportionate Share of Contributions
Alexander School	\$ 2,649,158	\$ 12,512	\$ 220,217	\$ 221,281	\$ 358,801	\$ 812,811	\$ 12,543	\$ -	\$ -	\$ 12,543	\$ 246,953	\$ 62,539	\$ 309,492
Anamoose School	1,627,800	7,688	135,314	135,968	59,572	338,542	7,707	-	-	35,358	151,742	7,307	159,049
Apple Creek Elem School	778,419	3,676	64,708	65,020	9,187	142,591	3,686	-	-	50,791	72,564	(8,627)	63,937
Ashley School	2,144,250	10,127	178,245	179,107	14,022	381,501	10,152	-	-	65,556	75,708	199,886	191,765
Bakker Elem School	77,794	367	6,467	6,498	-	13,332	368	-	-	4,366	4,734	7,252	6,478
Barnes County North	3,578,622	16,902	297,480	298,918	-	613,300	16,944	-	-	419,493	436,437	333,597	257,824
Beach School	4,821,611	22,772	400,806	402,744	-	826,322	22,829	-	-	223,403	246,232	449,468	407,234
Belcourt School	18,740,008	88,508	1,557,802	1,565,332	-	3,211,642	88,729	-	-	567,449	656,178	1,746,932	1,642,730
Belfield Public School	3,338,979	15,770	277,560	278,901	85,445	657,676	15,809	-	-	15,809	311,258	14,646	325,904
Beulah School	7,717,460	36,449	641,530	644,631	-	1,322,610	36,540	-	-	294,889	331,429	719,417	668,395
Billings Co. School Dist.	1,709,330	8,073	142,092	142,778	139,383	432,326	8,093	-	-	192,004	200,097	159,343	144,173
Bismarck Public Schools	156,087,867	737,194	12,975,129	13,037,850	1,172,156	27,922,329	739,037	-	-	1,296,374	2,035,411	14,550,417	14,568,786
Bismarck State College	-	-	-	-	-	-	-	-	-	44,648	44,648	-	(8,930)
Blessed John Paul II Cath. Schl Net	-	-	-	-	-	-	-	-	-	52,304	52,304	-	(8,788)
Bottineau School	8,477,428	40,038	704,704	708,110	-	1,452,852	40,139	-	-	265,037	305,176	790,261	744,063
Bow bells School	1,248,240	5,895	103,763	104,264	3,388	217,310	5,910	-	-	20,428	26,338	116,360	112,839
Bow man School	6,219,350	29,374	516,996	519,496	-	1,065,866	29,447	-	-	212,165	241,612	579,764	543,636
Burke Central School	2,153,047	10,169	178,977	179,842	256,761	625,749	10,194	-	-	187,361	197,555	200,706	206,028
Burleigh County Spec. Ed.	193,782	915	16,109	16,186	21,447	54,657	918	-	-	9,885	10,803	18,064	20,706
Carrington School	6,682,731	31,562	555,516	558,201	52,835	1,198,114	31,641	-	-	75,064	106,705	622,960	621,016
Cavalier School	5,035,108	23,781	418,554	420,577	71,492	934,404	23,840	-	-	55,028	78,868	469,370	474,498
Center Stanton School	3,277,926	15,481	272,484	273,802	24,377	586,144	15,520	-	-	65,787	81,307	305,566	299,478
Central Cass School	7,797,893	36,829	648,216	651,350	-	1,336,395	36,921	-	-	373,423	410,344	726,915	660,576
Central Elementary School	141,876	670	11,794	11,851	-	24,315	672	-	-	7,648	8,320	13,226	11,933
Central Valley School	2,776,081	13,111	230,767	231,883	-	475,761	13,144	-	-	182,852	195,996	258,785	225,995
Dakota Prairie School	4,208,343	19,876	349,827	351,518	37,003	758,224	19,925	-	-	19,925	392,299	6,904	399,203
Devils Lake School	23,259,323	109,852	1,933,480	1,942,826	-	3,986,158	110,127	-	-	1,130,740	1,240,867	2,168,220	1,964,324
Dickinson School	41,566,638	196,317	3,455,313	3,472,016	2,035,073	9,158,719	196,808	-	-	196,808	3,874,817	400,987	4,275,804
Divide School	5,252,476	24,807	436,623	438,734	-	900,164	24,869	-	-	106,651	131,520	489,633	468,446
Drake School	1,136,542	5,368	94,477	94,934	-	194,779	5,381	-	-	128,258	133,639	105,948	123,327
Drayton School	2,792,249	13,188	232,111	233,233	132,382	610,914	13,221	-	-	104,421	117,642	260,292	269,365
Dunseith School	6,584,094	31,096	547,317	549,962	319,173	1,447,548	31,174	-	-	31,174	613,765	54,335	668,100
E Central Cir Exc Childn	1,742,965	8,232	144,888	145,588	6,796	305,504	8,253	-	-	117,123	125,376	162,478	144,317
Earl Elem. School	71,029	335	5,904	5,933	-	12,172	336	-	-	3,696	4,032	6,621	5,940
Edgeley School	2,888,779	13,644	240,136	241,297	-	495,077	13,678	-	-	24,838	38,516	269,290	264,775
Edmore School	1,635,896	7,726	135,987	136,645	29,244	309,602	7,746	-	-	15,719	23,465	152,497	155,726
Eight Mile School	3,482,354	16,447	269,478	290,877	286,437	863,239	16,488	-	-	16,488	324,623	52,656	377,279
Elgin-New Leipzig School	2,549,585	12,042	211,940	212,964	142,615	579,561	12,072	-	-	42,869	54,941	237,671	252,866
Elendale School	3,904,624	18,441	324,580	326,149	-	669,170	18,487	-	-	250,373	268,860	363,987	318,473
Emerado Elementary School	1,281,156	6,051	106,499	107,014	-	219,564	6,066	-	-	41,919	47,985	119,429	112,125

The accompanying notes are an integral part of the Schedule of Pension Amounts by Employer

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Pension Amounts by Employer
As of and for the year ended June 30, 2016

