ND STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING

Thursday November 16, 2017 - 3:00 PM
North Dakota Retirement and Investment Office (RIO)
3442 East Century Avenue, Bismarck, ND 58503

AGENDA

1. Call to Order and Approval of Agenda - Chair (committee action) (5 minutes)

2. Approval of September 22, 2017 Minutes - Chair (committee action) (5 minutes)

3. RIO's Financial Audit Report June 30, 2017 - CliftonLarsonAllen (committee action) (1 hour)

4. 2017 - 2018 First Quarter Audit Activities Report - Ms. Thorsen (committee action) (15 minutes)

5. 2017 - 2018 Second Quarter Audit Activities - Mr. Hunter , Ms. Thorsen (10 minutes)

6. Agency and Audit Staffing Update - Mr. Hunter, Ms. Kopp, and Ms. Thorsen (informational) (10 minutes)

7. Other - Next SIB Audit Committee Meeting

   North Dakota Retirement and Investment Office
   3442 E Century Ave, Bismarck, ND 58503
   Thursday, February 22, 2018 @ 3:00 PM

8. 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
SEPTEMBER 22, 2017, MEETING

COMMITTEE MEMBERS PRESENT:	Mike Gessner, TFFR Board Yvonne Smith, PERS Board Cindy Ternes, Workforce Safety & Insurance Josh Wiens, External Representative
MEMBERS ABSENT:	Rebecca Dorwart, Chair
STAFF PRESENT:	Bonnie Heit, Assist to the Audit Committee David Hunter, ED/CIO Fay Kopp, Dep ED/CRO Terra Miller Bowley, Suprv Audit Services Cody Schmidt, Compliance Officer Dottie Thorsen, Internal Auditor

CALL TO ORDER:

Mr. Gessner called the State Investment Board (SIB) Audit Committee meeting to order at 8:30 a.m. on Friday, September 22, 2017, at the Peace Garden Room, State Capitol, Bismarck, ND.

A quorum was present for the purpose of conducting business.

AGENDA:

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. WIENS AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE AGENDA FOR THE SEPTEMBER 22, 2017, MEETING AS DISTRIBUTED.

AYES: MS. SMITH, MS. TERNES, MR. WIENS, AND MR. GESSNER
NAYS: NONE
MOTION CARRIED
ABSENT: MS. DORWART

MINUTES:

IT WAS MOVED BY MR. WIENS AND SECONDED BY MS. TERNES AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE MAY 25, 2017, MINUTES AS DISTRIBUTED.

AYES: MR. GESSNER, MS. SMITH, MS. TERNES, AND MR. WIENS
NAYS: NONE
MOTION CARRIED
ABSENT: MS. DORWART

ELECTION OF OFFICERS:

IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. WIENS AND CARRIED BY A ROLL CALL VOTE TO NOMINATE MS. DORWART AS CHAIR, MS. SMITH AS VICE CHAIR, AND MR. GESSNER AS LIAISON TO THE SIB.

AYES: MS. TERNES, MR. WIENS, MS. SMITH, AND MR. GESSNER
NAYS: NONE
MOTION CARRIED
ABSENT: MS. DORWART

Ms. Smith presided over the remainder of the meeting.

CODE OF CONDUCT:

Mr. Schmidt reviewed the SIB Board Members' Code of Conduct Policy B-8, which details the code of ethical responsibility applicable to members of the SIB. The SIB is required to affirm their understanding of the policy on an annual basis. As a standing committee of the SIB, the SIB Audit Committee is required to adhere to any applicable policies contained within the SIB Governance Manual. Committee members were advised to affirm their understanding of the policy by signing and returning the acknowledgment to Mr. Schmidt.

AUDIT ACTIVITIES REPORT:

Ms. Miller Bowley reviewed year-end activities of the Audit Division for the period of July 1, 2016 - June 30, 2017.

For fiscal year 2017, twenty-five employer audits were completed. This entailed two Special Audits, one Not In Compliance review, and twenty-two Compliance Audits.

Three compliance audits were in progress at the conclusion of fiscal year 2017. Two compliance audits were pending but not yet started at the conclusion of fiscal year 2017. Audit information was pending from three employers who had been notified of an upcoming audit at the conclusion of fiscal year 2017. Fourteen employers received audit notifications in fiscal year 2017. Data on two employers was pending review with audit notifications anticipated at the beginning of fiscal year 2018. Audit planning for fiscal year 2017-18 was completed in the fourth quarter and was presented to and approved by the SIB Audit Committee in May 2017.

Ms. Miller Bowley stated the following audits were completed for the same period: Benefit Payments Audit, TFFR File Maintenance (three quarters, fourth in progress), Annual Salary Verification Project, Executive Limitation Audit, Executive Director/CIO Effectiveness Survey, and the SIB Executive Review Committee Survey.

Ms. Miller Bowley noted GASB 68 has resulted in the creation of a Master Payroll File. When used in conjunction with ACL analytics software, the Master Payroll File will allow for improved audit sampling and the possibility of 100% audits. Audit Services leveraged the Master Payroll File without ACL and utilized the file on all 100% audits.

The Audit Division also assisted RIO's external auditor, CliftonLarsonAllen, with a variety of tasks related to the annual financial audit of RIO and the GASB 68 census data audits.

Ms. Miller Bowley also stated Audit Services continues to pursue networking and professional development opportunities via the IIA's local chapter, Central Nodak. Ms. Miller Bowley completed the requirements for a Certified Internal Auditor (CIA) designation in July 2016.

IT WAS MOVED BY MR. GESSNER AND SECONDED BY MS. TERNES AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE YEAR END ACTIVITIES REPORT FOR THE PERIOD OF JULY 1, 2016 – JUNE 30, 2017.

AYES: MR. GESSNER, MR. WIENS, MS. SMITH, AND MS. TERNES
NAYS: NONE
MOTION CARRIED
ABSENT: MS. DORWART

REPORT TO THE SIB:

Ms. Miller Bowley presented a draft of the Audit Committee's report to the SIB for the period of July 1, 2016 – June 30, 2017.

IT WAS MOVED BY MR. GESSNER AND SECONDED BY MR. WIENS AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE JULY 1, 2016 – JUNE 30, 2017 AUDIT COMMITTEE ACTIVITY REPORT TO THE SIB.

AYES: MS. SMITH, MS. TERNES, MR. WIENS, AND MR. GESSNER
NAYS: NONE
MOTION CARRIED
ABSENT: MS. DORWART

CHARTER:

Ms. Miller Bowley stated per the Charter of the Audit Committee, the Audit Committee, on an annual basis, is to review and assess the adequacy of their charter. After review and discussion,

IT WAS MOVED BY MR. GESSNER AND SECONDED BY MS. TERNES AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE REVIEW OF RESPONSIBILITIES OF THE SIB AUDIT COMMITTEE CHARTER FOR THE PERIOD OF JULY 1, 2016 – JUNE 30, 2017.

AYES: MR. GESSNER, MS. SMITH, MS. TERNES, AND MR. WIENS
NAYS: NONE
MOTION CARRIED
ABSENT: MS. DORWART

Ms. Miller Bowley also informed the Audit Committee, RIO's management was notified by RIO's legal counsel, Ms. Murtha, that the current practice of the Audit Committee to meet with RIO's independent auditors, RIO's management, and RIO's audit staff independently, out of the presence of other parties, puts the Audit Committee at risk of violating North Dakota's open records and meeting laws. The State's open records and meeting laws prevent public boards from asking individuals to exit public meetings except in specific situations such as when an executive session has been properly noticed.

Staff's recommendation is to cease this practice moving forward. The Charter will then need to be revised to address the independent meetings and forwarded to legal counsel for review, returned to the Audit Committee for final approval, and finally to the SIB for approval. After discussion, The Audit Committee requested further clarification from legal counsel. Staff will inquire if Ms. Murtha would be available to provide further guidance to the Audit Committee at their November 16, 2017, meeting.

IT WAS MOVED BY MR. GESSNER AND SECONDED BY MS. TERNES AND CARRIED BY A ROLL CALL VOTE TO DEFER THE REVISIONS TO THE CHARTER UNTIL THE NEXT MEETING.

AYES: MS. TERNES, MR. WIENS, MS. SMITH, AND MR. GESSNER
NAYS: NONE
MOTION CARRIED
ABSENT: MS. DORWART

OTHER:

The next Audit Committee meeting is scheduled for Thursday, November 16, 2017, at 3:00 pm at the Retirement and Investment Office.

With no further business to come before the Audit Committee, Ms. Smith adjourned the meeting at 9:03 a.m.

Respectfully Submitted:

____
Ms. Yvonne Smith, Vice Chair
SIB Audit Committee

____
Bonnie Heit
Assistant to the Audit Committee

November 16, 2017

Audit Results Presentation to:

North Dakota Retirement and Investment Office – Audit Committee

CliftonLarsonAllen

www.cliftonlarsonallen.com

Agenda

- 2017 Audit Results
- Required Communications
- Financial Highlights
- GASB 68 Schedule Audit Update

2017 Audit Results

- Independent Auditors' Report - Unmodified "clean" opinion that the financial statements are presented fairly, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).
- Limited procedures were performed, and no opinion rendered, on management's discussion and analysis, required supplemental information, supplemental schedules, and the Introductory, Investment, Actuarial, and Statistical sections.
- 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*
  - No material weaknesses were identified.
  - No significant deficiencies were identified.
- Letter to the Board providing required communications with those charged with governance

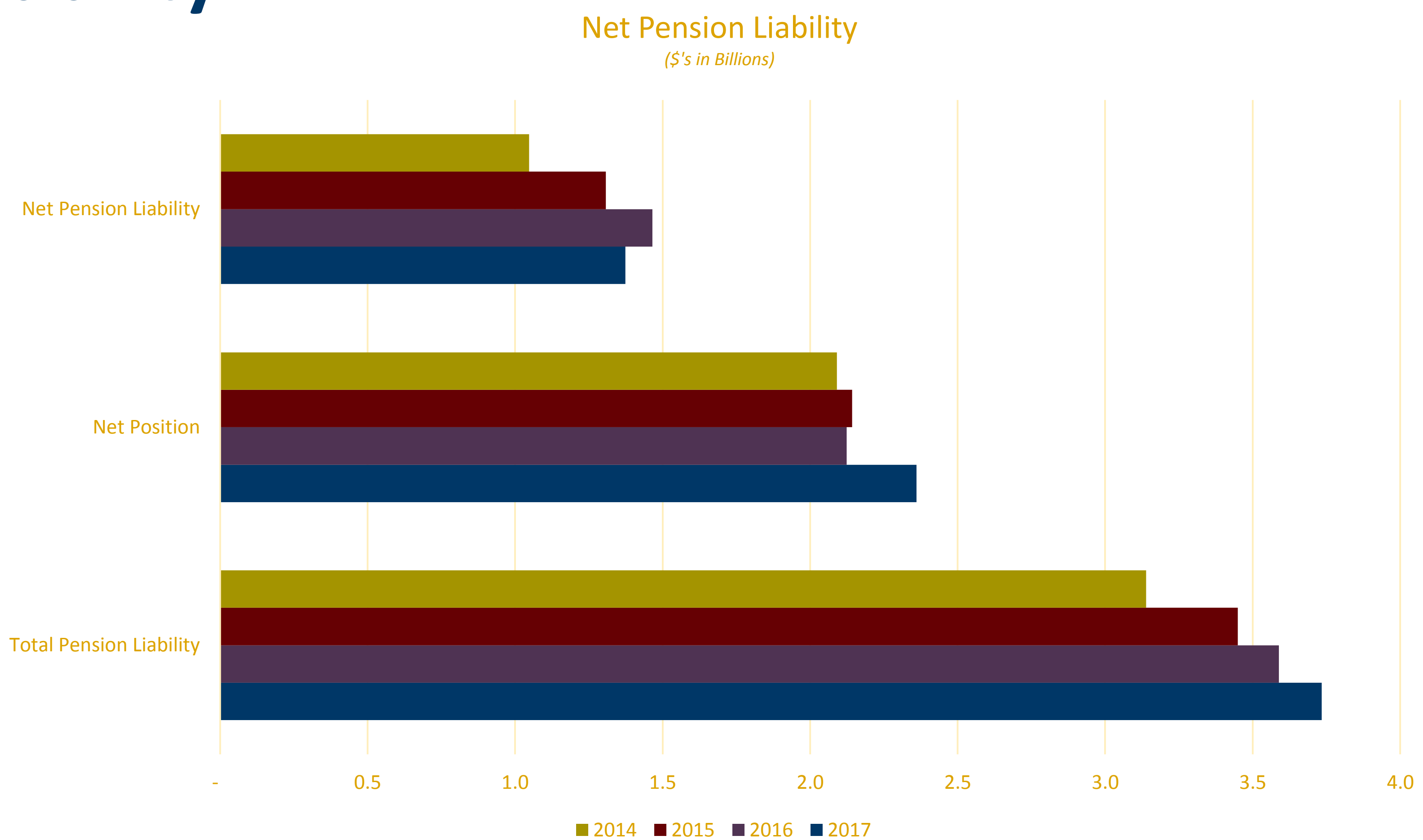
Required Governing Body Communications

- Auditor's responsibility under U.S. Generally Accepted Auditing Standards
- Significant accounting policies
  - No new accounting standards implemented
- Management judgments and accounting estimates
  - Valuation of alternative investments
  - Actuarial assumptions and methods used
- Financial statement disclosures

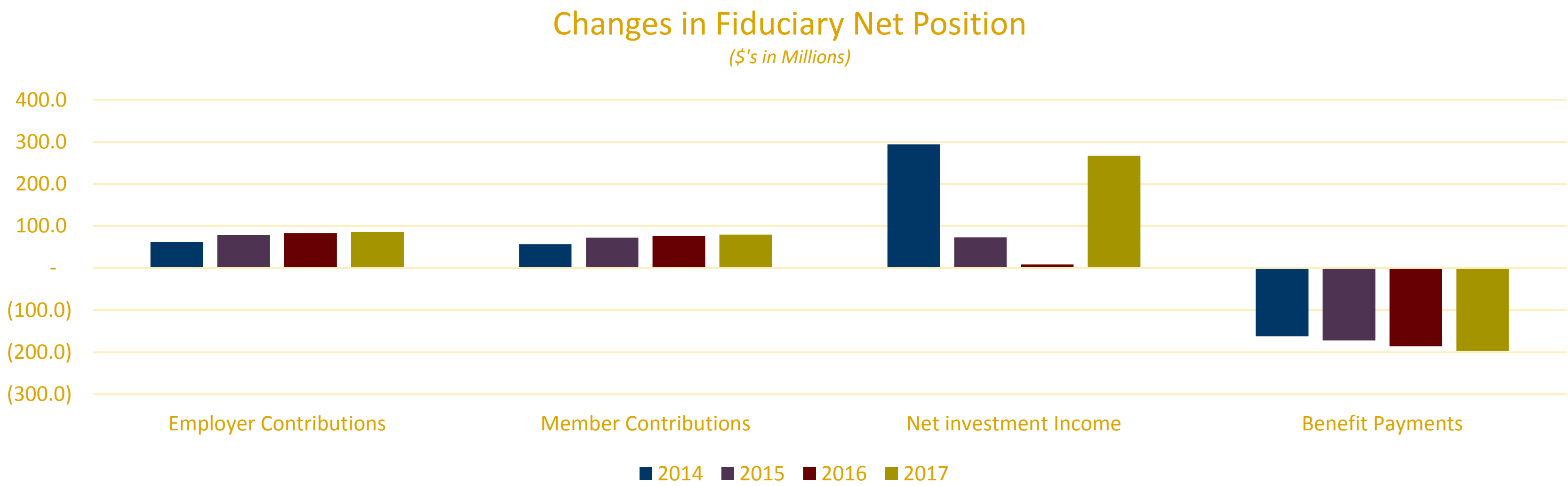
Other Communications

- Management was very cooperative and professional during the audit process
- No disagreements with management
- Management did not consult with other accountants on the application of GAAP or GAAS
- No major issues were discussed with management prior to retention
- Management Representations

Financial Highlights – TFFR Net Pension Liability

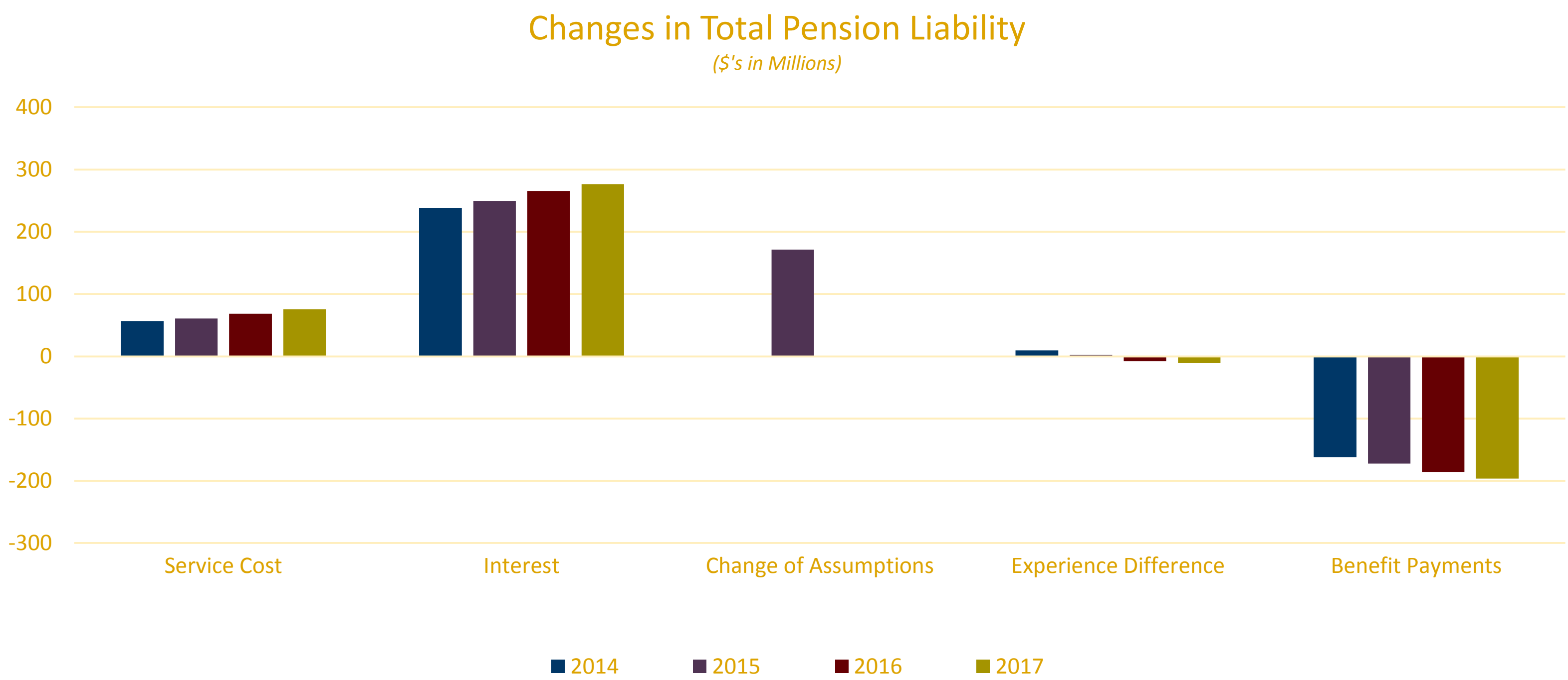


Financial Highlights – TFFR Changes in Fiduciary Net Position



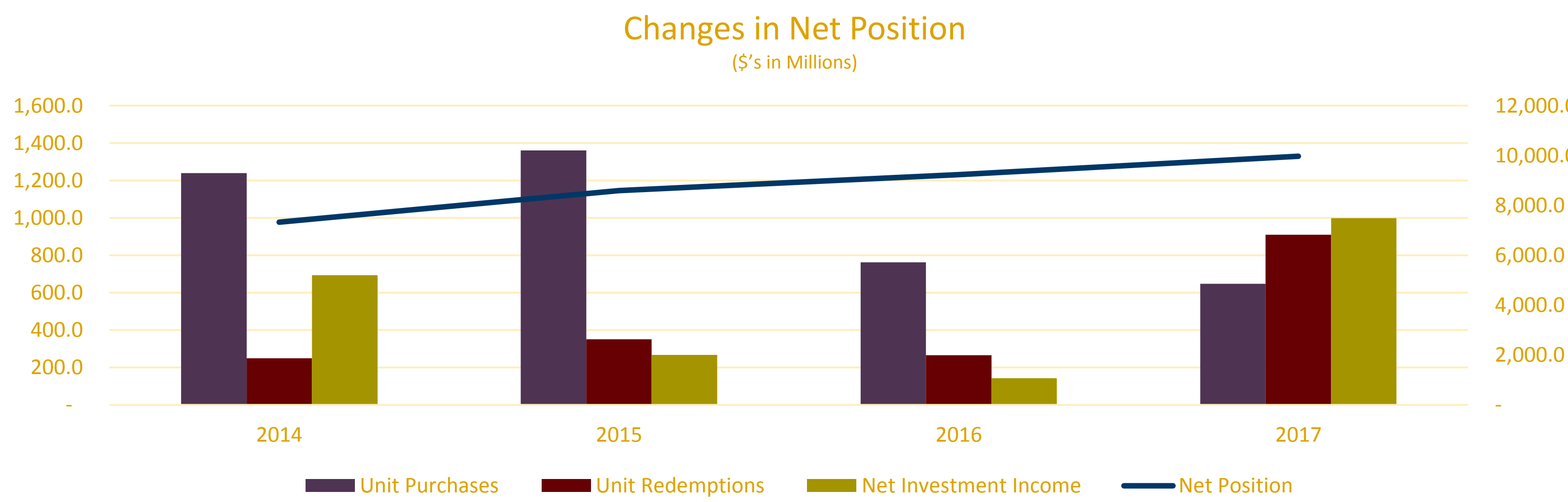
- Contributions
  - Active members increased from 10,813 in 2016 to 10,874 in 2017
  - No change in contribution rates from 2016 to 2017
- Investment Income
  - 12.81% money-weighted rate of return in 2017
- Benefit Payments
  - Retirees increased from 8,249 in 2016 to 8,501 in 2017

