

**ND STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING**

Thursday February 22, 2018 – 3:00 PM
Retirement and Investment Office
3442 E Century Ave, Bismarck, ND 58507

AGENDA

1. Call to Order and Approval of Agenda – Chair (committee action) (5 minutes)
2. Approval of November 16, 2017 Minutes – Chair (committee action) (5 minutes)
3. Introduction of Supervisor of Internal Audit – Mr. Hunter (5 minutes)
4. Open Records Education – Attorney General's Office – Mr. Brooke and Ms. DePountis (30 minutes)
5. 2016-17 Audit Charter Review Committee (committee action)(15 minutes)
6. 2017 - 2018 Second Quarter Audit Activities Report – Ms. Thorsen (committee action)(10 minutes)
7. Executive Limitation Audit – Ms. Sauter (committee action)(10 minutes)
8. GASB 68 Schedule Audit Update – Ms. Thorsen (information)(5 minutes)
9. Other – Next SIB Audit Committee Meeting

North Dakota Retirement and Investment Office
Thursday May 24, 2018 - 3:00 PM
RIO Conference Room
3442 East Century Avenue
Bismarck, ND

10. Adjournment

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

**STATE INVESTMENT BOARD
AUDIT COMMITTEE MEETING
MINUTES OF THE
NOVEMBER 16, 2017, MEETING**

COMMITTEE MEMBERS PRESENT: Rebecca Dorwart, Chair
Yvonne Smith, PERS Board, Vice Chair
Mike Gessner, TFFR Board (TLCF)
Cindy Ternes, Workforce Safety & Insurance
Josh Wiens, External Representative

STAFF PRESENT: Connie Flanagan, Fiscal & Invt Ops Mgr
Bonnie Heit, Assist to the Audit Committee
David Hunter, ED/CIO
Fay Kopp, Dep ED/CRO
Dottie Thorsen, Internal Auditor

GUEST: Jason Ostroski, CliftonLarsonAllen

CALL TO ORDER:

Ms. Dorwart called the State Investment Board (SIB) Audit Committee meeting to order at 3:00 p.m. on Thursday, November 16, 2017, at the Retirement and Investment Office (RIO), 3442 E Century Ave., Bismarck, ND.

A quorum was present for conducting business.

Ms. Dorwart stated the Audit Committee Charter review and discussion would be postponed to the February 22, 2018, meeting due to the vacancies of RIO's legal counsel and RIO's Audit Supervisor.

AGENDA:

IT WAS MOVED BY MS. TERNES AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE NOVEMBER 16, 2017, MEETING AS DISTRIBUTED.

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

MINUTES:

IT WAS MOVED BY MR. WIENS AND SECONDED BY MS. TERNES AND CARRIED BY A VOICE VOTE TO ACCEPT THE REVISED SEPTEMBER 22, 2017, MINUTES.

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

FINANCIAL AUDIT REPORT:

Mr. Jason Ostroski, CliftonLarsonAllen (CLA), reviewed the results of the audit of the financial statements of RIO for the year ended June 30, 2017. CLA issued an unmodified "clean" opinion that the financial statements are presented fairly, in all material respects, and in conformity with U.S. Generally Accepted Accounting Principles (GAAP).

Mr. Ostroski also reviewed the financial status of the Teachers' Fund for Retirement (TFFR) net pension liability, changes in fiduciary net position, and changes in total pension liability.

Mr. Ostroski also reviewed investment trust changes in fiduciary net position for the Legacy Fund, and the Pension and Insurance Trust pools, and investment trust unit purchases for the PERS Group Insurance and Legacy Fund, and unit redemptions for the PERS Group Insurance and Budget Stabilization Fund.

Mr. Ostroski also briefed the Audit Committee on the GASB 68 Census Data Audits. Employer census testing was completed with 17 employers. Out of the 201 total employees tested, one error was noted. Work on the GASB 68 schedules will began in November and CLA expects to issue their final report on the schedules by the end of 2017.

IT WAS MOVED BY MS. TERNES AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE FINANCIAL AUDIT REPORT OF RIO FOR THE PERIOD ENDING JUNE 30, 2017.

AYES: MS. TERNES, MR. WIENS, MS. SMITH, MR. GESSNER, AND MS. DORWART

NAYS: NONE

MOTION CARRIED

AUDIT ACTIVITIES REPORT:

Ms. Thorsen reviewed first quarter activities of the Audit Division for the period of July 1, 2017 - September 30, 2017.

TFFR Employer Audits - Two had been completed, one was pending with corrections, five were in progress, five were pending and not yet started, and one notification was sent for an upcoming audit.

Ms. Thorsen also informed the Committee the following audits were completed for the same period - TFFR File Maintenance Audit and the SIB Customer Satisfaction Survey. The Benefits Payments Audit was in progress and will be presented at the next meeting.

The Audit Division also assisted CLA with the GASB 68 census data audits.

Ms. Thorsen also stated Audit Services continues its participation in the Institute of Internal Auditors Central NoDak Chapter.

IT WAS MOVED BY MR. WIENS AND SECONDED BY MS. SMITH AND CARRIED BY A VOICE VOTE TO ACCEPT THE FIRST QUARTER ACTIVITIES REPORT FOR THE PERIOD OF JULY 1, 2017 - SEPTEMBER 30, 2017.

AYES: MR. GESSNER, MR. WIENS, MS. SMITH, MS. TERNES, AND MS. DORWART

NAYS: NONE

MOTION CARRIED

The Committee and staff discussed the work plan for the next quarter. Ms. Dorwart directed Ms. Thorsen to stay on track as much as possible and the Committee will revisit the work plan at the February meeting.

AGENCY UPDATE:

Mr. Hunter distributed the posted job announcement for the Supervisor of Internal Audit and outlined the timeframe for filling the vacancy.

Mr. Hunter also notified the Committee RIO also has a Benefits Counselor and Administrative Assistant vacancy. The positions have been posted and RIO hopes to have the positions filled within the next couple of months.

Mr. Hunter also notified the Committee RIO's Attorney General Counsel, Ms. Jan Murtha, has resigned from her position, and has accepted a position with the City of Dickinson. The Attorney General's Office will notify RIO when they have filled the position.

OTHER:

The next Audit Committee meeting is scheduled for Thursday, February 22, 2018, at 3:00 pm at the Retirement and Investment Office, 3442 East Century Ave., Bismarck, ND.

With no further business to come before the Audit Committee, Ms. Dorwart adjourned the meeting at 3:41 p.m.

Respectfully Submitted:

Ms. Rebecca Dorwart, Chair
SIB Audit Committee

Bonnie Heit
Assistant to the Audit Committee

Informational

TO: SIB Audit Committee Members
FROM: Dave Hunter
DATE: February 12, 2018
SUBJECT: **RIO's Supervisor of Audit Services**

I am pleased to report that Sara Sauter joined RIO as our new Supervisor of Audit Services on January 1, 2018. During the last five years, Sara worked for North Dakota's Department of Financial Institutions (DFI) in the Credit Union Division ascending to the Examiner III level. Prior to DFI, Sara worked as an office manager for a privately owned service company here in Bismarck. Sara earned a Bachelor of Science degree in Accounting from Dickinson State University thru the extended campus here in Bismarck in December 2010.

Office of Attorney General OPEN MEETINGS GUIDE

(08/2017)

600 E. Boulevard Avenue, Dept. 125, Bismarck, ND 58505. Tel: (701) 328-2210

North Dakota's laws state that all government records and meetings must be open to the public unless otherwise authorized by a specific law. The basic laws are found in North Dakota Century Code, beginning at §44-04-17.1. The public has the right to know how government functions are performed and how public funds are spent.

DEFINITION OF MEETING

Meeting means *any gathering of a quorum of the members of a governing body of a public entity regarding public business*, and includes committees and subcommittees, informal gatherings or work sessions, and discussions where a quorum of members are participating by phone or any other electronic communication (either at the same time or in a series of individual contacts).

- If a governing body delegates any authority to two or more people, the newly formed committee is subject to the open meetings law even if the committee does not have final authority or is just fact-finding. What it is called does not matter, it is still a committee. Committee meetings must be noticed and minutes taken.
- Portfolios are a committee of the governing body if more than one commissioner holds the portfolio.
- Emails or text messages between members of a committee or subcommittee regarding public business may constitute a meeting and violate open meeting laws.

Training seminars and purely social gatherings attended by a quorum of a public entity are not meetings, however, as soon as the members discuss any public business, it becomes a "meeting."

MEETING SCHEDULES

If the governing body holds regularly scheduled meetings, the schedule of these meetings must be posted annually on the entity's official website **OR** filed with the Secretary of State (for state agencies), the City Auditor (city level entities), or the County Auditor (all other entities).

- The annual meeting schedule also must be furnished to anyone who requests the information.
- Filing the annual meeting schedule does not relieve a public entity of its obligation to post a meeting notice/agenda for each meeting.

MEETING NOTICES

Prior written notice is required for all meetings of a public entity, including committees and subcommittees.

- Generally, there is **no minimum advance notice period** for public meetings.

An entity must provide public notice of the date, time and location of a meeting when the governing body is notified. As soon as an agenda is prepared and given to the governing body, it must be posted and provided to the public in the same manner as the meeting notice.

- If an executive session is anticipated, the meeting notice also must include the executive session as an agenda item, along with the subject matter and the legal authority for the executive session.

Regular meeting agendas may be added to or altered at the time of the meeting. For **special** or **emergency** meetings, however, **only** the specific topics included in the notice may be discussed.

PROVIDING PUBLIC NOTICE OF MEETINGS

At the same time the governing body is notified of the meeting, the meeting notice must be:

1. Posted at the main office of the public entity, if the entity has a main office.
2. Posted at the location of the meeting, if held somewhere other than the entity's main office.
3. Posted on the public entity's website OR filed with the appropriate official [the Secretary of State for state-level entities, the city auditor for city-level entities, and the county auditor(s) for all other entities].
4. Provided to any individual who has requested notice of the meeting.

Notice of special or emergency meetings also must be given to the entity's official newspaper. Generally, there is no requirement that the meeting notice be published.

If asked, a public entity must provide a requester with personal notice of its meetings. Unless the requester specifies a shorter time period, the request to receive notice is good for one year.

PUBLIC PARTICIPATION

A member of the public has the right to attend an open meeting and to record or broadcast the meeting, but **does not have the right to speak**.

EXECUTIVE SESSIONS

Only the portions of a public meeting that are specifically confidential or exempt from the open meetings law may

be closed to the public and held in executive session. The remainder of the meeting must be open to the public.

- Generally, a public entity **may not close** a meeting to discuss salary issues or employee job performance.

There are several reasons why a meeting may not be open to the public. For instance:

- The portion of a meeting during which confidential or exempt records are considered may be closed to the public. This is particularly common for school board meetings to discuss student records.
- Board meetings concerning the nonrenewal, dismissal for cause, or suspension of a teacher, principal, superintendent, or directors may be closed except for certain representatives of the board and the teacher, principal, superintendent, and director.
- A governing body may close a meeting to talk with its attorney if the discussion pertains to the attorney's advice regarding a "pending or reasonably predictable" lawsuit involving the public entity.
- An executive session also may be held to discuss the risks, strengths or weaknesses of an action of the public entity or negotiating strategy, if holding the discussion in an open meeting would have an adverse fiscal effect on the bargaining or litigating position of the public entity.
- In addition to discussing closed or confidential economic development records, an executive session is authorized to discuss a public entity's efforts to recruit a new business to the area served by the public entity.
- State agency loss control committee meetings regarding closed records of a specific pending or reasonably predictable claim against the state or a state employee may be held in executive session.

CLOSED MEETINGS PROCEDURES

Although certain statutes may apply to particular meetings or entities, state law specifies the following general procedure for holding an executive session.

1. Convene in an open session preceded by public notice;
2. Announce during the open portion of the meeting the topics to be considered during the executive session and the legal authority for holding an executive session on those topics;
3. Pass a motion to hold an executive session, unless a motion is unnecessary because a confidential meeting is required;
4. Record the executive session electronically;

5. Limit the topics considered during the executive session to the announced, authorized topics; and
6. Take final action on the topics considered in the executive session during the open portion of a meeting.

Under these provisions, a governing body's authority to hold an executive session may be invoked only during a properly noticed open meeting, and not during a separate meeting for which public notice is not provided. To close a portion of the meeting, the governing body may either excuse the public or reconvene in another location.

A vote to go into executive session is not necessary if a confidential meeting is required or if the governing body is closing the meeting to discuss confidential records. However, because a discussion of exempt records does not necessarily have to occur in an executive session, a vote is necessary to determine whether the discussion will occur in an open meeting or in an executive session.

- Final action on the topics considered in the executive session must be taken during the open portion of the meeting. All substantive votes must be recorded by roll call.

MINUTES

The minutes of meetings are public records and must be provided to anyone upon request. Draft minutes should be made available to the public even if the minutes have not been approved. Some public entities are required by law to provide minutes to the official newspaper.

Minutes must include, at a minimum:

1. The names of the members attending the meeting;
2. The date and time the meeting was called to order and adjourned;
3. A list of topics discussed regarding public business;
4. A description of each motion made at the meeting and whether the motion was seconded;
5. The results of every vote taken at the meeting; and
6. The vote of each member on every recorded roll call vote.

This requirement applies to all governing bodies, including committees and subcommittees.

OPINION REQUESTS

A request for an Opinion alleging that a public entity held a meeting without posting public notice must be received by the Office of Attorney General within 90 days of the alleged violation, regardless of when the requester learned about the violation. For all other violations of the open meetings laws, the request for an Opinion must be received within 30 days of the alleged violation. ■

Office of Attorney General

OPEN RECORDS GUIDE

(08/2017)

600 E. Boulevard Avenue, Dept. 125, Bismarck, ND 58505. Tel: (701) 328-2210

North Dakota's laws state that all government records and meetings must be open to the public unless otherwise authorized by a specific law. The basic laws are found in North Dakota Century Code, beginning at §44-04-17.1. The public has the right to know how government functions are performed and how public funds are spent.

DEFINITION OF RECORD

“Record” includes *all recorded information regardless of physical form (e.g. paper, e-mail, computer file, photograph, audiotape or recording, video, text message, etc.) that has a connection with how public funds are spent or with the public entity's performance of its governmental functions or its public business, regardless of format or location.*

Minutes, memos, reports, outlines, notes, employee salary and job performance records, contracts, telephone records, and travel vouchers are all **OPEN** records and **must** be provided upon request.

REQUESTS FOR RECORDS

Anyone has the right to view or get a copy of public records, regardless of the reason or where they live. A request for public records can be made in any available medium. Generally, a public entity cannot ask why the records are requested, ask for identification, or require a request be made in writing (or in person). However, a request must reasonably identify existing records. If a request is unclear, the entity may require written clarification but cannot ask the requester's motive or identity. The entity can delay taking action until receiving written clarification.

- A request for *information* is not a request for records. A public entity does not have to respond to questions about its decisions, duties, functions or operations or to explain the content of its records.

The public entity must respond to a record request within a *reasonable* time, by either providing the record or explaining the legal authority for denying all or part of the request. What is “reasonable” depends on a number of factors, including the scope and type of records requested.

A public entity may only deny access to or a copy of a record for which there is a specific statute closing all or part of the information. A statute may declare certain records to be exempt or confidential.

If a record is **exempt**, a public entity has discretion to release or withhold it. If a record is **confidential**, it either cannot be released or the confidential information within the record first must be redacted.

ALLOWABLE CHARGES

Access to public records is generally free. An entity may charge up to 25¢ a page (standard letter or legal size paper). For other types of records, the entity may charge the **actual cost** for copying, including labor, materials and equipment.

The first hour of *locating* requested records (including electronic records) is free. After the first hour, the entity may charge \$25/hr for locating records and a separate \$25/hr (after the 1st hour) for *redacting* any exempt or confidential information. If providing electronic records takes more than one hour, in addition to charges for locating and redacting, the entity may charge the *actual cost* incurred for use of technology resources. *The entity can require full payment of any estimated costs before starting to make copies or releasing records.*

- An entity does not have to convert its records to another format, create or compile records that do not exist, or obtain records originating from another public entity that it does not have in its possession.

If requested records are available on an entity's website or online, an entity can direct the requester to where the record can be accessed and does not have to provide a copy unless a requester is not reasonably able to access the internet.

A public entity may allow the use of personal devices to duplicate records but can impose reasonable procedures or conditions to protect the integrity of its records.

DENIAL

If a request for records is denied, the entity must explain what specific federal or state law makes all or part of the record closed. If asked, the entity must put the reason for the denial in writing. The denial must state if the requested record does not exist.

- It is not a violation if a public entity declines to provide an exempt record, or if the reason a public entity cannot provide a record is that it does not exist, even if the requester believes the record *should* exist.

REFUSAL

If repeated requests for records disrupt other essential functions, a public entity may refuse to provide access to or copies of its records to that requester but must put its reasons for doing so in writing. A requester may seek an opinion from the Attorney General on whether the entity's refusal was proper.

OPINION REQUESTS

A request for an opinion must be submitted to the Office of Attorney General within 30 days of the alleged open record violation or refusal, regardless of when the requester became aware of the violation.