Employer Name	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense			
	Net Pension Liability for the year ended June 30, 2016	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Proportionate Share of Contributions	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Pension Expense	Total Employer Pension Expense
Enderlin Area School District	4,549,423	21,487	378,180	380,008	29,417	809,092	21,540	-	-	30,429	51,969	424,094	812	424,906
Fairmount School	2,189,679	10,342	182,022	182,902	-	375,266	10,368	-	-	119,797	130,165	204,121	(20,519)	183,602
Fargo Public Schools	155,686,944	735,300	12,941,802	13,004,361	-	26,681,463	737,139	-	-	2,236,622	2,973,761	14,513,043	(443,216)	14,069,827
Fessenden-Bowdon School	2,337,672	11,041	194,324	195,263	67,647	468,275	11,068	-	-	5,744	16,812	217,916	10,125	228,041
Finley-Sharon School	2,224,492	10,506	164,916	185,809	-	381,231	10,532	-	-	350,909	361,441	207,366	(59,951)	147,415
Flasher School	2,421,132	11,435	201,262	202,234	9,777	424,708	11,463	-	-	140,577	152,040	225,696	(26,485)	199,211
Fordville Lankin School	1,318,746	6,228	109,624	110,153	-	226,005	6,244	-	-	34,333	40,577	122,933	(6,002)	116,931
Fort Ransom Elem School	363,086	1,715	30,182	30,328	7,383	69,608	1,719	-	-	22,899	24,618	33,847	(2,340)	31,507
Fort Totten School	3,451,561	16,302	286,918	288,305	-	591,525	16,342	-	-	256,759	273,101	321,752	(46,229)	276,523
Fort Yates School	2,606,170	12,309	216,643	217,691	55,367	502,010	12,340	-	-	40,093	52,433	242,946	4,392	247,338
Gackle-Streeter Pub Sch	1,753,881	8,283	145,795	146,500	19,228	319,806	8,304	-	-	44,557	52,861	163,496	(5,707)	157,789
Garrison School	5,185,512	24,491	431,056	433,140	107,697	996,384	24,552	-	-	103,149	127,701	483,390	4,349	487,739
Glen Ullin School	2,634,029	12,440	218,959	220,018	79,265	530,682	12,471	-	-	1,290	13,761	245,543	15,638	261,181
Glenburn School	4,213,006	19,898	350,215	351,908	371,301	1,093,322	19,948	-	-	54,308	74,256	392,734	51,022	443,756
Goodrich School	652,140	3,080	54,210	54,473	-	111,763	3,088	-	-	28,609	31,697	60,792	(5,314)	55,478
Grafton School	10,096,947	47,687	839,330	843,387	82,386	1,812,790	47,807	-	-	92,232	140,039	941,231	1,105	942,336
Grand Forks School	103,474,979	488,706	8,601,573	8,643,152	769,022	18,502,453	489,928	-	-	1,733,932	2,223,860	9,645,875	(218,616)	9,427,259
Great North West Cooperative	401,867	1,898	33,406	33,567	46,840	115,711	1,903	-	-	-	1,903	37,462	8,910	46,372
Grenora School	2,566,628	12,122	213,356	214,388	97,947	537,813	12,152	-	-	38,323	50,475	239,260	13,203	252,463
Griggs County Central Sch	3,577,029	16,894	297,348	298,785	-	613,027	16,936	-	-	450,889	467,825	333,448	(77,940)	255,508
Gst Educational Services	3,597,192	16,989	299,024	300,470	143,526	760,009	17,032	-	-	147,802	164,834	335,328	(5,640)	329,688
Halliday School	1,006,032	4,751	83,628	84,033	5,935	178,347	4,763	-	-	35,162	39,925	93,782	(4,673)	89,109
Hankinson School	3,252,043	15,359	270,333	271,640	-	557,332	15,398	-	-	410,153	425,551	303,153	(76,180)	226,973
Harvey School	5,272,972	24,904	438,327	440,446	111,743	1,015,420	24,966	-	-	92,128	117,094	491,543	198	491,741
Hatton Elison Psd	2,551,136	12,049	212,068	213,094	-	437,211	12,079	-	-	74,088	86,167	237,815	(12,971)	224,844
Hazellon - Moffit School	1,871,774	8,840	155,955	156,347	105,307	426,089	8,862	-	-	120,901	129,763	174,486	(6,629)	167,857
Hazen School	6,497,946	30,689	540,155	542,766	67,999	1,181,609	30,766	-	-	92,120	122,886	605,735	(1,753)	603,982
Hebron School	2,600,620	12,283	216,182	217,227	-	445,692	12,313	-	-	94,316	106,629	242,428	(17,524)	224,904
Hettinger School	3,231,136	15,260	268,595	269,893	-	553,748	15,299	-	-	396,829	412,128	301,205	(73,189)	228,016
Hillsboro School	5,540,262	26,166	460,546	462,772	116,142	1,065,626	26,232	-	-	13,869	40,101	516,460	20,917	537,377
Hope School	1,514,299	7,152	125,879	126,488	64,518	324,037	7,170	-	-	38,647	45,817	141,162	3,023	144,185
Horse Creek Elem. School	59,191	280	4,920	4,944	-	10,144	280	-	-	18,501	18,781	5,518	(3,177)	2,341
James River Multidistrict Spec Ed Unit	3,012,671	14,229	250,435	251,645	88,822	605,131	14,264	-	-	-	14,264	280,839	17,097	297,936
Jamestown School	29,490,845	139,283	2,451,488	2,463,338	-	5,054,109	139,632	-	-	1,431,666	1,571,298	2,749,119	(261,072)	2,488,047
Kenmare School	3,901,568	18,427	324,326	325,894	-	668,647	18,473	-	-	233,089	251,562	363,702	(45,564)	318,138
Kensal School	1,013,886	4,789	84,281	84,689	40,803	214,562	4,800	-	-	-	4,800	94,514	7,664	102,178
Kidder County School District	4,891,113	23,100	406,584	408,549	-	838,233	23,158	-	-	291,833	314,991	455,947	(55,132)	400,815
Killdeer School	5,944,242	28,074	494,127	496,516	120,851	1,139,568	28,144	-	-	92,530	120,674	554,119	8,748	562,867
Kindred School	7,029,996	33,202	584,383	587,208	-	1,204,793	33,285	-	-	234,137	267,422	655,332	(41,273)	614,059
Kulm School	2,404,800	11,358	199,904	200,870	-	412,132	11,386	-	-	116,270	127,656	224,174	(21,082)	203,092

The accompanying notes are an integral part of the Schedule of Pension Amounts by Employer

North Dakota Retirement and Investment Office -
 North Dakota Teachers' Fund for Retirement
 Schedule of Pension Amounts by Employer
 As of and for the year ended June 30, 2016