Financial Highlights – TFFR Changes in Total Pension Liability



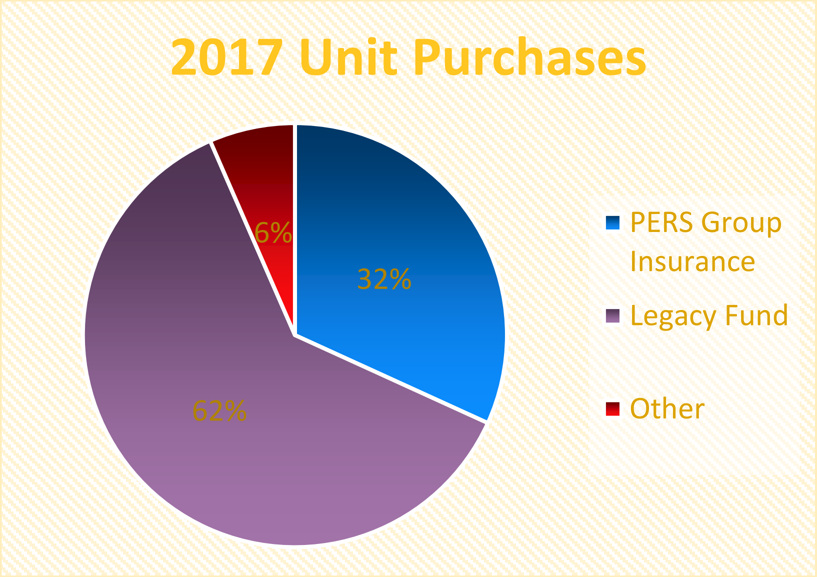
- No assumption changes in 2017

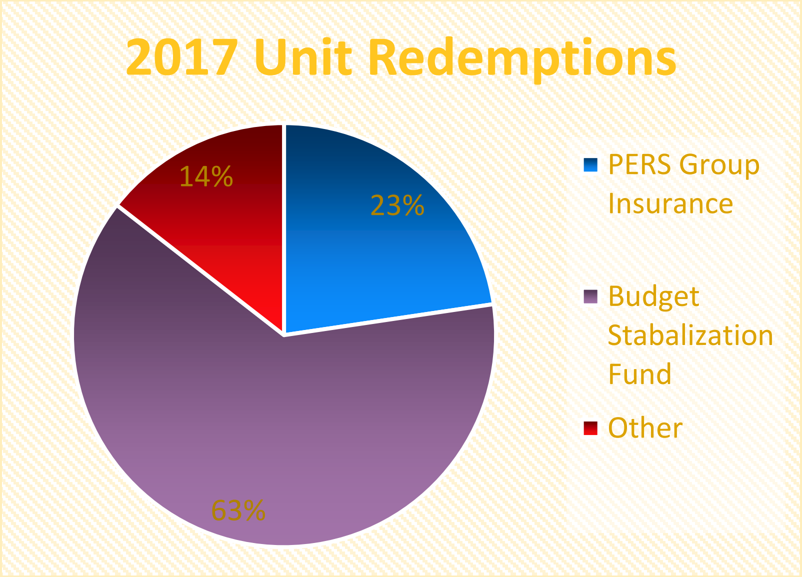
Financial Highlights – Investment Trust Changes in Fiduciary Net Position



- Unit Purchases and Redemptions – See next slide
- Net time-weighted rates of return for the Legacy Fund, Pension Pool and Insurance Pool were 12.0%, 13.0% and 7.8%, respectively , for the year ended June 30, 2017

Financial Highlights – Investment Trust Unit Purchases and Redemptions





GASB 68 Schedule Audit Update

- Employer Census Testing is Complete
  - Tested individual employee census data at **17** separate employers
  - 1 employer error noted out of 201 total employees tested.
    - ◊ The salary for one employee was reported incorrectly due to a salary deduction not being included in covered payroll. Management has addressed the error with the employer and employer will be billed for unpaid contributions with interest.
- Started audit of the GASB 68 Schedules this month
- Expect to issue our final report on the schedules by the end of 2017

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State Investment Board
Teachers' Fund for Retirement
North Dakota Retirement and Investment Office
1930 Burnt Boat Drive
Bismarck, ND 58507-7100

We have audited the financial statements of the North Dakota Retirement and Investment Office (RIO) as of and for the year ended June 30, 2017, and have issued our report thereon dated November 2, 2017. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by RIO are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2017.

We noted no transactions entered into by RIO during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were significant estimates in the valuation of alternative investments and the calculation of the actuarial information included in the footnotes and required supplementary information.

The valuation of alternative investments, including private equity and real asset investments, are a management estimate which is primarily based upon net asset values reported by the investment managers and comprise 18% of the total investment portfolio. The values for these investments are reported based upon the most recent financial data available and are adjusted for cash flows through June 30, 2017. Our audit procedures validated this approach through the use of confirmations sent directly to a sample of investment managers and the review of the most recent audited financial statements for these sampled funds. Furthermore, we reviewed management's estimate and found it to be reasonable.

The actuarially calculated information was based on the assumptions and methods adopted by the Board, including an expected investment rate of return of 7.75% per annum compounded annually. The valuation takes into account all of the promised benefits required by the Retirement Code to which members are entitled as of July 1, 2017. Our audit procedures included reviewing the actuarial valuation and related assumptions used therein and we believe the estimate to be reasonable.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated November 2, 2017.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as RIO's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedules of administrative expenses, consultant expenses, investment expenses, and appropriations – budget basis – fiduciary funds (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated November 2, 2017.

Other information is being included in documents containing the audited financial statements and the auditors' report thereon. Our responsibility for such other information does not extend beyond the financial information identified in our auditors' report. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in such documents. As required by professional standards, we read the introductory, investment, actuarial and statistical sections of the comprehensive annual financial report (the other information) in order to identify material inconsistencies between the audited financial statements and the other information. We did not identify any material inconsistencies between the other information and the audited financial statements.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

This communication is intended solely for the information and use of the State Investment Board, the Board of the Teachers' Fund for Retirement and management of RIO and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
November 2, 2017

North Dakota Retirement & Investment Office
Teachers' Fund for Retirement
State Investment Board

3442 East Century Avenue | P.O. Box 7100 | Bismarck, ND 58507-7100
Telephone: 701-328-9885 | Toll Free: 800-952-2970| Fax: 701-328-9897|www.nd.gov/rio

November 2, 2017

CliftonLarsonAllen LLP
1966 Greenspring Drive, Suite 300
Timonium, MD 21093

This representation letter is provided in connection with your audit of the financial statements of North Dakota Retirement and Investment Office (RIO), which comprise the financial position of the entity as of June 30, 2017, and the changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of November 2, 2017, the following representations made to you during your audit.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the Contract between the State of North Dakota and CliftonLarsonAllen LLP dated March 30, 2015, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

- We acknowledge and have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- All significant plan amendments, adopted during the period or subsequent to the date of the financial statements, and their effects on benefits and financial status have been disclosed in the financial statements.

- The values of non-readily marketable investments represent good faith estimates of fair value. The methods and significant assumptions used result in a measure of fair value appropriate for financial measurement and disclosure purposes.

- Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.

- No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

- We have not identified or been notified of any uncorrected financial statement misstatements.

- The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

- Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.

- We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

- With respect to actuarial assumptions and valuations:

    - Management agrees with the actuarial methods and assumptions used by the actuary for funding purposes and for determining the total pension liability and has no knowledge or belief that would make such methods or assumptions inappropriate in the circumstances. We did not give any, nor cause any, instructions to be given to RIO’s actuary with respect to values or amounts derived, and we are not aware of any matters that have impacted the independence or objectivity of RIO’s actuary.

    - There were no omissions from the participant data provided to the actuary for the purpose of determining the total pension liability and other actuarially determined amounts in the financial statements.

    - There have been no changes in the actuarial methods or assumptions used in calculating the amounts recorded or disclosed in the financial statements. There have been no changes in plan provisions between the actuarial valuation date and the date of this letter.

- We believe the plan and trust established under the plan is qualified under the appropriate section of The North Dakota Century Code, and we intend to continue them as a qualified plan and trust.

Information Provided

- We have provided you with:

    - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.

    - Additional information that you have requested from us for the purpose of the audit.

    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    - Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

    - All actuarial reports prepared for the plan during the year.

- All material transactions have been recorded in the accounting records and are reflected in the financial statements.

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

    - Management;

    - Employees who have significant roles in internal control; or
    - Others when the fraud could have a material effect on the financial statements.

- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, regulators, or others.

- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts, or abuse whose effects should be considered when preparing financial statements.

- We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

- There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.

- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

- We are responsible for compliance with the laws, regulations, and provisions of contracts applicable to RIO, and we have identified and disclosed to you all laws, regulations, and provisions of contracts that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

- There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts, or any debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

- The entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

- We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

- Investments, derivative instruments, and land and other real estate held by RIO are properly valued.

- Expenses have been appropriately classified the statement of changes in net position, and allocations have been made on a reasonable basis.

- Revenues are appropriately classified in the statement of changes in net position.

- Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

- Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.

- Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

- We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

- We acknowledge our responsibility for presenting the schedules (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.

Signature: ______________________ Title: Executive Director/CIO

Signature: ______________________ Title: Fiscal & Investment Ops Mgr

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

PAGE

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the North Dakota Retirement and Investment Office (RIO), a department of the State of North Dakota, which comprise the statement of net position – fiduciary funds as of June 30, 2017 and 2016, and the related statement of changes in net position – fiduciary funds for the year then ended, and the related notes to the financial statements, which collectively comprise RIO's basic financial statements, and the combining and individual fund financial statements as of and for the years ended June 30, 2017 and 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RIO as of June 30, 2017 and 2016, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of RIO as of June 30, 2017 and 2016, and the results of the changes in financial position of such funds for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of RIO are intended to present the financial position and the changes in financial position of only that portion of the State of North Dakota that is attributable to the transactions of RIO. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2017 and 2016, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Audit Standards*, we have also issued our report dated November 2, 2017, on our consideration of RIO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RIO's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RIO's internal control over financial reporting.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
November 2, 2017

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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 Doug Burgum
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 basic financial statements of the North Dakota Retirement and Investment Office (RIO), a department of the State of North Dakota, which collectively comprise RIO's basic financial statements, and the combining and individual fund financial statements, as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 2, 2017.

Internal Control over Financial Reporting

Management of RIO is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered RIO's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RIO's internal control 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 financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

CliftonLarsonAllen LLP

Baltimore, Maryland
November 2, 2017

Our discussion and analysis of the ND Retirement and Investment Office's (RIO) financial performance provides an overview of RIO's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the basic financial statements, which follow this discussion.

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

Financial Highlights

Total net position increased in the fiduciary funds by $972 million or 8.6% from the prior year. Approximately 90% of that increase is due to the growth of the Legacy Fund. The Legacy Fund was created by a constitutional amendment in 2010. The amendment provides that 30% of oil and gas gross production and oil extraction taxes on oil produced after June 30, 2011, be transferred to the Legacy Fund. Transfers into the Legacy Fund totaled $399.5 million and net investment income exceeded $480 million during the fiscal year.

Total additions in the fiduciary funds for the year increased over $1 billion or 93.3% from the previous year. Net investment income rose by $1.1 billion over the prior year, largely due to strong financial markets. There was a decrease of $115.1 million in new purchases of units in the investment program mainly due to the slowdown of oil and gas tax collections in the Legacy Fund. Total contributions increased $6.1 million or 3.8%.

Deductions in the fiduciary funds increased over the prior year by $656.4 million or 144.5%. Approximately 87% of that increase was due to the drawdown of the Budget Stabilization Fund to cover the State's income shortfall during the 2015-17 biennium. Payments to TFFR members in the form of benefits and refunds increased by $10.5 million or 5.7%. This increase represented a rise in the total number of retirees drawing retirement benefits from the pension fund as well as an increase in the retirement salaries on which the benefits of new retirees are based.

As of June 30, 2017, the TFFR pension plan had a Net Pension Liability (NPL) of $1.37 billion and Plan Fiduciary Net Position as a percent of Total Pension Liability (TPL) of 63.2%.

Overview of the Financial Statements

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

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

Fund Financial Statements

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

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

Financial Analysis

RIO's fiduciary fund total assets as of June 30, 2017, were $12.4 billion and were comprised mainly of investments. Total assets increased by $932.2 million or 8.1% from the prior year primarily due to strong financial markets.

Total liabilities as of June 30, 2017, were $87.2 million. The majority of the liabilities was comprised of the securities lending collateral payable. Total liabilities decreased by $39.6 million or 31.2% from the prior year due almost entirely to the decrease in securities lending collateral as a result of having fewer securities on loan at year-end.

RIO's fiduciary fund total net position was $12.3 billion at the close of fiscal year 2017.

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

	2017	2016	Total % Change
Assets			
Investments	$ 12,251.5	$ 11,278.3	8.6%
Securities Lending Collateral	77.7	116.6	-33.4%
Receivables	69.0	70.5	-2.2%
Cash & Other	19.3	19.9	-2.9%
Total Assets	12,417.5	11,485.3	8.1%
Deferred Outflows of Resources			
Deferred outflows related to pensions	0.6	0.3	126.0%
Liabilities			
Obligations under Securities Lending	77.7	116.6	-33.4%
Accounts Payable & Accrued Expenses	9.5	10.1	-5.5%
Total Liabilities	87.2	126.7	-31.2%
Deferred Inflows of Resources			
Deferred inflows related to pensions	0.1	0.1	-21.9%
Total Net Position	$ 12,330.8	$ 11,358.8	8.6%

	2016	2015	Total % Change
Assets			
Investments	$ 11,278.3	$ 10,668.6	5.7%
Sec Lending Collateral	116.6	-	100.0%
Receivables	70.5	61.1	15.3%
Cash & Other	19.9	19.0	4.5%
Total Assets	11,485.3	10,748.7	6.9%
Deferred Outflows of Resources			
Deferred outflows related to pensions	0.3	0.1	128.8%
Liabilities			
Obligations under Securities Lending	116.6	-	100.0%
Accounts Payable & Accrued Expenses	10.1	13.2	-23.7%
Total Liabilities	126.7	13.2	860.4%
Deferred Inflows of Resources			
Deferred inflows related to pensions	0.1	0.2	-25.4%
Total Net Position	$ 11,358.8	$ 10,735.5	5.8%

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

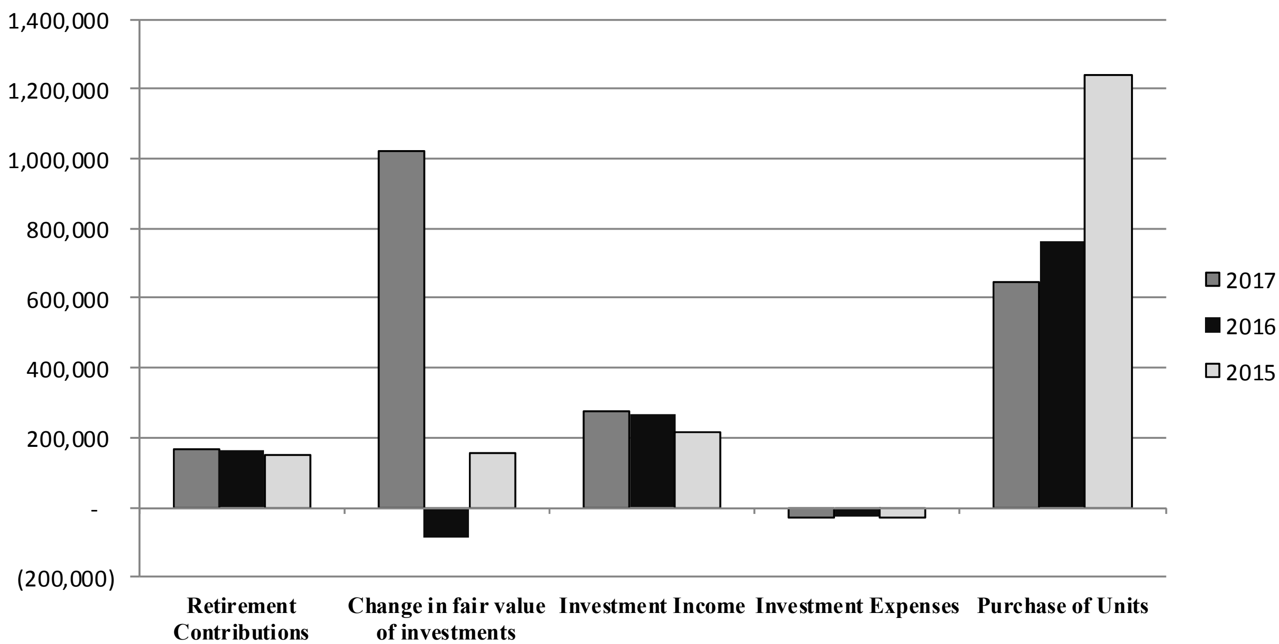
	2017	2016	Total % Change
Additions:			
Contributions	$ 168.1	$ 162.0	3.8%
Net Investment Income	1,265.3	151.0	738.1%
Net Securities Lending Income	1.2	1.4	-16.1%
Purchase of Units	648.1	763.2	-15.1%
Total Additions	2,082.7	1,077.6	93.3%
Deductions:			
Payments to TFFR members	196.5	186.0	5.7%
Administrative Expenses	3.5	2.9	19.1%
Redemption of Units	910.7	265.4	243.1%
Total Deductions	1,110.7	454.3	144.5%
Total Change in Net Position	$ 972.0	$ 623.3	56.0%

	2016	2015	Total % Change
Additions:			
Contributions	$ 162.0	$ 152.5	6.3%
Net Investment Income	151.0	340.0	-55.6%
Net Securities Lending Income	1.4	-	100.0%
Purchase of Units	763.2	1,239.9	-38.4%
Total Additions	1,077.6	1,732.4	-37.8%
Deductions:			
Payments to TFFR members	186.0	172.2	8.0%
Administrative Expenses	2.9	2.9	1.9%
Redemption of Units	265.4	249.1	6.6%
Total Deductions	454.3	424.2	7.1%
Total Change in Net Position	$ 623.3	$ 1,308.2	-52.4%

Statement of Changes in Net Position – Additions

Contributions collected by the pension trust fund increased by $6.1 million or 3.8% over the previous fiscal year due to both an increase in the number of active members contributing to the fund and an increase in the average salary of active members. Net investment income (including net securities lending income and net of investment expenses) increased by $1.1 billion or 731% from last year. This was the result of very strong financial markets during the fiscal year. Deposits of funds into the investment trust fund (purchase of units) decreased by $115.1 million or 15.1% partially due to lower oil and gas tax collections affecting the Legacy Fund.