EXEMPT: MAY be withheld at the discretion of the public entity

- Home address, home & cell phone numbers, employee ID number, driver's license number, dependent information and emergency contact of public employees §44-04-18.1(2), or individuals licensed by a state occupational/professional board, association, agency, or commission §44-04-18.1(4);
- Personal financial information of public employees used for payroll purposes and the *type* of leave taken or accrued (the *amount* of leave taken and dates taken is open) §44-04-18.1;
- Active criminal intelligence, criminal investigative information, officer training materials, information that may impact officer safety §44-04-18.7, and the work schedule of employees of a law enforcement agency §44-04-18.3(3);
- Homicide or sex crime scene images or any image of a minor victim of a crime §44-04-18.7(8);
- Address, phone number, identifying information that could be used to locate or identify a victim/alleged victim of domestic violence, human trafficking, a sex offense, or a sexual performance by a child §44-04-18.20;
- Law enforcement records containing an individual's personal information, including driver's license number, day/month of birth (the year of birth is open), home street address (the city, state, zip is open), height, weight, home and personal cell phone numbers, and medical information §44-04-18.7. NOTE: *If a victim has asserted Marsy's law: the complete home and employment address or location, email address, and any other contact information for the victim or a member of the victim's family is also protected. This information may be contained in digital media such as audio, video, or images, or in witness statements.*
- Address, phone number, place of employment or other information in records of a criminal justice agency, correctional facility or the DOCR that could be used to locate the victim or witness to a crime §12.1-34-02(11);
- Financial account numbers §44-04-18.9;
- E-mail address/phone number of an individual provided for purposes of communicating with a public entity, except this exemption cannot be used to shield the person's identity §44-04-18.21;
- Interviews/statements of child victims or witnesses obtained during an investigation of a violent crime or sex offense §12.1-35-03(2);
- Driver's license number, phone, day/month of birth, and insurance information from a motor vehicle accident report form, except it is open to the parties involved or their insurers §39-08-13(4);
- Records related to the name and medical condition of an individual and treatment provided by a public entity during an emergency medical response §44-04-18.22;
- Recordings of 911 calls and related responses, except a person may listen to, or obtain written transcript of, the recordings §57-40.6-07(4);
- Body camera images taken in a private place by law enforcement or firefighter §44-04-18.7;
- Records relating to the internal investigation of a complaint of misconduct by an entity or employee, but only until the investigation is complete or for 75 days, whichever is first, then it is open §44-04-18.1;
- Attorney work product §44-04-19.1(1);
- Security system plans, critical infrastructure information vital to maintaining public safety, security, or health §44-04-24; public health & security response plans §44-04-24, §44-04-25, records relating to cyberthreats §44-04-18.4;
- Bids/proposals in response to an RFP, but only until all proposals opened/presentations heard, after which it is open §44-04-18.4(6);
- Personal information of applicants/recipients of economic assistance programs administered under division of community services or a community action agency §44-04-18.19;
- Records revealing negotiating strategy and draft agreements subject to negotiations, but only as long as release would have an adverse fiscal effect on the entity §44-04-19.2;
- Settlement agreements between a public entity and another party, until fully executed and accepted by all parties §44-04-19.1;
- Private donor and prospective donor personal and financial information. §44-04-18.15;
- Title IX complaint and investigation records §44-04-18.28;
- Risk Management records of claims against the state/employee §32-12.2-11(1) & state agency loss control committee records §32-12.2-12. ■

CONFIDENTIAL: CANNOT be released

- Social Security number §44-04-28;
- Address & home phone of an employee of a law enforcement agency; any information that would reveal the identity of an undercover officer §44-04-18.3;
- Public employee medical treatment records §§ 44-52.1-12, 44-04-18.1(1), Ch. 23-01.3; patient records at university system medical centers or public health authority §44-04-18.16; Employee Assistance program records §44-04-18.1(1); Note: *HIPAA may prohibit release of health information from other sources.*
- Criminal history records §§12-60-16.5, 12-60-16.6. NOTE: *These may be obtained only from BCI.*
- Identifying information of a living child victim or witness of a crime, except in the case of traffic accident or victim of fire §12.1-35-03;
- Names of persons injured or deceased, but only until law enforcement has notified the next of kin or for 24 hours, whichever occurs first, then the information is open §39-08-10.1;
- Autopsy photographs, images, audio/video recordings, working papers, notes, except the final report of death, which becomes an open record 8 days after it is finalized §§ 44-04-18.18, 23-01-05.5;
- Income, and sales & use tax returns and information §§57-38-57, 57-39.2-23;
- Trade secret, proprietary, commercial and financial information, if it is of a privileged nature and has not yet been publicly disclosed; research records of the universities and colleges under the State Board of Higher Education §44-04-18.4;
- Electronic security codes and passwords §44-04-27;
- Applications for employment with a public entity. Three or more designated finalists records are open. If fewer than 3 qualifying applications are received, all applications are open. §44-04-18.27;
- Fire investigations until the investigation is completed, then it is open §44-04-30(1);
- WSI employer files, except a Safety Grant recipient's name & amount awarded is open §65-04-15;
- Foster care records §50-11-05;
- Law enforcement & correctional facility records of delinquent, unruly, or deprived child §27-20-52(1). ■

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Audit Services

DATE: February 22, 2018

SUBJECT: Audit Charter: 2016 - 2017 Review

Please review the attached copy of the Audit Charter and list of responsibilities and come prepared to discuss any desired changes, revisions, additions, etc.

At the September 2017 Audit Committee meeting, Audit Services provided a copy of the Audit Charter and a list of responsibilities for the members of the Audit Committee to review. Per the Charter of the Audit Committee of the North Dakota State Investment Board, the Committee must review and assess the adequacy of the charter annually, requesting SIB approval for any changes made.

At the September meeting, Audit Services informed the Audit Committee of RIO's legal counsel's opinion on the following current practice in the Audit Charter.

On February 23, 2017, RIO's management was notified by RIO's legal counsel that the current practice of meeting with RIO's independent auditors, RIO's management, and RIO's audit staff independently, out of the presence of other parties, puts the Committee at risk of violating North Dakota's open records and meeting laws. Current 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 notified and invoked.

After discussion, the Audit Committee requested further clarification from legal counsel at the November 2017 Audit Committee meeting. Due to the vacancies of RIO's legal counsel and RIO's Audit Supervisor, the review was postponed to the February Audit Committee meeting.

Patrick Brooke, RIO's new legal counsel, will be attending the February meeting. Sandra DePountis, an open meetings/records expert from the Attorney General's Office, will be providing education to the Audit Committee on North Dakota open records and meeting laws.

Staff believes it is in the best interest of the Committee to cease this practice moving forward, this will require an update to three sections of the current Charter. The sections in question have been highlighted for your convenience.

If the Committee chooses to make revisions to the current Charter, the revised document will be sent to legal counsel for review, returned to the Committee for final approval, and then forwarded to the SIB for approval.

CHARTER OF THE AUDIT COMMITTEE OF THE NORTH DAKOTA STATE INVESTMENT BOARD

PURPOSE

The Audit Committee (the Committee) is a standing committee of the North Dakota State Investment Board (SIB) created to fulfill its fiduciary oversight responsibilities of the North Dakota Retirement and Investment Office (RIO) and to serve as a communications link among the SIB, the RIO's management and Audit Services staff, independent auditors, and others.

The Committee will assist with the integrity of the RIO's financial reporting process and system of internal controls, the RIO's compliance with legal and regulatory requirements, the performance of the RIO's Audit Services function and independent auditors, and the RIO's management of risks in the Committee's areas of responsibility.

AUTHORITY

The Committee is authorized to provide oversight to the Audit Services function and the independent audit for the RIO. These activities provide assurance that RIO's financial condition and results of operations are accomplished in accordance with the RIO's policies and procedures and legal and regulatory requirements. The Committee may investigate any activity of the RIO and may retain persons as necessary from within or outside the RIO having special competence to assist the Committee in the accomplishment of its responsibilities.

The RIO's Supervisor of Audit Services will be the staff member reporting administratively to the Executive Director/Chief Investment Officer and functionally to the Committee.

The RIO's management will supervise the administrative activities of the Audit Services function and independent audit activities such as securing contracts, paying fees, maintaining official reports, and other appropriate activities.

COMPOSITION

The Committee will consist of five members, selected by and approved by the SIB. Three members of the Committee will represent the three groups on the SIB: Teachers' Fund for Retirement (TFFR) Board, Public Employees Retirement System (PERS) Board, and elected and appointed officials, and two members selected from outside of the SIB and the RIO. The SIB should select committee members who are both independent and financially literate.

Membership on the Committee will be for one year or termination of term on the SIB. Vacancies will be filled by the SIB at the first scheduled meeting following the vacancy. There will be no limit to the number of terms served on the Committee.

The Committee will elect a Chair, a Vice Chair, and a liaison. The Chair will preside at all meetings of the Committee. In the absence of the Chair, the Vice Chair will perform the duties of

the Chair. The liaison will report annually to the SIB on the results of the independent audit and at least four times a year to the SIB and TFFR board on the activities of the Committee and other pertinent information.

The Committee may form, and delegate authority to, subcommittees when it deems appropriate.

MEETINGS

The Committee will meet generally four times a year, with authority to convene additional meetings, as circumstances require or to adequately fulfill all the obligations and duties as outlined in this charter.

Meeting agendas will be prepared by the Supervisor of Audit Services and approved by the Committee Chair, unless otherwise directed by the Committee and will be provided to the Committee members along with briefing materials before the scheduled committee meeting.

Committee members are expected to attend each meeting, in person or via tele- or video-conference. The RIO's executive management and Supervisor of Audit Services and others necessary to provide information and to conduct business will attend meetings. The Committee may invite staff of the RIO, auditors or others to attend meetings, as necessary. The Committee may meet separately with the staff of the RIO, auditors and others. The Committee may, at its discretion, elect to meet without the presence of the RIO's executive management and/or Supervisor of Audit Services or others. The Committee may hold executive sessions as allowed under state law.

The Committee will act only on the affirmative vote of three of the committee members at a meeting. To conduct business, a quorum will be three members of the Committee. Should a quorum not be present before a scheduled meeting or during a meeting, the Chair will announce the absence of a quorum and the members will disburse. Meetings unable to transact business for lack of a quorum are not considered meetings. Meeting minutes will be prepared by the RIO, or as otherwise directed by the Committee. Approved meeting minutes of the Committee will be submitted to the SIB.

RESPONSIBILITIES

The RIO's management is responsible for financial and other reporting, internal controls, and compliance with laws, regulations, and ethics. The Committee has the responsibility to provide oversight in the areas of:

- the reliability and integrity of financial and operating information;
- compliance with policies, plans, procedures, pertinent laws and regulations;
- compliance with the Code of Conduct applicable to the SIB, TFFR Board, and RIO employees;
- safeguarding of assets;
- economical and efficient use of resources; and
- effectiveness of achieving desired results from operations.

To this end, the Committee will:

Independent Audit

- Review the independent auditors' proposed audit scope and approach, including coordination of audit effort with RIO's Audit Services staff and any developments in accounting principles and auditing standards that may affect either the financial statements or the audit.
- Meet with the independent auditors to discuss any matters that the Committee or auditors believe should be discussed privately (out of the presence of RIO's management and/or Audit Services staff, as appropriate) and review any restrictions on the audit work.
- Inquire as to any proposed changes in accounting or financial reporting procedures and of any unusual events that could impact the financial statements.
- Review the results of the financial statements report with the independent auditors and the RIO's management, prior to the release of the financial statements report to the SIB and other officials. This review will include the following, as applicable:
 - Any major problems encountered by the independent auditors and the resolution thereof;
 - The effect on the audit of any developments;
 - Any unresolved differences between the independent auditors and the RIO's management;
 - Any other significant comments or recommendations of the independent auditors or the RIO's management;
 - The adequacy of the RIO's internal accounting controls and accounting policies, procedures, and practices; and
 - Understand the scope of independent auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with the RIO's management responses.
- Consider the effectiveness of the RIO's internal control system, including information technology security and control.
- Consider whether the financial statements are complete, consistent with information known to committee members, and reflect appropriate accounting principles. This will include the following, as applicable:
 - The accuracy and completeness of the information in other sections of the annual report and related regulatory filings;
 - The significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements; and

- All matters required to be communicated to the Committee under generally accepted auditing standards with the RIO's management and the independent auditors.
- Review non-audit services, if any, performed for the RIO by the independent auditors.

Audit Services

- Consider the effectiveness of the Audit Services function, within The Institute of Internal Auditors' *International Professional Practices Framework for Internal Auditing* consisting of the *Definition of Internal Auditing, Code of Ethics and the Standards*.
- Review with the RIO's management and the Supervisor of Audit Services the audit charter, activities, staffing, and organizational structure of Audit Services.
- Review and approve the annual work plan and all major changes to the plan.
- Meet with the RIO's Supervisor of Audit Services to discuss any matters that the Committee or Audit Services believes should be discussed privately (out of the presence of RIO's management and/or the independent auditors, as appropriate) and review any restrictions on the audit work.
- Participate with RIO's management in the appointment and annual evaluation of the Supervisor of Audit Services. Work with RIO's management on any changes in staffing, including the addition, termination, or replacement of auditors, and the approval of salary increases and/or promotions other than those authorized by the legislature.

Compliance

- Review compliance by TFFR participating employers as it relates to TFFR laws, rules and policies through the receipt of employer audit results.
- Review staff compliance with federal and state laws and North Dakota administrative code as applicable to RIO, the SIB and TFFR Board programs, and the process for communicating the code of conduct to the RIO's staff, and for monitoring compliance through the receipt of the audit results.
- Obtain updates from the RIO's management and legal counsel regarding compliance matters, as deemed necessary.

Reporting Responsibilities

- Report to the SIB about the Committee's activities, issues, and related recommendations.
- Provide a written report annually to the SIB, describing the Committee's composition, responsibilities and how they were discharged, and any other information required.

Other Responsibilities

- Make recommendations to the North Dakota State Auditor's Office, when appropriate, as it relates to selection, evaluation, and termination of independent auditors.
- Obtain the information and training needed to enhance the committee members' understanding of the role of Audit Services and the independent auditor, the risk management process, internal controls, and a certain level of familiarity in financial reporting standards and processes so the Committee may adequately oversee.
- Serve as an open avenue of communication among the SIB, the RIO's management and Audit Services, the independent auditors, and others.
- Serve as an appropriate confidential body for individuals to provide information on potentially fraudulent financial reporting or breaches of internal control.
- Inquire of management and Audit Services regarding the procedures in place for the prevention of illegal payments, conflicts of interest, or other questionable practices.
- Meet with the RIO's management to discuss any matters that the Committee or management believes should be discussed privately (out of the presence of Audit Services staff and/or the independent auditors, as appropriate) and review any restrictions on the audit work.
- Perform other activities related to this charter as requested by the SIB.
- Institute and oversee special investigations as needed.
- Review any other reports the RIO issues that relates to the Committee's responsibilities.
- Review and assess the adequacy of the Committee charter annually, requesting the SIB approval for proposed changes.
- Confirm annually the review of all responsibilities outlined in this charter.

DATE OF CREATION OF COMMITTEE AMENDMENTS: December 14, 1993

DATE AUDIT COMMITTEE CHARTER ADOPTED AND APPROVED: June 24, 1994

REVISED: November 22, 1996, February 13, 1997, November 6, 2001, May 19, 2006, May 18, 2007, June 26, 2009, May 19, 2016.

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Audit Services

DATE: February 22, 2018

SUBJECT: Audit Charter: 2016 - 2017 Review of Responsibilities

On May 19, 2016 the Committee approved revisions to the Charter of the Audit Committee of the North Dakota State Investment Board. This newly revised Charter requires that the Committee confirm annually the review of all responsibilities outlined in the Charter. To achieve this, the Committee requested an annual report which details the responsibilities contained in the Charter and documents activities undertaken by the Committee to meet those responsibilities.

The responsibilities contained in the Charter will appear in regular font, activities undertaken by the Committee to meet those responsibilities will appear in *italic font*.

RESPONSIBILITIES

The RIO's management is responsible for financial and other reporting, internal controls, and compliance with laws, regulations, and ethics. The Committee has the responsibility to provide oversight in the areas of:

- the reliability and integrity of financial and operating information;
- compliance with policies, plans, procedures, pertinent laws and regulations;
- compliance with the Code of Conduct applicable to the SIB, TFFR Board, and RIO employees;
- safeguarding of assets;
- economical and efficient use of resources; and
- effectiveness of achieving desired results from operations.

To this end, the Committee will:

Independent Audit

- Review the independent auditors' proposed audit scope and approach, including coordination of audit effort with RIO's Audit Services staff and any developments in accounting principles and auditing standards that may affect either the financial statements or the audit.
 - *On May 25, 2017 members of the Committee met with representatives from RIO's independent audit firm, CliftonLarsonAllen. The July 1, 2016 to June 30, 2017 Fiscal Year Financial Audit proposed scope and approach was discussed. This included any applicable discussion related to developments in accounting principles or auditing standards that would have an affect on the financial statements or the audit. Coordination between RIO's*

independent audit firm and RIO's Audit Services is not required during completion of the financial audit.

- Meet with the independent auditors to discuss any matters that the Committee or auditors believe should be discussed privately (out of the presence of RIO's management and/or Audit Services staff, as appropriate) and review any restrictions on the audit work.
 - *In fiscal year 2017 a private meeting was not requested by the Committee or by RIO's independent audit firm, CliftonLarsonAllen. Moving forward, on the advice of legal counsel, to ensure compliance with open records and meeting laws, this practice will be ceased. Any discussions will occur during the course of a regularly scheduled public meeting with all attendees present.*
- Inquire as to any proposed changes in accounting or financial reporting procedures and of any unusual events that could impact the financial statements.
 - *On November 17, 2016 and May 25, 2017 members of the Committee met with representatives from RIO's independent audit firm, CliftonLarsonAllen. RIO's Fiscal and Investment Operations Manager were also present. The Committee was provided the opportunity to engage all parties in discussions related to changes in accounting or financial reporting procedures and unusual events which could impact the financial statements.*
- Review the results of the financial statements report with the independent auditors and the RIO's management, prior to the release of the financial statements report to the SIB and other officials. This review will include the following, as applicable:
 - Any major problems encountered by the independent auditors and the resolution thereof;
 - The effect on the audit of any developments;
 - Any unresolved differences between the independent auditors and the RIO's management;
 - Any other significant comments or recommendations of the independent auditors or the RIO's management;
 - The adequacy of the RIO's internal accounting controls and accounting policies, procedures, and practices; and
 - Understand the scope of independent auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with the RIO's management responses.
 - *On November 17, 2016 the Committee received, reviewed, and approved the June 30, 2016 Financial Audit Report of RIO. On May 25, 2017 the Committee received, reviewed, and approved the 2016 GASB 68 Schedule Audit Report. On both occasions RIO's management, representatives of RIO's independent audit firm, CliftonLarsonAllen, and RIO's Fiscal and Investment Operations Manager were present. Following approval by the Committee, both audit reports were provided to the SIB who subsequently provided their approval at their next regularly scheduled meeting.*
- Consider the effectiveness of the RIO's internal control system, including information technology security and control.
 - *On November 17, 2016 and May 25, 2017 members of the Committee met with RIO's management, representatives from RIO's independent audit firm, CliftonLarsonAllen, and*

RIO's Fiscal and Investment Operations Manager. The Committee was provided the opportunity to engage in discussions with all parties related to RIO's internal control system, including information technology security and control. On a quarterly basis Audit Services reviews changes made to TFFR member accounts by staff utilizing CPAS generated audit tables. Audit reports are provided at the conclusion of each quarterly audit to the Committee for review and approval. On an annual basis Audit Services verifies the appropriate processing of the deaths of TFFR annuitants, the appropriate handling of checks outstanding 60 days or longer, and the active monitoring of long-term annuitants in payment status. An audit report is provided at the conclusion of the audit to the Committee for review and approval.

- Consider whether the financial statements are complete, consistent with information known to committee members, and reflect appropriate accounting principles. This will include the following, as applicable:
 - The accuracy and completeness of the information in other sections of the annual report and related regulatory filings;
 - The significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements; and
 - All matters required to be communicated to the Committee under generally accepted auditing standards with the RIO's management and the independent auditors.
 - *On November 17, 2016 the Committee received, reviewed, and approved the June 30, 2016 Financial Audit Report of RIO. On May 25, 2017 the Committee received, reviewed, and approved the 2016 GASB 68 Schedule Audit Report. On both occasions RIO's management, representatives of RIO's independent audit firm, CliftonLarsonAllen, and RIO's Fiscal and Investment Operations Manager were available to assist the Committee in determining if financial statements were complete, consistent with information known to the Committee, and reflective of appropriate accounting principles.*
- Review non-audit services, if any, performed for the RIO by the independent auditors.
 - *RIO's independent audit firm, CliftonLarsonAllen, did not provide any non-audit services in fiscal year 2017.*

Audit Services

- Consider the effectiveness of the Audit Services function, within The Institute of Internal Auditors' *International Professional Practices Framework for Internal Auditing* consisting of the *Definition of Internal Auditing*, *Code of Ethics* and the *Standards*.
 - *Audit Services provides individual audit reports, annual work plans, quarterly progress updates, budgeted vs. actual hour comparisons, and other information to the Committee which can be used to gauge the overall effectiveness of the division. To the extent possible, Audit Services conducts its activities in accordance with the International Standards for the Professional Practice of Internal Auditing.*
- Review with the RIO's management and the Supervisor of Audit Services the audit charter, activities, staffing, and organizational structure of Audit Services.