Employer Name	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense			
	Net Pension Liability for the year ended June 30, 2016	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Proportionate and Proportionate Share of Contributions	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Total Employer Pension Expense
Lake Region Spec Ed	3,779,343	17,850	314,166	315,684	-	647,700	17,894	-	-	289,932	307,826	352,308	(51,591)	300,717
Lakota School	2,596,887	12,265	215,872	216,915	18,466	463,518	12,296	-	-	170,690	182,986	242,080	(31,060)	211,020
Lamoure School	3,510,894	16,582	291,850	293,261	57,545	659,238	16,623	-	-	84,418	101,041	327,283	(2,561)	324,722
Langdon Area School	3,959,931	18,703	329,178	330,769	-	678,650	18,749	-	-	658,690	677,439	369,142	(111,062)	258,080
Larimore School	4,753,188	22,449	395,119	397,029	79,332	893,929	22,505	-	-	331,098	353,603	443,089	(52,998)	360,091
Leeds School	2,402,130	11,345	199,682	200,647	27,217	438,891	11,373	-	-	117,849	129,222	223,925	(14,198)	209,727
Lew is And Clark School	5,934,715	28,029	493,336	495,720	48,266	1,065,351	28,099	-	-	68,192	96,291	553,231	(1,712)	551,519
Lidgerwood School	2,634,132	12,441	218,968	220,026	48,872	500,307	12,472	-	-	100,099	112,571	245,552	(11,875)	233,677
Linton School	3,723,876	17,588	309,555	311,051	-	638,194	17,632	-	-	158,927	176,559	347,137	(30,187)	316,950
Lisbon School	7,849,272	37,072	652,487	655,641	107,589	1,452,789	37,164	-	-	244,772	281,936	731,704	(31,024)	700,680
Litchville-Marion School	1,925,932	9,096	160,097	160,871	9,791	339,855	9,119	-	-	71,484	80,603	179,534	(12,665)	166,869
Little Heart Elem. School	228,871	1,081	19,025	19,117	3,774	42,997	1,084	-	-	10,175	11,259	21,335	(941)	20,394
Logan County	9,198	43	765	768	-	1,576	44	-	-	558	602	857	(101)	756
Lone Tree Elem. School	578,824	2,734	48,116	48,349	55,763	154,962	2,741	-	-	-	2,741	53,958	10,023	63,981
Lonetree Spec Ed Unit	356,398	1,683	29,626	29,770	8,519	69,598	1,687	-	-	2,757	4,444	33,223	869	34,092
Maddock School	2,217,368	10,472	184,323	185,214	-	390,009	10,499	-	-	66,840	77,339	206,702	(11,180)	195,522
Mandan Public Schools	43,525,378	205,568	3,618,138	3,635,627	1,289,551	8,748,884	206,082	-	-	-	206,082	4,057,409	248,823	4,306,232
Mandaree School	3,757,496	17,746	312,350	313,860	52,815	696,771	17,791	-	-	208,286	226,077	350,271	(32,855)	317,416
Manning Elem School	191,260	903	15,899	15,976	16,712	49,490	906	-	-	6,455	7,361	17,829	2,267	20,096
Manvel Elem. School	1,811,331	8,555	150,571	151,298	33,319	343,743	8,576	-	-	51,776	60,352	168,851	(4,802)	164,049
Maple Valley School	3,575,076	16,885	297,186	298,622	-	612,693	16,927	-	-	189,117	206,044	333,266	(34,246)	299,020
Mapleton Elem. School	1,519,950	7,179	126,349	126,960	17,201	277,689	7,197	-	-	60,569	67,766	141,689	(6,655)	135,034
Marmarth Elem. School	404,591	1,911	33,632	33,795	59,437	128,775	1,916	-	-	37,936	39,852	37,716	2,319	40,035
Max School	2,670,420	12,612	221,984	223,057	19,378	477,031	12,644	-	-	26,222	38,866	248,935	(2,015)	246,920
May-Port C-G School	6,195,840	29,263	515,042	517,532	67,917	1,129,754	29,336	-	-	23,727	53,063	577,572	9,628	587,200
McClusky School	1,673,529	7,904	139,116	139,788	66,394	353,202	7,924	-	-	151,229	159,153	156,005	(19,180)	136,825
Mckenzie County	90,699	428	7,540	7,576	-	15,544	429	-	-	25,968	26,397	8,455	(4,614)	3,841
Mckenzie County School	14,785,128	69,829	1,229,045	1,234,986	2,173,914	4,707,774	70,004	-	-	-	70,004	1,378,261	401,444	1,779,705
Medina School	2,335,682	11,031	194,158	195,097	106,745	507,031	11,059	-	-	74,555	85,614	217,731	2,880	220,611
Menoken Elem School	353,116	1,668	29,353	29,495	40,111	100,627	1,672	-	-	-	1,672	32,917	6,864	39,781
Midkota	2,200,169	10,391	182,894	183,778	-	377,063	10,417	-	-	205,297	215,714	205,098	(37,076)	168,022
Mdway School	3,308,463	15,626	275,023	276,352	76,620	643,621	15,665	-	-	96,879	112,544	308,413	(6,606)	301,807
Minor School	3,100,035	14,641	257,697	258,943	-	531,281	14,678	-	-	279,690	294,368	288,983	(47,794)	241,189
Minnewaukan School	3,853,876	18,202	320,362	321,910	1,738	662,212	18,247	-	-	126,861	145,108	359,256	(25,082)	334,174
Minot School	98,237,700	463,971	8,166,214	8,205,688	-	16,835,873	465,131	-	-	1,880,554	2,325,685	9,157,659	(342,986)	8,814,673
Minto School	2,617,547	12,363	217,589	218,641	7,027	455,620	12,393	-	-	58,346	70,739	244,006	(8,318)	235,688
Mohall Lansford Sherwood	4,876,739	23,033	405,389	407,349	-	835,771	23,090	-	-	467,253	490,343	454,607	(81,583)	373,024
Montpelier School	1,720,104	8,124	142,987	143,678	38,093	332,882	8,144	-	-	-	8,144	160,347	6,455	166,802
Morton County	68,886	325	5,726	5,754	2,096	13,901	326	-	-	-	326	6,422	399	6,821
Mott-Regent School	3,479,877	16,435	289,272	290,670	-	596,377	16,476	-	-	94,676	111,152	324,392	(17,480)	306,912

The accompanying notes are an integral part of the Schedule of Pension Amounts by Employer

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Pension Amounts by Employer
As of and for the year ended June 30, 2016

