

**ND STATE INVESTMENT BOARD  
AUDIT COMMITTEE MEETING**

Thursday, February 21, 2019 - 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 15, 2018 Minutes – Chair (committee action) (5 minutes)
3. Designation of Liaison – Chair (information) (5 minutes)
4. Legislative Update – Mr. Hunter (information) (15 minutes) (to follow)
5. 2018 - 2019 Second Quarter Audit Activities Report – Ms. Sauter (committee action) (15 minutes)
6. Executive Limitation Audit – Ms. Sauter (committee action) (15 minutes)
7. TFFR Employer Reports Process – Ms. Sauter (information) (10 minutes)
8. GASB 68 Schedule Audit Update – Ms. Sauter (information) (5 minutes)
9. Other - Next SIB Audit Committee Meeting

North Dakota Retirement and Investment Office  
Thursday May 23, 2019 - 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 15, 2018 MEETING**

**COMMITTEE MEMBERS PRESENT:** Yvonne Smith, PERS Board, Chair  
Rob Lech, TFFR Board, Vice Chair  
Jon Griffin, External Representative  
Cindy Ternes, Workforce Safety & Insurance  
Josh Wiens, External Representative

**STAFF PRESENT:** Connie Flanagan, Chief Financial Officer  
Bonnie Heit, Asst to the Audit Committee  
David Hunter, ED/CIO  
Fay Kopp, Dep ED/CRO  
Sara Sauter, Audit Svs Suprv  
Shelly Schumacher, Retirement Program Manager  
Dottie Thorsen, Internal Auditor

**GUEST:** Anders Odegaard, Attorney General's Office  
Tonia Wildasin, CliftonLarsonAllen

**CALL TO ORDER:**

Ms. Smith called the State Investment Board (SIB) Audit Committee meeting to order at 2:57 p.m. on Thursday, November 15, 2018, at the Retirement and Investment Office (RIO), 3442 E Century Ave., Bismarck, ND.

A quorum was present for conducting business.

**AGENDA:**

The agenda was revised to address Agenda Item 4. (Investment Due Diligence) before the CliftonLarsonAllen (CLA) presentation. CLA was delayed due to the weather.

**IT WAS MOVED BY DR. LECH AND SECONDED BY MR. WIENS AND CARRIED BY A VOICE VOTE TO APPROVE THE REVISED AGENDA FOR THE NOVEMBER 15, 2018, MEETING AS DISTRIBUTED.**

**AYES: DR. LECH, MR. WIENS, MR. GRIFFIN, AND MS. SMITH**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: MS. TERNES**

**MINUTES:**

**IT WAS MOVED BY DR. LECH AND SECONDED BY MR. GRIFFIN AND CARRIED BY A VOICE VOTE TO ACCEPT THE SEPTEMBER 27, 2018, MINUTES.**

**AYES: MR. GRIFFIN, DR. LECH, MR. WIENS, AND MS. SMITH**

**NAYS: NONE**

**MOTION CARRIED**

**ABSENT: MS. TERNES**

**INVESTMENT DUE DILIGENCE:**

Ms. Ternes entered the meeting.

Due to recent changes to RIO's audit plan which includes an increased focus on the investment program, Mr. Hunter provided an educational segment on 1) regular monitoring of SIB client "Investment Ends"; and 2) the investment manager due diligence process.

**CLIFTONLARSONALLEN:**

Ms. Tonia Wildasin, CLA, reviewed the results of the June 30, 2018, financial audit report of RIO. CLA issued an unmodified "clean" opinion that the financial statements were presented fairly, in all material respects, in conformity with US Generally Accepted Accounting Principles (GAAP).

Ms. Wildasin also provided an update on the GASB 68 Schedule Audit. The employer census testing is complete. Eleven separate employers were tested for individual employee census data. CLA expects to issue the final report on the schedules by the end of 2018.