- *The review of the Charter by the Committee is completed on an annual basis at the first regularly scheduled meeting of the fiscal year. The Committee is provided an update regarding the activities of the Audit Services division on a quarterly basis. RIO management and Audit Services' staff are available during these updates to provide additional information as needed. Neither the Committee nor RIO's management requested a review of the organizational structure and/or staffing of the Audit Services division in fiscal year 2017.*
- Review and approve the annual work plan and all major changes to the plan.
 - *On May 25, 2017 the Committee approved the 2017-2018 Audit Services work plan, budgeted hours, and TFFR employer audit plan as presented by the Supervisor of Audit Services. The Committee has granted the Supervisor of Audit Services the discretion to alter the work plan as needed in pursuit of achieving the primary objective of the Audit Services division which is the completion of third party compliance reviews.*
- Meet with the RIO's Supervisor of Audit Services to discuss any matters that the Committee or Audit Services believes should be discussed privately (out of the presence of RIO's management and/or the independent auditors, as appropriate) and review any restrictions on the audit work.
 - *On February 23, 2017 the Committee met with the Supervisor of Audit Services and RIO's staff auditor out of the presence of RIO's management and independent auditors to discuss any matters deemed appropriate. Moving forward, on the advice of legal counsel, to ensure compliance with open records and meeting laws, this practice will be ceased. Any discussions will occur during the course of a regularly scheduled public meeting with all attendees present.*
- Participate with RIO's management in the appointment and annual evaluation of the Supervisor of Audit Services. Work with RIO's management on any changes in staffing, including the addition, termination, or replacement of auditors, and the approval of salary increases and/or promotions other than those authorized by the legislature.
 - *The annual evaluation for the Supervisor of Audit Services for the review period beginning April 1, 2016 and ending March 31, 2017 was provided to the Committee for review prior to being finalized. No changes were made to Audit Services staffing during fiscal year 2017. No salary increases and/or promotions other than those authorized by the legislature occurred in fiscal year 2017.*

Compliance

- Review compliance by TFFR participating employers as it relates to TFFR laws, rules and policies through the receipt of employer audit results.
 - *The Committee monitors the progress of the TFFR Employer Audit program on a quarterly basis. The Committee is provided a copy of all completed employer audit reports. Additional information is also provided as circumstances develop.*
- Review staff compliance with federal and state laws and North Dakota administrative code as applicable to RIO, the SIB and TFFR Board programs, and the process for communicating the code of conduct to the RIO's staff, and for monitoring compliance through the receipt of the audit results.

- *The primary purpose of RIO's Audit Services division per the Committee is completion of third party compliance activities. Audit Services allocates approximately 20% of available audit time to the review of staff compliance with internal policies and procedures as well as governing board policies and procedures only. Review of staff is limited to the Retirement Services division and the Executive Director/CIO. The Committee is provided audit results from the limited internal audit activities including TFFR File Maintenance Audits, Benefit Payment Audit, and Executive Limitation Audit. RIO's staff is required to affirm a code of conduct on annual basis during the annual performance evaluation cycle and this affirmation is verified during the Executive Limitation Audit.*
- Obtain updates from the RIO's management and legal counsel regarding compliance matters, as deemed necessary.
 - *On February 23, 2017 the Committee was provided an update from legal counsel regarding the North Dakota Century Code employer penalty provisions and their implications on the TFFR Employer Audit program.*

Reporting Responsibilities

- Report to the SIB about the Committee's activities, issues, and related recommendations.
 - *Reports regarding the activities, issues, and related recommendations of the Committee were provided to the SIB on October 28, 2016, November 18, 2016, January 27, 2017, February 24, 2017, and May 25, 2017.*
- Provide a written report annually to the SIB, describing the Committee's composition, responsibilities and how they were discharged, and any other information required.
 - *Annual written report describing the Committee's composition, responsibilities, and how those responsibilities were discharged was provided to the SIB on October 28, 2016 for fiscal year 2016. The annual written report will be provided to the SIB on October 27, 2017 for fiscal year 2017.*

Other Responsibilities

- Make recommendations to the North Dakota State Auditor's Office, when appropriate, as it relates to selection, evaluation, and termination of independent auditors.
 - *Communication with the State Auditor's Office regarding the selection, evaluation, and termination of RIO's independent auditors was not conducted and was not deemed necessary during fiscal year 2017.*
- Obtain the information and training needed to enhance the committee members' understanding of the role of Audit Services and the independent auditor, the risk management process, internal controls, and a certain level of familiarity in financial reporting standards and processes so the Committee may adequately oversee.

- *The primary objective of the Audit Services division as identified by the Committee is the completion of third party compliance audit activities. Board education related to the TFFR Employer Audit program and Audit Services was provided on May 25, 2017.*
- Serve as an open avenue of communication among the SIB, the RIO's management and Audit Services, the independent auditors, and others.
 - *RIO's management, Audit Services staff, and members of the SIB (who serve on the Committee) are present at all regularly scheduled meetings of the Committee. RIO's independent auditors are present at regularly scheduled meetings of the Committee on two occasions during the fiscal year. The Supervisor of Audit Services routinely communicates with the SIB during their regularly scheduled meetings. This arrangement fosters an open avenue of communication among the parties.*
- Serve as an appropriate confidential body for individuals to provide information on potentially fraudulent financial reporting or breaches of internal control.
 - *In April 2017 RIO introduced an anonymous fraud hotline. The Executive Director/CIO, Supervisor of Audit Services, and RIO's legal counsel are listed as the primary recipients of reported incidents of fraudulent financial reporting or breaches of internal control. The Committee is also available to receive such reports should an individual choose not to use the fraud hotline provided by RIO.*
- Inquire of management and Audit Services regarding the procedures in place for the prevention of illegal payments, conflicts of interest, or other questionable practices.
 - *The Committee is welcome to inquire to management and Audit Services regarding the procedures in place for the prevention of illegal payments, conflicts of interest, or other questionable practices whenever deemed necessary. At this time Audit Services is not aware of any inquiries made by or concerns of the Committee regarding these matters.*
- Meet with the RIO's management to discuss any matters that the Committee or management believes should be discussed privately (out of the presence of Audit Services staff and/or the independent auditors, as appropriate) and review any restrictions on the audit work.
 - *On February 23, 2017 the Committee met with RIO's Management out of the presence of Audit Services staff and independent auditors to discuss any matters deemed appropriate. Moving forward, on the advice of legal counsel, to ensure compliance with open records and meeting laws, this practice will be ceased. Any discussions will occur during the course of a regularly scheduled public meeting with all attendees present*
- Perform other activities related to this charter as requested by the SIB.
 - *The SIB made no requests of the Committee during fiscal year 2017.*
- Institute and oversee special investigations as needed.

- *No special investigations were instituted or needed during fiscal year 2017.*
- Review any other reports the RIO issues that relates to the Committee's responsibilities.
 - *Audit Services is aware of no other reports issued during fiscal year 2017 which relate to the Committee's responsibilities.*
- Review and assess the adequacy of the Committee charter annually, requesting the SIB approval for proposed changes.
 - *The review of the Charter is included on the agenda for the Committee's September 22, 2017 meeting. Moving forward this item will be included on the agenda for the first regularly scheduled meeting of the fiscal year.*
- Confirm annually the review of all responsibilities outlined in this charter.
 - *The review of responsibilities outlined in the Charter and confirmation of their achievement is on the agenda for the Committee's September 22, 2017 meeting. Moving forward this will be included on the agenda for the first regularly scheduled meeting of the fiscal year.*

**RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES
2017-2018 Second Quarter Audit Activities Report
October 1, 2017 – December 31, 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 December 31, 2017:

- Eight (8) employer audits had been completed.
- One (1) employer audit was in progress.
- Six (6) employer audits were pending but not yet started.

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 completed and a report was issued on October 30, 2017.

• **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 fourth quarter of 2016- 2017 was completed at the end of the first quarter with a final report issued October 2, 2017.

Administrative and Investment Audit Activities

• **Executive Limitation Audit**

On an annual basis, Audit Services reviews the Executive Director/CIO's level of compliance with SIB Governance Manual Executive Limitation Policies A- 1 through A-11. Executive Limitation A-2 references staff relations. Normally, in an effort to gain insight into the relationship which exists between the Executive Director/CIO and staff, an organization wide employee survey is conducted to provide employees the opportunity to evaluate the effectiveness of the Executive Director/CIO in the areas of leadership, communication, and valuing employees. Per the SIB Board, the Executive Director/CIO opted for staff to participate in the State Survey. This survey

contained most of the same questions as the employee survey issued last year. The State Survey was administered in December 2017. The results were issued to the SIB in the January 2018 Board materials.

Professional Development/CE/General Education

Audit Services continued its participation with the Institute of Internal Auditors (IIA) Central NoDak Chapter by attending the November 2017 Fall Seminar on IT Auditing for Non IT Auditors and Continuous Auditing & Data Analytics with Root Cause Analysis. Audit also attended the November monthly IIA meeting which was a work session on quality assurance reviews.

RIO had staff training on cyber security issues impacting organizations and individuals from Tony Aukland of the State and Local Intelligence Center (Cyber).

Summary

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

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
ANAMOOSE PUBLIC SCHOOL DISTRICT
OCTOBER 24, 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 Anamoose Public School District are in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (10). The following finding was noted:

1. The employer reported ineligible referee pay to TFFR for one member.

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 reported ineligible referee pay to TFFR for one member. Salary earned for refereeing including all activity judging and tournament management is considered ineligible salary and should not be reported to TFFR. Given the immaterial dollar amount of the error no corrections will be made to the member account. Please reference the worksheet labeled *Primary Test* for additional information.

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
FORT TOTTEN PUBLIC SCHOOL DISTRICT
OCTOBER 30, 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.

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.

For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. All TFFR accounts were selected for inclusion in the audit for the 2015-2016 school year.

FINDINGS

In our opinion, for the time period covered in the audit, the retirement salaries for fiscal year 2015/16 reported by the Fort Totten 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 reported eligible professional development salary to TFFR in the wrong fiscal year for one member.
2. The employer reported an ineligible reimbursement for health insurance to TFFR for one member.
3. The employer reported ineligible activity bus driving salary to TFFR for one member.
4. The employer failed to report eligible summer school salary to TFFR for one member.
5. The employer reported ineligible recruitment and/or sign-on bonuses to TFFR for four members.

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 reported eligible professional development salary to TFFR in the wrong fiscal year for one member. Salary must be reported in the fiscal year in which it is earned, regardless of when it is paid. Salary earned during the summer months for teaching summer school, attending professional development conferences, and curriculum writing often must be reported in two fiscal years. Summer salary earned in June will be reported in one fiscal year while salary earned in July is reported in the next fiscal year. The member account will be corrected and RIO will notify the member that adjustments have been made to their account. Please reference the worksheets labeled *Primary Test*, *Change in Salaries and Contributions*, and *Salary Correction Summary* for additional information.

Finding 2:

The employer reported an ineligible reimbursement for health insurance to TFFR for one member. Reimbursement received for insurance programs including medical, dental, vision, disability, etc. is not considered eligible retirement salary and is not subject to payment of member and employer contributions. The member account will be corrected and RIO will notify the member that adjustments have been made to their account. Please reference the worksheets labeled *Primary Test*, *Change in Salaries and Contributions*, and *Salary Correction Summary* for additional information.

Finding 3:

The employer reported ineligible activity bus driving salary to TFFR for one member. Reimbursement received for bus driving (route, extracurricular, or activity) and attendance at driver safety courses is not considered eligible retirement salary and is not subject to payment of member and employer contributions. The member account will be corrected and RIO will notify the member that adjustments have been made to their account. Please reference the worksheets labeled *Primary Test*, *Change in Salaries and Contributions*, and *Salary Correction Summary* for additional information.

Finding 4:

The employer failed to report eligible summer school salary to TFFR for one member. A member's earnings for contracted teaching, supervisory, administrative, and extracurricular services are considered eligible retirement salary and are subject to payment of member and employer contributions. This includes salary earned for contracted summer school teaching. The failure to report eligible salary also caused service hours to be reported incorrectly. The member account will be corrected and RIO will notify the member that adjustments have been made to their account. Please reference the worksheets labeled *Primary Test*, *Change in Salaries and Contributions*, *Salary Correction Summary*, and *Service Hours Correction* for additional information.

Finding 5:

The employer reported ineligible recruitment and/or sign-on bonuses to TFFR for four members. A bonus is an amount paid to a member in addition to regular contract salary which does not increase the member's base rate of pay, is not expected to recur or continue in future fiscal years or is not expected to be a permanent salary increase. A bonus is not considered eligible retirement salary and is not subject to payment of member and employer contributions. Bonuses include recruitment and/or contract signing payments. The member accounts will be corrected and RIO will notify the members that adjustments have been made to their accounts. Please reference the worksheets labeled *Primary Test*, *Change in Salaries and Contributions*, and *Salary Correction Summary* for additional information.

Contributions totaling \$2,107.16 will be refunded to the employer, please reference the worksheets labeled *Change in Salaries and Contributions* and *Salary Correction Summary* for additional information. **Please provide a written response detailing actions to be taken to correct the findings noted in the audit report by November 17, 2017.**

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

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



Terra L. Miller Bowley
Supervisor of Audit Services

Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
FORT YATES PUBLIC SCHOOL DISTRICT
NOVEMBER 29, 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.

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.

For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. A representative sample of TFFR accounts was selected for the 2013-2014 school year. All TFFR accounts were selected for the 2014-2015, 2015-2016, and 2016-2017 school years.

FINDINGS

In our opinion, for the time period covered in the audit, the retirement salaries for fiscal years 2013/14 through 2016/17 reported by the Fort Yates Public School District were not 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 reported eligible contracted administrator salary in the wrong fiscal year for one member.
2. The employer failed to report eligible contracted teaching salary to TFFR for twenty members.
3. The employer reported eligible summer school salary in the wrong fiscal year for seven members.
4. The employer failed to report eligible summer school salary to TFFR for one member.
5. The employer failed to report a correction to previously reported salary to TFFR for one member.
6. The employer reported ineligible expense reimbursement to TFFR for one member.
7. The employer reported ineligible non-contracted substitute teaching salary to TFFR for one member.
8. An undetermined error occurred related to the reporting of eligible salary to TFFR for twenty seven members.
9. An undetermined error occurred related to the reporting of ineligible salary to TFFR for eighteen members.
10. The employer reported salary to TFFR for two individuals ineligible for participation in TFFR.
11. The employer failed to report actual hours worked by retirees who have returned to covered employment.

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.

The findings noted in the report occurred during the tenure of the prior business manager, who is no longer employed with the Fort Yates Public School District. During the course of the audit, it became apparent that documentation for the time period under audit was incomplete, inaccurate, or simply not available. Audit Services and the current business manager made every

effort to identify and document the salaries and contributions reported to TFFR. In cases where salary could not be identified, benefit was given to the member. TFFR strongly recommends that the employer undertake a review of current payroll record keeping practices. Written documentation describing payment details is critical in determining if salary or special payments are eligible TFFR retirement salary. Such documentation will be required by the staff of the RIO and the TFFR Board when considering such matters.

Finding 1 and Finding 3:

The employer reported eligible contracted administrator salary in the wrong fiscal year for one member. The Employer reported eligible summer school salary in the wrong fiscal year for seven members. Salary must be reported in the fiscal year in which it is earned, regardless of when it is paid. Summer salary must also be reported in the fiscal year in which it is earned, regardless of when it is paid. Salary earned for most summer programs (including driver's education) will be reported in two fiscal years. Summer salary earned in June will be reported in one fiscal year while salary earned in July is reported in the next fiscal year. The member accounts will be corrected and RIO will notify the members that adjustments have been made to their account. Please reference the worksheets labeled *Primary Test*, *Change in Salaries and Contributions*, and *Salary Correction Summary* for additional information.

Finding 2 and Finding 4:

The employer failed to report eligible contracted teaching salary to TFFR for twenty members. The employer failed to report eligible summer salary to TFFR for one member. A member's earnings for contracted teaching, supervisory, administrative, and extracurricular services are reportable to TFFR. Once a member is contracted to perform teaching, supervisory, administrative, or extracurricular services, additional payments for performance of duties of a teacher are also considered eligible retirement salary and should be reported to TFFR. The member accounts will be corrected and RIO will notify the members that adjustments have been made to their account. Please reference the worksheets labeled *Primary Test*, *Change in Salaries and Contributions*, and *Salary Correction Summary* for additional information.

Finding 5:

The employer failed to report a correction to previously reported salary to TFFR for one member. The employer issued a payment to the member. The payment was for attendance at a high school open house and for participation in parent teacher conferences. The employer subsequently voided the initial payment and reissued a corrected payment. The employer reported the initial payment and the reissued payment to TFFR, but failed to notify TFFR that the initial payment had been voided. This caused the payment to be reported to TFFR twice. The member account will be corrected and RIO will notify the member that adjustments have been made to their account. Please reference the worksheets labeled *Primary Test*, *Change in Salaries and Contributions*, and *Salary Correction Summary* for additional information.

Finding 6:

The employer reported ineligible expense reimbursement to TFFR for one member. Payments for fringe benefits including insurance programs, annuities, transportation allowances, housing allowances, meals, lodging, and expense allowances are not considered eligible salary and should not be reported to TFFR. The member account will be corrected and RIO will notify the member that adjustments have been made to their account. Please reference the worksheets labeled *Primary Test*, *Change in Salaries and Contributions*, and *Salary Correction Summary* for additional information.

Finding 7:

The employer reported ineligible non-contracted substitute teaching salary to TFFR for one member. Substitute teachers are generally not reportable to TFFR given that most are not contracted teachers. The only time a substitute teacher (including a re-employed retiree) is reportable is if the teacher is under contract to perform substitute teaching services or the teacher performs in-staff subbing. In-staff subbing is defined as a contracted teacher, including a re-employed retiree, who performs substitute teaching duties during the "contract period" for the contracting employer. The member was not contracted to perform substitute teaching services nor was the member a contracted teacher performing in-staff subbing, therefore salary earned was not reportable to TFFR. The member account will be corrected and RIO will notify the member that adjustments have been made to their account. Please reference the worksheets labeled *Primary Test*, *Change in Salaries and Contributions*, and *Salary Correction Summary* for additional information.

Finding 8 and Finding 9:

An undetermined error occurred related to the reporting of eligible salary to TFFR for twenty seven members. An undetermined error occurred related to the reporting of ineligible salary to TFFR for eighteen members. For twenty members payroll records confirmed that all TFFR eligible salary paid to the members was not reported to TFFR. Difficulty in obtaining supporting documentation prevented Audit Services from pinpointing exactly which type of eligible salary (contract teaching salary, in-staff subbing salary, professional development salary, student supervision salary, etc.) was not reported. For eighteen members payroll records confirmed that some TFFR ineligible salary paid to the members was

reported to TFFR in error. Difficulty in obtaining supporting documentation prevented Audit Services from pinpointing exactly what type of ineligible salary (annual bonus payments, expense reimbursement, unused leave, etc.) was reported. All member accounts will be corrected and RIO will notify the members that adjustments have been made to their accounts. Please reference the worksheets labeled *Primary Test*, *Change in Salaries and Contributions*, and *Salary Correction Summary* for additional information.