Employer Name	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense			
	Net Pension Liability for the year ended June 30, 2016	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Resources	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Resources	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Pension Expense	Total Employer Pension Expense
Mt Pleasant School	3,717,808	17,559	309,051	310,544	48,399	685,553	17,603	-	-	17,603	346,572	9,427	355,999	
Munich School	2,111,236	9,971	175,501	176,349	138,025	499,846	9,996	-	-	9,996	196,808	24,464	221,272	
N Ctrl Area Career And Tech Ctr	327,749	1,548	27,245	27,376	-	56,169	1,552	-	-	1,552	14,728	30,553	(2,311)	28,242
Napoleon School	3,347,635	15,811	278,279	279,624	-	573,714	15,850	-	-	15,850	312,064	(18,656)	293,408	
Naughton Rural School	167,161	789	13,896	13,963	3,210	31,858	791	-	-	791	15,583	195	15,778	
Nd Center For Distance Education	2,974,248	14,047	247,241	248,436	595,457	1,105,181	14,082	-	-	14,082	277,258	84,381	361,639	
Nd Dept Of Public Instruction	419,094	1,979	34,838	35,006	101,584	173,407	1,984	-	-	1,984	39,068	16,029	55,097	
Nd School For Blind	1,608,175	7,595	133,683	134,329	35,742	311,349	7,614	-	-	7,614	149,913	(1,415)	148,498	
Nd School For Deaf	1,990,301	9,400	165,448	166,248	26,861	367,957	9,424	-	-	9,424	185,535	(6,858)	178,677	
Nd United	703,962	3,325	58,518	58,801	-	120,644	3,333	-	-	3,333	65,623	(4,228)	61,395	
Nd Youth Correctional Cnt	2,770,438	13,085	230,298	231,412	23,559	498,354	13,117	-	-	13,117	258,259	(9,815)	248,444	
Nedrose School	5,535,523	28,144	460,152	462,376	1,527,675	2,476,347	26,209	-	-	26,209	516,018	255,781	771,799	
Nelson County	27,584	130	2,293	2,304	459	5,186	131	-	-	131	2,571	89	2,660	
Nesson School	3,671,003	17,338	305,160	306,635	178,823	807,956	17,381	-	-	17,381	342,209	31,481	373,690	
New England School	3,096,901	14,626	257,436	258,681	219,052	749,795	14,663	-	-	14,663	288,691	39,687	328,378	
New Public School	4,583,716	21,649	381,031	382,873	-	785,553	21,703	-	-	21,703	427,291	(51,640)	375,651	
New Rockford Sheyenne School	3,847,575	18,172	319,838	321,384	4,668	664,062	18,217	-	-	18,217	358,669	(30,072)	328,597	
New Salem-Almont	3,829,992	18,089	318,376	319,915	138,482	794,862	18,134	-	-	18,134	357,030	(8,980)	348,050	
New Town School	9,704,784	45,835	806,730	810,630	274,298	1,937,493	45,950	-	-	45,950	904,674	18,014	922,688	
Newburg United District	1,483,423	7,006	123,313	123,909	21,354	275,582	7,024	-	-	7,024	138,284	1,812	140,096	
North Border School	6,514,697	30,769	541,548	544,166	308,961	1,425,444	30,845	-	-	30,845	607,296	(19,622)	587,674	
North Sargent School	3,415,479	16,131	283,919	285,291	279,268	864,609	16,171	-	-	16,171	318,389	46,979	365,368	
North Star	3,785,664	17,879	314,691	316,212	113,399	762,181	17,924	-	-	17,924	352,897	20,097	372,994	
North Valley Area Career	1,156,820	5,464	96,163	96,628	-	198,255	5,477	-	-	5,477	107,838	(37,067)	70,771	
Northern Cass School Dist	6,279,446	29,657	521,992	524,515	181,143	1,257,307	29,732	-	-	29,732	585,366	31,260	616,626	
Northern Plains Spec Ed	598,965	2,829	49,790	50,031	82,841	185,491	2,836	-	-	2,836	55,835	14,006	69,841	
Northwood School	3,460,965	16,346	287,700	289,091	131,112	724,249	16,387	-	-	16,387	322,629	22,024	344,653	
Oakes School	4,546,619	21,473	377,947	379,774	-	779,194	21,527	-	-	21,527	423,833	(28,708)	395,125	
Oberon Elem School	629,180	2,972	52,302	52,555	-	107,829	2,979	-	-	2,979	58,652	(54,121)	4,531	
Oliver - Mercer Spec Ed	2,248,517	10,620	186,913	187,816	52,460	437,809	10,646	-	-	10,646	209,605	10,466	220,071	
Page School	1,529,799	7,225	127,168	127,782	-	262,175	7,243	-	-	7,243	142,607	(17,547)	125,060	
Park River Area School District	4,592,296	21,689	381,744	383,589	-	787,022	21,743	-	-	21,743	428,091	(50,679)	377,412	
Parshall School	3,821,506	18,048	317,671	319,206	-	654,926	18,094	-	-	18,094	356,238	(38,941)	317,297	
Peace Garden Spec Ed	1,205,800	5,695	100,235	100,719	57,042	263,691	5,709	-	-	5,709	112,404	11,284	123,688	
Pembina Spec Ed Coop	239,018	1,129	19,869	19,965	-	40,963	1,132	-	-	1,132	104,928	(20,919)	1,362	
Pingree - Buchanan School	1,859,154	8,781	154,546	155,293	15,623	334,243	8,803	-	-	8,803	173,309	(6,630)	166,679	
Pleasant Valley Elem	-	-	-	-	-	-	-	-	-	-	23,764	(4,753)	(4,753)	
Powers Lake School	2,544,200	12,016	211,492	212,514	111,818	547,840	12,046	-	-	12,046	237,169	19,725	256,894	
Richardton-Taylor	3,867,461	18,266	321,491	323,045	78,644	741,446	18,311	-	-	18,311	360,522	(3,586)	356,936	
Richland School	3,266,307	15,427	271,519	272,831	-	559,777	15,465	-	-	15,465	304,483	(60,826)	243,657	

The accompanying notes are an integral part of the Schedule of Pension Amounts by Employer

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Pension Amounts by Employer
As of and for the year ended June 30, 2016