Additions to Net Position (in thousands)

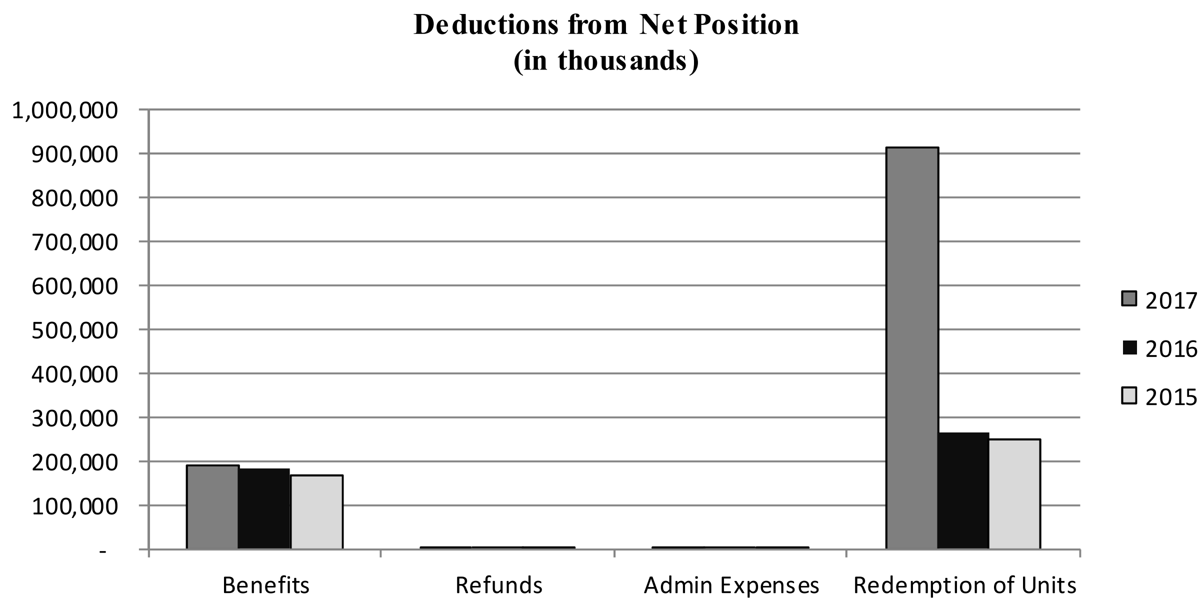


Statement of Changes in Net Position – Deductions

Benefits paid to TFFR plan participants, including partial lump-sum distributions, increased by $10.5 million or 5.7% during the fiscal year ended June 30, 2017. This was due to an increase in the total number of retirees in the plan as well as an increased retirement salary on which the benefits are based upon. Refunds increased in fiscal year 2017 by $61K or 1.1%.

Administrative expenses increased by $559K in fiscal year 2017. This increase was mainly due to an increase in IT contractual services, including the addition of investment risk analysis/monitoring software in the second half of the fiscal year and the payment of the biennial retirement administration software maintenance, as well as an increase in pension expense due to RIO's participation in the NDPERS pension plan.

The redemption of units in the investment trust funds increased by $645.3 million or 243.1% due mainly to the drawdown of the Budget Stabilization Fund to cover the State's income shortfall during the 2015-17 biennium.



Conclusion

For the fiscal year ended June 30, 2017, the pension investment pool and the Legacy Fund generated net time weighted investment returns of 12.9% and 12.0%, respectively, surpassing their respective policy benchmarks. The TFFR pension plan generated a net time weighted return of 12.9%, also exceeding its policy benchmark. The insurance investment pool also performed well and achieved a net time weighted return of 7.8% last year. Investment returns exceeded long-term expectations in fiscal 2017 due to the surprising strength and resilience of the global financial markets. Investment performance benefitted from relatively low volatility throughout most of last year despite increasing concerns over geopolitical risk in the U.S. and abroad. Global equities earned 19% overall with the pension international equity portfolio (up 21%) outperforming U.S. equity (up 17%). The story was reversed within fixed income, where U.S. centric debt strategies returned over 6% while international debt earned less than 1%. Real asset performance was mixed with strong, above benchmark returns posted in real estate and infrastructure (both up 9%), while our timber portfolio lost 9% in the last year. Private equity returned 11% for the 1-year ended June 30, 2017.

While cumulative returns in the post-credit crisis era have been strong, investors today face numerous challenges in the future that may limit the potential for high market returns and amplify investment risk. First, one could argue that many asset classes and strategies no longer offer compelling valuations for investors. Second, the ever-growing debt burden from unprecedented monetary policy and muted economic growth in a range of economies makes it less and less likely that authorities will be in a position to provide a cushion in a downturn when it occurs. Finally, the specter of the Federal Reserve continuing to raise short-term interest rates in the near future poses a challenge to certain asset classes and strategies to varying degrees. To meet this challenge, the State Investment Board will continue to research strategies and investment options that mitigate and diversify the sources of risk accepted to address funding issues in the challenging years ahead.

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

As of July 1, 2017, TFFR's funding level was 63.7% on an actuarial basis (and 63.2% on a market basis). Investment performance for FY2017, and for the last five years, has been greater than expected, resulting in improvement in TFFR's funding status in 2017. Over the long term, the plan's funding level is expected to gradually improve with full funding expected in 30 years, if all actuarial assumptions are met in the future, including the 7.75% investment return assumption. Protecting the long term solvency of the pension plan is the TFFR Board's fiduciary responsibility. The Board will continue to proactively address TFFR funding issues so the plan will be financially strong and sustainable for past, present, and future ND educators.

Contacting RIO Financial Management

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

	Pension Trust		Investment Trust		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Investments, at fair value						
Equities	$ -	$ -	$ 2,418,573,847	$ 1,900,710,606	$ 2,418,573,847	$ 1,900,710,606
Equity pool	1,275,571,112	1,131,917,482	2,175,628,519	1,921,253,074	3,451,199,631	3,053,170,556
Fixed income	-	-	1,694,762,634	1,415,525,781	1,694,762,634	1,415,525,781
Fixed income pool	521,927,872	479,086,760	1,843,971,620	2,285,945,327	2,365,899,492	2,765,032,087
Real assets	-	-	712,121,488	615,513,449	712,121,488	615,513,449
Real assets pool	407,547,460	369,771,496	949,595,089	889,167,336	1,357,142,549	1,258,938,832
Private equity pool	76,976,255	73,374,321	90,185,661	85,965,628	167,161,916	159,339,949
Cash pool	27,243,767	18,515,640	57,364,379	91,516,800	84,608,146	110,032,440
Total investments	2,309,266,466	2,072,665,699	9,942,203,237	9,205,598,001	12,251,469,703	11,278,263,700
Invested securities lending collateral	12,839,759	19,859,451	64,829,660	96,710,963	77,669,419	116,570,414
Receivables:						
Investment income	8,947,870	9,517,943	33,653,192	35,454,773	42,601,062	44,972,716
Contributions	26,326,188	25,494,939	-	-	26,326,188	25,494,939
Miscellaneous	7,398	7,963	21,368	13,880	28,766	21,843
Total receivables	35,281,456	35,020,845	33,674,560	35,468,653	68,956,016	70,489,498
Due from other state agency	36	-	14	-	50	-
Cash and cash equivalents	19,073,513	19,747,422	263,961	168,372	19,337,474	19,915,794
Equipment & Software (net of depr)	8,549	-	-	-	8,549	-
Total assets	2,376,469,779	2,147,293,417	10,040,971,432	9,337,945,989	12,417,441,211	11,485,239,406
Deferred outflows of resources						
Related to pensions	384,391	168,324	252,274	113,380	636,665	281,704
Liabilities:						
Accounts payable	191,738	118,477	201,551	38,269	393,289	156,746
Investment expenses payable	1,583,834	1,713,404	5,165,064	6,349,541	6,748,898	8,062,945
Securities lending collateral	12,839,759	19,859,451	64,829,660	96,710,963	77,669,419	116,570,414
Accrued expenses	1,685,809	1,354,756	644,911	443,950	2,330,720	1,798,706
Miscellaneous payable	-	-	16,983	17,233	16,983	17,233
Due to other state agencies	6,613	10,055	1,649	7,234	8,262	17,289
Total liabilities	16,307,753	23,056,143	70,859,818	103,567,190	87,167,571	126,623,333
Deferred inflows of resources						
Related to pensions	55,342	70,310	32,528	42,271	87,870	112,581
Net position:						
Restricted for pensions	2,360,491,075	2,124,335,288	-	-	2,360,491,075	2,124,335,288
Held in trust for external investment pool participants:						
Pension pool	-	-	2,978,824,123	2,637,238,130	2,978,824,123	2,637,238,130
Insurance pool	-	-	2,035,100,078	2,538,236,673	2,035,100,078	2,538,236,673
Held in trust for individual investment accounts	-	-	4,956,407,159	4,058,975,105	4,956,407,159	4,058,975,105
Total net position	$ 2,360,491,075	$ 2,124,335,288	$ 9,970,331,360	$ 9,234,449,908	$ 12,330,822,435	$ 11,358,785,196
Each participant unit is valued at $1.00						
Participant units outstanding			9,970,331,360	9,234,449,908		

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

North Dakota Retirement and Investment Office

Statement of Changes in Net Position – Fiduciary Funds

For the years ended June 30, 2017 and 2016

	Pension Trust		Investment Trust		Total	
	2017	2016	2017	2016	2017	2016
Additions:						
Contributions:						
Employer contributions	$ 86,058,868	$ 82,839,932	$ -	$ -	$ 86,058,868	$ 82,839,932
Member contributions	79,309,153	76,342,685	-	-	79,309,153	76,342,685
Purchased service credit	2,553,200	2,768,245	-	-	2,553,200	2,768,245
Interest, penalties and other	235,890	44,966	-	-	235,890	44,966
Total contributions	168,157,111	161,995,828	-	-	168,157,111	161,995,828
Investment income:						
Net change in fair						
value of investments	221,797,589	(35,952,316)	797,372,051	(51,056,400)	1,019,169,640	(87,008,716)
Interest, dividends and other income	50,718,890	49,982,337	224,483,911	217,167,354	275,202,801	267,149,691
	272,516,479	14,030,021	1,021,855,962	166,110,954	1,294,372,441	180,140,975
Less investment expenses	6,011,791	6,034,689	23,033,769	23,130,811	29,045,560	29,165,500
Net investment income	266,504,688	7,995,332	998,822,193	142,980,143	1,265,326,881	150,975,475
Securities lending activity:						
Securities lending income	229,936	304,571	1,254,228	1,465,052	1,484,164	1,769,623
Less securities lending expenses	(45,973)	(60,907)	(250,628)	(292,852)	(296,601)	(353,759)
Net securities lending income	183,963	243,664	1,003,600	1,172,200	1,187,563	1,415,864
Purchase of units ($1 per unit)	-	-	648,096,361	763,176,205	648,096,361	763,176,205
Total additions	434,845,762	170,234,824	1,647,922,154	907,328,548	2,082,767,916	1,077,563,372
Deductions:						
Benefits paid to participants	190,029,141	179,625,551	-	-	190,029,141	179,625,551
Partial lump-sum distributions	1,075,553	992,233	-	-	1,075,553	992,233
Refunds	5,411,850	5,350,896	-	-	5,411,850	5,350,896
Administrative expenses	2,173,431	1,851,656	1,303,019	1,066,070	3,476,450	2,917,726
Redemption of units ($1 per unit)	-	-	910,737,683	265,411,054	910,737,683	265,411,054
Total deductions	198,689,975	187,820,336	912,040,702	266,477,124	1,110,730,677	454,297,460
Change in net position	236,155,787	(17,585,512)	735,881,452	640,851,424	972,037,239	623,265,912
Net position:						
Beginning of year	2,124,335,288	$ 2,141,920,800	$ 9,234,449,908	$ 8,593,598,484	$ 11,358,785,196	$ 10,735,519,284
End of Year	$ 2,360,491,075	$ 2,124,335,288	$ 9,970,331,360	$ 9,234,449,908	$ 12,330,822,435	$ 11,358,785,196

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

Note 1 - Summary of Significant Accounting Policies

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

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

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

Fund Financial Statement

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

New Accounting Standards

In fiscal year 2016, the Plan implemented GASB Statement No. 72, Fair Value Measurement and Application, ("GASB 72"). This statement defines fair value and describes how state and local governments should define and measure fair value, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. GASB 72 enhances transparency through new note disclosures as reflected in Note 3 Investments - Fair Value Measurement.

Fiduciary Fund

A pension trust fund and investment trust funds have been established to account for the assets held by RIO in a trustee capacity for TFFR and as an agent for other governmental units or funds which have placed certain investment assets under the management of SIB. The SIB manages two external investment pools and four individual investment accounts. The two external investment pools consist of a pension pool and insurance pool. SIB manages the investments of the North Dakota Public Employees Retirement System, Bismarck City Employees and Police, City of Grand Forks Employees and City of Grand Forks Park District Employees pension plans in the pension pool. The investments of Workforce Safety & Insurance, State Fire and Tornado, State

Bonding, Petroleum Tank Release Compensation Fund, Insurance Regulatory Trust, North Dakota Association of Counties Fund, Risk Management, Risk Management Workers Comp, PERS Group Insurance, City of Bismarck Deferred Sick Leave, City of Fargo FargoDome Permanent Fund, Cultural Endowment Fund, ND State Board of Medicine, and Budget Stabilization Fund are managed in the insurance pool. The Legacy Fund, Job Service of North Dakota, Tobacco Prevention and Control Fund, and PERS Retiree Health investments are managed by SIB in individual investment accounts; except for a small portion of the Legacy Fund fixed income assets that will remain pooled until they are liquidated at a future date and their cash allocation that will remain pooled for operational efficiency.

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

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

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

Use of Estimates

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

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

Budgetary Process

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

Once passed and signed, the appropriation bill becomes RIO's financial plan for the next two years. Changes to the appropriation are limited to Emergency Commission authorization, initiative, or referendum action. The Emergency Commission can authorize receipt of federal or other moneys not appropriated by the Assembly if the

Assembly did not indicate intent to reject the money. The Emergency Commission may authorize pass-through federal funds from one state agency to another. The Emergency Commission may authorize the transfer of expenditure authority between appropriated line items, however RIO has specific authority as a special fund to transfer between the contingency line item and other line items. Unexpended appropriations lapse at the end of each biennium, except certain capital expenditures covered under the NDCC section 54-44.1-11.

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

Capital Assets and Depreciation

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

	Years
Office equipment	5
Furniture and fixtures	5

Investments

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

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

Pooled Investments

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

Investment Valuation and Income Recognition

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

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

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

Pensions

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

Note 2 - Cash and Cash Equivalents

Custodial Credit Risk

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

Pension Trust Fund

Deposits held by the Pension Trust Fund at June 30, 2017 were deposited in the Bank of North Dakota. At June 30, 2017 and 2016, the carrying amount of TFFR's deposits was $19,073,513 and $19,747,422, respectively, and the bank balance was $19,081,337 and $19,799,474, respectively. The difference results from checks outstanding or deposits not yet processed by the bank. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, these deposits at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

Investment Trust Funds

Certificates of deposit, an insurance pool cash account and a pension pool cash account are recorded as investments and have a cost and carrying value of $92,016,033 and $81,143,786 at June 30, 2017 and 2016, respectively. In addition these funds carry cash and cash equivalents totaling $263,961 and $168,372 at June 30, 2017 and 2016, respectively. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, these deposits held at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

Note 3 - Investments

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

Interest Rate Risk

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

At June 30, 2017 and 2016, the following tables show the investments by investment type and maturity (expressed in thousands).

2017	Total Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years
Asset Backed Securities	$ 101,522	$ -	$ 16,105	$ 24,636	$ 60,781
Bank Loans	3,687	100	2,301	1,286	-
Commercial Mortgage-Backed	119,452	-	3,999	777	114,676
Corporate Bonds	1,199,355	44,108	391,131	376,693	387,423
Corporate Convertible Bonds	14,457	-	5,026	4,582	4,849
Government Agencies	105,235	8,803	62,171	20,754	13,507
Government Bonds	464,441	2,402	155,204	105,268	201,567
Gov't Mortgage Backed	651,844	1,055	18,024	27,933	604,832
Gov't-issued CMB	57,767	343	4,089	7,011	46,324
Index Linked Government Bonds	31,880	-	13,599	12,357	5,924
Municipal/Provincial Bonds	46,016	4,172	11,454	7,198	23,192
Non-Government Backed CMOs	73,991	2,567	10,902	571	59,951
Other Fixed Income	3,575	1,681	1,894	-	-
Repurchase Agreements	(3,208)	(3,208)	-	-	-
Short Term Bills and Notes	7,827	7,827	-	-	-
Funds/Pooled Investments	1,962,531	-	361,109	1,043,860	557,562
Total Debt Securities	$ 4,840,372	$ 69,850	$ 1,057,008	$ 1,632,926	$ 2,080,588

2016	Total Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years
Asset Backed Securities	$ 214,093	$ 1,354	$ 73,333	$ 35,566	$ 103,840
Bank Loans	7,523	-	5,407	2,116	-
Commercial Mortgage-Backed	143,357	67	17	5,760	137,513
Corporate Bonds	1,292,451	56,049	432,650	433,705	370,047
Corporate Convertible Bonds	8,502	-	6,629	190	1,683
Government Agencies	68,113	5,900	44,149	8,266	9,798
Government Bonds	567,638	26,480	273,899	107,544	159,715
Gov't Mortgage Backed and CMB	715,219	256	27,624	36,868	650,471
Repurchase Agreements	(14,482)	(14,482)	-	-	-
Index Linked Government Bonds	34,183	5,903	-	7,456	20,824
Municipal/Provincial Bonds	36,951	154	5,845	9,704	21,248
Non-Government Backed CMOs	60,641	-	8,303	900	51,438
Other Fixed Income	6,528	1,455	5,073	-	-
Short Term Bills and Notes	17,161	17,161	-	-	-
Funds/Pooled Investments	1,713,792	172,187	701,969	442,005	397,631
Total Debt Securities	$ 4,871,670	$ 272,484	$ 1,584,898	$ 1,090,080	$ 1,924,208

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

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

Interest-only (IO) and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors, which may result from a decline in interest rates. The SIB held IOs valued at $8.7 million and $7.7 million and POs valued at $4.8 million and $6.7 million at June 30, 2017 and 2016, respectively. The SIB has no policy regarding IO or PO strips.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Investment Board maintains a highly diversified portfolio of debt securities encompassing a wide range of credit ratings. Although the SIB has no overall policy regarding credit risk, each debt securities manager is given a specific set of guidelines to invest within based on the mandate for which it was hired. The guidelines specify in which range of credit the manager may invest. These ranges include investment grade and below investment grade categories. The following tables present the SIB's ratings as of June 30, 2017 and 2016, (expressed in thousands).

		Credit Rating*										
2017	Total Fair Value	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	$ 101,522	$ 55,001	$ 4,386	$ 9,003	$ 10,555	$ 4,143	$ 2,805	$ 11,811	$ 1,766	$ 67	$ 1,985	$ -
Bank Loans	3,687	-	-	-	396	1,993	426	-	-	-	-	872
Commercial Mortgage Backed	85,465	44,485	8,826	6,350	6,958	7,045	4,366	5,349	455	-	1,532	99
Corporate Bonds	1,199,355	8,280	38,298	195,825	744,656	142,769	60,766	8,201	-	105	455	-
Corporate Convertible Bonds	14,457	-	-	-	1,627	3,499	3,911	5,420	-	-	-	-
Gov't Agencies	89,139	11,380	53,086	3,228	19,666	1,779	-	-	-	-	-	-
Gov't Bonds	123,863	-	9,813	46,574	45,427	17,267	4,782	-	-	-	-	-
Gov't Mortgage Backed	492,868	-	492,868	-	-	-	-	-	-	-	-	-
Gov't Issued CMB	11,824	-	11,597	-	227	-	-	-	-	-	-	-
Municipal/Provincial Bonds	46,016	3,909	14,473	9,834	15,514	-	2,286	-	-	-	-	-
Non-Gov't Backed CMOs	72,957	17,748	10,630	20,144	3,981	3,000	3,246	7,752	3,588	-	2,868	-
Other Fixed Income	3,575	3,575		-	-	-	-	-	-	-	-	-
Repurchase Agreements	(3,208)		(3,208)	-	-	-	-	-	-	-	-	-
Short Term Bills & Notes	3,892		3,597	295	-	-	-	-	-	-	-	-
Funds/Pooled Investments	1,962,531	161,292	1,005,167	198,871	329,090	247,377	20,734	-	-	-	-	-
Total Credit Risk of Debt Securities	4,207,943	$ 305,670	$1,649,533	$ 490,124	$ 1,178,097	$ 428,872	$ 103,322	$ 38,533	$ 5,809	$ 172	$ 6,840	$ 971
US Gov't & Agencies **	632,429											
Total Debt Securities	$ 4,840,372											

2016	Total Fair Value	Credit Rating* AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	$ 213,219	$ 123,092	$ 21,414	$ 30,455	$ 19,980	$ 3,822	$ 2,797	$ 9,202	$ 1,804	$ -	$ 653	$ -
Bank Loans	7,523	-	-	-	2,977	2,305	2,241	-	-	-	-	-
Commercial Mortgage Backed	111,063	47,154	23,370	10,891	9,682	5,798	6,791	6,618	-	-	759	-
Commercial Paper	-	-	-									-
Corporate Bonds	1,292,451	2,026	45,795	218,343	783,700	165,038	64,841	9,969	471	-	2,268	-
Corporate Convertible Bonds	8,502	-	-	-	34	2,689	3,905	1,477	-	-	397	-
Gov't Agencies	63,908	4,305	44,179	1,066	14,358	-	-	-	-	-	-	-
Gov't Bonds	128,745	8,315	12,427	34,160	41,997	28,531	3,315	-	-	-	-	-
Gov't Issued Commercial & Gov't Mortgage Backed	507,990	2,587	505,403	-	-	-	-	-	-	-	-	-
Index Linked Bonds	-	-	-							-		-
Municipal/Provincial Bonds	36,951	4,517	16,036	7,456	8,788	-	-	-	-	-	-	154
Non-Gov't Backed CMOs	59,280	7,493	6,533	18,982	8,676	699	4,242	4,664	2,924	-	5,067	-
Other Fixed Income	6,528	-	6,528	-	-	-	-	-	-	-	-	-
Repurchase Agreements	(14,482)	3,700	(18,182)	-	-	-	-	-	-	-	-	-
Short Term Bills & Notes	15,697	-	15,697	-	-	-	-	-	-	-	-	-
Funds/Pooled Investments	1,713,792	107,858	940,656	418,236	190,616	49,459	6,967	-	-	-	-	-
Total Credit Risk of Debt Securities	4,151,167	$ 311,047	$1,619,856	$ 739,589	$ 1,080,808	$ 258,341	$ 95,099	$ 31,930	$ 5,199	$ -	$ 9,144	$ 154
US Gov't & Agencies **	720,503											
Total Debt Securities	$ 4,871,670											

* Ratings are determined in the following order:

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

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in a single issuer. As of June 30, 2017 and 2016, the SIB's portfolio has no single issuer exposure that comprises 5% or more of the overall portfolio, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments. Therefore, there is no concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Although the SIB does not have a formal investment policy governing foreign currency risk, the SIB manages its exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios to limit foreign currency and security risk. The SIB's exposure to foreign currency risk is presented in the following tables as of June 30, 2017 and 2016 (expressed in thousands).