Finding 10:

The employer reported salary to TFFR for two individuals ineligible for participation in TFFR. All persons currently licensed to teach in North Dakota by ESPB and contractually employed (including third party agreements) in teaching, supervisory, administrative, or extracurricular services by any state institution, multi district special education unit, area career and technology center, regional education association, school board, or other governing body of a North Dakota School District are required to be members of TFFR. Although both individuals are currently licensed to teach in North Dakota, neither individual was contractually employed with the Fort Yates Public School District during the time salary and contributions were reported to TFFR. The member accounts will be updated and RIO will notify the members that adjustments have been made to their accounts. Please reference the worksheets labeled *Primary Test*, *Change in Salaries and Contributions*, and *Salary Correction Summary* for additional information.

Finding 11:

The employer failed to report actual hours worked by retirees who have returned to covered employment. 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 \$43,621.53. TFFR currently has on account funds from the Ft. Yates School District which exceed this amount. TFFR will ensure that funds on account are allocated to individual member accounts per the audit findings. Any excess funds will be returned to the employer via check which will be sent to the business manager. 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 a written response detailing actions to be taken to correct the findings noted in the audit report by January 5, 2018.**

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 by Dotie Thuse

Terra L. Miller Bowley
Supervisor of Audit Services

Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
KINDRED PUBLIC SCHOOLS
NOVEMBER 14, 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 Kindred Public Schools were generally 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 reported salary after an annuity deduction for one member in 2014/15.
2. The Employer reported salary for three members after deducting cash in lieu of benefit payments in 2015/16 and 2016/17.
3. The Employer reported ineligible cash in lieu of benefit payments for one member in 2014/15 and 2015/16.
4. The Employer reported ineligible grounds (mowing grass) salary for one member in 2014/15 and 2015/16.
5. The Employer could not identify or provide documentation of the dates that math committee salary reported to TFFR was earned.

RECOMMENDATIONS AND CORRECTIVE ACTION

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

Findings 1 and 2:

Due to programming issues, the employer reported salary after deducting an annuity and cash in lieu of benefit payments for three members in 2014/15, 2015/16 and 2016/17. This caused salary and contributions to be under-reported to TFFR. Since this is a repeat error from the last audit period, TFFR strongly encourages the Employer to contact their school accounting system vendor, Software Unlimited Inc., for assistance in setting up payroll deductions. Corrections will be made to two of the three members' accounts. RIO will notify the members that adjustments have been made. Please reference the worksheets labeled *Primary Test* and *Change in Salaries and Contributions* for additional information.

Finding 3:

The Employer reported ineligible cash in lieu of benefits paid to one member for 2014/15 and 2015/16. The member's account will be corrected. RIO will notify the member that adjustments have been made to their account and the Employer will be reimbursed for contributions overpaid. Please reference the worksheets labeled *Primary Test* and *Change in Salaries and Contributions* for additional information.

Finding 4:

The employer reported ineligible grounds (mowing the grass) salary for one member for 2014/15 and 2015/16. One member account will be corrected. RIO will notify the member that adjustments have been made. Please reference the worksheets labeled *Primary Test* and *Change in Salaries and Contributions* for additional information.

Finding 5:

The employer could not identify or provide documentation for the dates that Math Committee salary was earned for one member. The employer stated some meetings were held during the summer and others after school throughout the school year. The employer should set-up up some system (timecards or sign-in sheets) to ensure the salary is reported in the correct fiscal year.

The net amount of contributions overpaid is \$1,840.56. A check for the amount of contributions overpaid was provided with a copy of the audit report to the Business Manager. It is the responsibility of the Employer to collect and refund contributions due from or owed to the members. Please reference the worksheet labeled *Salary Correction Summary* and *Change in Salaries and Contributions* for additional information. **Please provide a written response detailing action to be taken to correct the above findings by January 2, 2018.**

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

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



Dottie Thorsen
Auditor

Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
TIOGA PUBLIC SCHOOLS
November 29, 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 Tioga 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 reported salary after an annuity deduction for three members in 2014/15, 2015/16 and 2016/17.
2. The Employer overpaid contract salary for one member in 2015/16.
3. The Employer reported subbing salary without a written agreement for two members in 2015/16.
4. The Employer did not actively monitor the service hours for a retiree who had returned to covered employment to ensure that maximum allowable hours were not exceeded. Actual service hours were not reported for the one retiree in 2015/16.

RECOMMENDATIONS AND CORRECTIVE ACTION

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

Finding 1:

Due to programming issues, the employer reported salary after deducting an annuity payment from three member's salaries in 2014/15, 2015/16 and 2016/17. This caused salary and contributions to be under-reported to TFFR. TFFR encourages the Employer to contact their school accounting system vendor, Software Unlimited Inc., for assistance in setting up payroll deductions. Corrections will be made to two of the three members' accounts. RIO will notify the members that adjustments have been made. The Employer will be billed for the contributions and interest due. Please reference the worksheets labeled *Primary Test* and *Change in Salaries and Contributions* for additional information.

Finding 2:

The Employer overpaid contract salary due to a programming error for one member for 2015/16. The members' account will be corrected. RIO will notify the member that an adjustment has been made. The Employer will be reimbursed for the contributions overpaid. Please reference the worksheets labeled *Primary Test* and *Change in Salaries and Contributions* for additional information.

Finding 3:

The Employer reported ineligible subbing without a written agreement for two members for 2015/16. The two members' accounts will be corrected. RIO will notify the members that adjustments have been made to their accounts and the Employer will be reimbursed for contributions overpaid. Please reference the worksheets labeled *Primary Test* and *Change in Salaries and Contributions* for additional information.

Finding 4:

The Employer did not actively monitor the service hours for a retiree who had returned to covered employment to ensure that the maximum allowable hours were not exceeded. Actual service hours were not reported for the retiree who returned to covered employment in 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. A retiree who returns to covered employment under the General Rule is 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 because the maximum hours were not exceeded.

The net amount of contributions and interest due is \$1,681.87. An invoice for the amount of contributions and interest due was provided with a copy of the audit report to the Business Manager. It is the responsibility of the employer to collect and refund contributions due from or owed to the members. Please reference the worksheet labeled *Salary Correction Summary* and *Change in Salaries and Contributions* for additional information. **Please provide the contributions due and a written response detailing action to be taken to correct the above findings by January 5, 2018.**

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

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



Dottie Thorsen
Auditor

Enclosures

**REPORT ON COMPLIANCE AUDIT
FOR REPORTING AND PAYMENTS
TO THE TEACHERS' FUND FOR RETIREMENT
NORTH DAKOTA VISION SERVICES/SCHOOL FOR THE BLIND
OCTOBER 23, 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 North Dakota Vision Services/School for the Blind 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 reported eligible summer school salary in the wrong fiscal year for two members.
2. The employer failed to report actual hours worked for two members.

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 reported eligible summer school salary in the wrong fiscal year for two members. Eligible salary is reportable in the fiscal year in which the salary is earned, regardless of when the salary is actually paid. Salary earned for most summer programs is often reported in two fiscal years. Salary earned in June will be reported in one fiscal year while salary earned in July and August will be reported in the next fiscal year. The member accounts will be corrected and RIO will notify the members that adjustments have been made to their accounts. Please reference the worksheets labeled *Primary Test*, *Change in Salaries and Contributions*, and *Salary Corrections Summary* for additional information.

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

Audit Activities

Retirement Program Audits:

	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					732
<i>Anamoose Public School District</i>	32				32
<i>Fort Totten Public School District</i>	22				22
<i>Fort Yates Public School District</i>	97				97
<i>Gackle-Streeter Public School District</i>	20				20
<i>Glenburn Public School District</i>	18				18
<i>Kindred Public School District</i>	20	17.50			37
<i>ND School for the Blind</i>	21				21
<i>Scranton</i>		72.25			72
<i>Tioga Public School District</i>	60	50.00			110
<i>Anamoose, Ft. Totten, Ft. Yates, ND. School for Blind</i>		173.50			174
<i>General Employer Audits</i>		39.25			39
<i>Audit Peer Reviews/TFFR Meeting(s)/Audit Planning/Audit Notifications/Intern</i>	91				91
Benefit Payments Audit	162	8.25			170
TFFR File Maintenance Audit(s)	47	22.75			70
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	10.25			19
RIO External Auditor Assistance	14				14
Administrative Activities					
Administrative - Staff Mtgs, Time Reports, Email, Records Retention, General Reporting	166	217.00			383
Audit Committee/SIB/TFFR Attendance and Preparation	43	33.50			77
Professional Development/CE/General Education	10	23.25			34
Annual Leave, Sick Leave, and Holidays	198	196.50			394
Quarterly Total:	1041	864	0.00	0.00	1905

Total Hours for 2017-2018	4,176
Actual Hours for 2017-18	3,828
Total Hours for two Supervisors	1,740
D. Thorsen Total Hours 2017-2018	2,088
T. Miller Bowley Hours 2017-2018 (Left employment with RIO October 31, 2017)	696
Sara Sauter 2017-2018 (Started employment with RIO January 3, 2018)	1044

**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	7/17/2016	7/28/2016	7/19/2016	Complete	12	19	186	134	53	7	Generally In Compliance	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	Generally In Compliance	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	Generally In Compliance	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	Complete	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	Generally In Compliance	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	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	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
6	M		09-002	DT	KINDRED SCHOOL	January 2017		1/18/2017	1/26/2017	6/12/2017	11/14/2017	10/12/2017	11/9/2017	Complete	56	7	209	98	112	28	Generally In Compliance	75
7	S		43-004	INTERN/TMB	FORT YATES SCHOOL*	October 2015		10/19/2015	6/10/2016	6/10/2016	11/29/2017	10/13/2017	11/20/2017	Complete	32	170	384	1	384	38	Not in Compliance	359
8	S		53-015	DT	THOGA SCHOOL	January 2017		1/18/2017	2/2/2017	7/7/2017	11/29/2017	11/14/2017	11/22/2017	Complete	48	12	215	112	104	8	In Compliance	110
9	S		06-033	DT	SCRANTON SCHOOL	July 2017		7/31/2017	8/2/2017	10/20/2017	1/31/2018			Complete	20	3	131	58	74	0	In Compliance	150
10	S		31-003	DT	PARSHALL SCHOOL - SPECIAL AUDIT FY 2017	October 2017		9/27/2017	10/13/2017	1/26/2018				In progress		13		76				
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																						

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES
TFFR EMPLOYER COMPLIANCE AUDITS
JULY 1, 2017 TO JUNE 30, 2018

		EMPLOYER	FISCAL YEARS	TOTAL MEMBERS	REPORT DATE	EMPLOYER CONTRIB'S DR(CR)	MEMBER SALARY ADJUSTED	MEMBER SERVICE CREDIT ADJUSTED	STATUS
	X	Audits Pending - (4)				In Compliance		7	
	&	Audits in Progress - (1)				Generally in Compliance		1	
	✓	Audits Completed - (8)				Not in Compliance (NIC)		1	
	✓	NIC Review Completed - (0)						9	
	✓	Special Audit Completed (1)							
		Audits Carried Over From 2016/17 - (8)							
		NIC Audits Carried Over From 2016/17 - (0)							
		Audit Notifications Sent 2017/18 - (5)							
		NIC Notifications Sent 2017/18 - (0)							
		Special Audits notifications(1)							
1	X	Alexander	6/30/2015, 16	23					Audit information received and is pending.
2	✓	TMB Anamoose	6/30/2015, 16	14	10/24/2017	\$0.00	0	0	In compliance Employer reported ineligible referee salary.
3	✓	TMB Fort Totten Special Audit	6/30/2015, 16	28	10/30/2017	(\$2,107.16)	8	1	In compliance Employer reported professional development salary in the wrong fiscal year; reported ineligible health reimbursement, recruiting/sign on bonuses, and busing salary; and did not report summer salary.
4	✓	TMB Ft. Yates	6/30/2014, 15	32	11/28/2017	\$43,621.53	38	7	Not in compliance The employer reported summer and contract salary in the wrong fiscal year; eligible contract and summer salary was not reported; did not report previously reported salary; reported ineligible expense reimbursement ; non-contracted subbing salary was reported; undetermined error for salary reported occurred; undetermined error for ineligible salary occurred; ineligible individuals were reported; and hours were reported incorrectly and not monitored for retired teachers returned to covered employment.
5	✓	TMB Gackle-Streeter	6/30/2015, 16	18	10/2/2017	\$281.75	2	1	In compliance The employer failed to report eligible coaching and concessions salary; actual service hours were not reported; and the employer did not actively monitor service hours for retired members who returned to teach.
6	X	DT Garrison	6/30/2015, 16	44					Audit information received and audit is pending.

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES
TFFR EMPLOYER COMPLIANCE AUDITS
JULY 1, 2017 TO JUNE 30, 2018**

			EMPLOYER	FISCAL YEARS	TOTAL MEMBERS	REPORT DATE	EMPLOYER CONTRIB'S DR(CR)	MEMBER SALARY ADJUSTED	MEMBER SERVICE CREDIT ADJUSTED	STATUS
7	✓	DT	Glenburn	6/30/2014, 15	37	8/8/2017	\$0.00	0	3	In compliance The employer did not monitor and report actual service hours for retirees who returned to covered employment; did not report eligible professional development and in-staff substitute teaching salary, and reported service hours incorrectly for part-time teachers.
8	✗		Grenora	6/30/2015, 16	22					Audit information received and audit is pending.
9	✓	DT	Kindred	6/30/2015, 16	56	11/14/2017	(\$1,840.56)	2	0	Generally in Compliance The employer reported salary after deducting an annuity and cash in lieu benefit payments; reported ineligible cash in lieu of benefit payments; reported ineligible grounds maintenance salary; and did not keep records for Math Committee attendance to ensure salary was reported in the correct fiscal year.
10	✗		Lidgerwood	6/30/2015, 16	45					Audit information received and audit is pending.
11	✓	TMB	North Dakota School for the Blind	6/30/2015, 16	15	10/23/2017	\$0.00	2	1	In Compliance Employer reported summer salary in the wrong fiscal year and service hours were reported incorrectly.
12	&	DT	Parshall Special Audit	6/30/2017	33					Audit in progress.
13	✓	DT	Scranton Salary Determination Appeal with the TFFR Board	6/30/2015, 16	20	1/31/2018	(\$6,144.40)	2	1	In compliance Employer reported ineligible salary: signing bonus, fringe benefits converted to salary (housing, electricity, meal allowances, and insurance deductible reimbursement); and service hours error for one part-time member.
14	✓	DT	Tioga	6/30/2015, 16	48	12/1/2017	\$1,681.87	4	0	In compliance Employer reported salary after an annuity deduction; Overpaid contract salary; reported subbing salary without a written agreement; and did not actively monitor service hours for retired teachers who returned to teach.
					Totals	435	\$35,493.03	58	14	

Audit Services – North Dakota Retirement and Investment Office
Audit for Processing the Accounts of Deceased Members,
Long-Outstanding Checks, and Long-Term Annuitants
Final Audit Report
October 30, 2017

Background

The Audit Services Division of the Retirement and Investment Office (RIO) conducts an audit on a biennial basis to verify that the staff of Retirement Services is adhering to established procedures for processing deaths of annuitants and checks outstanding sixty days or longer. The audit also verifies that established procedures related to the monitoring of long-term annuitants in payment status are being followed. This review is conducted per the request of the State Investment Board (SIB) Audit Committee, the Executive Director/CIO, and the Deputy Executive Director/Chief Retirement Officer.

Results Summary

Audit Services found that established procedures for processing deaths of annuitants and checks outstanding sixty days or longer were being followed by the staff of Retirement Services. The audit also confirmed that procedures related to the monitoring of long-term annuitants in payment status were being followed by the staff of Retirement Services. Audit Services provided four recommendations for consideration.

Scope

Information needed to complete the audit was requested on June 7, 2017. Audit work started August 1, 2017 and concluded on September 14, 2017. Audit work for each process reviewed encompassed three phases:

- Phase I – Review and Document Changes to Established Procedures
- Phase II – Sample Selection and Testing of Established Procedures
- Phase III – Findings and Recommendations

Observations, Conclusions and Recommendations

Processing the Deaths of Annuitants:

Two separate procedures pertain to the processing of annuitant deaths. The first set of procedures detail how the staff of Retirement Services determines if an annuitant has died. The second set of procedures detail how an annuitant's account is closed following the receipt of a death notification. Audit Services confirmed that the staff of Retirement Services adhered to the established procedures for determining if an annuitant has died. Audit Services also confirmed that the staff of Retirement Services adhered to established procedures for closing a deceased annuitant's account upon notification of the annuitant's death.

The death of a member can be communicated to TFFR by family members, employers, banks, funeral homes, attorneys, and obituaries which appear in newspapers. North Dakota Vital Statistic reports which are run monthly and LifeStatus 360 reports which are run quarterly are also referenced. These reports compare the CPAS database to the North Dakota Vital Statistics and LifeStatus 360 databases of deceased persons. During the fiscal year under audit, these external reports identified 194 potential annuitant deaths. In all but 10 instances, TFFR had previously been made aware of the annuitant's death and processing of any potential death benefits was in progress or completed. In two instances, the reports provided a first notice of an annuitant's death. The LifeStatus 360 reports also identified an error in the CPAS database related to an incorrect social security number which staff corrected. Once TFFR has been notified of an annuitant's death, the annuitant's account must be closed and any additional benefits owed processed accordingly. Audit Services selected a subset of 31 accounts for further review. The accounts reviewed were either closed or in the process of being closed. Audit Services determined that all 31 accounts had been handled appropriately per procedures in place at the time of the review.

The procedures currently in place are designed to significantly reduce the risk of payment of retirement benefits to deceased individuals. The audit confirmed that current procedures are achieving this objective. Audit Services determined that staff was thorough, consistent, and methodical in the processing of annuitant deaths. During the fiscal year under audit, there was excellent coverage with the LifeStatus 360 database comparisons, North Dakota Vital Statistic database comparisons, weekly/daily obituary searches, and the obituary searches conducted on the out-of-state long-term annuitants. Audit Services commends the work of staff and encourages them to continue with current procedures moving forward.

Recommendation 1:

A beneficiary of an active member who died over two years ago has not closed the account. Normally, information is kept in the office of the Retirement Program Specialist until the account is closed. Since this account could be open for the foreseeable future, a memorandum explaining the situation and copies of any correspondence should be uploaded to FileNet.

Retirement Service's Response:

Retirement Services agreed with the recommendation and revised their procedures for deaths open longer than one year. A memorandum explaining the situation, copy of the obituary, and a copy of the Survivor Benefits Letter were scanned to the image account. A note was also added to the account (demographic page) on the CPAS database.

Recommendation 2:

There is limited contact with annuitants once the retirement process is completed. Many years can pass before TFFR has the opportunity to communicate with the annuitant. Therefore, account information should be reviewed and verified when a new document is received or there is verbal contact with the annuitants, powers of attorney, or beneficiaries.

Retirement Service's Response:

Retirement Services agreed with the recommendation and staff will be reminded to closely review information on new documents and update the database when differences are noted. Retirement Services will also be reminded to verify retiree and beneficiary contact information (address, phone number, email) when taking a call from a retiree or beneficiary.

Processing of Checks Outstanding Sixty Days or Longer:

Procedures have been established by Retirement Services to ensure members cash pension payments in a timely manner. Those same procedures require that staff follow-up with members as needed and monitor checks outstanding longer than sixty days. Audit Services confirmed Retirement Services staff was adhering to the established procedures for the processing of checks outstanding sixty days or longer.