Employer Name	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense				
	Net Pension Liability for the year ended June 30, 2016	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer Pension Expense	
Robinson School	-	-	-	-	-	-	-	-	-	111,232	111,232	-	(20,228)	(20,228)	
Rolette County	-	-	-	-	-	-	-	-	-	5,687	5,687	-	(1,137)	(1,137)	
Rolette School	2,716,716	12,831	225,833	226,924	86,591	552,179	12,863	-	-	22,360	35,223	253,251	13,591	266,842	
Roosevelt School	959,426	4,531	79,754	80,140	36,598	201,023	4,543	-	-	34,186	38,729	89,437	(737)	88,700	
Roughrider Area Career & Tech Ctr	215,173	1,016	17,887	17,973	-	36,876	1,019	-	-	125,986	127,005	20,058	(21,413)	(1,355)	
Roughrider Service Program	682,966	3,226	56,773	57,047	288,326	405,372	-	-	-	-	3,234	63,666	52,492	116,158	
Rugby School	7,252,454	34,253	602,875	605,790	-	1,242,918	34,339	-	-	-	55,762	676,069	(9,483)	666,586	
Rural Cass Spec Ed	2,442,378	11,535	203,028	204,009	-	418,572	11,564	-	-	-	47,111	58,675	(9,389)	218,288	
Sargent Central School	3,229,508	15,255	268,460	269,757	-	553,470	15,291	-	-	-	64,754	301,053	(12,925)	288,128	
Sawyer School	1,976,282	9,334	164,283	165,077	48,597	387,291	9,357	-	-	-	81,531	90,888	(3,869)	180,359	
Scranton School	2,444,377	11,545	203,194	204,176	22,217	441,132	11,574	-	-	-	84,467	96,041	(9,635)	218,228	
Se Region Career And Tech	3,221,856	15,217	267,823	269,118	29,369	581,527	15,255	-	-	-	15,255	300,339	5,174	305,513	
Selfridge School	1,971,369	9,311	163,874	164,666	19,399	357,250	9,334	-	-	-	23,002	32,336	(1,368)	182,402	
Sheyenne Valley Area Voc	1,677,649	7,923	139,458	140,132	16,155	303,668	7,943	-	-	-	27,257	35,200	(2,760)	153,629	
Sheyenne Valley Spec Ed	3,364,181	15,889	279,655	281,006	50,724	627,274	15,929	-	-	-	317,123	333,052	(42,709)	270,898	
Slope County	55,585	263	4,621	4,643	-	9,527	263	-	-	-	1,221	1,484	(224)	4,958	
Solen - Cannonball School	3,479,327	16,433	289,226	290,624	-	596,283	16,474	-	-	-	385,230	401,704	(75,902)	248,439	
Souris Valley Spec Ed	3,365,978	15,897	279,804	281,156	-	576,857	15,937	-	-	-	223,603	239,540	(37,795)	275,979	
South Cent. Prairie Sp Ed	226,144	1,068	18,799	18,890	-	38,757	1,071	-	-	-	4,659	5,730	(21,081)	20,204	
South Heart School	3,472,970	16,403	288,698	290,093	220,134	815,328	16,444	-	-	-	-	323,748	40,724	364,472	
South Prairie Elem School	4,509,442	21,298	374,857	376,669	996,750	1,769,574	21,351	-	-	-	21,351	420,367	170,400	590,767	
South Valley Spec Ed	978,692	4,622	81,356	81,749	44,972	212,699	4,634	-	-	-	470,016	474,650	(91,233)	(69,342)	
Southwest Special Education Unit	142,816	675	11,872	11,929	-	24,476	676	-	-	-	5,487	6,163	(1,078)	12,235	
St. John'S School	5,619,229	26,539	467,110	469,368	29,294	992,311	26,606	-	-	-	113,752	140,358	(13,100)	510,721	
St. Thomas School	1,456,149	6,877	121,045	121,631	596	250,149	6,895	-	-	-	101,206	108,101	(16,749)	118,992	
Stanley School	7,310,493	34,527	607,700	610,638	169,606	1,422,471	34,613	-	-	-	59,838	94,451	681,480	23,948	
Starkweather School	1,291,791	6,101	107,383	107,902	-	221,386	6,116	-	-	-	70,126	76,242	(12,489)	107,931	
Sterling School	562,640	2,657	46,771	46,997	25,838	122,263	2,664	-	-	-	-	52,449	5,048	57,497	
Strasburg School District	1,827,485	8,631	151,914	152,648	19,219	332,412	8,653	-	-	-	142,522	151,175	(25,301)	145,056	
Surrey School	5,361,823	25,324	445,713	447,867	19,998	938,902	25,387	-	-	-	43,749	499,826	(3,291)	496,535	
Sweet Briar Elem School	188,870	892	15,700	15,776	4,607	36,975	894	-	-	-	-	17,606	797	18,403	
Tgu School District	6,096,915	28,795	506,819	509,269	-	1,044,883	28,867	-	-	-	128,378	157,245	(23,625)	544,726	
Thompson School	4,702,535	22,210	390,908	392,798	101,127	907,043	22,265	-	-	-	85,465	107,730	(438,367)	(238)	
Tioga School	6,813,709	32,181	566,404	569,142	528,153	1,695,880	32,261	-	-	-	-	32,261	635,170	100,765	735,935
Turtle Lake-Mercer School	2,591,196	12,238	215,399	216,440	-	444,077	12,269	-	-	-	276,050	288,319	(51,433)	190,117	
Tw in Buttes Elem. School	905,079	4,275	75,237	75,600	-	155,112	4,285	-	-	-	136,633	140,918	(23,634)	60,737	
Underwood School	3,454,875	16,317	287,194	288,582	-	592,093	16,358	-	-	-	91,890	108,248	(16,253)	305,808	
United School	6,604,080	31,191	548,978	551,632	1,055	1,132,856	31,269	-	-	-	223,955	255,224	(44,615)	571,013	
Upper Valley Spec Ed	5,445,455	25,719	452,665	454,853	109,867	1,043,104	25,783	-	-	-	55,209	80,992	507,622	12,773	520,395
Valley - Edinburg School	3,841,953	18,145	319,370	320,914	272,379	930,808	18,191	-	-	-	55,127	73,318	358,145	34,371	392,516

The accompanying notes are an integral part of the Schedule of Pension Amounts by Employer

North Dakota Retirement and Investment Office -
 North Dakota Teachers' Fund for Retirement
 Schedule of Pension Amounts by Employer
 As of and for the year ended June 30, 2016