2017

Currency	Short-Term	Debt	Equity	Real Estate	Total
Argentine peso	$ -	$ 509	$ -	$ -	$ 509
Australian dollar	3,344	8,461	64,338	-	76,143
Brazilian real	641	6,742	14,678	-	22,061
British pound sterling	14,956	9,761	195,199	-	219,916
Canadian dollar	6,084	-	55,194	-	61,278
Chilean peso	54	-	-	-	54
Colombian peso	204	-	-	-	204
Czech koruna	-	-	760	-	760
Danish krone	-	-	13,941	-	13,941
Euro	(13,111)	13,951	401,660	9,954	412,454
Hong Kong dollar	1,601	-	77,234	-	78,835
Hungarian forint	89	-	4,413	-	4,502
Indian rupee	7,193	1,398	-	-	8,591
Indonesian Rupiah	59	6,939	1,003	-	8,001
Japanese yen	712	381	221,644	-	222,737
Malaysian Ringgit	74	8,006	1,530	-	9,610
Mexican peso	(45)	26,092	-	-	26,047
New Israeli shekel	543	-	4,103	-	4,646
New Taiwan dollar	(378)	-	3,896	-	3,518
New Zealand dollar	88	-	2,177	-	2,265
Norwegian krone	8,121	-	12,450	-	20,571
Peruvian nuevo sol	2	-	-	-	2
Polish zloty	(5)	9,101	1,684	-	10,780
Russian ruble	325	-	-	-	325
Singapore dollar	300	-	6,177	-	6,477
South African rand	47	7,137	7,663	-	14,847
South Korean won	134	-	12,364	-	12,498
Swedish krona	6,408	-	39,213	-	45,621
Swiss franc	128	-	79,937	-	80,065
Thai baht	197	-	5,013	-	5,210
Turkish lira	25	2,461	806	-	3,292
International commingled funds (various currencies)	-	105,946	916,411	61,315	1,022,357
Total international investment securities	$ 37,790	$ 206,885	$ 2,143,488	$ 71,269	$ 2,398,117

2016

Currency	Short-Term	Debt	Equity	Total
Australian dollar	$ 508	$ 11,044	$ 40,740	$ 52,292
Brazilian real	560	7,856	4,035	12,451
British pound sterling	(839)	8,370	194,291	201,822
Canadian dollar	48	-	22,605	22,653
Chilean peso	54	9,704	853	10,611
Chinese yuan renminbi	(17)	-	-	(17)
Columbian peso	-	2,184	-	2,184
Czech koruna	-	-	743	743
Israeli shekel	46	-	5,332	5,378
Danish krone	70	-	12,863	12,933
Euro	(9,287)	12,557	287,286	290,556
Hong Kong dollar	419	-	67,721	68,140
Hungarian forint	3	5,619	1,912	7,534
Indian rupee	6,858	-	-	6,858
Indonesian Rupiah	33	6,771	1,051	7,855
Japanese yen	2,582	397	190,320	193,299
Malaysian Ringgit	59	6,469	-	6,528
Mexican peso	(304)	25,778	7,358	32,832
New Zealand dollar	28	5,187	2,476	7,691
Norwegian krone	4,735	-	12,551	17,286
Polish zloty	-	2,952	1,177	4,129
Russian ruble	(546)	-	-	(546)
Singapore dollar	113	-	6,049	6,162
South African rand	93	4,540	9,775	14,408
South Korean won	486	-	18,227	18,713
Swedish krona	9,995	-	27,601	37,596
Swiss franc	62	-	68,795	68,857
Taiwan dollar	9	-	2,807	2,816
Thai baht	387	-	3,838	4,225
Turkish lira	42	-	1,173	1,215
International commingled funds (various currencies)	-	110,368	762,502	872,870
Total international investment securities	$ 16,197	$ 219,796	$ 1,754,081	$ 1,990,074

Negative amounts represent short positions.
Prior to 2017, foreign currency related to real estate was included in the equity column.

Derivative Securities

Derivatives are financial arrangements between two parties whose payments are based on, or "derived" from, the performance of some agreed upon benchmark. The investment policies of the SIB's clients allow the use of derivative securities to hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative instruments. The fair value of all derivative securities is reported in the statement of net position. At June 30, 2017 and 2016, the SIB had four types of derivative securities: futures, options, swaps and currency forwards.

Futures

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specific price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the SIB's counterparty risk. The net change in the futures contracts' value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included in net change in fair value of investments in the statement of changes in net position and totaled $133.8 million and $(7.5) million for fiscal years 2017 and 2016, respectively. At June 30, 2017 and 2016, the SIB investment portfolio had the notional futures balances shown below (expressed in thousands).

Futures	Notional Value	
	June 30, 2017	June 30, 2016
Cash & Cash Equivalent Derivative Futures		
Long	$ 68,249	$ 37,736
Short	(725,425)	(946,602)
Equity Derivative Futures		
Long	623,945	623,571
Short	-	-
Fixed Income Derivative Futures		
Long	287,137	509,240
Short	(194,390)	(290,226)
Total Futures	$ 59,516	$ (66,281)

Options

Options represent or give buyers the right, but not the obligation, to buy (call) or sell (put) an asset at a preset price over a specified period. Options are traded on organized exchanges (exchange traded) thereby minimizing the SIB's counterparty credit risk. The option's price is usually a small percentage of the underlying asset's value. As a seller of a financial option, the SIB, through its investment manager, receives a premium at the beginning of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a buyer of a financial option, the SIB, through its investment manager, pays a premium at the beginning of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Gains and losses on options are determined based on fair values and recorded with the net change in fair value of investments in the statement of changes in net position and totaled $(0.2) million and $0.4 million for fiscal years 2017 and 2016, respectively. At June 30, 2017 and 2016, the SIB investment portfolio had the following option balances (expressed in thousands).

Options	Fair Value June 30, 2017	Fair Value June 30, 2016
Cash & Other Options		
Call	$ (2)	$ (72)
Put	23	72
Fixed Income Options		
Call	88	(37)
Put	203	(1)
Total Options	$ 312	$ (38)

Swaps

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

Gains and losses on swaps are determined based on fair values and are recorded with the net change in fair value of investments in the statement of changes in net position and totaled $9.2 million and $(10.7) million for fiscal years 2017 and 2016, respectively. The maximum loss that would be recognized at June 30, 2017 and 2016, if all counterparties failed to perform as contracted is $2.0 million and $3.25 million, respectively. Swap fair values are determined by a third party pricing source. At June 30, 2017 and 2016, the SIB's investment portfolio had the swap fair value balances as shown below (expressed in thousands).

Credit Default Swaps

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

	Notional Amount			Fair Value	
Counterparty/Moody's Rating	June 30, 2017	June 30, 2016	Expiration Date Range	June 30, 2017	June 30, 2016
Bank of America/A3 (1 contract)	$ -	$ (2,600)	12/2018	$ -	$ 40
Bank of America/A1 (2 contracts)	(2,700)		12/2018 - 12/2021	35	
Barclays/A2 (1 contract)		(100)	9/2019		1
BNP Paribas/A1 (2 contracts)	(600)		6/2019 - 6/2022	(5)	
BNP Paribas/A2 (2 contracts)		(450)	12/2016 - 6/2019		(44)
Citibank/A1 (4 contracts)	(7,750)		12/2018 - 12/2019	119	
Citibank/A3 (4 contracts)		(11,050)	12/2018 - 12/2019		105
Citigroup Global Markets/A1		(6,500)	12/2018		75
Credit Suisse First Boston/A1 (8 contracts)	11,550		12/2017 - 6/2022	(759)	
Credit Suisse First Boston/A1 (2 contracts)		4,340	6/2021		(81)
Deutsche Bank/A2 (2 contracts)		2,400	6/2017		(18)
Goldman Sachs/A3 (2 contracts)	(1,800)		6/2019 - 3/2020	22	
Goldman Sachs/A3 (5 contracts)		(1,850)	12/2016 - 3/2020		(2)
HSBC Bank/A1 (1 contract)	(100)		6/2022	(1)	
JP Morgan Chase/Aa3 (3 contracts)	(930)		12/2019 - 9/2020	2	
JP Morgan Chase/Aa3 (14 contracts)		2,181	12/2016 - 11/2045		(51)
Total Credit Default Swaps	$ (2,330)	$ (13,629)		$ (587)	$ 25

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

Currency Swaps

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

Counterparty/Moody's Rating	Notional Amount June 30, 2017	Notional Amount June 30, 2016	Expiration Date Range	Fair Value June 30, 2017	Fair Value June 30, 2016
Deutsche Bank London/A2	$ -	$ 281	5/2017	$ -	$ 1
Goldman Sachs/A3		150	1/2017		5
JP Morgan Chase/Aa3 (1 contract)	106		2/2020	(6)	
JP Morgan Chase/Aa3 (8 contracts)		181,560	11/2016 - 11/2024		-
Total Currency Swaps	$ 106	$ 181,991		$ (6)	$ 6

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

Interest Rate Swaps

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

Counterparty/Moody's Rating	Notional Amount June 30, 2017	Notional Amount June 30, 2016	Expiration Date Range	Fair Value June 30, 2017	Fair Value June 30, 2016
Bank of America/A3 (1 contract)	$ -	$ 6,243	1/2018	$ -	$ (50)
Citigroup Global Markets/A1 (3 contracts)		(3,055)	8/2020		(178)
Credit Suisse First Boston/A1 (34 contracts)	(231,315)		12/2017 - 3/2048	1,168	
Credit Suisse First Boston/A1 (24 contracts)		(235,092)	12/2017 - 6/2046		(3,352)
Credit Suiss International/A1 (4 contracts)		8,137	1/2018 - 1/2021		(76)
Deutsche Bank/A2 (4 contracts)		6,697	1/2018 - 1/2021		(18)
Goldman Sachs/A3 (1 contract)	5		12/2017	-	
Goldman Sachs/A3 (3 contracts)		7,850	1/2021 - 6/2026		(69)
HSBC Bank/A1 (2 contracts)		20,500	3/2020 - 9/2033		(4)
JP Morgan Chase/Aa3 (130 contracts)	42,989		8/2017 - 9/2046	1,322	
JP Morgan Chase/Aa3 (86 contracts)		(4,765)	2/2019 - 6/2046		(3,798)
Morgan Stanley/A3 (1 contract)	3,900		5/2022	(3)	
Morgan Stanley/Baa1 (1 contract)		3,900	5/2022		8
Total Interest Rate Swaps	$ (184,421)	$ (189,585)		$ 2,487	$ (7,537)

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

Inflation Swaps

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

	Notional Amount			Fair Value	
Counterparty/Moody's Rating	June 30, 2017	June 30, 2016	Expiration Date Range	June 30, 2017	June 30, 2016
Bank of America/A3 (7 contracts)	$ -	$ 700	1/2020	$ -	$ (10)
Credit Suisse First Boston/A1 (3 contracts)	426		1/2020 - 11/2030	(3)	
BNP Paribas/A2 (3 contracts)		600	1/2020		(8)
Citibank/A3 (4 contracts)		520	3/2020 - 6/2030		(11)
Deutsche Bank/A2 (1 contract)		206	11/2030		16
Goldman Sachs/A3 (5 contracts)	1,530		3/2020 - 1/2030	(14)	
Goldman Sachs/A3 (11 contracts)		4,430	1/2020 - 1/2030		(52)
Total Inflation Swaps	$ 1,956	$ 6,456		$ (17)	$ (65)

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

Total Return Swaps

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

	Notional Amount			Fair Value	
Counterparty/Moody's Rating	June 30, 2017	June 30, 2016	Expiration Date Range	June 30, 2017	June 30, 2016
Credit Suisse International/A1 (2 contracts)	$ 4,800	$ -	1/2041	$ 21	$ -
Credit Suisse International/A1 (2 contracts)		2,252	1/2041		(26)
Total Total Return Swaps	$ 4,800	$ 2,252		$ 21	$ (26)

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

Currency Forwards

Currency forwards represent forward exchange contracts that are entered into in order to manage the exposure to changes in currency exchange rates on the currency denominated portfolio holdings. A forward exchange contract is a commitment to purchase (positive) or sell (negative) a currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net change in fair value of investments in the statements of changes in net position and totaled $0.5 million and $0.9 million for fiscal years 2017 and 2016, respectively. At June 30, 2017 and 2016, the SIB's investment portfolio included the currency forwards balances shown below (expressed in thousands).

				Fair Value	
Currency	Cost	Purchases	Sales	6/30/2017	6/30/2016
Australian dollar	$ 3,175	$ 3,234	$ (59)	$ 3,297	$ (60)
Brazilian real	501	1,028	(527)	480	230
British pound sterling	12,934	14,836	(1,902)	13,007	(1,222)
Canadian dollar	6,003	6,280	(277)	6,110	(84)
Chilean peso	87	3,766	(3,679)	-	9,704
Chinese yuan renminbi	6	228	(222)	-	(4,492)
Colombian peso	214	214	-	204	-
Euro	(15,804)	264	(16,068)	(16,369)	(7,919)
Hong Kong dollar	-	-	-	-	4,475
Hungarian forint	(19)	-	(19)	(20)	(19)
Indian rupee	7,186	7,186	-	7,193	6,858
Israeli shekel	(26)	-	(26)	(27)	-
Japanese yen	(320)	7,553	(7,873)	(329)	(2,353)
South Korean won	(169)	-	(169)	(166)	-
Mexican peso	(1,129)	561	(1,690)	(1,125)	(467)
Norwegian krone	7,146	7,146	-	7,333	4,099
Peruvian nuevo sol	-	332	(332)	2	-
Polish zloty	43	43	-	46	-
Russian ruble	338	424	(86)	325	(546)
Singapore dollar	(513)	-	(513)	(514)	-
South African rand	(514)	-	(514)	(515)	-
Swedish krona	6,245	6,245	-	6,415	9,986
Turkish lira	446	446	-	446	-
New Taiwan dollar	(503)	-	(503)	(498)	-
United States dollar	(25,329)	34,457	(59,786)	(25,329)	(18,315)
Total forwards subject to currency risk				$ (34)	$ (125)

Derivative Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an interest rate-based derivative investment. The SIB does not have a formal investment policy regarding such derivative investments. At June 30, 2017 and 2016, the tables below show the SIB's derivative investments subject to interest rate risk (expressed in thousands).

2017

	Total Notional Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	Greater than 5 years
Futures-interest rate contracts	$ (564,429)	$ (615,292)	$ 128,182	$ (63,483)	$ (13,836)	$ -
Total	$ (564,429)	$ (615,292)	$ 128,182	$ (63,483)	$ (13,836)	$ -

	Total Fair Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	Greater than 5 years
Options - caps and floors	$ 46	$ -	$ -	$ -	$ 46	$ -
Options - interest rate contracts	(1)	(1)	-	-	-	-
Options on futures	253	253	-	-	-	-
Swaps - interest rate contracts	2,470	136	131	97	532	1,574
Swaps - credit contracts	(587)	-	1	-	(588)	-
Total	$ 2,181	$ 388	$ 132	$ 97	$ (10)	$ 1,574

2016

	Total Notional Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	Greater than 5 years
Futures-interest rate contracts	$ (689,852)	$ (586,165)	$ (93,571)	$ 37,736	$ (47,852)	$ -
Options-margined interest rate contracts	(2)	(2)	-	-	-	-
Total	$ (689,854)	$ (586,167)	$ (93,571)	$ 37,736	$ (47,852)	$ -

	Total Fair Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	Greater than 5 years
Options on interest rate futures	$ (37)	$ (37)	$ -	$ -	$ -	$ -
Options - credit contracts	(1)	(1)	-	-	-	-
Swaps - interest rate contracts	(7,602)	-	-	-	(1,103)	(6,499)
Swaps - credit contracts	24	-	1	(16)	83	(44)
Total	$ (7,616)	$ (38)	$ 1	$ (16)	$ (1,020)	$ (6,543)

Fair Value Measurement

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

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

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

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

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

The following tables show the fair value leveling of the SIB's investment portfolio at June 30, 2017 and 2016 (expressed in thousands).