Two checks were outstanding sixty days or longer, the checks were issued in 2016 to two in-active members age seventy one and a half. RIO was required to issue these payments to remain in compliance with IRS regulations, these instances represent the first time TFFR has been compelled to issue payments due to a member's age. Procedures were subsequently developed to address this unique circumstance. Retirement Services staff adhered to newly developed procedures, but has been unable to contact the members and facilitate the cashing of the outstanding checks.

Recommendation 1:

Retirement Services should attempt contact with these individuals on an annual basis. Language should be added to current procedures which indicate how uncashed payments will be handled in the long-term.

Retirement Services Response:

Retirement Services procedures relating to uncashed refund payments have been reviewed with TFFR's compliance expert at Segal Consulting and were found to be more than adequate. Current procedures fulfill TFFR's fiduciary responsibility based on reasonable efforts to contact the members by mail, certified mail, and performance of due diligence address searches prior to and for one year after issuing the refund check. Therefore, once TFFR issues the refund check and reasonable attempts for a year have been made to locate and notify the member, annual attempts to contact the member by mail will not be made. However, as recommended, Retirement Services has updated the Outstanding Checks procedures to document the long term procedures that will be used to address these accounts. Members who were sent a refund check for the age seventy and one-half required distribution and the checks have not been cashed will be manually added to the quarterly death search file submitted to TFFR's death audit vendor. If deceased, the member will be removed from the CPAS database one year following the death of the member. If the refunded member cannot be confirmed deceased, then they will be removed from the database after they reach age one hundred (See Outstanding Checks – Refund Checks Outstanding – Member not Located Procedure document).

Monitoring Long-Term Annuitants in Pay Status:

The staff of Retirement Services reviews the accounts of annuitants ninety years of age and older who reside out-of-state on a quarterly basis to ensure that the annuitant is not deceased. Quarterly reviews require an obituary search on Legacy.com. Elderly, out-of-state annuitants present a significant risk to TFFR. Death notifications for these members are often delayed. A delayed notification can lead to overpayment of benefits, which are often difficult to recover. Audit Services determined that the staff of Retirement Services adhered to established procedures for monitoring long term annuitants.

Audit Services selected three member accounts for further review. Original eligibility for retirement benefits was verified. Audit Services also ensured that ongoing communication between the annuitant and TFFR was occurring. Audit Services determined that all three accounts had been handled appropriately. All were eligible for retirement benefits and FileNet confirmed recent activity has occurred between the annuitant or the annuitant's representative and TFFR. Audit Services confirmed that out-of-state long term annuitants were reviewed on a quarterly basis by Retirement Services staff. It is important to note that the required obituary searches on Legacy.com were not completed the same month as the LifeStatus 360 database comparisons. This has resulted in broader coverage throughout the year which ultimately reduces overall risk. Retirement Services should continue the current practices in the future to ensure continued broader coverage.

For my review of the three sample members, I found discrepancies in tax information on CPAS and documents on image. I also noted that a beneficiary's address was not input on the CPAS database.

Recommendation 1: When a retiree has multiple accounts (personal and continuing annuitant), there are duplicate documents (tax withholding election, designation of beneficiary, and direct deposit authorization forms) in the retiree's image account. When viewing the image file, it is difficult to determine which document applies to which account. To avoid confusion, please make notes on the documents stating to which account the document applies. Also, document if the retiree does not want adjustments made to existing documents on file.

Retirement Service's Response:

Retirement Service's agrees with the recommendation and procedures related to processing certain annuitant documents and forms have been reviewed and expanded where noted below.

Retiree Payroll Form Change Procedures (direct deposit authorization, tax withholding election, insurance payroll deduction, dues deduction, and designation of beneficiary). Current procedures regarding verifying and updating annuitant payroll information when an annuitant has more than one account will be expanded in the future. Currently, if Retirement Services staff receives payroll forms without any notes directing application of the change, staff will check to see if the person is receiving multiple benefits. If only receiving one benefit, staff will make the change to that account. If the person is receiving multiple benefits, staff will contact the person to confirm which accounts the form should apply and make the corresponding change. Retirement Services will expand the current procedures to improve documentation when an annuitant has more than one account. Retirement Services staff will add notes to each payroll form indicating whether the requested change applies to the retiree account, continuing annuitant account, or both accounts. (See Payroll Documentation – Retiree Drawing Multiple Payments procedure document.)

Distribution:

David Hunter, Executive Director/CIO

Fay Kopp, Deputy Executive Director/Chief Retirement Officer

Shelly Schumacher, Retirement Program Manager

Audit Services – North Dakota Retirement and Investment Office
TFFR File Maintenance Audit
April 1, 2017 – June 30, 2017
Audit Report
October 2, 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 fourth quarter of fiscal year 2017 for the month of June for all user IDs were expected and appropriate based on the organizational role held by the individual who initiated the transaction. Month end reporting of lump sum payments and installment purchases of service credit was accurate. The staff of Retirement Services adhered to established procedures for the processing of purchases, refunds, rollovers, and partial lump sum options (PLSO). Actuarially significant contact and demographic information on member accounts was accurate per the Member Action Forms received 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 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 fourth quarter of 2017 the month of June was selected. Audit Services determined that audit table transactions which occurred in June 2017 for all user IDs were expected and appropriate based on the organizational role held by the individual who initiated the transactions. Four transactions required further investigation and all were ultimately determined to be usual and customary.

Member accounts deleted by the Data Processing Coordinator in June 2017 were located on the deleted and merged members list maintained by Retirement Services which confirmed the validity of the transactions. The account deletions did not appear on the IT change log, this omission is not significant in this instances as the validity of the transactions can be verified by other available documentation. It is important to ensure that all transactions are listed in the IT change log, this is especially true for those transactions where other available documentation is limited or not available.

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 June was selected. Additional testing was completed on three entries selected from the NDRIO Lump Sum Payment Register. This included one member initiated account rollover, one member death where the beneficiaries were eligible for a lump sum distribution, and one member selected partial lump sum option at retirement. 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, rollovers, and partial lump sum options (PLSO). Additional testing also confirmed that supporting documentation was located in FileNet and required system processes were 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.

Two member actions forms were selected for additional testing. This additional testing confirmed that all actuarially significant contact and demographic information on member accounts was entered accurately and documentation was retained on FileNet.



The Institute of
Internal Auditors
Central NoDak Chapter

2017 IIA Central NoDak Chapter Fall Seminar

IT Auditing for Non-IT Auditors & Continuous Auditing & Data Analytics with Root Cause Analysis

Seminar Instructor:

Raven Catlin, CIA, CFSA, CPA, CRMA
Raven Global Training

November 1 & 2, 2017

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

3. General and Application Risk Assessments [Case Study: Business & IT Risk Assessment]
 - Understand the IT risks and continue to build on identified control frameworks
 - Explore General and Application controls and their importance in core business processes, including the initiation, authorization, processing, summarization and reporting of critical business functions and data
 - Explore the relationship between general and application controls
4. Define General Controls and Controls Objectives
 - Types of General Control audits (security management, change management, disaster recovery/business continuity planning, IT governance, IT infrastructure)
 - Global Technology Audit Guide (GTAG)
 - Guide to the Assessment of IT General Controls (GAIT)
5. Defining Application Controls and Application Control Objectives
 - Input Controls
 - Processing Controls
 - Output Controls
6. Types of Application Controls
 - Embedded and configurable controls
 - Input, processing, and output controls
 - Integrity controls
 - Preventive and detective controls
 - Balancing and file version controls
 - Application recoverability controls
7. Planning IT General and Application Control Audits [Case Study: Identify IT Controls & Defining Tests]
8. Communicating Audit Results to Business Process Owners and IT
 - Selling the audit results
 - Monitoring remediation activities

MEMORANDUM

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

FROM: Sara Sauter, Supervisor of Audit Services

DATE: February 22, 2018

SUBJECT: Executive Limitations Final Audit Report

Audit Services has completed the annual review of the Executive Director/CIO's level of compliance with State Investment Board (SIB) Governance Manual Executive Limitation policies for the calendar year beginning January 1, 2017 and ending December 31, 2017.

The policies reviewed during the course of the audit were:

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

Audit Services is sufficiently satisfied that the Executive Director/CIO was in compliance with SIB Governance Manual Executive Limitation policies A-1 through A-11 during calendar year 2017.

**RETIREMENT AND INVESTMENT OFFICE
AUDIT SERVICES
EXECUTIVE LIMITATIONS AUDIT REPORT
January 1, 2017 – December 31, 2017**

Executive Limitations – General Executive Constraint (A-1)

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

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

The executive team indicated that frequent communication occurs regarding board and executive issues and processes. Executive team members believe they are well informed and not lacking pertinent or relevant information. The executive team continues to demonstrate great cohesiveness. There is still a consensus regarding the most important issues facing the organization. Executive team members overwhelmingly agree that the depth of knowledge and experience currently held by executive staff will insulate the organization from any risk associated with the sudden loss of executive services.

Executive Limitations – Staff Relations (A-2)

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

- RIO Administrative Manual and Employee Acknowledgements
- RIO Termination Checklist, Exit Interview, and Employee Termination Documents
- 2017 Employee Survey Results
- 2017 SIB Executive Review Committee Survey, Results, and Meeting Minutes

RIO maintains an Administrative Manual which includes personnel rules for staff, provides for the effective handling of grievances, and protects against wrongful conditions or violations of state and federal law. All staff members signed acknowledgements indicating that they reviewed and understood all policies contained within the Administrative Manual. Three employees ended their employment with RIO during the 2017 calendar list. A termination checklist was completed for each employee and an exit interview was offered to each of the employees with only one completing an exit interview. Staff and SIB survey responses were positive regarding staff relations.

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

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

- 2017 SIB Client Satisfaction Survey and Responses
- RIO Administrative Manual (Media Policy), Media Inquiry, and Open Records Request
- 2017 SIB Executive Review Committee Survey, Results, and Meeting Minutes

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

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

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

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

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

- RIO 2017-2019 Biennium Budget and Other Supporting Documentation
- Budget and Financial Condition Quarterly Monitoring Reports – SIB Meeting Materials
- 2017 Executive Review Committee Survey, Results, and Meeting Minutes

The 65th Legislative Assembly commenced in January 2017. The 2017-2019 budget was passed and signed by the governor on April 25, 2017. A review of the quarterly monitoring reports for fiscal year 2017 revealed that RIO operated well within budget and had not made any expenditure which exceeded the appropriation authorized by the legislature. This confirms that the budget planning process currently used by RIO is adequate and results in the development of credible expense projections. During calendar year 2017 RIO did not reduce the level of service of any programs nor request the assistance of the Emergency Commission. Continuing appropriations are reviewed by third parties, one of the largest expenditures is related to investment management fees and consulting expenses. Fees have continued to trend downward as a percentage of investments since FY 2013. SIB members surveyed indicated they are satisfied with the Executive Director/CIO's budgeting actions and RIO's overall financial condition.

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

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

- 2017 SIB Executive Review Committee Survey, Results, and Meeting Minutes
- SIB Governance Manual Policy C-4 (Monitoring Executive Performance Policy)
- SIB Meeting Agendas, Materials, and Minutes – Calendar Year 2017

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

Executive Limitations – Asset Protection (A-7)

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

- State Fire and Tornado Fund Insurance Policy – FY 2017 and FY 2018
- OMB/Risk Management – Risk Management Fund Manual
- State Bonding Fund – Commercial Blanket Bond – CY 2016 and CY 2017
- RIO Financial Audit - Fiscal Year Ended June 30, 2017
- 2017 SIB Executive Review Committee Survey, Results, and Meeting Minutes
- 2017 SIB Meeting Agendas, Materials, and Minutes – Nov 17, 2017

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

RIO has obtained adequate insurance to protect against theft and casualty losses as well as to protect against liability losses to board members, staff, and the organization. All RIO personnel who have access to funds are properly bonded. External auditors confirmed that funds are received, processed, and distributed under controls which are sufficient to meet State Auditor standards. The financial audit for the fiscal year ended June 30, 2017 received a clean unmodified opinion. Information on actual versus target asset allocation, excess returns for the 1, 3, and 5 year time periods, and current level of risk assumed indicates that the investment process undertaken by RIO is in compliance with the SIB policy on investment.

Executive Limitations – Compensation and Benefits (A-8)

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

- OMB ND Salary Ranges – 2016/17 and 2017/18
- Agency Position Number Listing Report – Business Unit 190
- SIB Executive Review Committee – Executive Director/CIO Performance Review
- ND Administrative Code, Chapter 04-07-02
- SIB Meeting Agenda, Materials, and Minutes – May 26, 2017

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

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

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

- 2017 Executive Limitation/CIO Effectiveness Survey and Results
- 2017 Executive Review Committee Survey and Results
- SIB Governance Manual Policy A-9 and Conflict of Interest Statement
- SIB Meeting Agenda, Materials, and Minutes – Feb 24, 2017 and July 27, 2017
- SIB Audit Committee Agenda, Materials, and Minutes – Feb 24, 2017

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

			% Favorable	% Neutral	% Unfavorable	% Skipped	
Category:	How I feel about my job	RIO Average	85%	7%	5%	3%	
	My Job	Cabinet Level Agency Category Average	74%	13%	10%	3%	100%
My Team	How I feel about my teammates	RIO Average	72%	10%	18%	0%	
		Cabinet Level Agency Category Average	72%	15%	10%	3%	100%
My Supervisor	How I feel about my immediate supervisor	RIO Average	83%	7%	10%	0%	
		Cabinet Level Agency Category Average	78%	12%	7%	3%	100%
May Leadership	How I feel about my agency's senior leadership	RIO Average	65%	15%	15%	5%	
		Cabinet Level Agency Category Average	54%	26%	16%	4%	100%
My Workplace	How I feel about the workplace culture	RIO Average	73%	9%	18%	0%	
		Cabinet Level Agency Category Average	65%	19%	12%	4%	100%
Overall	Overall, how I feel	RIO Average	68%	8%	16%	18%	
		Cabinet Level Agency Category Average	71%	15%	8%	6%	100%

**RIO Employee Survey
Summary of Results
January 4, 2017**

- **RIO employees gave a favorable response on over 79% of the survey questions which is generally consistent with the favorable response rate (of 79.9%) for participating Non-Cabinet Level (NCL) agencies in aggregate.** NCL participating agencies include the Treasurer, Attorney General, Career and Technical Education, Veterans, Insurance, Aeronautics Commission, and Water Commission. Cabinet Level agencies also performed well and received favorable responses on 76% of their survey questions.
- **RIO received “overwhelming positive responses” (defined as a favorable response rate of 90% or higher) on 30% of the survey questions including:**
 1. I understand how my job contributes to our agency’s success;
 2. Processes and procedures allow me to meet my customers’ needs;
 3. I have passion and excitement about my work;
 4. I have the authority I need to do my job effectively;
 5. The work I do is important;
 6. The physical layout of where I work allows me to be productive;
 7. I feel physically safe and secure to do my job where I work;
 8. I understand what to do if an emergency were to occur at work;
 9. My immediate supervisor believes customer service is important in our team;
 10. I understand my immediate supervisor’s expectations of me;
 11. My immediate supervisor holds me accountable for achieving results;
 12. I have a clear understanding of RIO’s mission, vision and values;
 13. I enjoy my work;
 14. I am an important part of my employing agency; and
 15. My work gives me a feeling of personal accomplishment.
- **RIO received “materially positive responses” (defined as a favorable response rate of 70% or higher) on over 75% of the survey questions. Favorable responses outnumbered neutral and unfavorable responses for every one of the 50 survey questions for RIO.**
- **RIO’s participation rate of 73% (11 of 15) was slightly below all NCL agencies (of 77%) in aggregate and compared favorably to the 61% participation rate reported for Cabinet Level agencies.**
- **Although survey responses were generally positive and constructive, RIO received unfavorable responses (from 3 or 4 team members) on 9 questions (listed below). The Executive Director invites all RIO team members to promote and share constructive ideas to enhance our overall agency culture in 2018.**
 1. There is a climate of trust within my team (3 unfavorable);
 2. My teammates display a high degree of teamwork (4 unfavorable);
 3. My team has a climate in which diverse perspectives are valued (3 unfavorable);
 4. My teammates develop and value relationships with others (3 unfavorable);
 5. RIO’s senior leadership seeks input before making important decisions (3 unfavorable);
 6. RIO’s senior leadership are transparent in their decisions (3 unfavorable);
 7. RIO team members trust and support each other (4 unfavorable);
 8. Information and knowledge are shared openly (4 unfavorable); and
 9. I am satisfied with my opportunities for career growth & advancement (3 unfavorable).
- **Open ended responses focused on improving employee communication, compensation and teamwork, which was also cited in other NCL agency commentary.**

North Dakota Retirement & Investment Office - Team Member Survey (Dec. 2017)

Participation % = 73% (11 of 15 with 3 open positions)

Questions 1-2 confirms the respondent is a RIO team member.			
3 How long have you worked for the State of ND?	1-4 yrs. 1 Yes	5-10 yrs. 2 No	> 10 yrs. 5 Don't know
4 Do you supervise other team members?	2 Regular	5 Temp.	
5 Please select the status of your position?	8	0	1