Employer Name	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense			
	Net Pension Liability for the year ended June 30, 2016	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer Pension Expense
Valley City School	13,610,390	64,281	1,131,392	1,136,861	142,270	2,474,804	64,442	-	-	739,583	804,025	1,268,752	(124,205)	1,144,547
Velva School	5,592,262	26,412	464,868	467,116	-	958,396	26,478	-	-	150,178	176,656	521,307	(29,147)	492,160
Wahpeton School	15,112,734	71,377	1,256,278	1,262,350	-	2,590,005	71,555	-	-	414,685	486,240	1,408,800	(71,926)	1,336,874
Ward County	63,739	301	5,298	5,324	-	10,923	302	-	-	1,335	1,637	5,942	(229)	5,713
Warwick School	3,883,123	18,340	322,793	324,353	223,997	889,483	18,386	-	-	244,638	263,024	361,982	4,026	366,008
Washburn School	3,734,842	17,639	310,466	311,967	104,595	744,667	17,684	-	-	15,471	33,155	348,160	14,338	362,498
West Fargo School	120,758,557	570,335	10,038,307	10,086,831	6,902,055	27,597,527	571,762	-	-	-	571,762	11,257,040	1,241,183	12,498,223
West River Student Services	1,558,838	7,362	129,582	130,208	85,167	352,319	7,381	-	-	34,024	41,405	145,314	11,363	156,677
Westhope School	2,407,909	11,372	200,162	201,130	89,712	502,376	11,401	-	-	77,967	89,368	224,464	4,948	229,412
White Shield School	3,165,683	14,951	263,154	264,426	-	542,531	14,989	-	-	186,781	201,770	295,103	(33,654)	261,449
Williston School	41,463,698	195,831	3,446,756	3,463,418	3,884,063	10,990,068	196,320	-	-	-	196,320	3,865,221	724,655	4,589,876
Wilmac Special Education	7,502,804	35,435	623,686	626,701	791,504	2,077,326	35,524	-	-	-	35,524	699,407	144,484	843,891
Wilton School	2,900,777	13,700	241,133	242,299	24,013	521,145	13,734	-	-	-	13,734	270,409	4,224	274,633
Wing School	1,486,088	7,019	123,534	124,131	-	254,684	7,036	-	-	65,918	72,954	138,532	(11,680)	126,852
Wishek School	2,724,046	12,866	226,442	227,537	17,151	483,996	12,898	-	-	41,645	54,543	253,934	(3,511)	250,423
Wolford School	1,167,707	5,515	97,068	97,537	33,333	233,453	5,529	-	-	33,147	38,676	108,853	1,143	109,996
Wyndmere School	3,168,399	14,964	263,380	264,653	-	542,997	15,002	-	-	172,056	187,056	295,356	(31,646)	263,710
Yellowstone Elem. School	1,138,053	5,375	94,603	95,060	41,826	236,864	5,388	-	-	67,953	73,341	106,089	(2,960)	103,129
Zeeland School	845,839	3,995	70,312	70,652	-	144,959	4,005	-	-	185,337	189,342	78,849	(32,073)	46,776
Total for all entities	\$ 1,465,058,563	\$ 6,919,383	\$ 121,786,048	\$ 122,374,747	\$ 32,631,925	\$ 283,712,103	\$ 6,936,686	\$ -	\$ -	\$ 32,631,925	\$ 39,568,611	\$ 136,571,873	\$ -	\$ 136,571,873

Note: Columns may not foot due to rounding.

The accompanying notes are an integral part of the Schedule of Pension Amounts by Employer

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Notes to Schedules of Employer Allocations and Pension Amounts by Employer
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Note 1 – Nature and Organization of the Pension Plan

North Dakota Teachers' Fund for Retirement

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.

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

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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

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.

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

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service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

Note 2 - Measurement Focus and Basis of Accounting

The schedules are presented in accordance with the standards issued by 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. As prescribed by GASB they are reported using the economic resources measurement focus and the accrual basis of accounting.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Fund for Retirement (TFFR) and additions to/deductions from TFFR's fiduciary net position have been determined on the same basis as they are reported by TFFR. 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.

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.

Note 3 - Net Pension Liability

The net pension liability was measured as of July 1, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employers' proportions of the net pension liability are based on the Employers' shares of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. The components of the net pension liability were as follows (expressed in thousands):

Total pension liability	\$ 3,589,394
Plan fiduciary net position	<u>(2,124,335)</u>
Net pension liability (NPL)	<u>\$ 1,465,059</u>

Note 4 - Actuarial Assumptions

The total pension liability in the July 1, 2016 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

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

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up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for TFFR.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	58%	7.3%
Global Fixed Income	23%	0.9%
Global Real Assets	18%	5.3%
Cash Equivalents	1%	0.0%

Discount rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016 Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

Sensitivity of Net Pension Liability

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.75% as of June 30, 2016, 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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Employers' net pension liability	\$ 1,900,291,033	\$ 1,465,058,563	\$ 1,102,551,032

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North Dakota Teachers' Fund for Retirement
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Note 5 - ADDITIONAL FINANCIAL AND ACTUARIAL INFORMATION

Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer (including the disclosure of the net pension liability and the unmodified audit opinion on the financial statements) is located in the North Dakota Retirement and Investment Office's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. The supporting actuarial information is included in the June 30, 2016, GASB Statements No. 67 and 68 Accounting and Financial Reporting for Pensions actuarial valuation for the retirement plan. The additional financial and actuarial information is available at <http://www.nd.gov/rio/TFFR/> or by contacting RIO at: ND Retirement and Investment Office, 1930 Burnt Boat Drive, P.O. Bo 7100, Bismarck, ND 58507-7100 or by calling (701) 328-9885.

**Independent Auditors' 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 Jack Dalrymple
The Legislative Assembly
David Hunter, Executive Director/CIO
State Investment Board
Teacher's Fund for Retirement Board
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 schedule of employer allocations and the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense as of and for the year ended June 30, 2016 (specified column totals), included in the schedule of pension amounts by employer of the North Dakota Retirement and Investment Office - North Dakota Teachers' Fund for Retirement (TFFR), and have issued our report thereon dated December 22, 2016.

Internal Control over Financial Reporting

Management of the North Dakota Retirement and Investment Office (RIO), which includes TFFR, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered RIO's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer, but not for the purpose of expressing an opinion on the effectiveness of RIO's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of RIO's internal control over financial reporting.

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 schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer 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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RIO's schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer 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 determination of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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 result of that testing, and not to provide an opinion on the effectiveness of RIO's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RIO's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

Baltimore, Maryland
December 22, 2016

MEMORANDUM

TO: Terra Miller Bowley, RIO Supervisor of Audit Services

FROM: Janilyn Murtha, Assistant Attorney General

DATE: February 22, 2017

RE: Request from SIB Audit Committee

Please accept this memorandum in response to your questions regarding options available to TFFR to encourage participating employers to improve accuracy in reporting and implement audit recommendations. It is my opinion, based upon the information you have provided, and review of the applicable statutory authority and policies, that the current enforcement tools available to TFFR could be utilized more frequently. It is my recommendation that the Board engage in a more proactive use of these existing tools prior to seeking statutory authority for additional enforcement options and I have included suggestions in furtherance of this recommendation.