2017	Fair Value 6/30/17	Fair Value Measures Using: Quoted Prices in Active Markets for Indentical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Short Term Securities				
Short Term Bills and Notes	$ 7,826	$ -	$ 7,532	$ 294
Short Term Securities	**7,826**	**-**	**7,532**	**294**
Fixed income investments				
Asset Backed Securities	100,985	-	100,823	162
Bank Loans	3,687	-	3,687	-
Commercial Mortgage-Backed	119,451	-	119,451	-
Corporate Bonds	1,199,355	-	1,198,360	995
Corporate Convertible Bonds	14,456	-	14,456	-
Funds - Fixed Income ETF	29,259	29,259	-	-
Government Agencies	104,775	-	98,097	6,678
Government Bonds	464,441	-	464,441	-
Government Mortgage Backed Securities	652,306	-	651,753	553
Gov't-issued Commercial Mortgage-Backed	57,767	-	57,767	-
Index Linked Government Bonds	31,880	-	31,880	-
Municipal/Provincial Bonds	46,016	-	46,016	-
Non-Government Backed C.M.O.s	65,402	-	62,487	2,915
Other Fixed Income	3,578	-	3,575	3
Total fixed income investments	**2,893,358**	**29,259**	**2,852,793**	**11,306**
Equity investments				
Common Stock	3,752,805	3,752,771	-	34
Convertible Equity	1,746	-	1,746	-
Funds - Common Stock	4,149	4,149	-	-
Funds - Equities ETF	221,791	221,791	-	-
Preferred Stock	2,898	2,898	-	-
Rights/Warrants	12	-	-	12
Stapled Securities	4,547	4,547	-	-
Total equity investments	**3,987,948**	**3,986,156**	**1,746**	**46**
Derivative investments				
Exchange Cleared Swaps	1,842	-	1,851	(9)
Options	312	253	59	-
Swaps	58	-	58	-
Total derivative investments	**2,212**	**253**	**1,968**	**(9)**
Total investments by fair value level	**$ 6,891,344**	**$ 4,015,668**	**$ 2,864,039**	**$ 11,637**

Investments measured at the net asset value (NAV)		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Funds-Debt	$ 1,729,361	$ -	Daily, monthly	1-15 days
Commingled Funds-Equities	1,039,323	-	Daily, monthly	1-15 days
Distressed Debt	318,519	12,500	Quarterly, Not eligible	60 days
Long/Short	193,356	-	Monthly	15 days
Mezzanine Debt	1,781	8,526	Not eligible	Not eligible
Private Equity	167,162	286,819	Not eligible	Not eligible
Real Assets	1,603,883	163,475	Quarterly, Not eligible	30-90 days
Total investments measured at the NAV	**$ 5,053,385**	**$ 471,320**		

Investments at other than fair value	
Cash and adjustments to cash	$ 244,004
Bank Certificates of Deposit	56,819
Other miscellaneous securities	9,126
Repurchase Agreements	(3,208)
Total investments at other than fair value	**$ 306,741**
Total investments	**$ 12,251,470**

2016	Fair Value 6/30/16	Fair Value Measures Using: Quoted Prices in Active Markets for Indentical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Short Term Securities				
Short Term Bills and Notes	$ 17,161	$ -	$ 17,161	$ -
Short Term Securities	**17,161**	**-**	**17,161**	**-**
Fixed income investments				
Asset Backed Securities	214,093	-	212,013	2,080
Bank Loans	7,524	-	7,524	-
Commercial Mortgage-Backed	143,357	-	141,957	1,400
Corporate Bonds	1,292,451	-	1,289,656	2,795
Corporate Convertible Bonds	8,502	-	8,312	190
Funds - Fixed Income ETF	29,531	29,531	-	-
Government Agencies	68,113	-	68,113	-
Government Bonds	567,638	-	567,638	-
Government Mortgage Backed Securities	657,728	-	656,882	846
Gov't-issued Commercial Mortgage-Backed	57,491	-	57,491	-
Index Linked Government Bonds	34,183	-	34,183	-
Municipal/Provincial Bonds	36,951	-	36,951	-
Non-Government Backed C.M.O.s	60,641	-	55,099	5,542
Other Fixed Income	6,528	-	6,528	-
Total fixed income investments	**3,184,731**	**29,531**	**3,142,347**	**12,853**
Equity investments				
Common Stock	3,136,055	3,130,843	4,375	837
Convertible Equity	1,495	899	596	-
Funds - Common Stock	22,430	22,430	-	-
Funds - Equities ETF	84,030	84,030	-	-
Preferred Stock	2,550	2,550	-	-
Rights/Warrants	12	-	-	12
Stapled Securities	2,228	2,228	-	-
Total equity investments	**3,248,800**	**3,242,980**	**4,971**	**849**
Derivative investments				
Exchange Cleared Swaps	(6,584)	-	(6,584)	-
Options	(38)	(52)	14	-
Swaps	(1,015)	-	(1,018)	3
Total derivative investments	**(7,637)**	**(52)**	**(7,588)**	**3**
Total investments by fair value level	**$ 6,443,055**	**$ 3,272,459**	**$ 3,156,891**	**$ 13,705**

Investments measured at the net asset value (NAV)		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Funds-Debt	$ 1,510,097	$ -	Daily, monthly	1-15 days
Commingled Funds-Equities	885,713	-	Daily, monthly	1-15 days
Distressed Debt	268,329	20,000	Quarterly, Not eligible	60 days
Long/Short	167,752	-	Monthly	15 days
Mezzanine Debt	3,686	13,147	Not eligible	Not eligible
Private Equity	159,340	107,028	Not eligible	Not eligible
Real Assets	1,457,778	212,297	Quarterly, Not eligible	30-90 days
Total investments measured at the NAV	**$ 4,452,695**	**$ 352,472**		
Investments at other than fair value				
Cash and adjustments to cash	$ 315,852			
Bank Certificates of Deposit	81,144			
Repurchase Agreements	(14,482)			
Total investments at other than fair value	**$ 382,514**			
Total investments	**$ 11,278,264**			

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

Investments valued at the net asset value (NAV) per share (or its equivalent) have been classified separately in the tables above and include investments considered to be *alternative investments* as defined by the AICPA. The definition includes investments for which a readily determinable fair value does not exist (that is, investments not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not available from sources such as financial publications, the exchanges, or NASDAQ). These types of investments can be held within any of the asset classes used by the SIB based on underlying portfolio holdings and analysis of risk and return relationships. These investments can be structured in different ways, including limited partnerships, limited liability companies, common trusts and mutual funds. Some are closed-ended with a specific life and capital commitment while others are open-ended with opportunity for ad hoc contributions or withdrawals and termination upon proper notice.

Commingled/Mutual Funds — These types of funds are open-ended funds and may be utilized in equity or fixed income asset classes. They are funds made up of underlying securities that have readily available fair values (publicly traded stocks or bonds). The SIB owns units of these funds rather than the individual securities. Contributions or withdrawals from these funds can be made as needed, generally with daily or monthly liquidity, with a notice period of one to fifteen days. Because they are liquid funds, there are no unfunded commitments for these types of investments.

Private Equity — Private Equity investments are typically private interests in corporations across different areas of the capital structure and in different stages of the corporations' development via limited partnership vehicles. Private Equity investments are illiquid and long term in nature (10-12 years), typically held until maturity. Private Equity portfolios generally have a "J-Curve Effect" whereby there are low to negative returns in the initial years due to the payment of investment management fees and initial funding of investments made by the General Partner during a period when investments are typically carried at cost and returns have not been realized. To diversify the program, Private Equity investments are made across business cycles, vintage years, and different strategies. The SIB has a dedicated asset class for private equity investments. The SIB does not have the option to request redemptions from its private equity funds. The General Partner distributes earnings and proceeds from the sale of the underlying investments as transactions occur. The SIB has $286.8 million and $107.0 million in unfunded private equity commitments as of June 30, 2017 and 2016, respectively.

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

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

Distressed Debt — these include investments in the debt instruments of companies which may be publicly traded or privately held that are financially distressed and are either in bankruptcy or likely candidates for bankruptcy. Typical holdings are senior and subordinated debt instruments, mortgages and bank loans. The SIB is including these types of investments in its fixed income asset classes. As of June 30, 2017 and 2016, unfunded commitments in one of its two distressed debt funds totaled $12.5 million and $20.0 million, respectively. This fund is not eligible for redemptions. The other fund is eligible for redemptions with quarterly liquidity and 60 days notice, and has no unfunded commitment.

Mezzanine Debt — This strategy is a hybrid of debt and equity financing. It is essentially debt capital that gives the lender the rights to convert to an ownership or equity interest in the company if the loan is not paid back in time and in full. It is generally subordinated to senior debt. The SIB utilizes this strategy, through a limited partnership structure, in its below investment grade fixed income allocation. The two funds in this category are not eligible for redemptions, have remaining lives of 2-5 years, and unfunded commitments of $8.5 million and $13.2 million as of June 30, 2017 and 2016 respectively.

Equity Long/Short — This strategy is a combination of long and short positions, primarily in publicly traded equities. The SIB utilizes this strategy, through a limited partnership structure, within its US equity allocations. This is an open-ended fund with monthly liquidity with a notice period of 15 days. There was no unfunded commitment as of June 30, 2017 and 2016.

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

Real Estate — includes investments in private vehicles through limited partnerships or commingled vehicles that have an ownership interest in direct real estate properties. The investment strategies may include "value added" strategies, which derive their return from both income and appreciation, "opportunistic", which derive their return primarily through appreciation, and "alternative" which invest in less traditional types of property. Both domestic and international real estate funds are utilized. The SIB has a dedicated asset class for these types of investments. There are currently 11 different real estate funds in the portfolio. Three of those funds are open-ended vehicles that accept redemption requests quarterly with a 30-90 day notification period. One fund is in wind-down and will be distributing the final proceeds within the next 6-12 months. The remaining seven funds are closed-ended limited partnerships that are not eligible for redemptions. Those eight funds have a combined unfunded commitment of $78.4 million and $112.2 million as of June 30, 2017 and 2016, respectively.

Timberland — includes investments in limited liability companies that have an ownership interest in properties where the value of the property is derived mainly from income-producing timber but also from the "higher and better use" value of the underlying land. The SIB has a dedicated asset class for these types of investments. There are three funds in the portfolio and they have no unfunded commitments. The funds are not eligible for redemption other than distributions of income and/or proceeds as determined by the investment manager. The funds have remaining lives of 2-8 years.

Infrastructure — includes investments in limited partnerships that have an ownership interest in transportation assets such as toll roads, tunnels and bridges; and regulated assets such as electricity transmission, gas and oil distribution and wastewater collection. Other possible investments would include communication assets and social infrastructure. The SIB has a dedicated asset class for these types of investments. The infrastructure investments in the portfolio as of June 30, 2017 and 2016, include both open and closed-ended funds. The open-ended funds have no unfunded commitments and are eligible for redemptions quarterly with 90 days notice. There may be a 3-12 month queue for receiving redemptions. The closed-ended funds have unfunded commitments of $85.0 million and $100.1 million at June 30, 2017 and 2016, respectively, and are not eligible for redemptions.

Securities Lending

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

Non-cash collateral cannot be pledged or sold unless the borrower defaults. All securities loans can be terminated on demand by either the lender or the borrower, although the average term of SIB loans was approximately 59 and 69 days as of June 30, 2017 and 2016, respectively. Cash open collateral is invested in a short term investment pool, which had an interest sensitivity of 3 days and 1 day as of June 30, 2017 and 2016. This pool is valued based on amortized cost. There were no violations of legal or contractual provisions, no borrower or lending agent default losses known to the securities lending agent. There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

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

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

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

The following represents the balances relating to the securities lending transactions at June 30, 2017 and 2016 (expressed in thousands).

2017	**Securities Lent**	**Non-Cash Collateral Value**	**Cash Collateral Investment Value**
Lent for cash collateral:			
US agency securities	$ 546	$ -	$ 558
US government securities	2,268	-	2,326
US corporate fixed income securities	23,063	-	23,596
Global government fixed income securities	3,285	-	3,443
US equities	43,984	-	45,032
Global equities	2,531	-	2,714
Lent for non-cash collateral:			
US agency securities	4,978	5,071	-
US government securities	2,089	2,128	-
US corporate fixed income securities	112,041	114,160	-
US equities	187,733	191,606	-
Global equities	40,229	42,734	-
Total	$ 422,747	$ 355,699	$ 77,669

2016	Securities Lent	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for cash collateral:			
US agency securities	$ 10	$ -	$ 10
US government securities	10,435	-	10,603
US corporate fixed income securities	29,492	-	29,954
Global government fixed income securities	2,992	-	3,125
US equities	65,991	-	66,969
Global equities	5,603	-	5,909
Lent for non-cash collateral:			
US agency securities	-	-	-
US government securities	212	216	-
US corporate fixed income securities	1,574	1,599	-
US equities	18,636	18,949	-
Global equities	20,525	21,776	-
Total	$ 155,470	$ 42,540	$ 116,570

Note 4 - Capital Assets

	June 30, 2015	Additions	Retirements	June 30, 2016	Additions	Retirements	June 30, 2017
Office equipment	$19,321	$ -	$ -	$19,321	$ 8,999	$ (11,441)	$16,879
Less accumulated depreciation on office equipment	(19,321)	-	-	(19,321)	(450)	11,441	(8,330)
Software	1,213,500	-	-	1,213,500	-	-	1,213,500
Less accumulated depreciation on software	(1,213,500)	-	-	(1,213,500)	-	-	(1,213,500)
	$ -	$ -	$ -	$ -	$ 8,549	$ -	$ 8,549

Note 5 - State Agency Transactions

Due From/To Other State Agencies

Amounts due from/to other state agencies are as follows as of June 30, 2017 and 2016:

	2017	2016
Due To		
Information Technology Department	$ 6,617	$ 8,469
Office of Attorney General	1,356	8,666
Office of Management and Budget	289	154
Total due to other state agencies	$ 8,262	$ 17,289
Due From		
Surplus Property	$ 50	$ -

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

Note 6 - Operating Leases

RIO leased office space under an operating lease effective July 1, 2015 through June 30, 2017. RIO also incurs rent expense at other locations on a temporary basis to sponsor retirement education for TFFR members. Rent expense totaled $82,861 and $81,886 for fiscal years 2017 and 2016, respectively. RIO has entered into a new lease effective July 1, 2017 through June 30, 2019. Minimum payments under that lease for fiscal 2018 and 2019 are $86,171 annually.

Note 7 - Changes in Noncurrent Liabilities

Changes in noncurrent liabilities are included in accrued expenses in the statements of changes in net position. The changes for the years ended June 30, 2017 and 2016 are summarized as follows:

	Beginning Balance 7/1/2016	Additions	Reductions	Ending Balance 6/30/2017	Amounts Due Within One Year
Accrued Leave	$171,503	$144,423	($139,062)	$176,864	$109,212

	Beginning Balance 7/1/2015	Additions	Reductions	Ending Balance 6/30/2016	Amounts Due Within One Year
Accrued Leave	$155,443	$138,889	($122,829)	$171,503	$96,470

Pension and Investment Trust Funds liquidate the accrued annual leave.

Note 8 - North Dakota Teachers' Fund for Retirement

Administration

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

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

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

Membership

As of June 30, 2017 and 2016, the number of participating employer units was 215 and 214, respectively, consisting of the following:

	June 30, 2017	June 30, 2016
Public School Districts	176	176
County Superintendents	6	6
Special Education Units	19	19
Vocational Education Units	5	5
Other	9	8
Total	215	214

TFFR's membership consisted of the following:

	2017	2016
Retirees and beneficiaries currently receiving benefits	8,501	8,249
Terminated employees - vested	1,600	1,601
Terminated employees - nonvested	878	779
Total	10,979	10,629
Current employees		
Vested	7,543	7,433
Nonvested	3,331	3,380
Total	10,874	10,813

Member and Employer Contributions

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Investment Rate of Return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.81% and 0.39% for the years ended June 30, 2017 and 2016, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Realized Gains and Losses

Realized gains and losses on sales of investments are components of net change in fair value of investments and are computed as described in Note 1. For the years ended June 30, 2017 and 2016, TFFR had net realized gains of $72,282,438 and $60,426,737, respectively.

Net Pension Liability

The components of the net pension liability of TFFR at June 30, 2017 and 2016 (expressed in thousands), were as follows:

	June 30, 2017	June 30, 2016
Total pension liability	$ 3,734,017	$ 3,589,394
Plan fiduciary net position	(2,360,491)	(2,124,335)
Net pension liability (NPL)	$ 1,373,526	$ 1,465,059
Plan fiduciary net position as a percentage of the total pension liability	63.2%	59.2%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2017 and 2016, using the following actuarial assumptions:

Valuation date	July 1, 2017	July 1, 2016
Inflation	2.75%	2.75%
Salary increases	4.25% to 14.50%; varying by service, including inflation and productivity	4.25% to 14.50%; varying by service, including inflation and productivity
Cost of living adjustments	None	None
Investment rate of return	7.75% net of investment expenses, including inflation	7.75% net of investment expenses, including inflation

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

The actuarial assumptions used in the July 1, 2017 and 2016 valuations were based on the results of an actuarial experience study dated April 30, 2015, for the period July 1, 2009 – June 30, 2014. An actuarial experience study is generally conducted every five years.

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

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of June 30, 2017 and 2016 are summarized in the following tables:

2017

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	6.7%
Global Fixed Income	23.0%	0.8%
Global Real Assets	18.0%	5.2%
Cash Equivalents	1.0%	0.0%

2016

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	7.3%
Global Fixed Income	23.0%	0.9%
Global Real Assets	18.0%	5.3%
Cash Equivalents	1.0%	0.0%

Private equity is included in the Global Equity asset class.

As part of the most recent asset/liability study, the total fund real rate of return was upwardly adjusted by 0.50% to reflect a longer investment time horizon than is assumed in the investment consultant's expected returns and to account for above benchmark returns achieved through active management. In order to estimate the nominal rate of return, the real rate of return was adjusted upward by 2.75% for expected inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2017 and 2016. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at rates equal to those based on the July 1, 2017 and 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, TFFR's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of July 1, 2017 and 2016. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017 and 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, 2017 and 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:

2017	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Employers' net pension liability	$ 1,826,126,843	$ 1,373,525,753	$ 996,748,988

2016	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

Note 9 - Public Employees Retirement System (PERS)

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor, one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 is replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Contributions

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

Member and Employer Contributions

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

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

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

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

At June 30, 2017 and 2016, RIO reported a liability of $1,490,832 and $989,688, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. RIO's proportion of the net pension liability was based on RIO's share of covered payroll in the pension plan relative to the covered payroll of all participating NDPERS Main System employers. At June 30, 2016, RIO's proportion was 0.152969 percent and as of June 30, 2015, RIO's proportion was 0.145546 percent.

For the years ended June 30, 2017 and 2016, RIO recognized pension expense of $121,469 and $122,885, respectively. At June 30, 2017 and 2016, RIO reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	2017	2016	2017	2016
Differences between expected and actual experience	$ 22,395	$ 28,712	$ 13,805	$ -
Changes in assumptions	137,436	-	74,065	88,177
Net differences between projected and actual earnings on pension plan investments	207,993	-		20,892
Changes in proportion and differences between employer contributions and proportionate share of contributions	155,225	145,647		3,512
Employer contributions subsequent to the measurement date	113,616	107,345		-
Total	$ 636,665	$ 281,704	$ 87,870	$ 112,581

Deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date in the amount of $113,616 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

Year Ended June 30	
2018	$ 87,559
2019	87,559
2020	132,932
2021	97,977
2022	29,152
	$ 435,179

Actuarial assumptions

The total pension liability in the July 1, 2016 and 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2016 and 2015, funding actuarial valuation for NDPERS.

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

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 asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58%	7.2%
Global Fixed Income	23%	1.1%
Global Real Assets	18%	5.2%
Cash Equivalents	1%	0.0%

Discount rate

The discount rate used to measure the total pension liability was 8 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 the Employer's proportionate share of the net pension liability to changes in the discount rate

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

2017	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employers' net pension liability	$ 2,114,716	$ 1,490,832	$ 965,177

2016	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employers' net pension liability	$ 1,517,637	$ 989,688	$ 557,730

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS Comprehensive Annual Financial Report. This report can be accessed on the NDPERS website at https://ndpers.nd.gov/about/financial/annual-report-archive/.

Note 10 - Related Parties

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

Note 11 - Contingencies/Litigation

The State Investment Board has been named as a defendant in two cases, arising out of the Tribune and General Motors bankruptcy proceedings, relating to securities that were purchased by external investment managers in one or more portfolios held by the SIB on behalf of its investment client funds. Outside counsel has been retained for both cases, in addition to assistance received from the ND Office of Attorney General. As of June 30, 2017, no liability has been recorded for the General Motors bankruptcy proceedings as it is too early in the litigation process to reasonably determine whether any payments will be required. The claim against the SIB in the Tribune bankruptcy litigation has been dismissed, but a final order has not been entered because the Court has yet to decide the remaining claims in the case against unrelated defendants. Any final judgment (including with respect to the claim against the SIB) is subject to appeal. Accordingly, no liability has been recorded at this time.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2017	2016	2015	2014
Total pension liability				
Service cost	$ 75,476	$ 68,239	$ 60,618	$ 56,752
Interest	276,412	265,440	249,064	237,821
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(10,749)	(8,093)	2,209	9,347
Changes of assumptions	-	-	171,325	-
Benefit payments, including refunds of member contributions	(196,516)	(185,969)	(172,239)	(162,259)
Net change in total pension liability	144,623	139,617	310,977	141,661
Total pension liability - beginning	3,589,394	3,449,777	3,138,800	2,997,139
Total pension liability - ending (a)	$3,734,017	$3,589,394	$3,449,777	$ 3,138,800
Plan fiduciary net position				
Contributions - employer	$ 86,059	$ 82,840	$ 78,422	$ 62,355
Contributions - member	79,309	76,343	72,268	56,555
Contributions - purchased service credit	2,553	2,768	1,601	2,034
Contributions - other	236	45	172	48
Net investment income	266,688	8,239	73,205	294,246
Benefit payments, including refunds of member contributions	(196,516)	(185,969)	(172,239)	(162,259)
Administrative expenses	(2,173)	(1,852)	(1,923)	(1,586)
Net change in plan fiduciary net position	236,156	(17,586)	51,506	251,393
Plan fiduciary net position - beginning **	2,124,335	2,141,921	2,090,415	1,839,584
Plan fiduciary net position - ending (b)	$2,360,491	$2,124,335	$2,141,921	$ 2,090,977
Plan's net pension liability - ending (a) - (b)	$1,373,526	$1,465,059	$1,307,856	$ 1,047,823
Plan fiduciary net position as a percentage of the total pension liability	63.2%	59.2%	62.1%	66.6%
Covered-employee payroll	$ 674,971	$ 649,725	$ 615,105	$ 580,053
Plan's net pension liability as a percentage of covered-employee payroll	203.5%	225.5%	212.6%	180.6%

Notes to Schedule:

* *Complete data for this schedule is not available prior to 2014.*

** *Restated in 2015 due to GASB 68 implementation.*

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

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

Fiscal Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2008	$ 44,115	$ 33,684	$ 10,431	$ 434,626	7.75%
2009	41,986	37,488	4,498	454,396	8.25%
2010	52,053	39,837	12,216	482,868	8.25%
2011	65,113	44,545	20,568	509,091	8.75%
2012	69,374	46,126	23,248	527,156	8.75%
2013	52,396	59,301	(6,905)	551,656	10.75%
2014	59,513	62,355	(2,842)	580,053	10.75%
2015	71,168	78,422	(7,254)	615,105	12.75%
2016	84,724	82,840	1,884	649,725	12.75%
2017	89,231	86,059	3,172	674,971	12.75%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 years
Asset valuation method	5-year smoothed market
Inflation	2.75%; decreased from 3% prior to July 1, 2015.
Salary increases	4.25% - 14.5%, including inflation and productivity; 4.5% - 14.75% prior to July 1, 2015.
Investment rate of return	7.75%, net of investment expenses, including inflation. Rate was decreased from 8% beginning July 1, 2015.
Retirement age	In the 2015 valuation, rates of retirement were changed to better reflect anticipated future experience. In the 2010 valuation, expected retirement ages of plan members were adjusted to more closely reflect actual experience.
Mortality	In the 2015 valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 mortality tables with generational improvement. In prior years, those assumptions were based on percentages of GRS post termination non-disabled tables and RP-2000 disabled-life tables.