Response Rate Color Code: Green = 90% to 100% Blue = 60% to 90% White = Less than 60%				RIO Agency			Non-Cabinet Agencies		
#	Favorable	Neutral	Unfavor.	Favorable	Neutral	Unfavor.	Favorable	Neutral	Unfavor.
6 Training and professional development are available.	64%	27%	9%	80%	11%	9%	80%	11%	9%
7 I feel free to try new things even if my efforts don't succeed.	82%	9%	9%	80%	13%	7%	80%	13%	7%
8 Tools & resources to deliver excellent customer service are present.	73%	27%	0%	80%	14%	6%	80%	14%	6%
9 I understand how my job contributes to our agency's success.	100%	0%	0%	95%	4%	1%	95%	4%	1%
10 Processes and procedure allow me to meet my customers needs.	91%	9%	0%	77%	15%	8%	77%	15%	8%
11 I have passion and excitement about my work.	90%	10%	0%	85%	10%	5%	85%	10%	5%
12 The amount of work I am expected to do is reasonable.	80%	10%	10%	76%	12%	12%	76%	12%	12%
13 I have the authority I need to do my job effectively.	90%	0%	10%	83%	10%	7%	83%	10%	7%
14 The work I do is important.	100%	0%	0%	95%	4%	1%	95%	4%	1%
15 The physical layout of where I work allows me to be productive.	91%	9%	0%	79%	11%	10%	79%	11%	10%
16 I feel physically safe and secure to do my job where I work.	100%	0%	0%	93%	4%	3%	93%	4%	3%
17 I understand what to do if an emergency were to occur at work.	91%	9%	0%	91%	6%	3%	91%	6%	3%
18 My teammates use technology to best support our customers.	82%	9%	9%	86%	11%	3%	86%	11%	3%
19 There is a climate of trust within my team.	55%	18%	27%	77%	13%	10%	77%	13%	10%
20 My teammates display a high degree of teamwork.	64%	0%	36%	77%	15%	8%	77%	15%	8%
21 My team has a climate in which diverse perspectives are valued.	64%	9%	27%	70%	21%	9%	70%	21%	9%
22 My teammates develop and value relationships with others.	73%	0%	27%	77%	16%	7%	77%	16%	7%
23 My teammates are committed to performing quality work.	73%	27%	0%	92%	7%	1%	92%	7%	1%
24 I receive the right amount of communication from my immediate supervisor.	82%	0%	18%	76%	14%	10%	76%	14%	10%
25 My immediate supervisor believes customer service is important in our team.	91%	9%	0%	91%	8%	1%	91%	8%	1%
26 I understand my immediate supervisor's expectations of me.	91%	9%	0%	87%	8%	5%	87%	8%	5%
27 My immediate supervisor holds me accountable for achieving results.	90%	10%	0%	89%	9%	2%	89%	9%	2%
28 I am comfortable giving my immediate supervisor feedback.	82%	9%	9%	86%	9%	5%	86%	9%	5%
29 My immediate supervisor recognizes me for a job well done.	82%	9%	9%	81%	15%	4%	81%	15%	4%
30 My immediate supervisor treats me with respect.	82%	9%	9%	89%	8%	3%	89%	8%	3%
31 I am comfortable raising ethical concerns to my immediate supervisor.	82%	9%	9%	81%	14%	5%	81%	14%	5%
32 My immediate supervisor encourages me to think creatively at work.	82%	0%	18%	76%	19%	6%	76%	19%	6%
33 I have confidence in my immediate supervisor within the agency where I work.	82%	9%	9%	85%	10%	5%	85%	10%	5%
34 My immediate supervisor is willing to take a risk on new ideas.	82%	9%	9%	73%	20%	7%	73%	20%	7%
35 My agency's senior leadership informs us about things we need to know.	70%	20%	10%	64%	21%	15%	64%	21%	15%
36 My agency's senior leadership seeks input from others before making important decision.	60%	10%	30%	56%	26%	18%	56%	26%	18%
37 My agency's senior leadership sets an example for others to follow.	70%	10%	20%	72%	19%	9%	72%	19%	9%
38 My agency's senior leadership is transparent in their decisions.	60%	10%	30%	50%	30%	19%	50%	30%	19%
39 My agency's senior leadership treats others with respect.	73%	9%	18%	84%	10%	6%	84%	10%	6%
40 I am confident my agency's senior leadership will respond to unethical behavior.	82%	9%	9%	81%	13%	6%	81%	13%	6%
41 I have confidence in my agency's senior leadership to make the appropriate decisions.	60%	30%	10%	76%	17%	7%	76%	17%	7%
42 The agency where I work values honesty and integrity.	73%	27%	0%	87%	10%	3%	87%	10%	3%
43 I am recognized/rewarded for delivering great customer service to our customers.	64%	18%	18%	65%	21%	14%	65%	21%	14%
44 The agency where I work has a clear sense of purpose and direction.	73%	27%	0%	83%	12%	5%	83%	12%	5%
45 I have a clear understanding of my agency's mission, vision and values.	91%	9%	0%	86%	11%	3%	86%	11%	3%
46 Team members of the agency where I work trust and support each other.	64%	0%	36%	72%	17%	11%	72%	17%	11%
47 Information and knowledge are shared openly.	64%	0%	36%	64%	23%	13%	64%	23%	13%
48 I enjoy my work	100%	0%	0%	89%	9%	2%	89%	9%	2%
49 I have a good work life balance.	89%	11%	0%	86%	11%	3%	86%	11%	3%
50 I am an important part of my employing agency.	100%	0%	0%	84%	13%	3%	84%	13%	3%
51 I would recommend working for my specific agency to a friend.	56%	22%	22%	77%	15%	8%	77%	15%	8%
52 I would recommend the State of North Dakota as a good place to work.	89%	11%	0%	77%	15%	8%	77%	15%	8%
53 My works gives me a feeling of personal accomplishment	100%	0%	0%	86%	10%	4%	86%	10%	4%
54 I am satisfied with my opportunities for career growth and advancement.	56%	11%	33%	59%	20%	21%	59%	20%	21%
55 Considering everything, I am satisfied working here.	89%	11%	0%	84%	11%	5%	84%	11%	5%

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Audit Services

DATE: February 22, 2018

SUBJECT: GASB 68 Schedules Audit

Mr. Ostroski, CliftonLarsonAllen (CLA) - external auditors of the Retirement and Investment Office (RIO), briefed the Audit Committee on the GASB 68 Census Data Audits at the November 2017 Audit Committee meeting. As anticipated, CLA concluded their audit of the GASB 68 schedules. The final audit report was issued in December 2017 and is included for your review. No action by the Audit Committee is required at this time. CLA will be in attendance at the May 24, 2018 Audit Committee meeting to present the results of the GASB 68 Schedules Audit as well as the audit scope and approach for the upcoming financial audit of RIO for fiscal year July 1, 2017 to June 30, 2018. At that time, the SIB Audit Committee will be called upon to approve the GASB 68 Schedules Audit report.

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

If after review of the enclosed information any member of the Audit Committee has any questions or concerns which they would like CLA to address during their presentation of the GASB 68 Schedules Audit report on May 24, 2018 please forward those to the Supervisor of Audit Services, Sara Sauter at sasauter@nd.gov.

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

**SCHEDULES OF EMPLOYER ALLOCATIONS AND
PENSION AMOUNTS BY EMPLOYER
June 30, 2017**

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
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INDEPENDENT AUDITORS' REPORT

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

Report on Schedules

We have audited the accompanying schedule of employer allocations of the North Dakota Retirement and Investment Office (RIO) - North Dakota Teachers' Fund for Retirement (TFFR), a department of the State of North Dakota, as of and for the year ended June 30, 2017, and the related notes.

We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense as of and for the year ended June 30, 2017 (specified column totals), included in the accompanying schedule of pension amounts by employer of TFFR, and the related notes.

Management's Responsibility for the Schedules

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for TFFR as of and for the year ended June 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the North Dakota Retirement and Investment Office (RIO), which includes TFFR, as of and for the year ended June 30, 2017, and our report thereon, dated November 2, 2017, expressed an unmodified opinion on those statements.

Restriction on Use

Our report is intended solely for the information and use of the management of RIO, Board of Trustees, TFFR employers and their auditors as of and for the year ended June 30, 2017 and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Audit Standards*, we have also issued our report dated December 4, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RIO's internal control over financial reporting.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
December 4, 2017

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Employer Allocations
As of and for the year ended June 30, 2017

Employer Name	Covered Employee Payroll	Employer's Proportionate Share Allocation
Alexander School	\$ 1,201,881	0.17806399%
Anamoose School	764,136	0.11321014%
Apple Creek Elem School	347,729	0.05151764%
Ashley School	949,234	0.14063328%
Bakker Elem School	38,000	0.00562987%
Barnes County North	1,620,792	0.24012753%
Beach School	2,091,332	0.30984007%
Belcourt School	8,420,198	1.24748965%
Belfield Public School	1,491,442	0.22096375%
Beulah School	3,433,116	0.50863139%
Billings Co. School Dist.	832,495	0.12333776%
Bismarck Public Schools	72,834,836	10.79080425%
Bismarck State College	-	0.00000000%
Blessed John Paul II Catholic Sch Network	-	0.00000000%
Bottineau School	3,637,965	0.53898062%
Bowbells School	627,466	0.09296183%
Bowman School	2,839,611	0.42070099%
Burke Central School	936,527	0.13875068%
Burleigh County Spec. Ed.	95,698	0.01417803%
Carrington School	2,885,459	0.42749362%
Cavalier School	2,253,966	0.33393501%
Center Stanton School	1,500,244	0.22226779%
Central Cass School	3,636,727	0.53879722%
Central Elementary School	61,534	0.00911657%
Central Valley School	1,271,348	0.18835583%
Dakota Prairie School	1,888,476	0.27978617%
Devils Lake School	10,420,476	1.54383974%
Dickinson School	19,316,437	2.86181591%
Divide School	2,486,864	0.36843994%
Drake School	451,320	0.06686508%
Drayton School	1,378,850	0.20428277%
Dunseith School	3,200,702	0.47419828%
E Central Ctr Exc Childn	799,793	0.11849291%
Earl Elem. School	31,900	0.00472613%
Edgeley School	1,312,346	0.19442995%
Edmore School	702,511	0.10408017%
Eight Mile School	1,535,542	0.22749741%
Elgin-New Leipzig School	1,192,662	0.17669820%
Ellendale School	1,711,875	0.25362188%
Emerado Elementary School	603,448	0.08940345%

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

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Employer Allocations
As of and for the year ended June 30, 2017

Employer Name	Covered Employee Payroll	Employer's Proportionate Share Allocation
Enderlin Area School District	2,114,503	0.31327299%
Fairmount School	1,006,771	0.14915754%
Fargo Public Schools	70,271,012	10.41096235%
Fessenden-Bowdon School	1,079,503	0.15993316%
Finley-Sharon School	1,002,340	0.14850105%
Flasher School	1,169,877	0.17332245%
Fordville Lankin School	590,953	0.08755230%
Fort Ransom Elem School	164,612	0.02438796%
Fort Totten School	1,555,507	0.23045523%
Fort Yates School	1,323,672	0.19610793%
Gackle-Streeter Pub Sch	794,101	0.11764958%
Garrison School	2,339,316	0.34658000%
Glen Ullin School	1,186,560	0.17579406%
Glenburn School	1,871,652	0.27729355%
Goodrich School	288,839	0.04279276%
Grafton School	4,498,285	0.66644086%
Grand Forks School	47,652,846	7.05998058%
Great North West Cooperative	138,068	0.02045539%
Grenora School	1,166,826	0.17287041%
Griggs County Central Sch	1,656,188	0.24537163%
Gst Educational Services	1,694,248	0.25101030%
Halliday School	393,566	0.05830853%
Hankinson School	1,473,729	0.21833944%
Harvey School	2,342,625	0.34707023%
Hatton Eielson Psd	1,156,380	0.17132285%
Hazelton - Moffit School	861,082	0.12757313%
Hazen School	2,921,799	0.43287744%
Hebron School	1,212,372	0.17961834%
Hettinger School	1,410,753	0.20900929%
Hillsboro School	2,583,852	0.38280913%
Hope School	627,976	0.09303746%
Horse Creek Elem. School	66,200	0.00980783%
James River Multidistrict Spec Ed Unit	1,437,415	0.21295939%
Jamestown School	13,476,470	1.99659878%
Kenmare School	1,819,242	0.26952871%
Kensal School	290,286	0.04300719%
Kidder County School District	2,078,879	0.30799522%
Killdeer School	2,730,627	0.40455446%
Kindred School	3,280,787	0.48606317%
Kulm School	1,004,899	0.14888031%

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

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Employer Allocations
As of and for the year ended June 30, 2017

Employer Name	Covered Employee Payroll	Employer's Proportionate Share Allocation
Lake Region Spec Ed	1,722,540	0.25520199%
Lakota School	1,186,104	0.17572653%
Lamoure School	1,569,670	0.23255360%
Langdon Area School	2,281,561	0.33802342%
Larimore School	2,156,303	0.31946590%
Leeds School	1,079,156	0.15988182%
Lewis And Clark School	2,768,029	0.41009581%
Lidgerwood School	1,202,124	0.17810005%
Linton School	1,631,180	0.24166663%
Lisbon School	3,518,035	0.52121244%
Litchville-Marion School	887,132	0.13143247%
Little Heart Elem. School	122,000	0.01807484%
Logan County	4,079	0.00060436%
Lone Tree Elem. School	228,328	0.03382781%
Lonetree Spec Ed Unit	160,160	0.02372844%
Maddock School	963,659	0.14277037%
Mandan Public Schools	20,136,230	2.98327186%
Mandaree School	1,473,602	0.21832065%
Manning Elem School	97,941	0.01451045%
Manvel Elem. School	842,992	0.12489308%
Maple Valley School	1,671,230	0.24760010%
Mapleton Elem. School	767,307	0.11367987%
Marmarth Elem. School	149,300	0.02211940%
Max School	1,215,541	0.18008787%
May-Port C-G School	2,808,491	0.41609039%
Mcclusky School	657,329	0.09738620%
Mckenzie County	43,618	0.00646214%
Mckenzie County School	7,056,286	1.04542009%
Medina School	1,097,831	0.16264852%
Menoken Elem School	185,750	0.02751969%
Midkota	1,018,578	0.15090690%
Midway School	1,450,343	0.21487472%
Milnor School	1,367,470	0.20259668%
Minnewaukan School	1,585,917	0.23496071%
Minot School	44,924,000	6.65569004%
Minto School	1,303,951	0.19318614%
Mohall Lansford Sherwood	2,161,019	0.32016457%
Montpelier School	778,861	0.11539178%
Morton County	31,237	0.00462788%
Mott-Regent School	1,484,346	0.21991248%

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

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Employer Allocations
As of and for the year ended June 30, 2017

Employer Name	Covered Employee Payroll	Employer's Proportionate Share Allocation
Mt Pleasant School	1,656,986	0.24548985%
Munich School	966,811	0.14323741%
N Central Area Career And Tech Center	144,895	0.02146687%
Napoleon School	1,504,427	0.22288748%
Naughton Rural School	86,834	0.01286487%
Nd Center For Distance Education	1,330,154	0.19706822%
Nd Dept Of Public Instruction	265,274	0.03930153%
Nd School For Blind	688,156	0.10195337%
Nd School For Deaf	950,056	0.14075498%
Nd United	317,751	0.04707627%
Nd Youth Correctional Cnt	1,173,553	0.17386713%
Nedrose School	2,580,732	0.38234696%
Nelson County	12,758	0.00189017%
Nesson School	1,624,756	0.24071483%
New England School	1,428,877	0.21169447%
New Public School	2,070,817	0.30680074%
New Rockford Sheyenne School	1,651,393	0.24466113%
New Salem-Almont	1,917,867	0.28414058%
New Town School	4,668,667	0.69168375%
Newburg United District	692,764	0.10263609%
North Border School	2,827,925	0.41896968%
North Sargent School	1,525,095	0.22594954%
North Star	1,656,069	0.24535402%
North Valley Area Career	584,649	0.08661828%
Northern Cass School Dist	3,183,231	0.47160979%
Northern Plains Spec Ed	312,745	0.04633453%
Northwood School	1,640,472	0.24304322%
Oakes School	2,022,326	0.29961664%
Oberon Elem School	358,397	0.05309815%
Oliver - Mercer Spec Ed	944,212	0.13988925%
Page School	759,037	0.11245473%
Park River Area School District	2,149,932	0.31852194%
Parshall School	1,615,290	0.23931234%
Peace Garden Spec Ed	565,551	0.08378891%
Pembina Spec Ed Coop	110,240	0.01633255%
Pingree - Buchanan School	851,842	0.12620413%
Pleasant Valley Elem	-	0.00000000%
Powers Lake School	1,118,064	0.16564610%
Richardton-Taylor	1,782,325	0.26405936%
Richland School	1,572,912	0.23303384%

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

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Employer Allocations
As of and for the year ended June 30, 2017

Employer Name	Covered Employee Payroll	Employer's Proportionate Share Allocation
Robinson School	-	0.00000000%
Rolette County	-	0.00000000%
Rolette School	1,311,428	0.19429381%
Roosevelt School	356,717	0.05284922%
Roughrider Area Career And Tech Center	138,350	0.02049717%
Roughrider Service Program	305,382	0.04524370%
Rugby School	3,325,507	0.49268855%
Rural Cass Spec Ed	978,935	0.14503356%
Sargent Central School	1,527,882	0.22636255%
Sawyer School	728,354	0.10790880%
Scranton School	1,125,630	0.16676702%
Se Region Career And Tech	1,501,414	0.22244110%
Selfridge School	911,512	0.13504457%
Sheyenne Valley Area Voc	726,972	0.10770411%
Sheyenne Valley Spec Ed	1,459,724	0.21626459%
Slope County	25,266	0.00374328%
Solen - Cannonball School	1,677,607	0.24854496%
Souris Valley Spec Ed	1,018,717	0.15092752%
South Cent. Prairie Sp Ed	103,305	0.01530509%
South East Education Cooperative	695,641	0.10306229%
South Heart School	1,649,046	0.24431350%
South Prairie Elem School	2,346,109	0.34758639%
South Valley Spec Ed	391,778	0.05804359%
Southwest Special Education Unit	66,836	0.00990205%
St. John'S School	2,616,553	0.38765400%
St. Thomas School	645,932	0.09569773%
Stanley School	3,648,889	0.54059907%
Starkweather School	523,468	0.07755416%
Sterling School	263,715	0.03907055%
Strasburg School District	883,357	0.13087322%
Surrey School	2,424,969	0.35926997%
Sweet Briar Elem School	101,975	0.01510807%
Tgu School District	2,674,610	0.39625538%
Thompson School	2,268,089	0.33602738%
Tioga School	3,098,207	0.45901317%
Turtle Lake-Mercer School	1,252,411	0.18555022%
Twin Buttes Elem. School	429,535	0.06363749%
Underwood School	1,534,803	0.22738788%
United School	3,362,454	0.49816247%
Upper Valley Spec Ed	2,579,370	0.38214516%

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

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Employer Allocations
As of and for the year ended June 30, 2017

Employer Name	Covered Employee Payroll	Employer's Proportionate Share Allocation
Valley - Edinburg School	1,703,521	0.25238414%
Valley City School	6,180,721	0.91570123%
Velva School	2,630,057	0.38965467%
Wahpeton School	6,723,363	0.99609612%
Ward County	28,762	0.00426119%
Warwick School	1,564,808	0.23183324%
Washburn School	1,649,938	0.24444569%
West Fargo School	58,724,231	8.70025548%
West River Student Services	713,428	0.10569747%
Westhope School	1,108,427	0.16421836%
White Shield School	1,394,346	0.20657853%
Williston School	19,030,364	2.81943282%
Wilmac Special Education	3,886,148	0.57575015%
Wilton School	1,373,628	0.20350914%
Wing School	726,757	0.10767223%
Wishek School	1,295,558	0.19194273%
Wolford School	538,733	0.07981571%
Wyndmere School	1,440,173	0.21336807%
Yellowstone Elem. School	536,378	0.07946680%
Zeeland School	398,922	0.05910207%
Grand Totals:	\$ 674,971,342	100%

Note: Columns may not foot due to rounding.