You first asked about the scope and use of the existing penalty provisions found in N.D.C.C. § 15-39.1-23. This section contains two penalty provisions: the first permits the Board to assess a \$250 civil penalty, with interest, to an employing body failing to file reports required by the board or failing to pay contributions; the second restricts the distribution of state funds to employers for these same violations. The text of the statute is fully set forth below:

15-39.1-23. Penalties for failure to make required reports and payments.

Except for unintentional reporting errors, an employing body failing to file reports required by the board or failing to pay over for credit to the fund the amounts required to be paid by this chapter is subject to a civil penalty of two hundred fifty dollars and, as interest, one percent of the amount due for each month of delay or fraction thereof after the report was required to be filed or the payment became due. The board, if satisfied the delay or underpayment was unintentional and excusable, may waive, or if paid, refund all or part of the two hundred fifty dollar penalty and may reduce the interest rate charge to the investment return rate used in the most recent actuarial valuation, compounded annually,

but may not waive the entire amount of the interest. The penalty must be paid to the fund and deposited in the same manner as other receipts under this chapter. In addition, a school district, multidistrict special education unit, area career and technology center, and regional education association may not share in the apportionment of any money from the state for any year unless the school district, multidistrict special education unit, area career and technology center, or regional education association has made the reports required by the board as permitted by this chapter, and has paid over for credit to the fund the amounts required to be paid under this chapter.

You note that the language of this section appears to be aimed at improving timeliness, observing that the penalties are incurred by a failure to file or pay in a timely manner. While these penalty provisions do encourage timeliness, the plain language of the statute also allows the Board to enforce accuracy and completeness in reporting and payment. In both provisions, penalties may be imposed for failure to file reports "*required by the board*", therefore if an employer files a report that is inadequate, inaccurate, or contrary to stated expectations, the report has not been filed as "*required by the board*", and is subject to the penalty provisions. You have indicated that while the Board has established policies regarding reports to be provided (Ex. C-8, C-9, TFFR Program Manual), the expectations regarding contents of the reports could be more clearly defined or expanded to encompass accuracy in reporting and responsiveness to audit recommendations.

For example, Policy C-8 in the TFFR Program Manual already states that failure to provide required information will constitute failure to make reports required by the Board under these penalty provisions and requires employers to respond to audit findings and recommendations within 30 days of the report. The Board could amend this policy to: require employers, in a subsequent report, to detail the actions taken to correct the errors found in audit and the process implemented to prevent future errors of the kind found; and to state that failure to either provide the report and take action regarding the audit findings will subject the employer to the penalty provisions of N.D.C.C. § 15-39.1-23. Such a policy amendment and application of the penalty provisions is within the authority granted the Board under N.D.C.C. § 15-39.1-23.

You also note the civil money penalty of \$250 and assessment of interest and requested that I comment on the Board's authority to assess a greater amount and the scope of the Board's discretion in granting a waiver of this penalty. As you note, the amount of the civil money penalty and the calculation of interest is set in statute and therefore the Board would not be able to assess an amount greater than that permitted without a statutory amendment. The statute does grant the Board discretion to waive all or any part of the penalty and may reduce the interest, but the statute does specifically

state that the Board may not waive all of the interest due. The current statutory language would permit the Board to establish a graduated penalty scale up to but not exceeding \$250 and the applicable interest; for example, the Board could state that an employer be assessed \$100 for an initial infraction, \$200 for a second, and \$250 thereafter.

While the statute does grant the Board discretion to grant penalty waivers, both the legislative history and subsequent Board policy indicate that the employer has the burden for showing good cause for the waiver and the burden is high. The civil money penalty provision in N.D.C.C. § 15-39.1-23 was first enacted in 1977 by SB 2242. The testimony provided expressed an intent that waivers only be granted for reporting or payment deficiencies resulting from extreme unforeseen circumstances such as “a blizzard, fire, or death of a clerk.” This intent is further elaborated on in Policy C-9 of the TFFR Program Manual which in addition to major weather events and death or illness of the responsible individual, expands the basis for waivers to include other unforeseen events such as resignations and computer malfunctions. You note that waivers are routinely granted, which seems unusual given the expressed intent of the legislation and policy that they be granted only for extreme unforeseen circumstances. Given the relatively small amount of the civil money penalty, for the penalty to act as a deterrent it must be consistently assessed for reporting and payment errors and excused in strict compliance with policy. You have specifically expressed a concern regarding a continuing failure to adhere to reporting requirements by employers, even after errors are noted and audit recommendations made. While unintentional errors are not subject to penalty under this statute, a continuing failure to adhere to reporting requirements or take corrective action subsequent to an adverse audit recommendation would not fall within the category of an unintentional error, because though an initial error may be unintentional, a subsequent error of the same or similar nature would be knowing and therefore subject to penalty.

You also request clarification of the process for granting waivers and question what opportunity must be given an employer to request a waiver and whether fines may be mandatory and not subject to waiver. The Board has discretion to establish by policy or rule the process for the issuance of penalties and the review and granting of waivers, as seen in Policy C-9. For example, the Board could assess a penalty and inform the employer they have the opportunity to request a waiver within a specific period of time. While due process requires that any person or entity be granted the opportunity to contest a government imposed penalty, it is within the discretion and the responsibility of the government entity to determine how strictly and consistently such penalties are enforced.

You also ask whether certain records which you have identified as open records may be publicized in a more prominent manner by the agency. While I must encourage careful

review of all records published by the agency to verify that information deemed confidential under state law is not inadvertently released into the public domain, especially given that many of the records managed by RIO on behalf of TFFR are confidential, there is no restriction on publicizing open records.

Finally, we also discussed the use of the second penalty provision in N.D.C.C. § 15-39.1-23, relating to the restriction on the distribution of state funds to noncompliant employers and you asked me to comment on its use. It's interesting to note that while policy C-9 does speak to use of this penalty it refers to the withholding of foundation aid payments only. It's my understanding that use of the term foundation aid payments refers to the "per pupil payment" received by employers from the state. N.D.C.C. § 15-39.1-23 restricts distribution of "any money from the state", which in addition to the "per pupil payment" would also include funds for transportation and special education. You had indicated that this penalty provision is also rarely used or enforced. Policy C-9 seems to restrict application of this penalty to those situations in which an employer fails to cooperate in filing a timely report, however, the statute permits application of the penalty under the same circumstances that the civil money penalty may be imposed. Policy C-9 could be amended to further elaborate on the circumstances under which this penalty provision may apply and be enforced.