**IT WAS MOVED BY MS. TERNES AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE RESULTS OF THE CLA JUNE 30, 2018, FINANCIAL AUDIT REPORT OF RIO.**

**AYES: MS. TERNES, MR. WIENS, DR. LECH, MR. GRIFFIN, AND MS. SMITH**

**NAYS: NONE**

**MOTION CARRIED**

**AUDIT ACTIVITIES REPORT:**

Ms. Sauter reviewed the Internal Audit Division's year end activities report for the period of July 1, 2018 through September 30, 2018.

One employer audit had been completed, two were in progress, and three were pending but not yet started.

As part of the Executive Limitation Audit, the SIB customer satisfaction survey was completed. The results were provided to the SIB at their October 26, 2018 meeting.

Internal Audit provided assistance to CLA during the FY2018 financial audit of RIO as well as the GASB 68 census data audits.

A formal agency risk assessment of RIO was completed.

Audit Services continued its participation with the Institute of Internal Auditors (IIA) Central NoDak Chapter as well as other entities for continuing education.

Discussion followed on the employer audits. In the revised work plan, which was approved by the Audit Committee at their September 27, 2018, meeting, the top ten employer audits will be completed on a 5-year cycle and this will entail 52 percent of the active membership. The next 50 employers will be audited on a 7-year cycle which will include 23 percent of the active membership for a total of 75 percent of active members being reviewed on a cycle. The remaining 25 percent of employers will be included in the salary verification audit sample on a 3-year cycle. Employer audits expected to be completed each year with the revised work plan is approximately 8-10 whereas past work plans included a completion total of approximately 25. Ms. Sauter stated the new approach provides sufficient coverage but at a different approach.

After discussion,

**IT WAS MOVED BY MR. WIENS AND SECONDED BY MR. GRIFFIN AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE FIRST QUARTER INTERNAL AUDIT ACTIVITIES REPORT FOR THE PERIOD OF JULY 1, 2018 - SEPTEMBER 30, 2018.**

**AYES: MR. GRIFFIN, MR. WIENS, DR. LECH, MS. TERNES, AND MS. SMITH**

**NAYS: NONE**

**MOTION CARRIED**

**EMPLOYER AUDIT REPORTS:**

Ms. Sauter and Ms. Thorsen met with RIO's legal counsel, Mr. Anders Odegaard, to review the current practices of RIO regarding the issuance of TFFR final Employer Audit Reports. Currently, TFFR final Employer Audit Reports are issued by Internal Audit Services to the Employer Superintendent and Business Manager. Mr. Odegaard, after reviewing the SIB Governance Manual and state statute, recommended the following:

"Audit Services should no longer be communicating its findings to entities that submit compliance reports for TFFR purposes. Audit Services should instead forward its findings to Retirement Services (the administrative unit of the TFFR Board). Retirement Services can then incorporate its conclusions pursuant to its delegated authority (subject to board review, appeal, and administrative remedies) and communicate directly with those respective entities aforementioned. The process will preserve the integrity of the internal audit as organized and designed under the SIB pursuant to the law."

Discussion followed on transitioning the current practice from Internal Audit Services to Retirement Services. Past practice, the reports were sent to the Employer Superintendent and Business Manager. The reports will continue to come before the Audit Committee as part of Internal Audit Services quarterly report to the Audit Committee. After discussion, it was concluded that Retirement Services and Internal Audit Services will coordinate the transitioning of the issuance of the TFFR final Employer Audit Reports from Internal Audit Services to Retirement Services as recommended by legal counsel. The Internal Audit Services division will no longer be issuing compliance opinions on TFFR final Employer Audit Reports and that the responsibility will now be overseen by Retirement Services per state statute. The Audit Committee did not take any action as they felt this was an administrative matter which should be managed internally by RIO personnel.

**AUDIT COMMITTEE CHARTER:**

Ms. Sauter updated and reviewed changes to the Audit Committee's charter as previously discussed by the Audit Committee at their September 28, 2018, meeting. The charter had previously been reviewed by Mr. Odegaard.

Ms. Sauter also referenced RIO's organizational chart which reflects the Supervisor of Audit Services reporting administratively to the Executive Director of RIO and functionally to the SIB Audit Committee.