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Pension Amounts by Employer
As of and for the year ended June 30, 2017

Employer Name	Deferred Outflows of Resources						Deferred Inflows of Resources						Pension Expense	
	Net Pension Liability for the year ended June 30, 2017	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportionate Share of Contributions and Differences Between Employer Contributions and	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportionate Share of Contributions and Differences Between Employer Contributions and	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and	Total Employer Pension Expense
Alexander School	\$ 2,445,755	\$ 9,381	\$ 33,783	\$ 174,324	\$ 296,261	\$ 513,749	\$ 26,699	\$ -	\$ -	\$ 28,869	\$ 55,568	\$ 234,195	\$ 57,728	\$ 291,923
Anamoose School	1,554,970	5,964	21,479	110,832	69,654	207,929	16,975	-	-	23,042	40,017	148,897	10,972	159,869
Apple Creek Elem School	707,608	2,714	9,774	50,436	7,656	70,580	7,725	-	-	57,530	65,255	67,758	(11,443)	56,315
Ashley School	1,931,634	7,409	26,681	137,680	11,217	182,987	21,086	-	-	114,553	135,639	184,965	(18,108)	166,857
Bakker Elem School	77,328	297	1,068	5,512	3,348	10,225	844	-	-	3,592	4,436	7,405	(216)	7,189
Barnes County North	3,298,213	12,651	45,558	235,084	-	293,293	36,005	-	-	387,015	423,020	315,823	(82,990)	232,833
Beach School	4,255,733	16,324	58,784	303,333	-	378,441	46,457	-	-	382,798	429,255	407,511	(75,839)	331,672
Belcourt School	17,134,592	65,723	236,677	1,221,290	-	1,523,690	187,048	-	-	794,365	981,413	1,640,736	(159,388)	1,481,348
Beifield Public School	3,034,994	11,641	41,922	216,323	70,799	340,685	33,131	-	-	72,666	105,797	290,618	2,535	293,153
Beulah School	6,986,183	26,797	96,499	497,949	-	621,245	76,264	-	-	433,667	509,931	668,967	(82,655)	586,312
Billings Co. School Dist.	1,694,076	6,498	23,400	120,747	185,897	336,542	18,493	-	-	153,603	172,096	162,218	(3,546)	158,672
Bismarck Public Schools	148,214,475	568,507	2,047,258	10,564,175	2,369,002	15,548,942	1,617,968	-	-	1,080,312	2,698,280	14,192,391	256,915	14,449,306
Bismarck State College	-	-	-	-	-	-	-	-	-	35,718	35,718	-	(8,930)	(8,930)
Blessed John Paul II Cath. Schl Net	-	-	-	-	-	-	-	-	-	43,516	43,516	-	(8,788)	(8,788)
Bottineau School	7,403,038	28,396	102,257	527,661	-	658,314	80,815	-	-	633,884	714,699	708,884	(115,372)	593,512
Bow bells School	1,276,855	4,898	17,637	91,009	84,043	197,587	13,939	-	-	16,342	30,281	122,266	10,016	132,282
Bowman School	5,778,436	22,164	79,816	411,865	-	513,845	63,080	-	-	215,919	278,999	553,319	(42,775)	510,544
Burke Central School	1,905,776	7,310	26,324	135,837	213,967	383,438	20,804	-	-	235,796	256,600	182,489	(8,996)	173,493
Burleigh County Spec. Ed.	194,739	747	2,690	13,880	27,109	44,426	2,126	-	-	8,237	10,363	18,647	4,301	22,948
Carrington School	5,871,735	22,522	81,105	418,515	42,268	564,410	64,098	-	-	362,346	426,444	562,253	(51,909)	510,344
Cavalier School	4,586,683	17,593	63,355	326,922	57,193	465,063	50,070	-	-	147,836	197,906	439,201	(11,868)	427,333
Center Stanton School	3,052,905	11,710	42,169	217,600	19,501	290,980	33,327	-	-	70,233	103,560	292,333	(8,657)	283,676
Central Cass School	7,400,519	28,386	102,222	527,481	68,433	726,522	80,787	-	-	307,084	387,871	708,642	(54,934)	653,708
Central Elementary School	125,218	480	1,730	8,925	-	11,135	1,367	-	-	12,293	13,660	11,990	(2,283)	9,707
Central Valley School	2,587,116	9,923	35,735	184,400	-	230,058	28,242	-	-	161,890	190,132	247,731	(34,761)	212,970
Dakota Prairie School	3,842,935	14,740	53,082	273,910	30,099	371,831	41,951	-	-	78,081	120,032	367,983	(6,110)	361,873
Devils Lake School	21,205,036	81,336	292,901	1,511,416	-	1,885,653	231,483	-	-	1,384,833	1,616,316	2,030,505	(280,227)	1,750,278
Dickinson School	39,307,779	150,773	542,951	2,801,712	1,891,694	5,387,130	429,099	-	-	-	429,099	3,763,947	443,922	4,207,869
Divide School	5,060,617	19,411	69,901	360,702	103,850	553,864	55,244	-	-	85,464	140,708	484,583	(3,879)	480,704
Drake School	918,409	3,523	12,686	65,461	-	81,670	10,026	-	-	217,026	227,052	87,943	(42,009)	45,934
Drayton School	2,805,876	10,763	38,757	199,992	249,205	498,717	30,630	-	-	87,017	117,647	268,679	32,955	301,634
Dunseith School	6,513,235	24,983	89,966	464,239	524,265	1,103,453	71,101	-	-	-	71,101	623,680	97,574	721,254
E Central Cir Exc Childn	1,627,531	6,243	22,481	116,004	5,437	150,165	17,767	-	-	102,583	120,350	155,845	(18,992)	136,853
Earl Elem. School	64,915	249	897	4,627	-	5,773	709	-	-	4,292	5,001	6,216	(894)	5,322
Edgeley School	2,670,545	10,243	36,888	190,347	-	237,478	29,153	-	-	49,084	78,237	255,720	(9,309)	246,411
Edmore School	1,429,568	5,483	19,746	101,894	23,395	150,518	15,606	-	-	92,430	108,036	136,889	(9,993)	126,896
Eight Mile School	3,124,736	11,986	43,161	222,720	233,781	511,648	34,111	-	-	106,706	140,817	299,211	34,872	334,083
Elgin-New Leipzig School	2,426,995	9,309	33,524	172,987	146,808	362,628	26,494	-	-	34,295	60,789	232,399	19,855	252,254
Elendale School	3,483,562	13,362	48,118	248,295	-	309,775	38,028	-	-	339,802	377,830	333,571	(68,006)	265,565
Emerado Elementary School	1,227,979	4,710	16,962	87,526	20,470	129,668	13,405	-	-	34,615	48,020	117,586	(3,892)	113,694

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

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Pension Amounts by Employer
As of and for the year ended June 30, 2017

Employer Name	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense			
	Net Pension Liability for the year ended June 30, 2017	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Net	Total Employer Pension Expense
													Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	
Enderlin Area School District	4,302,885	16,505	59,435	306,694	52,255	434,889	46,972	-	-	25,357	72,329	412,026	5,599	417,625
Fairmount School	2,048,717	7,858	28,299	146,025	-	182,182	22,365	-	-	102,446	124,811	196,176	(21,047)	175,129
Fargo Public Schools	142,997,249	548,495	1,975,194	10,192,311	-	12,716,000	1,561,015	-	-	4,050,788	5,611,803	13,692,812	(819,446)	12,873,366
Fessenden-Bow don School	2,196,723	8,426	30,343	156,574	60,259	255,602	23,980	-	-	4,595	28,575	210,349	10,774	221,123
Finley-Sharon School	2,039,700	7,824	28,174	145,382	-	181,380	22,266	-	-	325,863	348,129	195,313	(65,769)	129,544
Flasher School	2,380,628	9,131	32,883	169,682	92,537	304,233	25,988	-	-	112,462	138,450	227,959	(12,420)	215,539
Fordville Lankin School	1,202,553	4,613	16,611	85,714	-	106,938	13,128	-	-	54,085	67,213	115,151	(10,294)	104,857
Fort Ransom Elem School	334,975	1,285	4,627	23,876	5,906	35,694	3,657	-	-	23,215	26,872	32,076	(3,029)	29,047
Fort Totten School	3,165,362	12,141	43,723	225,615	-	281,479	34,554	-	-	264,287	298,841	303,102	(55,189)	247,913
Fort Yates School	2,693,593	10,332	37,206	191,989	234,960	474,487	29,404	-	-	33,411	62,815	257,927	36,170	294,097
Gackle-Streeter Pub Sch	1,615,947	6,198	22,321	115,179	16,023	159,721	17,640	-	-	57,250	74,890	154,736	(9,308)	145,428
Garrison School	4,760,366	18,259	65,754	339,301	86,157	509,471	51,966	-	-	163,040	215,006	455,832	(8,499)	447,333
Glen Ulin School	2,414,577	9,262	33,352	172,102	63,412	278,128	26,358	-	-	42,892	69,250	231,210	8,669	239,879
Glenburn School	3,808,698	14,609	52,609	271,470	309,417	648,105	41,577	-	-	150,945	192,522	364,705	33,106	397,811
Goodrich School	587,770	2,255	8,119	41,894	-	52,268	6,416	-	-	41,295	47,711	56,282	(8,315)	47,967
Grafton School	9,153,737	35,111	126,439	652,444	65,909	879,903	99,926	-	-	314,865	414,791	876,523	(38,563)	837,960
Grand Forks School	96,970,651	371,951	1,339,437	6,911,707	640,852	9,263,947	1,058,570	-	-	1,417,239	2,475,809	9,285,499	(223,631)	9,061,868
Great North West Cooperative	280,960	1,078	3,881	20,026	37,930	62,915	3,067	-	-	72,991	76,058	26,904	(3,255)	23,649
Grenora School	2,374,420	9,108	32,797	169,240	78,357	289,502	25,920	-	-	56,205	82,125	227,364	9,158	236,522
Griggs County Central Sch	3,370,243	12,927	46,553	240,218	12,721	312,419	36,791	-	-	372,949	409,740	322,720	(75,820)	246,900
Gst Educational Services	3,447,691	13,224	47,622	245,739	176,932	483,517	37,636	-	-	118,241	155,877	330,136	3,915	334,051
Halliday School	800,883	3,072	11,062	57,084	4,748	75,966	8,743	-	-	137,719	146,462	76,689	(22,742)	53,947
Hankinson School	2,998,948	11,503	41,424	213,754	-	266,681	32,738	-	-	372,003	404,741	287,167	(82,519)	204,648
Harvey School	4,767,099	18,285	65,847	339,781	93,119	517,032	52,040	-	-	208,127	260,167	456,477	(22,206)	434,271
Hatton Eielson Psd	2,353,163	9,026	32,504	167,725	-	209,255	25,688	-	-	90,515	116,203	225,329	(17,871)	207,458
Hazleton - Moffit School	1,752,250	6,721	24,203	124,894	87,756	243,574	19,128	-	-	98,687	117,815	167,788	(6,957)	160,831
Hazen School	5,945,683	22,806	82,127	423,786	54,399	583,118	64,905	-	-	188,226	253,131	569,333	(20,329)	549,004
Hebron School	2,467,104	9,463	34,078	175,846	22,068	241,455	26,932	-	-	76,792	103,724	236,239	(13,846)	222,393
Hettinger School	2,870,796	11,012	39,654	204,620	-	255,286	31,339	-	-	444,378	475,717	274,895	(93,312)	181,583
Hillsboro School	5,257,982	20,168	72,628	374,769	141,571	609,136	57,398	-	-	11,557	68,955	503,482	29,025	532,507
Hope School	1,277,893	4,902	17,651	91,083	53,765	167,401	13,950	-	-	138,953	152,903	122,366	(14,983)	107,383
Horse Creek Elem. School	134,713	517	1,861	9,602	60,358	72,338	1,471	-	-	15,324	16,795	12,900	6,883	19,783
James River Multidtrct Spec Ed Unit	2,925,052	11,220	40,403	208,487	148,377	408,487	31,931	-	-	-	31,931	280,091	29,872	309,963
Jamestown n School	27,423,798	105,190	378,800	1,954,666	-	2,438,656	299,369	-	-	1,341,673	1,641,042	2,625,987	(289,585)	2,336,402
Kenmare School	3,702,446	14,200	51,136	263,868	33,705	362,909	40,413	-	-	187,525	227,938	354,492	(39,947)	314,545
Kensal School	590,715	2,266	8,159	42,104	33,139	85,668	6,448	-	-	274,154	280,602	56,564	(38,028)	18,536
Kidder County School District	4,230,394	16,227	58,434	301,527	-	376,188	46,181	-	-	507,280	553,461	405,085	(100,230)	304,855
Kildeer School	5,556,660	21,314	76,753	396,058	96,681	590,806	60,659	-	-	89,452	150,111	532,082	6,691	538,773
Kindred School	6,676,203	25,608	92,217	475,855	65,084	658,764	72,880	-	-	192,864	265,744	639,285	(30,426)	608,859
Kulm School	2,044,909	7,844	28,246	145,754	-	181,844	22,323	-	-	254,918	277,241	195,812	(47,704)	148,108

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

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Pension Amounts by Employer
As of and for the year ended June 30, 2017

Employer Name	Deferred Outflows of Resources						Deferred Inflows of Resources					Pension Expense		
	Net Pension Liability for the year ended June 30, 2017	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Net	Total Employer Pension Expense
													Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions	
Lake Region Spec Ed	3,505,265	13,445	48,418	249,842	-	311,705	38,265	-	-	267,259	305,524	335,649	(56,411)	279,238
Lakota School	2,413,649	9,258	33,339	172,036	15,388	230,021	26,348	-	-	152,545	178,893	231,121	(33,726)	197,395
Lamoure School	3,194,184	12,252	44,121	227,670	46,036	330,079	34,869	-	-	144,527	179,396	305,862	(14,924)	290,938
Langdon Area School	4,642,839	17,809	64,131	330,924	708,813	1,121,677	50,683	-	-	547,628	598,311	444,579	7,073	451,652
Larimore School	4,387,946	16,831	60,610	312,756	66,110	456,307	47,901	-	-	316,897	364,798	420,171	(61,668)	358,503
Leeds School	2,196,018	8,423	30,333	156,524	21,774	217,054	23,973	-	-	140,900	164,873	210,281	(21,314)	188,967
Lewis And Clark School	5,632,772	21,606	77,804	401,483	91,064	591,957	61,490	-	-	56,827	118,317	539,370	7,030	546,400
Lidgerw ood School	2,446,250	9,383	33,790	174,360	40,727	258,260	26,704	-	-	97,838	124,542	234,243	(14,835)	219,408
Linton School	3,319,353	12,732	45,850	236,591	-	295,173	36,235	-	-	259,685	295,920	317,847	(52,011)	265,836
Lisbon School	7,158,987	27,460	98,886	510,266	89,657	726,269	78,150	-	-	348,111	426,261	685,514	(56,405)	629,109
Litchville-Marion School	1,805,259	6,924	24,936	128,672	8,159	168,691	19,707	-	-	57,450	77,157	172,864	(12,709)	160,155
Little Heart Elem. School	248,263	952	3,429	17,695	28,688	50,764	2,710	-	-	8,479	11,189	23,773	3,337	27,110
Logan County	8,301	32	115	592	-	739	91	-	-	702	793	795	(142)	653
Lone Tree Elem. School	464,634	1,782	6,418	33,117	45,740	87,057	5,072	-	-	59,449	64,521	44,491	115	44,606
Lonetree Spec Ed Unit	325,916	1,250	4,502	23,230	7,099	36,081	3,558	-	-	8,464	12,022	31,208	(174)	31,034
Maddock School	1,960,988	7,522	27,087	139,772	-	174,381	21,407	-	-	145,447	166,854	187,776	(26,145)	161,631
Mandan Public Schools	40,976,007	157,172	565,994	2,920,617	1,170,231	4,814,014	447,310	-	-	-	447,310	3,923,689	270,408	4,194,097
Mandaree School	2,998,690	11,502	41,420	213,735	44,012	310,669	32,735	-	-	565,905	598,640	287,142	(99,400)	187,742
Manning Elem School	199,305	764	2,753	14,206	28,604	46,327	2,176	-	-	5,379	7,555	19,085	4,806	23,891
Manvel Elem. School	1,715,439	6,580	23,695	122,270	40,928	193,473	18,726	-	-	41,421	60,147	164,263	(2,608)	161,655
Maple Valley School	3,400,851	13,045	46,975	242,400	37,437	339,857	37,125	-	-	154,871	191,996	325,651	(28,006)	297,645
Mapleton Elem. School	1,561,422	5,989	21,568	111,292	117,712	256,561	17,045	-	-	50,474	67,519	149,515	10,670	160,185
Marmarth Elem. School	303,816	1,165	4,197	21,655	49,531	76,548	3,317	-	-	87,871	91,188	29,092	(7,268)	21,824
Max School	2,473,553	9,488	34,167	176,306	16,148	236,109	27,002	-	-	43,854	70,856	236,857	(5,828)	231,029
May-Port C-G School	5,715,109	21,921	78,942	407,352	54,334	562,549	62,388	-	-	91,110	153,498	547,255	(2,262)	544,993
Mcclusky School	1,337,625	5,131	18,476	95,341	55,328	174,276	14,602	-	-	297,248	311,850	128,085	(48,557)	79,528
McKenzie County	88,759	340	1,226	6,326	2,839	10,731	969	-	-	21,354	22,323	8,499	(4,141)	4,358
McKenzie County School	14,359,114	55,077	198,340	1,023,464	2,151,687	3,428,568	156,750	-	-	-	156,750	1,374,968	464,647	1,839,615
Medina School	2,234,019	8,569	30,858	159,233	122,679	321,339	24,387	-	-	59,644	84,031	213,920	8,501	222,421
Menoken Elem School	377,990	1,450	5,221	26,942	69,007	102,620	4,126	-	-	-	4,126	36,195	12,825	49,020
Midkota	2,072,745	7,950	28,630	147,738	7,647	191,965	22,627	-	-	168,221	190,848	198,477	(35,801)	162,676
Midwa ay School	2,951,360	11,321	40,767	210,362	63,850	326,300	32,218	-	-	192,094	224,312	282,610	(25,705)	256,905
Minor School	2,782,718	10,674	38,437	198,342	-	247,453	30,377	-	-	326,095	356,472	266,461	(63,494)	202,967
Minnewaukan School	3,227,246	12,379	44,577	230,026	1,448	288,430	35,230	-	-	395,472	430,702	309,027	(74,079)	234,948
Minot School	91,417,617	350,651	1,262,734	6,515,907	-	8,129,292	997,951	-	-	2,037,541	3,035,492	8,753,764	(429,649)	8,324,115
Minto School	2,653,461	10,178	36,652	189,129	157,585	393,544	28,966	-	-	48,622	77,588	254,084	17,009	271,093
Mohall Lansford Sherwood	4,397,543	16,868	60,742	313,440	-	391,050	48,005	-	-	518,632	566,637	421,090	(103,743)	317,347
Montpelier School	1,584,936	6,079	21,892	112,968	31,638	172,577	17,302	-	-	21,105	38,407	151,767	2,937	154,704
Morton County	63,565	244	878	4,531	1,697	7,350	694	-	-	776	1,470	6,087	270	6,357
Mott-Regent School	3,020,555	11,586	41,722	215,294	-	268,602	32,974	-	-	261,507	294,481	289,236	(48,199)	241,037

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

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Pension Amounts by Employer
As of and for the year ended June 30, 2017