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

	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	12.81%	0.39%	3.56%	16.35%	13.60%

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

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

	2017	2016	2015
RIO's proportion of NDPERS net pension liability (asset)	0.152969%	0.145546%	0.121849%
RIO's proportionate share of NDPERS net pension liability (asset)	$ 1,491	$ 990	$ 773
RIO's covered-employee payroll	$ 1,507	$ 1,377	$ 1,026
RIO's proportionate share of NDPERS net pension liability (asset) as a percentage of its covered-employee payroll	98.94%	71.90%	75.34%
NDPERS Plan fiduciary net position as a percentage of the total pension liability	70.46%	77.15%	77.70%

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

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

	2017	2016	2015	2014
RIO's Statutorily required contributions	$ 114	$ 107	$ 98	$ 73
RIO's Contributions in relation to the statutory required contribution	114	107	98	73
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
RIO's Covered-employee payroll	$ 1,596	$ 1,507	$ 1,377	$ 1,026
RIO's Contributions as a percentage of covered-employee payroll	7.12%	7.12%	7.12%	7.12%

*Complete data for this schedule is not available prior to 2014.

	Pension Pool Participants					Insurance Pool Participants						
	Public Employees Retirement System	Bismarck City Employee Pension Plan	Bismarck City Police Pension Plan	City of Grand Forks Employee Pension Plan	City of Grand Forks Park District	Workforce Safety & Insurance	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund	Insurance Regulatory Trust Fund	Cultural Endowment Fund	Risk Mgmt
Assets:												
Investments												
Equities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Equity pool	1,545,325,416	39,619,222	17,988,730	35,188,399	3,749,992	468,704,171	7,700,401	-	-	1,590,266	237,498	1,740,072
Fixed income	-	-	-	-	-	-	-	-	-	-	-	-
Fixed income pool	631,954,767	31,218,832	11,035,760	15,349,945	1,532,157	996,919,448	11,994,245	1,832,575	3,147,347	1,841,923	159,492	3,708,392
Real assets												
Real assets pool	504,434,723	18,367,467	7,628,749	9,602,403	626,178	404,652,132	-	-	-	-	21,400	-
Private equity pool	83,862,751	2,391,283	1,328,566	2,376,851	226,210	-	-	-	-	-	-	-
Cash pool	10,472,896	241,073	97,062	824,548	21,415	14,865,520	2,180,276	1,516,571	3,194,278	1,848,607	12,918	286,493
Total investments	2,776,050,553	91,837,877	38,078,867	63,342,146	6,155,952	1,885,141,271	21,874,922	3,349,146	6,341,625	5,280,796	431,308	5,734,957
Invested sec lending collateral	15,935,976	540,955	232,608	388,398	19,644	13,348,052	188,823	13,788	23,489	35,019	4,365	51,714
Investment income receivable	5,296,506	116,286	57,917	50,239	4,616	9,473,522	133,404	25,252	54,785	8,369	163	46,047
Operating Cash	88,280	-	-	-	-	64,600	1,148	995	1,159	1,188	32	1,223
Miscellaneous receivable	6,336	-	-	-	-	4,413	52	8	16	5	1	14
Due from other state agency	4	-	-	-	-	3	-	-	-	-	-	-
Total assets	2,797,377,655	92,495,118	38,369,392	63,780,783	6,180,212	1,908,031,861	22,198,349	3,389,189	6,421,074	5,325,377	435,869	5,833,955
Deferred outflows of resources												
Related to pensions	74,094	-	-	-	-	52,527	640	94	192	48	12	172
Liabilities:												
Investment expenses payable	1,912,009	64,873	27,202	44,571	1,747	688,422	10,536	668	1,163	1,889	246	2,597
Securities lending collateral	15,935,976	540,955	232,608	388,398	19,644	13,348,052	188,823	13,788	23,489	35,019	4,365	51,714
Accounts payable	60,267	-	-	-	-	41,589	493	74	149	45	10	132
Accrued expenses	208,675	-	-	-	-	150,929	2,231	283	616	130	33	536
Miscellaneous payable	-	2,737	1,132	-	1,826	-	-	-	-	-	-	-
Due to other state agencies	489	-	-	-	-	341	4	1	1	-	-	1
Total liabilities	18,117,416	608,565	260,942	432,969	23,217	14,229,333	202,087	14,814	25,418	37,083	4,654	54,980
Deferred inflows of resources												
Related to pensions	10,022	-	-	-	-	7,479	117	15	32	1	2	32
Net position held in trust for external investment pool participants	$ 2,779,324,311	$ 91,886,553	$ 38,108,450	$ 63,347,814	$ 6,156,995	$ 1,893,847,576	$ 21,996,785	$ 3,374,454	$ 6,395,816	$ 5,288,341	$ 431,225	$ 5,779,115
Each participant unit is valued at $ 1.00												
Participant units outstanding	2,779,324,311	91,886,553	38,108,450	63,347,814	6,156,995	1,893,847,576	21,996,785	3,374,454	6,395,816	5,288,341	431,225	5,779,115

Insurance Pool Participants							Individual Investment Accounts					
Risk Mgmt Workers' Comp	ND Ass'n. of Counties Fund	PERS Group Insurance	Budget Stabilization Fund	City of Bismarck Deferred Sick Leave	City of Fargo FargoDome Fund	State Board of Medicine	Legacy Fund	Job Service of North Dakota	Tobacco Prevention and Control Fund	PERS Retiree Health Credit Fund	Totals 2017	Totals 2016
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,342,635,671	$ -	$ 5,723,979	$ 70,214,197	$ 2,418,573,847	$ 1,900,710,606
2,043,119	1,319,297	-	-	209,408	20,742,271	461,521	-	29,008,736	-	-	2,175,628,519	1,921,253,074
-	-	-	-	-	-	-	1,605,730,810	-	43,110,708	45,921,116	1,694,762,634	1,415,525,781
3,323,271	2,501,005	35,938,094	5,494,545	453,102	16,225,823	1,680,251	-	67,660,646	-	-	1,843,971,620	2,285,945,327
							712,121,488		-		712,121,488	615,513,449
-	-	-	-	-	4,218,171	43,866	-	-	-	-	949,595,089	889,167,336
-	-	-	-	-	-	-	-	-	-	-	90,185,661	85,965,628
164,610	563,020	1,782,066	185,398	34,285	411,619	7,202	9,349,540	663,259	8,626,110	15,613	57,364,379	91,516,800
5,531,000	4,383,322	37,720,160	5,679,943	696,795	41,597,884	2,192,840	4,669,837,509	97,332,641	57,460,797	116,150,926	9,942,203,237	9,205,598,001
52,833	35,751	177,305	29,496	5,987	429,706	14,494	33,301,257	-	-	-	64,829,660	96,710,963
3,627	600	(219,845)	447,902	1,337	37,035	(12,929)	18,126,221	178	1,939	21	33,653,192	35,454,773
1,224	-	-	8,470	-	-	-	95,642	-	-	-	263,961	168,372
14	-	-	15	-	-	-	10,494	-	-	-	21,368	13,880
-	-	-	-	-	-	-	7	-	-	-	14	-
5,588,698	4,419,673	37,677,620	6,165,826	704,119	42,064,625	2,194,405	4,721,371,130	97,332,819	57,462,736	116,150,947	10,040,971,432	9,337,945,989
168	-	-	4,943	-	-	-	119,384	-	-	-	252,274	113,380
2,686	1,977	17,521	4,144	344	24,764	1,125	2,187,485	72,896	7,690	88,509	5,165,064	6,349,541
52,833	35,751	177,305	29,496	5,987	429,706	14,494	33,301,257	-	-	-	64,829,660	96,710,963
132	-	-	136	-	-	-	98,524	-	-	-	201,551	38,269
492	-	-	27,848	-	-	-	253,138	-	-	-	644,911	443,950
-	250	1,264	-	236	1,309	250	-	3,289	1,467	3,223	16,983	17,233
1	-	-	1	-	-	-	810	-	-	-	1,649	7,234
56,144	37,978	196,090	61,625	6,567	455,779	15,869	35,841,214	76,185	9,157	91,732	70,859,818	103,567,190
28	-	-	3,231	-	-	-	11,569	-	-	-	32,528	42,271
$ 5,532,694	$ 4,381,695	$ 37,481,530	$ 6,105,913	$ 697,552	$ 41,608,846	$ 2,178,536	$ 4,685,637,731	$ 97,256,634	$ 57,453,579	$ 116,059,215	$ 9,970,331,360	$ 9,234,449,908
5,532,694	4,381,695	37,481,530	6,105,913	697,552	41,608,846	2,178,536	4,685,637,731	97,256,634	57,453,579	116,059,215	9,970,331,360	9,234,449,908

	Pension Pool Participants					Insurance Pool Participants					
	Public Employees Retirement System	Bismarck City Employee Pension Plan	Bismarck City Police Pension Plan	City of Grand Forks Employee Pension Plan	City of Grand Forks Park District Pension Plan	Workforce Safety & Insurance	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund	Insurance Regulatory Trust Fund	Cultural Endowment Fund
Additions:											
Investment income:											
Net change in fair value of investments	$ 266,102,905	$ 7,655,028	$ 3,396,504	$ 5,945,750	$ 611,751	$ 105,693,277	$ 1,593,978	$ 30,591	$ 53,887	$ 109,740	$ 40,393
Interest, dividends and other income	61,615,229	2,110,479	862,083	1,342,535	119,884	46,210,318	491,258	50,948	99,013	41,650	9,403
	327,718,134	9,765,507	4,258,587	7,288,285	731,635	151,903,595	2,085,236	81,539	152,900	151,390	49,796
Less investment expenses	7,250,325	255,656	106,294	160,995	13,430	4,085,404	36,787	2,568	4,744	3,667	871
Net investment income	320,467,809	9,509,851	4,152,293	7,127,290	718,205	147,818,191	2,048,449	78,971	148,156	147,723	48,925
Securities lending activity:											
Securities lending income	280,172	8,907	3,781	6,445	558	184,972	2,952	81	154	250	68
Less Securities lending expenses	(56,015)	(1,780)	(755)	(1,288)	(111)	(36,942)	(588)	(17)	(32)	(50)	(14)
Net securities lending income	224,157	7,127	3,026	5,157	447	148,030	2,364	64	122	200	54
Purchase of units ($1 per unit)	4,785,000	-	-	3,777,523	282,104	7,500,000	-	-	-	8,155,600	-
Total Additions	325,476,966	9,516,978	4,155,319	10,909,970	1,000,756	155,466,221	2,050,813	79,035	148,278	8,303,523	48,979
Deductions:											
Administrative Expenses	403,185	-	-	-	-	262,771	3,299	1,047	1,115	1,030	610
Redemption of units ($1 per unit)	3,025,000	-	-	5,486,114	559,697	92,500,000	4,125,000	-	900,000	4,100,000	3,500
Total Deductions	3,428,185	-	-	5,486,114	559,697	92,762,771	4,128,299	1,047	901,115	4,101,030	4,110
Change in net position	322,048,781	9,516,978	4,155,319	5,423,856	441,059	62,703,450	(2,077,486)	77,988	(752,837)	4,202,493	44,869
Net position:											
Beginning of year	2,457,275,530	82,369,575	33,953,131	57,923,958	5,715,936	1,831,144,126	24,074,271	3,296,466	7,148,653	1,085,848	386,356
End of year	$ 2,779,324,311	$ 91,886,553	$ 38,108,450	$ 63,347,814	$ 6,156,995	$ 1,893,847,576	$ 21,996,785	$ 3,374,454	$ 6,395,816	$ 5,288,341	$ 431,225

North Dakota Retirement and Investment Office

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

Year Ended June 30, 2017 (with Comparative Totals for 2016)

Insurance Pool Participants								Individual Investment Accounts					
Risk Mgmt	Risk Mgmt Workers' Comp	ND Ass'n of Counties Fund	PERS Group Insurance	Budget Stabilization Fund	City of Bismarck Deferred Sick Leave	City of Fargo FargoDome Fund	State Board of Medicine	Legacy Fund	Job Service of North Dakota	Tobacco Prevention and Control Fund	PERS Retiree Health Credit Fund	Totals 2017	Totals 2016
$ 371,439	$ 401,369	$ 254,411	$ (673,576)	$ (2,161,212)	$ 43,207	$ 3,624,439	$ 69,279	$ 389,970,910	$ 3,337,293	$ 839,579	$ 10,061,109	$ 797,372,051	$ (51,056,400)
135,891	128,181	88,365	809,996	5,327,628	14,747	814,008	51,834	99,597,760	2,187,163	33,094	2,342,444	224,483,911	217,167,354
507,330	529,550	342,776	136,420	3,166,416	57,954	4,438,447	121,113	489,568,670	5,524,456	872,673	12,403,553	1,021,855,962	166,110,954
8,699	8,993	7,656	106,491	258,392	2,097	81,422	7,288	9,982,236	285,579	28,415	335,760	23,033,769	23,130,811
498,631	520,557	335,120	29,929	2,908,024	55,857	4,357,025	113,825	479,586,434	5,238,877	844,258	12,067,793	998,822,193	142,980,143
628	673	488	1,011	3,912	80	7,031	186	751,879	-	-	-	1,254,228	1,465,052
(125)	(135)	(98)	(202)	(781)	(14)	(1,401)	(38)	(150,242)	-	-	-	(250,628)	(292,852)
503	538	390	809	3,131	66	5,630	148	601,637	-	-	-	1,003,600	1,172,200
-	-	-	206,150,000	-	-	6,000,000	-	399,501,134	-	9,500,000	2,445,000	648,096,361	763,176,205
499,134	521,095	335,510	206,180,738	2,911,155	55,923	10,362,655	113,973	879,689,205	5,238,877	10,344,258	14,512,793	1,647,922,154	907,328,548
1,082	1,086	-	-	34,979	-	-	-	592,815	-	-	-	1,303,019	1,066,070
1,250,000	500,000	-	206,400,000	572,485,454	-	7,500,000	142,654	-	4,510,264	7,250,000	-	910,737,683	265,411,054
1,251,082	501,086	-	206,400,000	572,520,433	-	7,500,000	142,654	592,815	4,510,264	7,250,000	-	912,040,702	266,477,124
(751,948)	20,009	335,510	(219,262)	(569,609,278)	55,923	2,862,655	(28,681)	879,096,390	728,613	3,094,258	14,512,793	735,881,452	640,851,424
6,531,063	5,512,685	4,046,185	37,700,792	575,715,191	641,629	38,746,191	2,207,217	3,806,541,341	96,528,021	54,359,321	101,546,422	9,234,449,908	8,593,598,484
$ 5,779,115	$ 5,532,694	$ 4,381,695	$ 37,481,530	$ 6,105,913	$ 697,552	$ 41,608,846	$ 2,178,536	$ 4,685,637,731	$ 97,256,634	$ 57,453,579	$ 116,059,215	$ 9,970,331,360	$ 9,234,449,908

	Pension Trust		Investment Trust	
	2017	2016	2017	2016
Salaries and wages:				
Salaries and wages	$ 819,284	$ 759,748	$ 795,303	$ 766,619
Fringe benefits	392,012	318,254	294,409	250,520
Total salaries and wages	1,211,296	1,078,002	1,089,712	1,017,139
Operating expenses:				
Travel	23,870	28,153	25,098	37,121
Supplies	13,216	2,746	6,454	1,083
Postage and Mailing Services	55,577	53,804	31,428	31,194
Printing	17,106	15,057	6,375	6,743
Small Office Equipment and Furniture	30,542	2,655	12,589	1,557
Insurance	405	401	233	230
Rent/Lease of Building Space	51,561	50,841	31,300	31,045
Repairs	596	-	314	12
Information Technology and Communications	68,469	71,447	14,928	16,231
IT Contractual Services	173,580	17,575	212,767	61,061
Professional Development	13,563	16,052	4,189	7,477
Operating Fees and Services	16,445	16,535	22,148	7,115
Professional Fees and Services	10,446	10,242	9,619	13,019
Consultant Services	264,493	270,302	57,681	52,887
Total operating expenses	739,869	555,810	435,123	266,775
Pension trust portion of investment program expenses	221,816	217,844	(221,816)	(217,844)
Depreciation	450	-	-	-
Total administrative expenses	2,173,431	1,851,656	1,303,019	1,066,070
Capital assets purchased	8,999	-	-	-
Less - nonappropriated items:				
Consultant Services	264,493	270,302	57,681	52,887
Other operating fees paid under continuing appropriation	75,026	37,530	275,461	121,645
Depreciation	450	-	-	-
Accrual adjustments to employee benefits	75,607	22,352	51,223	13,046
Total nonappropriated items	415,576	330,184	384,365	187,578
Total appropriated expenditures	$ 1,766,854	$ 1,521,472	$ 918,654	$ 878,492

	Pension Trust		Investment Trust	
	2017	2016	2017	2016
Actuary fees:				
Cavanaugh MacDonald Consulting	$ 38,632	$ -	$ -	$ -
Segal Company	91,742	144,633	-	-
Total Actuary Fees	130,374	144,633	-	-
Auditing/Accounting fees:				
CliftonLarsonAllen LLP	108,987	104,507	28,213	27,993
Total Auditing Fees	108,987	104,507	28,213	27,993
Disability consulting fees:				
Sanford Health	300	300	-	-
Legal fees:				
K&L Gates LLP	3,152	2,598	4,171	3,401
Kasowitz, Benson, Torres & Friedman	1,357	-	1,777	-
Ice Miller LLP	-	-	-	-
ND Attorney General	20,323	18,264	23,520	21,493
Total legal fees:	24,832	20,862	29,468	24,894
Total consultant expenses	$ 264,493	$ 270,302	$ 57,681	$ 52,887

	Pension Trust		Investment Trust	
	2017	2016	2017	2016
Investment managers' fees:				
Global equity managers	$ 1,426,842	$ 1,230,533	$ 1,835,909	$ 1,594,767
Domestic large cap equity managers	551,198	903,523	3,136,644	3,847,413
Domestic small cap equity managers	455,668	563,542	1,424,504	2,268,783
International equity managers	852,764	977,198	5,315,874	4,609,027
Emerging markets equity managers	633,942	529,699	955,585	770,162
Domestic fixed income managers	2,017,975	1,005,950	12,073,101	7,607,743
Below investment grade fixed income managers	1,383,336	1,082,779	1,997,463	1,462,837
Diversified Real Assets	-	-	2,634,755	3,001,349
International fixed income managers	423,318	376,723	481,699	457,845
Real estate managers	2,541,836	2,053,698	5,885,718	4,873,012
Infrastructure managers	803,006	1,027,901	990,596	1,241,458
Timber managers	437,057	(956,302)	524,309	(1,130,962)
Private equity managers	1,225,954	1,399,707	1,436,330	1,639,900
Short term fixed income managers	-	-	347,423	719,134
Cash & equivalents managers	20,203	23,185	60,352	149,960
Balanced account managers	-	-	896,911	642,747
Total investment managers' fees	$ 12,773,099	$ 10,218,136	$ 39,997,173	$ 33,755,175
Custodian fees	213,843	197,310	839,740	831,889
Investment consultant fees	124,539	204,752	446,215	475,338
SIB Service Fees	-	-	70,812	60,211
Total investment expenses	$ 13,111,481	$ 10,620,198	$ 41,353,940	$ 35,122,613

Reconciliation of investment expenses to financial statements

	2017	2016	2017	2016
Investment expenses as reflected in the financial statements	$ 6,011,791	$ 6,034,689	$ 23,033,769	$ 23,130,811
Plus investment management fees included in investment income				
Domestic large cap equity managers	137,262	354,231	449,770	872,120
Domestic small cap equity managers	-	207,192	-	267,457
International equity managers	245,130	216,778	1,324,344	1,121,711
Emerging markets equity managers	633,942	529,699	955,585	770,162
Domestic fixed income managers	1,636,949	727,899	8,458,272	4,282,647
Below investment grade fixed income managers	984,510	660,499	1,427,213	901,054
Diversified real assets managers	-	-	937,298	1,093,122
Real estate managers	1,458,158	999,958	2,025,430	1,245,203
Infrastructure managers	340,728	453,976	419,451	548,295
Timber managers	437,057	(956,302)	524,309	(1,130,962)
Private equity managers	1,225,954	1,391,579	1,436,329	1,630,377
Cash equivalents managers	-	-	40,973	113,080
Balanced account managers	-	-	321,197	277,536
Investment expenses per schedule	$ 13,111,481	$ 10,620,198	$ 41,353,940	$ 35,122,613

Timber manager fees include a refund of incentive-based fees from prior years that were renegotiated in FY2016.