In summary, I am providing the following suggestions in response to the concerns you have expressed on behalf of the SIB Audit Committee regarding action the TFFR Board could take without additional statutory authority:

- Review and consider amendment to Policies C-8 and C-9 of the TFFR Program Manual to provide additional clarity regarding TFFR's reporting expectations for employers;
- Review and consider amendment to Policies C-8 and C-9 of the TFFR Program Manual to provide additional clarity regarding the circumstances under which penalties will be assessed;
- Review the process by which a civil money penalty and the restriction on the disbursement of state funds is applied and consider elaborating on this process in policy or administrative rule.

I hope you find this information helpful. Please feel free to contact me with any questions. I will be available at the next regularly scheduled SIB Audit Committee meeting for discussion of this matter.

Briefly

Employer Newsletter

ND Teachers' Fund for Retirement
1930 Burnt Boat Drive, PO Box 7100
Bismarck, ND 58507-7100
701-328-9885 or 1-800-952-2970
www.nd.gov/rio
January 2017

NEW WEBCAST LIBRARY

We recently added a TFFR Webcast Library to our website which contains several informational tutorials (see links below). You may find the [Employer Reporting Basics](#) webcast helpful. It contains information on TFFR reporting responsibilities for business managers and an overview of TFFR plan provisions. Watch for additional employer related information to be added in the future. If you have any topics you would like us to cover, please contact Shelly at the TFFR Office.

[About Your NDTFFR Benefits Plan](#)

[Funding Your NDTFFR Benefits Plan](#)

[How to Purchase Service Credit](#)

[Types of Service Credit to Purchase](#)

[How to Apply for Retirement Benefits](#)

[Retirement Benefit Options](#)

[Employer Reporting Basics](#)



2017 LEGISLATION AFFECTING TFFR

While state budget challenges face the 65th Legislative Assembly, as of this writing, there have been no legislative proposals submitted that would affect TFFR plan benefits, contributions, or provisions. However, employers may wish to monitor potential legislative activity on the [ND TFFR website](#) or the [ND Legislative Council website](#).

GASB STATEMENT 68 UPDATE

The audited fiscal year 2016 Schedules of Employer Allocations and Pension Amounts by Employer, GASB 68 Disclosure Template, and Sample Journal Entries are now available. Employers and auditors can use this information to complete 2017 financial statements. We have also updated the GASB 68 Overview, Talking Points, and Q & A documents. All [GASB 68 information](#) can be found on the TFFR website.

SALARY VERIFICATION – PENDING RETIREE FORM

To assist TFFR in the salary verification process prior to a teacher retiring, complete the [Salary Verification-Pending Retiree form](#). We would appreciate receiving this form by **February 15** for each person retiring. If you have the form completed earlier, please submit as you complete them. Do your best to estimate the salary to be earned in the remaining months. If you become aware of a large difference in the person's pay (\$1,000 or more) after submitting the form, simply send TFFR an email with the amount and reason for the salary change.

This form provides TFFR with salary detail for the current fiscal year and is used to estimate the teacher's final salary. Ninety percent of the salary estimate is used to calculate the initial retirement benefit. Once the employer has reported all salary for the retiree, the retirement benefit is recalculated and corrected retroactively, if needed.

TAX TREATMENT OF TFFR CONTRIBUTIONS

Employers may report TFFR contributions on the W-2 form. TFFR is a 401(a) defined benefit plan and its contributions are mandatory, not elective. Under all models, the amount of TFFR contributions withheld or paid by the district is not required on the W-2 form. However, if the district wishes to place this information on the W-2, it belongs in Box 14.

E-MAIL ADDRESSES

If you and/or your administrator have a new e-mail address, please complete and return the [Notification of School District Changes](#) form. This form also needs to be completed if a **new** business manager and/or administrator is hired. **Thank you** to those who have updated their information by completing the form. If we have your correct e-mail address, we can get important TFFR information to you, such as this Briefly newsletter!

TFFR BOARD APPEALS

Employers, members, or any affected individual may appeal to the TFFR Board a determination made by the Chief Retirement Officer regarding TFFR eligibility, benefits, or other plan provisions.

The party must file a written request for board review within thirty days after notice of the determination of the Chief Retirement Officer has been mailed. If a request for board review is not filed within the thirty days, the decision of the Chief Retirement Officer is final.

An appeal hearing will be scheduled as part of a regular TFFR Board meeting. The affected party and/or designee may attend and speak at the meeting. The Board's decision will be communicated in writing to the affected party within thirty days of the decision.

Any party aggrieved by a decision of the Board may initiate a formal administrative action against the Board in accordance with ND Administrative Code Chapter 82-10 and ND Century Code Chapter 28-32.



Enjoy the last months of our
WINTER WONDERLAND!

2016 ANNUAL FINANCIAL REPORT AVAILABLE

For a complete review of the financial, investment, and actuarial conditions of the State Investment Board (SIB) and the Teachers' Fund for Retirement (TFFR), please view the Retirement and Investment Office (RIO) [2016 Comprehensive Annual Financial Report](#) (CAFR).

TFFR EMPLOYER AUDIT INFORMATION CORNER

Terra Miller Bowley
Supervisor of Audit Services

TFFR Eligibility

At the close of each fiscal year Audit Services reviews the findings noted in all TFFR Compliance Audits which were completed during the prior twelve months. This allows us to identify the most frequently noted reporting errors and also allows us to identify any developing trends related to employer reporting. In fiscal year 2016 Audit Services noticed an increasing number of individuals being reported to TFFR who are not eligible for TFFR membership.

An individual reported to TFFR must be currently licensed to teach in North Dakota by the ESPB and contractually employed (including third party agreements) in teaching, supervisory, administrative or extracurricular services by any state institution, multi district special education unit, area career and technology center, regional education association, school board or other governing body of a North Dakota school district. A growing number of employers are reporting individuals to TFFR without a written agreement and/or without an active ESPB license. Individuals most often reported in error are employed part-time as coaches or advisors for sporting and other extracurricular activities.

Prior to reporting salary and service hours to TFFR it is very important that employers ensure individuals meet TFFR eligibility requirements. If it is determined that an individual has been reported in error please contact the TFFR administrative offices.