Employer Name	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense			
	Net Pension Liability for the year ended June 30, 2017	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer Pension Expense
Mt Pleasant School	3,371,866	12,933	46,575	240,334	38,971	338,813	36,809	-	-	86,601	123,410	322,876	(5,006)	317,870
Munich School	1,967,403	7,546	27,175	140,229	113,560	288,510	21,477	-	-	9,088	30,565	188,390	22,950	211,340
N Ctrl Area Career And Tech Ctr	294,853	1,131	4,073	21,016	-	26,220	3,219	-	-	20,327	23,546	28,234	(3,888)	24,346
Napoleon School	3,061,417	11,743	42,287	218,206	-	272,236	33,420	-	-	147,863	181,283	293,148	(28,442)	264,706
Naughton Rural School	176,702	678	2,441	12,595	17,902	33,616	1,929	-	-	1,357	3,286	16,920	2,733	19,653
Nd Center For Distance Education	2,706,783	10,382	37,388	192,929	476,366	717,065	29,548	-	-	235,754	265,302	259,190	74,014	333,204
Nd Dept Of Public Instruction	539,817	2,071	7,456	38,476	196,581	244,584	5,893	-	-	3,610	9,503	51,691	34,684	86,375
Nd School For Blind	1,400,356	5,371	19,343	99,812	29,785	154,311	15,287	-	-	111,274	126,561	134,092	(15,046)	119,046
Nd School For Deaf	1,933,306	7,416	26,704	137,799	72,806	244,725	21,105	-	-	61,149	82,254	185,125	1,695	186,820
Nd United	646,605	2,480	8,931	46,088	-	57,499	7,059	-	-	29,954	37,013	61,916	(5,927)	55,989
Nd Youth Correctional Cnt	2,388,110	9,160	32,987	170,216	19,632	231,995	26,070	-	-	214,381	240,451	228,675	(36,384)	192,291
Nedrose School	5,251,634	20,144	72,540	374,317	1,319,099	1,786,100	57,329	-	-	-	57,329	502,874	263,648	766,522
Nelson County	25,962	100	359	1,850	447	2,756	283	-	-	-	283	2,486	102	2,588
Nesson School	3,306,280	12,682	45,669	235,659	147,342	441,352	36,093	-	-	103,139	139,232	316,595	14,291	330,886
New England School	2,907,678	11,153	40,163	207,248	182,613	441,177	31,741	-	-	-	31,741	278,427	40,228	318,655
New Public School	4,213,987	16,164	58,207	300,357	-	374,728	46,002	-	-	295,544	341,546	403,514	(62,224)	341,290
New Rockford Shyenenne School	3,360,484	12,890	46,418	239,523	3,734	302,565	36,684	-	-	342,996	379,680	321,786	(61,400)	260,386
New Salem-Almont	3,902,744	14,970	53,908	278,173	348,530	695,581	42,604	-	-	183,386	225,990	373,710	30,644	404,354
New Town School	9,500,454	36,441	131,228	677,157	525,723	1,370,549	103,711	-	-	184,231	287,942	909,723	69,061	978,784
Newburg United District	1,409,733	5,407	19,472	100,481	32,264	157,624	15,389	-	-	6,985	22,374	134,990	4,224	139,214
North Border School	5,754,656	22,073	79,488	410,170	257,467	769,198	62,820	-	-	553,429	616,249	551,042	(64,449)	486,593
North Sargent School	3,103,475	11,904	42,868	221,204	232,289	508,265	33,879	-	-	75,135	109,014	297,176	34,457	331,633
North Star	3,370,001	12,926	46,549	240,201	93,302	392,978	36,788	-	-	136,493	173,281	322,697	(2,652)	320,045
North Valley Area Career	1,189,724	4,563	16,433	84,799	80,138	185,933	12,988	-	-	158,049	171,037	113,923	(23,711)	90,212
Northern Cass School Dist	6,477,682	24,846	89,475	461,705	599,834	1,175,860	70,713	-	-	-	70,713	620,275	106,252	726,527
Northern Plains Spec Ed	636,417	2,441	8,791	45,361	123,319	179,912	6,947	-	-	12,812	19,759	60,941	23,514	84,455
Northwood School	3,338,261	12,805	46,111	237,939	180,347	477,202	36,442	-	-	-	36,442	319,658	33,902	353,560
Oakes School	4,115,312	15,785	56,844	293,324	-	365,953	44,924	-	-	240,460	285,384	394,065	(47,406)	346,659
Oberon Elem School	729,317	2,797	10,074	51,983	106,245	171,039	7,962	-	-	260,159	268,121	69,836	(36,415)	33,421
Oliver - Mercer Spec Ed	1,921,415	7,370	26,540	136,951	41,994	212,855	20,975	-	-	142,188	163,163	183,987	(13,232)	170,755
Page School	1,544,595	5,925	21,335	110,093	84,094	221,447	16,861	-	-	84,333	101,194	147,904	(3,531)	144,373
Park River Area School District	4,374,981	16,781	60,431	311,832	53,027	442,071	47,759	-	-	224,267	272,026	418,930	(41,841)	377,089
Parshall School	3,287,017	12,608	45,403	234,286	-	292,297	35,882	-	-	390,963	426,845	314,751	(76,494)	238,257
Peace Garden Spec Ed	1,150,862	4,414	15,897	82,029	61,300	163,640	12,563	-	-	-	12,563	110,202	13,874	124,076
Pembina Spec Ed Coop	224,332	860	3,099	15,990	188	20,137	2,449	-	-	84,009	86,458	21,481	(20,888)	593
Pingree - Buchanan School	1,733,446	6,649	23,944	123,554	13,019	167,166	18,923	-	-	44,217	63,140	165,987	(7,843)	158,144
Pleasant Valley Elem	-	-	-	-	-	-	-	-	-	19,011	19,011	-	(4,753)	(4,753)
Powers Lake School	2,275,192	8,727	31,427	162,167	92,093	294,414	24,837	-	-	83,850	108,687	217,863	5,750	223,613
Richardson-Taylor	3,626,923	13,912	50,098	258,514	63,746	386,270	39,593	-	-	96,577	136,170	347,299	(3,447)	343,852
Richland School	3,200,780	12,277	44,212	228,140	105,556	390,185	34,941	-	-	296,756	331,697	306,493	(43,233)	263,260

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

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Pension Amounts by Employer
As of and for the year ended June 30, 2017

Employer Name	Deferred Outflows of Resources						Deferred Inflows of Resources					Pension Expense		
	Net Pension Liability for the year ended June 30, 2017	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions		
												Proportionate Share of Contributions	Total Employer Pension Expense	
Robinson School	-	-	-	-	-	-	-	-	-	91,004	91,004	-	(20,228)	(20,228)
Rolette County	-	-	-	-	-	-	-	-	-	4,550	4,550	-	(1,137)	(1,137)
Rolette School	2,668,676	10,236	36,862	190,213	161,991	399,302	29,132	-	-	18,633	47,765	255,541	29,044	284,585
Roosevelt School	725,898	2,784	10,027	51,739	30,498	95,048	7,924	-	-	159,604	167,528	69,509	(22,780)	46,729
Roughrider Area Career & Tech Ctr	281,534	1,080	3,889	20,067	60,803	85,839	3,073	-	-	104,573	107,646	26,958	(11,279)	15,679
Roughrider Service Program	621,434	2,384	8,584	44,293	235,834	291,095	6,784	-	-	14,372	21,156	59,506	50,097	109,603
Rugby School	6,767,204	25,957	93,474	482,341	-	601,772	73,873	-	-	70,764	144,637	647,999	(13,564)	634,435
Rural Cass Spec Ed	1,992,073	7,641	27,516	141,988	-	177,145	21,746	-	-	264,550	286,296	190,753	(47,194)	143,559
Sargent Central School	3,109,148	11,926	42,946	221,608	62,026	338,506	33,941	-	-	51,829	85,770	297,719	(2,587)	295,132
Sawyer School	1,482,155	5,685	20,473	105,642	38,877	170,677	16,180	-	-	350,346	366,526	141,925	(50,936)	90,989
Scranton School	2,290,588	8,786	31,639	163,265	17,774	221,464	25,005	-	-	71,205	96,210	219,337	(9,771)	209,566
Se Region Career And Tech	3,055,286	11,719	42,202	217,769	50,650	322,340	33,353	-	-	-	33,353	292,561	9,583	302,144
Selfridge School	1,854,872	7,115	25,621	132,208	21,247	186,191	20,249	-	-	18,401	38,650	177,615	(521)	177,094
Sheyenne Valley Area Voc	1,479,344	5,674	20,434	105,442	13,462	145,012	16,149	-	-	93,036	109,185	141,656	(14,631)	127,025
Sheyenne Valley Spec Ed	2,970,450	11,394	41,030	211,723	40,579	304,726	32,427	-	-	404,114	436,541	284,438	(66,016)	218,422
Slope County	51,415	197	710	3,665	-	4,572	561	-	-	1,528	2,089	4,923	(313)	4,610
Solen - Cannonball School	3,413,829	13,094	47,155	243,325	115,719	419,293	37,267	-	-	309,328	346,595	326,894	(56,615)	270,279
Souris Valley Spec Ed	2,073,028	7,952	28,634	147,758	-	184,344	22,630	-	-	1,010,688	1,033,318	198,504	(175,275)	23,229
South Cent. Prairie Sp Ed	210,219	806	2,904	14,984	-	18,694	2,295	-	-	5,150	7,445	20,130	(1,105)	19,025
South East Education Cooperative	1,415,587	5,430	19,553	100,898	1,078,545	1,204,426	15,453	-	-	-	15,453	135,551	179,758	315,309
South Heart School	3,355,709	12,872	46,352	239,182	255,388	553,794	36,632	-	-	-	36,632	321,328	53,387	374,715
South Prairie Elem School	4,774,189	18,312	65,945	340,286	1,242,720	1,667,263	52,117	-	-	-	52,117	457,156	239,795	696,951
South Valley Spec Ed	797,244	3,058	11,012	56,825	35,978	106,873	8,703	-	-	483,339	492,042	76,341	(84,619)	(8,278)
Southwest Special Education Unit	136,007	522	1,879	9,694	1,610	13,705	1,485	-	-	4,408	5,893	13,023	(811)	12,212
St. John's School	5,324,528	20,423	73,547	379,512	66,385	539,867	58,125	-	-	94,793	152,918	509,854	(5,942)	503,912
St. Thomas School	1,314,433	5,042	18,156	93,688	477	117,363	14,349	-	-	122,997	137,346	125,865	(23,192)	102,673
Stanley School	7,425,267	28,481	102,564	529,245	571,126	1,231,416	81,057	-	-	49,865	130,922	711,012	96,521	807,533
Starkweather School	1,065,226	4,086	14,714	75,925	-	94,725	11,628	-	-	168,766	180,394	102,002	(31,011)	70,991
Sterling School	536,644	2,058	7,413	38,250	27,766	75,487	5,858	-	-	-	5,858	51,387	6,211	57,598
Strasburg School District	1,797,577	6,895	24,830	128,125	80,220	240,070	19,623	-	-	114,018	133,641	172,128	(14,600)	157,528
Surrey School	4,934,666	18,928	68,162	351,725	15,998	454,813	53,869	-	-	106,678	160,547	472,523	(14,996)	457,527
Sweet Briar Elem School	207,513	796	2,866	14,791	27,005	45,458	2,265	-	-	-	2,265	19,871	4,663	24,534
Tegu School District	5,442,670	20,876	75,179	387,933	-	483,988	59,414	-	-	313,004	372,418	521,167	(58,333)	462,834
Thompson School	4,615,423	17,703	63,752	328,970	241,750	50,384	50,384	-	-	68,372	118,756	441,953	26,008	467,961
Tioga School	6,304,664	24,183	87,085	449,373	427,388	988,029	68,824	-	-	63,499	132,323	603,708	90,182	693,890
Turtle Lake-Mercer School	2,548,580	9,776	35,203	181,653	90,876	317,508	27,821	-	-	224,616	252,437	244,041	(36,288)	207,753
Tw in Buttes Elem. School	874,077	3,353	12,073	62,301	19,462	97,189	9,542	-	-	112,999	122,541	83,698	(20,390)	63,308
Underwood School	3,123,231	11,980	43,141	222,612	-	277,733	34,094	-	-	163,859	197,953	299,067	(30,958)	268,109
United School	6,842,390	26,245	94,513	487,700	496,816	1,105,274	74,694	-	-	179,164	253,858	655,198	38,041	693,239
Upper Valley Spec Ed	5,248,862	20,133	72,502	374,119	197,321	664,075	57,299	-	-	46,007	103,306	502,609	31,010	533,619

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

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Schedule of Pension Amounts by Employer
As of and for the year ended June 30, 2017

Employer Name	Net Pension Liability for the year ended June 30, 2017	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense		
		Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer Pension Expense	
Valley - Edinburg School	3,466,561	13,297	47,883	247,084	226,982	535,246	37,842	-	-	147,231	185,073	331,943	17,183	349,126
Valley City School	12,577,392	48,243	173,729	896,470	118,558	1,237,000	137,300	-	-	730,835	868,135	1,204,358	(147,400)	1,056,958
Velva School	5,352,007	20,529	73,926	381,471	83,150	559,076	58,425	-	-	121,031	179,456	512,486	(15,289)	497,197
Wahpeton School	13,681,637	52,479	188,982	975,176	-	1,216,637	149,354	-	-	713,728	863,082	1,310,096	(133,754)	1,176,342
Ward County	58,529	224	808	4,172	-	5,204	639	-	-	2,041	2,680	5,604	(385)	5,219
Warwick School	3,184,289	12,214	43,984	226,964	179,198	462,360	34,761	-	-	551,467	586,228	304,914	(53,908)	251,006
Washburn School	3,357,525	12,878	46,377	239,312	87,162	385,729	36,652	-	-	122,072	158,724	321,502	(3,943)	317,559
West Fargo School	119,500,250	458,368	1,650,634	8,517,532	10,450,487	21,077,021	1,304,512	-	-	-	1,304,512	11,442,838	2,039,453	13,482,291
West River Student Services	1,451,782	5,569	20,053	103,478	68,133	197,233	15,848	-	-	35,717	51,565	139,017	10,136	149,153
Westhope School	2,255,581	8,652	31,156	160,769	71,770	272,347	24,623	-	-	66,410	91,033	215,985	4,707	220,692
White Shield School	2,837,409	10,883	39,193	202,240	-	252,316	30,974	-	-	252,550	283,524	271,698	(50,224)	221,474
Williston School	38,725,636	148,540	534,910	2,760,219	3,159,407	6,603,076	422,744	-	-	112,401	535,145	3,708,203	705,923	4,414,126
Wilmac Special Education	7,908,077	30,333	109,233	563,658	1,312,946	2,016,170	86,328	-	-	-	86,328	757,244	255,473	1,012,717
Wilton School	2,795,250	10,722	38,610	199,235	77,469	326,036	30,514	-	-	-	30,514	267,661	13,837	281,498
Wing School	1,478,906	5,673	20,428	105,411	65,269	196,781	16,144	-	-	54,238	70,382	141,614	(802)	140,812
Wishek School	2,636,383	10,112	36,416	187,912	76,599	311,039	28,780	-	-	34,704	63,484	252,449	6,969	259,418
Wolford School	1,096,289	4,205	15,143	78,139	27,837	125,324	11,968	-	-	27,622	39,590	104,976	1,337	106,313
Wyndmere School	2,930,665	11,241	40,481	208,887	-	260,609	31,992	-	-	170,719	202,711	280,628	(36,698)	243,930
Yellow stone Elem. School	1,091,497	4,187	15,077	77,798	52,163	149,225	11,915	-	-	56,627	68,542	104,517	156	104,673
Zeeland School	811,782	3,114	11,213	57,861	14,315	86,503	8,862	-	-	153,263	162,125	77,733	(29,688)	48,045
Total for all entities	\$ 1,373,525,753	\$ 5,268,440	\$ 18,972,249	\$ 97,899,797	\$ 42,488,385	\$ 164,628,871	\$ 14,993,953	\$ -	\$ -	\$ 42,488,385	\$ 57,482,338	\$ 131,523,017	\$ -	\$ 131,523,017

Note: Columns may not foot due to rounding.

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

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Notes to Schedules of Employer Allocations and Pension Amounts by Employer
As of and for the year ended June 30, 2017

Note 1 – Nature and Organization of the Pension Plan

North Dakota Teachers' Fund for Retirement

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

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially

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reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

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

Tier 2

A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all

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

Note 2 - Measurement Focus and Basis of Accounting

The schedules are presented in accordance with the standards issued by the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States of America for governmental entities. As prescribed by GASB they are reported using the economic resources measurement focus and the accrual basis of accounting.

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

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

Note 3 - Net Pension Liability

The net pension liability was measured as of July 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employers' proportions of the net pension liability are based on the Employers' shares of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. The components of the net pension liability were as follows:

Total pension liability	\$ 3,734,016,828
Plan fiduciary net position	<u>(2,360,491,075)</u>
Net pension liability (NPL)	<u>\$ 1,373,525,753</u>

Note 4 – Actuarial Assumptions

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2017, funding actuarial valuation for TFFR.

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 is summarized in the following table:

2017		Long-Term Expected
	Target	Real Rate of
<u>Asset Class</u>	<u>Allocation</u>	<u>Return</u>
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%

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 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer

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North Dakota Teachers' Fund for Retirement
Notes to Schedules of Employer Allocations and Pension Amounts by Employer
As of and for the year ended June 30, 2017

contributions will be made at rates equal to those based on the July 1, 2017 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, 2017. 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, 2017.

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, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

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

Note 5 - Additional Financial and Actuarial Information

Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer (including the disclosure of the net pension liability and the unmodified audit opinion on the financial statements) is located in the North Dakota Retirement and Investment Office's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. The supporting actuarial information is included in the June 30, 2017, GASB Statements No. 67 and 68 Accounting and Financial Reporting for Pensions actuarial valuation for the retirement plan. The additional financial and actuarial information is available at <http://www.nd.gov/rio/TFFR/> or by contacting RIO at: ND Retirement and Investment Office, 3442 East Century Avenue, P.O. Box 7100, Bismarck, ND 58503-7100 or by calling (701) 328-9885.

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

Governor 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 schedule of employer allocations and the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense as of and for the year ended June 30, 2017 (specified column totals), included in the schedule of pension amounts by employer of the North Dakota Retirement and Investment Office - North Dakota Teachers' Fund for Retirement (TFFR), and have issued our report thereon dated December 4, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our 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 schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

CliftonLarsonAllen LLP

Baltimore, Maryland
December 4, 2017



Member Newsletter Distribution

Thank you for your assistance as we continue our efforts to provide more member information electronically. Your help in forwarding the September 2017 Vested Interest Newsletter to all certified staff worked great. Please watch for the February 2018 Report Card Newsletter link in the coming weeks.

As TFFR rolls out Member Online Services in February, your help may again be requested to help market this long awaited member application. We greatly appreciate your cooperation in distributing newsletters and other TFFR related information to your staff. Thanks again.

Salary Verification-Pending Retiree Form

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

This form provides TFFR with salary detail for the current fiscal year and is used to estimate the teacher's final salary. Ninety percent of the salary

estimate is used to calculate the initial retirement benefit. Once the employer has reported all salary for the retiree, the retirement benefit is recalculated and corrected retroactively, if needed.

Tax Treatment of TFFR Contributions

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

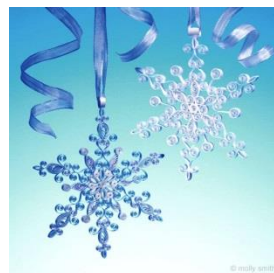
2017 Annual Financial Report Available

For a complete review of the financial, investment, and actuarial conditions of the State Investment Board (SIB) and the Teachers' Fund for Retirement (TFFR), please view the Retirement and Investment Office (RIO) [2017 Comprehensive Annual Financial Report](#) (CAFR).

GASB Statement 68 Update

The audited fiscal year 2017 Schedules of Employer Allocations and Pension Amounts by Employer, GASB 68 Disclosure Template, and Sample Journal Entries are now available. Employers and auditors can use this information to complete your 2018 financials. Please note the new instructions for the display of information on the Schedule of Employer Contributions (Page 8 of the Disclosure Template.)

All of the [GASB 68 information](#) can be found on our website.



TFFR Employer Audit Information Corner

The employer audit article is on hiatus for this quarter. Our new Supervisor of Audit Services, Sara Sauter, began her duties this month and looks forward to providing helpful employer reporting information in future newsletters.

Online Reporting

Thank you to all the school districts that are submitting their monthly reports using Employer Online Services!

We do have a few paper reporters left who don't have the software capabilities to submit through Employer Online. We are looking at other methods for submitting your TFFR monthly reports that would eliminate the need to mail the Employer Report of Contributions each month. Stay tuned.....