	Approved 2015-2017 Appropriation	2015-2017 Appropriation Adjustment	Adjusted 2015-2017 Appropriation	Fiscal 2016 Expenses	Fiscal 2017 Expenses	Unexpended Appropriations
All Fund Types:						
Salaries and wages	$ 4,340,551	$ 2,005	$ 4,342,556	$ 2,059,743	$ 2,174,177	$ 108,636
Operating expenses	990,874	-	990,874	340,221	502,332	148,321
Contingency	82,000	-	82,000	-	8,999	73,001
Total	$ 5,413,425	$ 2,005	$ 5,415,430	$ 2,399,964	$ 2,685,508	$ 329,958

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

Reconciliation of Administrative Expenses
to Appropriated Expenditures

	2016	2017
Administrative expenses as reflected in the financial statements	$ 2,917,726	3,476,450
Plus:		
Capitalized equipment purchases - appropriated	0	8,999
Less:		
Professional fees*	(323,189)	(322,174)
Other operating fees paid under continuing appropriations*	(159,175)	(350,487)
Depreciation expense	0	(450)
Changes in benefit accrual amounts	(35,398)	(126,830)
Total appropriated expenses	$ 2,399,964	$2,685,508

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

Special Comments Requested by the Legislative Audit and Fiscal Review Committee
Year Ended June 30, 2017

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

Audit Report Communications

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

Unmodified

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

Yes

3. Was internal control adequate and functioning effectively?

Yes

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

No

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

There were no prior year findings or recommendations.

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

No

Audit Committee Communications

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

   No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2017.

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

   The valuation of alternative investments, including private equity and real asset investments, are a management estimate which is primarily based upon net asset values reported by the investment managers and comprise 18% of the total investment portfolio. The values for these investments are reported based upon the most recent financial data available and are adjusted for cash flows through June 30, 2017. Our audit procedures validated this approach through the use of confirmations sent directly to a sample of investment managers and the review of the most recent audited financial statements for these funds. Furthermore, we reviewed management's estimate and found it to be reasonable.

   The actuarial valuation was based on the actuarial assumptions and methods adopted by the Board, including an actuarial expected investment rate of return of 7.75% per annum compounded annually. The valuation takes into account all of the promised benefits to which members are entitled as of July 1, 2017 as required by the North Dakota Century Code. The valuation provides certain information required by GASB to be disclosed in the financial statements. Additionally, the valuation is used to determine the adequacy of the current employer contribution rate. Our audit procedures included reviewing the actuarial valuation and related assumptions used therein and we believe the estimate to be reasonable.

3. Identify any significant audit adjustments.

   None

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

   None

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

   None

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

   None

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

None

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

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

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

CliftonLarsonAllen LLP

Baltimore, Maryland
November 2, 2017

RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES
2017-2018 1st Quarter Audit Activities Report
July 1, 2017 – September 30, 2017

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, 2017 through June 30, 2018 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 Employer Audit Program**

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(10). 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. The TFFR Employer Audit Program includes Compliance Audits, Not in Compliance (NIC) Reviews, and Special Audits requested by Retirement Services.

Status of TFFR Employer Audits as of September 30, 2016:

- Two (2) employer audits had been completed.
- One (1) employer audit was pending corrections by Retirement Services.
- Five (5) employer audits were in progress.
- Five (5) employer audits were pending but not yet started.
- One (1) employer was notified of an upcoming audit.

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 an eight year period.

- **Benefit Payments Audit**

A review of deaths, long outstanding checks, and long term annuitants is completed on an annual basis to verify that established policies and procedures are being followed by the staff of Retirement Services. The 2016-2017 Benefit Payments Audit was in progress at the end of the first quarter with a final report expected to be issued early October.

- **TFFR File Maintenance Audit**

A review of changes made to TFFR member account data by Retirement and Investment Office employees is reviewed on a quarterly basis. The TFFR File Maintenance Audit for the third quarter of 2017 was completed on August 1st. The TFFR File Maintenance Audit for the fourth quarter of 2017 was in progress at the end of the first quarter with a final report expected to be issued early October.

Administrative and Investment Audit Activities

- **Executive Limitation Audit**

Each year the SIB conducts a customer satisfaction survey. The purpose of this annual survey is to determine how well the SIB, through the staff of the RIO, is meeting the expectations of its clients. This survey is part of the SIB's ongoing effort to be more responsive to the needs of their clients and to continually improve the services that are provided. Audit Services facilitated the survey in July and August 2017 and results were provided to the SIB at their October 27, 2017 meeting.

- **External Audit Support**

Audit Services provided support to our external audit partners, CliftonLarsonAllen (CLA), during the GASB 68 Census Data Audits. Audit Services notified seventeen employers of an upcoming GASB 68 Census Data Audit in July 2017. CLA anticipated that GASB 68 Census Data Audit work would conclude in mid-October.

Professional Development/CE/General Education

Audit Services continued its participation with the Institute of Internal Auditors (IIA) Central NoDak Chapter by attending the September monthly meeting. Speaker Tony Aukland from the State and Local Intelligence Center (Cyber) discussed cyber security issues impacting organizations and individuals.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
TFFR EMPLOYER AUDIT PROGRESS AND STATUS REPORT
FOURTH AUDIT CYCLE
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
21	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																					
3	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
4	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	enerally In Complian	22
5	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
6	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
7	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	enerally In Complian	30
8	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
9	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
10	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
11	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
12	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
13	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
14	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
15	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
16	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	enerally In Complian	68
17	S	07-027	TMB	POWERS LAKE SCHOOL*	April 2016		4/26/2016	7/25/2016	10/11/2016	2/10/2017	2/2/2017	2/9/2017	Complete	25	65	145	57	89	6	In Compliance	67
18	S	10-023	TMB	LANGDON AREA SCHOOL - SPECIAL AUDIT FY 2016	N/A		11/14/2016	11/17/2016	11/18/2016	2/24/2017	2/16/2017	2/23/2017	Complete	43	4	72	2	71	6	Not In Compliance	116
19	S	30-048	TMB	GLEN ULLIN SCHOOL** 2015-2016 NIC Review	October 2016		9/28/2016	10/28/2016	12/28/2016	3/3/2017	2/24/2017	3/2/2017	Complete	25	23	91	44	48	5	In Compliance	19
20	S	34-019	DT	DRAYTON SCHOOL	May 2016		5/26/2016	6/29/2016	11/8/2016	3/28/2017	3/17/2017	3/22/2017	Complete	28	25	195	95	101	4	In Compliance	133
21	S	18-129	DT	NORTHWOOD SCHOOL	May 2016		5/26/2016	7/1/2016	11/17/2016	3/31/2017	3/22/2017	3/29/2017	Complete	29	27	196	100	97	6	In Compliance	99
22	L	53-001	TMB	WILLISTON SCHOOL	October 2016		9/28/2016	10/10/2016	10/21/2016	4/18/2017	4/5/2017	4/18/2017	Cpmplete	271	9	137	10	128	10	In Compliance	85
26	S	49-003	DT	CENTRAL VALLEY SCHOOL	October 2016		9/28/2016	10/17/2016	3/7/2017	6/1/2017	N/A	N/A	Complete	22	14	164	102	63	N/A	In Compliance	69
23	M	40-001	TMB	DUNSEITH SCHOOL	May 2016		5/26/2016	7/14/2016	10/10/2016	6/7/2017	5/22/2017	6/6/2017	Complete	54	36	235	63	173	12	In Compliance	83
25	S	03-005	DT	MINNEWAUKAN SCHOOL	October 2016		9/28/2016	9/28/2016	1/24/2017	6/9/2017	5/24/2017	6/5/2017	Complete	30	1	183	85	99	12	enerally In Complian	122
END OF FISCAL YEAR 2016-2017																					
1	S	38-026	DT	GLENBURN SCHOOL	October 2016		9/28/2016	10/20/2016	3/16/2017	8/8/2017	7/31/2017	8/2/2017	Complete	37	17	209	106	104	2	In Compliance	97
2	S	24-056	TMB	GACKLE-STREETER PUB SCH	June 2017		6/14/2017	7/12/2017	8/14/2017	10/2/2017	9/13/2017	9/29/2017	Complete	18	21	59	24	36	16	In Compliance	21
3	S	18-400	TMB	ND SCHOOL FOR BLIND	June 2017		6/14/2017	7/12/2017	8/14/2017	10/23/2017	9/27/2017	10/23/2017	Complete	15	21	74	24	51	26	In Compliance	23
4	S	25-014	TMB	ANAMOOSE SCHOOL	January 2017		1/18/2017	2/15/2017	7/5/2017	10/24/2017	N/A	N/A	Complete	14	21	180	101	80	N/A	In Compliance	35
5	M	09-002	DT	KINDRED SCHOOL	January 2017		1/18/2017	1/26/2017	6/12/2017		10/12/2017		In Progress	56	7	0	98	0	0		
6	S	43-004	INTERN/TMB	FORT YATES SCHOOL*	October 2015		10/19/2015	6/10/2016	6/10/2016		10/13/2017		In Progress	32	170	0	1	0	0		345
7	S	03-030	TMB	FT. TOTTEN - SPECIAL AUDIT FY 2016 100%, Master Payroll File, Contracts	June 2017		6/2/2017	7/5/2017	7/12/2017	10/30/2017	10/23/2017	10/30/2017	Complete	28	24	84	6	79	7	In Compliance	46
8	S	53-015	DT	TIOGA SCHOOL	January 2017		1/18/2017	2/2/2017	7/7/2017				In Progress	48	12	0	112	0	0		
9	S	06-033	DT	SCRANTON SCHOOL	July 2017		7/31/2017	8/2/2017	10/20/2017				In Progress	20	3	0	58	0	0		
10	S	31-003		PARSHALL SCHOOL - SPECIAL AUDIT FY 2017	October 2017		9/27/2017	10/13/2017					Pending		13						
11	S	28-051		GARRISON SCHOOL New Bus. Mgr. 11/2016	July 2017		7/31/2017	8/9/2017					Pending	44	8	0	0	0	0		
12	S	27-002		ALEXANDER SCHOOL	July 2017		7/31/2017	8/15/2017					Pending	23	12	0	0	0	0		
13	S	53-099		GRENORA SCHOOL	July 2017		7/31/2017	9/5/2017					Pending	22	27	0	0	0	0		
14	S	39-028		LIDGERWOOD SCHOOL	July 2017		7/31/2017	9/7/2017					Pending	45	29	0	0	0	0		
15	S	03-029		WARWICK SCHOOL - NIC REVIEW	October 2017								IT Data Requested								
16	S	21-009		NEW ENGLAND SCHOOL	October 2017								IT Data Requested								
17	S	23-003		EDGELEY SCHOOL	October 2017								IT Data Requested								
18	M	51-007		UNITED SCHOOL	October 2017								IT Data Requested								
19	S	28-001		WILTON SCHOOL	October 2017								IT Data Requested								
20	S	01-013		HETTINGER SCHOOL																	
21	S	02-201		SHEYENNE VALLEY SPEC ED																	
22	S	28-050		MAX SCHOOL																	
23	S	21-001		MOTT-REGENT SCHOOL																	
24	L	47-001		JAMESTOWN SCHOOL																	
25	S	28-072		TURTLE LAKE-MERCER SCHOOL																	
END OF FISCAL YEAR 2017-2018																					

REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
Gackle Streeter Public School District
OCTOBER 2, 2017

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(10). 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 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 Gackle Streeter Public School District are in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (10). The following findings were noted:

1. The employer failed to report eligible extra-curricular coaching salary to TFFR for three members.
2. The employer failed to report eligible extra-curricular concession (supervision of students) salary to TFFR for three members.
3. The employer failed to report actual hours worked for two members.
4. 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 employer 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 and Finding 2:
The employer failed to report eligible extra-curricular coaching salary to TFFR for three members. The employer failed to report eligible extra-curricular concession (supervision of students) salary to TFFR for three members. Salary earned for providing teaching, supervisory, administrative, and extra-curricular services is considered eligible salary and therefore must

be reported to TFFR. Extra-curricular services are any duty outlined in the extra-curricular schedule of an employer's master agreement. Extra-curricular services include those duties listed on both athletic and non-athletic extra-curricular schedules. This includes salary received for supervision of students at athletic and/or other school events as well as salary received for coaching. Two member accounts will be corrected, RIO will notify the members that adjustments have been made to their accounts, and the employer will be billed for contributions owed plus interest. Please reference the worksheets labeled *Primary Test*, *Change in Salaries and Contributions*, and *Salary Correction Summary* for additional information.

Finding 3:
The employer failed to report actual hours worked for two members. The employer is required to report actual hours worked to TFFR for any part-time members who work less than 700 hours during the year. The employer is also required to report actual hours worked to TFFR for any retirees who have returned to covered employment, regardless of the number of hours actually worked. One member account will be corrected and RIO will notify the member that adjustments have been made to their account. Please reference the worksheet labeled *Service Hours Correction* for additional information.

Finding 4:
The employer does not actively monitor retirees who have returned to covered employment to ensure that they do not exceed the maximum allowable hours. Currently the Gackle Streeter Public School District utilizes an honor system when monitoring retirees who have returned to covered employment. At this time the honor system is sufficient as all currently re-employed retirees have returned to employment in critical shortage areas with no restrictions to hours worked. However it is important to remember that those retirees who choose to return to employment under the General Rule – Annual Hour Limit are restricted in the number of hours which can be worked based on the length of the contract issued. If a retiree exceeds the hour limitations, TFFR must discontinue payment of retirement benefits. Ultimately the employer is required to report actual hours worked by any retirees who have returned to covered employment to TFFR with the exception of those hours related to non-contracted substitute teaching, professional development, and extra-curricular duties which are specifically excluded. 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 due with interest is $281.75. An invoice for the amount of contributions due is included with the audit report. It is the responsibility of the employer to collect contributions due from the members or refund contributions overpaid to the members. Please reference the worksheets labeled *Change in Salaries and Contributions* and *Salary Correction Summary* for additional information. **Please provide payment for the contributions due and provide a written response detailing actions to be taken to correct the findings by October 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.

Terra L Miller Bowley

Terra L. Miller Bowley
Supervisor of Audit Services

Enclosures

REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
GLENBURN PUBLIC SCHOOLS
AUGUST 8, 2017

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(10). 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.*

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 Glenburn Public Schools were in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (10). The following findings were noted.

1. The employer did not actively monitor the service hours for all retirees who have returned to covered employment to ensure that the maximum allowable hours are not exceeded. Actual service hours were not reported for four retirees who returned to covered employment in 2014/15 and 2015/16.
2. The employer reported service hours incorrectly for three part-time members in 2014/15 and 2015/16.
3. The employer did not report eligible professional development salary for two members in 2014/15 and four members in 2015/16.
4. The employer did not report eligible in-staff substitute teaching salary for one member in 2014/15.

RECOMMENDATIONS AND CORRECTIVE ACTION
TFFR recommends that employer 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 did not actively monitor the service hours for all retirees who have returned to covered employment to ensure that the maximum allowable hours are not exceeded. Actual service hours were not reported for four retirees who returned to covered employment in 2014/15 and 2015/16. 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 substitute teaching, and participation in before/after school and summer school programs (including driver's education). Extra-curricular and professional development hours are excluded.** Please remember that salary for extra-curricular and professional development hours is still reportable. **The employer should establish procedures that monitor days and hours worked for retirees who have returned to covered employment.** No correction will be made to the service hours reported for the four members.

Finding 2:
The employer reported service hours incorrectly for three part-time members in 2014/15 and 2015/16. **Actual hours reported for part-time teachers should include the number of hours for teaching, in-staff substitute teaching, extra-curricular activities, professional development, and participation in before/after school and summer school programs (including driver's education).** The member accounts will be corrected. Please reference the worksheets labeled *Service Hours Correction* for additional information.

Finding 3 and 4:
The employer did not report eligible professional development salary for two members in 2014/15 and four members in 2015/16. The employer also did not report eligible in-staff substitute teaching salary for one member in 2014/15. Salary earned for attendance at in-services, workshops, and other professional development activities, excluding reimbursement for expenses and tuition, is considered eligible salary and therefore should be reported to TFFR. Salary earned for in-staff substitute teaching, including in-staff substitute teaching completed by retirees who have returned to covered employment, is considered eligible salary and therefore should also be reported to TFFR. Given the immaterial dollar amount of the error, the member accounts will not be corrected.

Please provide a written response detailing the actions to be taken to correct the findings noted above by September 8, 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

Audit Services – North Dakota Retirement and Investment Office

TFFR File Maintenance Audit

January 1, 2017 – March 31, 2017

Final Audit Report

August 1, 2017

Background

On a quarterly basis 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 the third quarter of fiscal year 2017 for the month of March 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, and rollovers. Actuarially significant contact and demographic information on member accounts was accurate per the Member Action Forms and documentation was retained on FileNet.

Scope

Audit information is obtained throughout the quarter under review. System generated audit table reports are run quarterly by Audit Services staff. Staff roles and responsibilities and departmental procedures are verified annually 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 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 third quarter of 2017 the month of March was selected. Audit Services determined that audit table transactions which occurred in March of fiscal year 2017 for all user IDs were expected and appropriate based on the organizational role held by the individual who initiated the transactions. Only three transactions required further investigation and all were ultimately determined to be usual and customary.

Observations, Conclusions and Recommendations Phase II

The NDRIO Lump Sum Payment Register lists all refunds, rollovers, and PLSOs paid to members or beneficiaries 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 the appropriate 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 fourth quarter of 2017 the month of March was selected. Additional testing was completed on two entries selected from the NDRIO Lump Sum Payment Register. This included one member initiated account rollover and one member death where the beneficiaries were eligible for a lump sum distribution. The March report did not contain a partial lump sum option (PLSO) payment, therefore additional testing was not completed on this option. Additional testing was completed on one entry selected from the TFFR Installment of Purchase Credit Report. This included an installment purchase for air time service credit.

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, and rollovers. 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 two member action forms per quarter for further review.

On one of two Member Action Forms reviewed the member provided a birthdate for a spouse beneficiary which contradicted information previously provided by the member on a prior form. Generally the birthdate of a spouse beneficiary would be updated per the new Member Action Form. However this update did not occur in this instance. The birthdate noted in CPAS is consistent with the information previously provided by the member on a prior form. It is worth noting that prior to the payment of any monthly benefits a beneficiary would be required to provide proof of age. All other actuarially significant contact and demographic information on member accounts was accurate and documentation was retained on FileNet.

Distribution:

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

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES
TFFR EMPLOYER COMPLIANCE AUDITS
JULY 1, 2016 TO JUNE 30, 2017

			EMPLOYER	FISCAL YEARS	TOTAL MEMBERS	REPORT DATE	EMPLOYER CONTRIB'S DR(CR)	MEMBER SALARY ADJUSTED	MEMBER SERVICE CREDIT ADJUSTED	STATUS
			2017 Fiscal Year End:							
							In Compliance		**18**	
	✔		**Audits Completed - (24)**				**Generally in Compliance**		**4**	
	✔		**NIC Review Completed - (1)**				**Not in Compliance (NIC)**		**3**	
									25	
1	✔	Intern	Barnes County North	6/30/2014, 15	31	7/28/2016	$229.48	2	0	In compliance Employer incorrectly reported hours for a re-employed retiree; did not report eligible professional development, in-staff subbing and coaching bonus salary.
2	✔	Intern	Belfield	6/30/2014, 15	34	9/7/2016	$0.00	1	0	In compliance Employer reported salary in the wrong fiscal year; did not report actual hours for re-employed retirees; and does not issue written agreements for summer salary.
3	✔	DT	Central Valley	6/30/2015, 16	22	6/1/2017	$0.00	0	0	In compliance The employer did not actively monitor service hours for retirees who return to covered employment-active hours were not reported; and reported ineligible comp-time for in-house (in-staff) subbing.
4	✔	DT	Drayton	6/30/2014, 15	28	3/28/2017	$640.71	3	0	In compliance The employer did not actively monitor service hours for retirees who return to covered employment-active hours were not reported; salary error due to software programming of some deductions; a written agreement was not issued for summer tutoring; summer salary was reported in wrong fiscal year; and eligible professional development and summer salary was not reported.
5	✔	TMB	Dunseith	6/30/2014, 15	54	6/7/2017	$243.40	7	2	In compliance The employer reported summer salary in the wrong fiscal year; did not report eligible summer salary; reported ineligible cash in-lieu benefit; and reported service hours incorrectly.
6	✔	Intern	Eight Mile	6/30/2014, 15	23	7/1/2016	$0.00	1	0	In compliance The District reported contract salary in the wrong fiscal year.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES
TFFR EMPLOYER COMPLIANCE AUDITS
JULY 1, 2016 TO JUNE 30, 2017

			EMPLOYER	FISCAL YEARS	TOTAL MEMBERS	REPORT DATE	EMPLOYER CONTRIB'S DR(CR)	MEMBER SALARY ADJUSTED	MEMBER SERVICE CREDIT ADJUSTED	STATUS
			2017 Fiscal Year End:							
							In Compliance		**18**	
	✔		**Audits Completed - (24)**				**Generally in Compliance**		**4**	
	✔		**NIC Review Completed - (1)**				**Not in Compliance (NIC)**		**3**	
									25	
7	✔	DT	Fort Totten	6/30/2013, 14	36	12/21/2016	$15,774.02	27	3	Not in compliance The Employer did not report a pay period in Jan. of 2013 to TFFR; did not report eligible salary - after-school, basketball, chaperone, concession supervision, contract, football, professional development, summer and subbing in 2012/13; programming of deduction caused a shortage in salary in 2012/13; reported the incorrect salary for a retired teacher returned to covered employment; reported salary without a written agreement; reported ineligible salary - para-professional, ticket-taking, and insurance reimbursement; eligible after-school salary was not reported in 2013/14; and active hours were not reported for a retired teacher returned to covered employment.
8	✔	TMB	Glen Ullin Not in Compliance review	6/30/2014, 15	25	3/3/2017	$0.00	1	0	In compliance The employer made a salary error in one year and corrected the error the next fiscal year. Salary had to be moved to the correct year. Eligible supervision of salary was not reported for a member.
9	✔	Intern	Griggs County Central School	6/30/2014, 15	32	8/24/2016	$1,256.70	1	1	In compliance Reported contract salary incorrectly; did not report actual hours for retirees who have returned to covered employment; and did not a written agreement for summer salary.
10	✔	Intern	Halliday	6/30/2014, 15	12	7/28/2016	$2,727.79	4	0	Generally in Compliance The Employer did not report eligible advisor, Title 1, contract, and summer salary; reported ineligible busing salary; and did not monitor the hours for re-employed retirees. Active hours were not reported.
11	✔	TMB	Langdon - Special Audit	6/30/2016	43	2/24/2017	$83,886.07	39	0	Not in compliance The employer did not report contracted salary; did not report extended days salary; did not report extra-curricular salary; did not report in-staff subbing salary; did not report summer salary; did not report professional development salary; did not report retirees returned to covered employment; reported salary in the wrong fiscal year; and reported salary not earned.
12	✔	DT	Leeds	6/30/2014, 15	23	11/22/2016	($755.53)	1	1	In-Compliance The Employer reported coaching and summer salary without a written agreement; did not report eligible contract and response to intervention salary; reported salary not paid to TFFR; and did not have a system for monitor hours for a retired teacher who returns to covered employment.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES
TFFR EMPLOYER COMPLIANCE AUDITS
JULY 1, 2016 TO JUNE 30, 2017

			EMPLOYER	FISCAL YEARS	TOTAL MEMBERS	REPORT DATE	EMPLOYER CONTRIB'S DR(CR)	MEMBER SALARY ADJUSTED	MEMBER SERVICE CREDIT ADJUSTED	STATUS
			2017 Fiscal Year End:							
							In Compliance		**18**	
	✔		**Audits Completed - (24)**				**Generally in Compliance**		**4**	
	✔		**NIC Review Completed - (1)**				**Not in Compliance (NIC)**		**3**	
									25	
13	✔	TMB	McClusky	6/30/2014, 15	17	12/6/2016	($8.72)	2	0	In compliance The Employer reported ineligible bus driving salary; reported summer salary in the wrong fiscal year; and did not actively monitor the service hours for retired teachers who return to covered employment.
14	✔	Intern/DT	McKenzie County School	6/30/2014, 15	89	12/19/2016	$174.06	3	3	Generally in Compliance The Employer incorrectly reported service hours; actual hours were not reported for retired teachers who returned to covered employment; contract salary for a retired teacher who returned to covered employment was reported incorrectly; agreements for summer school were not issued to all teachers; summer salary was reported in the wrong fiscal year; and summer curriculum salary was not reported for one teacher.
15	✔	DT	Minnewaukan Retirement Services	6/30/2015, 16	30	6/9/2017	$2,156.77	10	0	Generally in compliance The Employer did not actively monitor hours for a retired teacher who returned to covered employment; overpaid contract salary; did not report eligible family night, summer, and in-service salary; reported contract salary after deductions were made; reported ineligible para-professional and busing salary; and reported summer salary without a written agreement.
16	✔	DT	Northwood	6/30/2014, 15	29	3/31/2017	$486.33	3	2	In compliance The Employer did not actively monitor service hours for retired members who returned to covered employment; salary was reported in the wrong fiscal year; eligible extra-curricular basketball and concession supervision salary was not reported; service hours were reported incorrectly; and documentation could not be provided to prove when summer revitalization curriculum was earned.
17	✔	TMB	Parshall-Special Audit	2015/16	35	9/15/2016	1030..29	18	0	Not in Compliance The employer reported salary after deductions; did not report eligible coaching, professional development, supervision of students, Title I, in-staff subbing salary; reported ineligible bonus, expense reimbursement salary; and reported the same salary twice.
18	✔	TMB	Powers Lake	6/30/2014, 15	25	2/10/2017	$428.59	4	1	In compliance The employer reported ineligible unused leave reimbursement; did not report eligible professional development, extended contracts, and in-staff subbing; contributions were reported after deductions; salary was reported in the wrong fiscal year; service hours errors; and did not actively monitor retirees who have returned to covered employment.
19	✔	Intern	Rolette	6/30/2014, 15	22	8/26/2016	($718.55)	3	3	In compliance The Employer reported service hours incorrectly for active and re-employed retirees; reported ineligible reimbursed leave; reported contract salary incorrectly; reported salary and service hours without a

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES
TFFR EMPLOYER COMPLIANCE AUDITS
JULY 1, 2016 TO JUNE 30, 2017

			EMPLOYER	FISCAL YEARS	TOTAL MEMBERS	REPORT DATE	EMPLOYER CONTRIB'S DR(CR)	MEMBER SALARY ADJUSTED	MEMBER SERVICE CREDIT ADJUSTED	STATUS
			2017 Fiscal Year End:							
							In Compliance		**18**	
	✔		**Audits Completed - (24)**				**Generally in Compliance**		**4**	
	✔		**NIC Review Completed - (1)**				**Not in Compliance (NIC)**		**3**	
									25	
										written agreement; and did not issue written agreements for summer and 21st Century programs.
20	✔	Intern	Sargent Central School	6/30/2014, 15	28	8/19/2016	$4,706.58	20	1	Generally in Compliance The Employer reported salary in the wrong fiscal year; did not report eligible summer, in-service and contract salary; reported salary without a written agreement (affected service hours); did not issue written agreements for summer salary; and did not monitor the hours for a re-employed retiree.
21	✔	Intern	Valley-Edinburg School	6/30/2014, 15	33	9/7/2016	$0.00	0	3	In compliance The Employer incorrectly reported service hours for active and retired teacher returned to covered employment; and reported ineligible busing salary.
22	✔	Intern	Velva	6/30/2014, 15	47	7/28/2016	($88.84)	1	2	In compliance The Employer reported in-staff subbing incorrectly for re-employed retiree; reported service hours incorrectly for active and re-employed retiree; and did not issue written agreements for all summer salary.
23	✔	TMB	White Shield	6/30/2014, 15	28	12/6/2016	$1,363.84	15	0	In compliance The employer did not report eligible professional development salary; did not report eligible administrative salary; reported salary and service hours without a written agreement; did not report actual hours for a retired teacher returned to covered employment; and did not issue written agreements for summer salary.
24	✔	TMB	Williston	6/30/2014, 15	271	4/29/2017	($1,188.10)	7	5	In compliance The Employer did not report eligible mentoring, in-staff subbing, summer school, tutoring, and professional development salary to TFFR; ineligible no-contracted subbing and professional development was reported; ineligible leave reimbursement was reported; summer and extended year salary was reported in the wrong fiscal years; salary was reported without a written agreement; service hours were reported incorrectly; and active teaching hours were not monitored for retired members returned to covered employment.
25	✔	Intern	Yellowstone Elementary School	6/30/2014, 15	10	8/26/2016	($73.51)	1	0	In compliance Reported ineligible unused reimbursed leave for one member.
				Totals	1,027		$111,241.09	174	27	

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES DIVISION
FISCAL YEAR 2017 -2018

	FY 2018 1st QTR	FY 2018 2nd QTR	FY 2018 3rd QTR	FY 2018 4th QTR	FY 2018 TOTAL
Audit Activities					
Retirement Program Audits:					
TFFR Employer Audit Program					380
Anamoose Public School District	32				32
Fort Totten Public School District	22				22
Fort Yates Public School District	97				97
Gackle-Streeter Public School District	20				20
Glenburn Public School District	18				18
Kindred Public School District	20				20
ND School for the Blind	21				21
Tioga Public School District	60				60
Audit Peer Reviews/TFFR Meeting(s)/Audit Planning/Audit Notifications/Intern	91				91
Benefit Payments Audit	162				162
TFFR File Maintenance Audit(s)	47				47
Annual Salary Verification Project	2				2
Audit Continuous Improvement Project - Employer Audit Program - Census Data Audit File	11				11
Agency Administrative and Investment Audits:					
Executive Limitation Audit	9				9
RIO External Auditor Assistance	14				14
Administrative Activities					
Administrative - Staff Mtgs, Time Reports, Email, Records Retention, General Reporting	166				166
Audit Committee/SIB/TFFR Attendance and Preparation	43				43
Professional Development/CE/General Education	10				10
Annual Leave, Sick Leave, and Holidays	198				198
Quarterly Total:	**1041**	**0.00**	**0.00**	**0.00**	**1041**

Total Hours for 2017-2018	4,176
D. Thorsen Total Hours 2017-2018	2,088
T. Miller Bowley Hours 2017-2018	2,088

Job Description

Job Details

Job ID	3009519	**Closing Date**	11/27/2017
Job Title	Supervisor of Audit Services (Auditor IV)		
Location	Bismarck, ND	**Full/Part Time**	Full-Time
Regular/Temporary	Regular	**Favorite Job**	
Salary Range From	5144.00 Monthly	**Salary Range To**	8574.00 Monthly

North Dakota
Retirement & Investment Office
Teachers' Fund for Retirement
State Investment Board

Hiring Range: $5,144 - $6,002 per month

Closing deadline extended to November 27, 2017 to expand applicant pool.

Summary of Work

The North Dakota Retirement and Investment Office (RIO) http://www.nd.gov/rio coordinates the activities of the State Investment Board (SIB) and the Teachers' Fund for Retirement (TFFR). The Audit Services division is responsible for establishing and conducting a comprehensive audit function that will provide the NDSIB and NDSIB clients with assurance that their fiduciary responsibilities are being met.

1. Develop and execute a comprehensive, practical program of audit coverage under the direction of the SIB Audit Committee and RIO Executive Management.
2. Plan, manage, and conduct audits and compliance reviews to determine compliance with applicable laws, rules, policies, plans, procedures, and controls.
3. Conduct special agency or program audits, reviews, or projects as determined by Audit Services, Audit Committee, or Executive Management.
4. Supervise Audit Services Staff.
5. Coordinate Audit Committee meetings and report to Audit Committee, SIB, and TFFR boards on audit activities.

Responsibilities may require occasional travel.

Minimum Qualifications

- Bachelor's degree in accounting, business administration, public administration, statistics, economics, or other related area with coursework in accounting.
- Four years of professional auditing experience to include one year of supervisory work experience.

Preferred Qualifications

Preference will be given to applicants who have work experience in:

- Monitoring compliance with governmental laws, rules, policies, procedures, and guidelines.
- Planning and management of complex audits involving employee benefits, investments, or insurance related services.
- Strong knowledge of accounting and audit principles and concepts.
- Ability to work both independently and in a team environment.
- Strong oral, written, and interpersonal communication skills.
- Ability to use software programs to analyze, manage, and report data.

RIO has the following benefits to offer:

- A comprehensive benefit package including fully-paid family health insurance, an excellent retirement plan, annual and sick leave, and a variety of voluntary insurance options: http://www.nd.gov/hrms/jobs/benefits.aspx
- Flexible work schedule
- Small and casual work environment

Application Procedures

Applicants must submit a completed online application, resume, and cover letter by the closing date to be considered for this position. The cover letter should include a detailed summary of how the applicant meets the minimum and preferred qualifications of this position. Please fill in all information requested on the application form. Incomplete sections will not be given credit. To apply visit the ND Careers website at www.nd.gov/omb/jobs

Recruiting staff will score applications against the minimum qualifications and preferences listed in the job announcement and qualifying military service. After the scoring is complete, a certified list of eligible candidates will be forwarded to the hiring manager for further consideration and possible interview, based on final scores.

Applicants must be legally authorized to work in the United States.

Applicants who are residents of ND and eligible to claim veteran's preference must upload a Form DD214. Claims for disabled veteran's preference must include a current statement of disabled status from the Veteran's Affairs Office.

A criminal history record check, including fingerprinting, will be conducted on the successful candidate prior to hiring per NDCC 12-60-24.

Contact Hope Wedul at (701) 328-3357 for questions or assistance in the application process or David Hunter at (701) 328-9889 for questions about the position.

ND Relay Number 1-800-366-6888

Equal Employment Opportunity

The State of North Dakota and this hiring agency do not discriminate on the basis of race, color, national origin, sex, genetics, religion, age or disability in employment or the provisions of services and complies with the provisions of the North Dakota Human Rights Act.

As an employer, the State of North Dakota prohibits smoking in all places of state employment in accordance with N.D.C.C. § 23-12-10.

Apply | Email to Friend

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Briefly

Employer Newsletter

ND Teachers' Fund for Retirement
3442 East Century Avenue, PO Box 7100
Bismarck, ND 58507-7100
701-328-9885 or 1-800-952-2970
www.nd.gov/rio
October 2017

ACTION REQUIRED:

It is very important that TFFR has updated demographic information for every employer. Please take a few minutes and complete a Notification of School District Changes form. Even if nothing has changed, please complete the form with the name, address, phone number, and email address for the Superintendent/Administrator and Business Manager at your school. If you have other payroll personnel that work with TFFR reporting, they should also be included on this form. Thank you very much.

CORRESPONDENCE DELIVERY METHOD CHANGE

In our continued effort to reduce costs and provide efficient service, TFFR has recently implemented a change in how correspondence will be delivered to employers. All future correspondence such as salary correction letters and invoices, late penalty letters and invoices, and employer refund letters will now be sent by e-mail. You will receive letters and invoices in a PDF format through your e-mail. Employer refund letters will also be sent by e-mail with the refund check to follow by regular mail.

Since we have already initiated the change, please check your email if you are expecting something from us and have not received it in the mail.

RIO OFFICE MAILING ADDRESS

TFFR has had some issues with mail being returned to the sender if it is addressed with both our street address and the PO Box. We apologize for the inconvenience and believe we have the issue corrected with the Post Office.

Since we do not receive mail delivered to the street address, you may want to send all TFFR correspondence and payments to just our PO Box:

PO Box 7100
Bismarck ND 58507-7100

Another option you may want to consider is to sign up for ACH payments through your bank and you can avoid sending your checks through the mail. Let us know if you are interested and we can send you the information.

EMPLOYER SUMMARY REPORT

A 2016-2017 Employer Summary Report was mailed to each school district at the end of August. Please review this report and verify that the reported salaries and service hours are correct. Let us know if you find any discrepancies and the accounts will be corrected.

SECURE LINK AVAILABLE FOR SUBMITTING TFFR FORMS

If employers want to electronically submit TFFR Member Action or Retired Member Employment forms or other documents containing member personal information, we ask that you do so using our secure file transfer system. This method allows the documents to be submitted in a secure environment compared to faxing or directly emailing information to TFFR. To initiate the transfer, you simply need to email a TFFR staff member (see below) and ask them to email you the secure link. Then you can upload the document using the secure transfer link provided in the email. This link cannot be reused and you will need to contact TFFR each time you need to submit documents.

Member Action Forms - email link request to Estelle ekirchof@nd.gov
Employer Reports, etc. - email link request to Tami tdvolkert@nd.gov
Retired Member Employment Forms - email link request to Denise dosmond@nd.gov

RETIREMENT ELIGIBILITY REPORT

Upon request, TFFR can provide school districts with a Retirement Eligibility Profile report. This report gives the district a 30-year projection regarding TFFR member retirement eligibility. The report also contains the names of individuals for workforce planning purposes. The personal information must be kept confidential. If you are interested in receiving a profile for your district, please contact our office. Due to timing issues with new members and retirees, the retirement eligibility profile is not available from July through October of each year.

GASB STATEMENT 68 UPDATE

The audited fiscal year 2016 GASB Statement 68 information is available on our website. This information includes the Schedules of Employer Allocations and Pension Amounts by Employer, GASB 68 Disclosure Template, and Sample Journal Entries. Employers and auditors can use this information to complete your 2017 financials.

VESTED INTEREST NEWSLETTER

The September 2017 edition of the Vested Interest Newsletter can be viewed on our website. Please take a few minutes to read this informative newsletter.

REPORT CARD HIGHLIGHTS

The August 2017 edition of the Report Card Newsletter was recently published and can be viewed on our website. The newsletter highlights include:

- TFFR Member Handbook Updated
- Webcast Library Expands
- 2017-18 Group Benefits Counseling Schedule

NEW WEBCAST

Please take a few minutes and view the Employer Payment Plan Models webcast recently added to the TFFR Webcast Library. The Employer Reporting Basics webcast also provides helpful TFFR information for both new and more experienced business managers.

UPDATED TFFR FORMS

It is important to use the most recent version when completing TFFR forms. The following "most used forms" by employers are available on our website:

- Please submit a Notification of School District Changes form if there are changes in demographics or contact (i.e. superintendent/business manager) information.

- If you employ a new teacher in your district or one that had a one year or more break in service with your district, a new Member Action form is needed.

  TFFR recently updated the Member Action form; please discard all old versions and use the attached link to access the updated form.

- If you employ a TFFR retiree, please complete the TFFR Retired Member Employment Notification form. This form must be completed each year a retiree is employed and submitted to TFFR no later than 30 days after employment begins.

RETIREE RE-EMPLOYMENT GUIDANCE

A common question asked by employers and re-employed retirees is how annual service hours should be calculated. At the close of each fiscal year, participating employers are required to report to TFFR the total number of hours a re-employed retiree was compensated for during the school year. One measure of reasonability used by TFFR to determine if a re-employed retiree may exceed the annual hour limits is to look at the contract/work agreement. If a contract shows 4/7 or less (teaching 4 periods or teaching 3 periods and 1 prep) that generally will create total service hours under 700 hours once professional development days are excluded.

Participating employers should establish procedures to monitor and calculate the correct number of compensated service hours. Employers must also be able to provide documentation in support of service hours reported to TFFR when requested to do so. Timecards or other tracking mechanisms can accomplish both of these goals.

EMPLOYER AUDIT INFORMATION CORNER

Terra Miller Bowley
Supervisor of Audit Services

Pay Codes

Pay codes are often used by participating employers in their accounting systems to identify and label payments for contracted teaching salary, coaching salary, unused leave, expense reimbursement, and other items. Proper set-up and use of pay codes plays a critical role in accurate reporting to TFFR. Audit Services has found that the improper use of pay codes is often the root cause of many reporting errors.

Members often receive additional payments over and above their contracted teaching, supervisory, administrative or extracurricular salary. Not all additional payments made are TFFR eligible. Employers often create reporting problems by using a single pay code to process payments for both eligible and ineligible salary. For example a single pay code "Extra Duty" may be used to process a payment for attendance at a teacher in-service day (TFFR eligible) and for refereeing a basketball game (TFFR ineligible). Unfortunately, what often happens is both the eligible and ineligible salary is reported to TFFR due to the blended pay code. Creating a unique pay code for each type of payment ensures that eligible salary is reported to TFFR and ineligible salary is not.

For additional information on eligible and ineligible salary, reference the TFFR Employer Guide, which can be found on the TFFR website under Publications & Reports. For assistance in properly setting up and using pay codes, contact your accounting system software vendor.

North Dakota Teachers' Fund For Retirement