After additional revisions, accepted by Mr. Odegaard as well,

**IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MS. TERNES AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE REVISED AUDIT COMMITTEE CHARTER.**

**AYES: DR. LECH, MS. TERNES, MR. WIENS, MR. GRIFFIN, AND MS. SMITH**

**NAYS: NONE**

**MOTION CARRIED**

**INTERNAL AUDIT SERVICES CHARTER:**

Ms. Sauter reviewed Internal Audit Division's charter. After review,

**IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. WIENS AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE INTERNAL AUDIT DIVISION'S CHARTER.**

**AYES: MR. GRIFFIN, DR. LECH, MS. TERNES, MR. WIENS, AND MS. SMITH**

**NAYS: NONE**

**MOTION CARRIED**

Ms. Ternes noted that she did volunteer as the liaison to the SIB. Ms. Ternes requested at the next Audit Committee meeting a new liaison be appointed as she will be retiring April 2019.

**OTHER:**

The next Audit Committee meeting is scheduled for Thursday, February 21, 2019, 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. Smith adjourned the meeting at 4:48 p.m.

Respectfully Submitted:

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Ms. Yvonne Smith, Chair  
SIB Audit Committee

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Bonnie Heit  
Recording Secretary

## SIB Legislative Update February 18, 2019

Bill No.	Description	Sponsor/Introducer
<b>HB 1013</b>	<b>Land Agency Budget &amp; Investments</b>	<b>House Appropriations Committee/Rep. Kempenich</b>

<https://www.legis.nd.gov/assembly/66-2019/bill-index/bi1013.html>

An amendment to HB 1013 (which is the Department of Trust Lands Budget bill) includes a proposal to change NDCC so as to require the SIB to supervise investment implementation oversight of the “Common schools trust fund and other investments under the control of the board of university and school lands”. Legacy Fund Advisory Board Chair Keith Kempenich indicated legislators are seeking to gain efficiencies and reduce fees by consolidating management of state funds. On February 13<sup>th</sup>, RIO believes the Land Board voted to unanimously oppose this legislative action.

On February 14<sup>th</sup>, the House Appropriations Committee, Representative Jeff Delzer (Chair), recommended DO PASS to amended HB 1013 (19-2). Sections 6 and 7 of this Act, relating to the transfer of investment oversight authority to the SIB, become effective on July 1, 2021, or earlier if the Land Commissioner notifies legislative council the Land Board approved (by a majority vote) transferring these investments to SIB. **HB 1013, as amended, passed by a vote of 67-26 on February 19<sup>th</sup>.**

<b>HB 1368</b>	<b>SIB Membership</b>	<b>Rep. Kempenich, Brandenburg, Kreidt and Pollert Senators Dotzenrod, Klein and Wardner</b>
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<https://www.legis.nd.gov/assembly/66-2019/bill-index/bi1368.html>

HB 1368 makes changes to SIB membership. HB 1368 adds one member from the Legacy and Budget Stabilization Fund Advisory Committee to serve as a non-voting member on the SIB.

HB 1368 was assigned to the House Government and Veterans Affairs Committee. Land Commissioner Jodi Smith attended the first committee hearing on January 28<sup>th</sup>. HB 1368 received a DO PASS recommendation from the Committee on January 28<sup>th</sup> (14-3). HB 1368 passed in the House on January 31<sup>st</sup> (91-0-3).

<b>HB 1504</b>	<b>Legacy Earnings Fund</b>	<b>Representatives Kempenich, Dockter and K.Koppelman Senators Dotzenrod and Klein</b>
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<https://www.legis.nd.gov/assembly/66-2019/bill-index/bi1504.html>

HB 1504 enacts a new section of NDCC 54-27 to create a new “legacy earnings fund “and declare an emergency. “Any legacy fund earnings transferred to the general fund ... in excess of 5% of the four-year average of legacy fund assets must be transferred by the state treasurer to the legacy earnings fund.”

HB 1504 was referred to the House Finance and Taxation Committee. RIO attended the first HB 1504 committee hearing on January 28<sup>th</sup> for informational purposes, but offered no testimony. State Treasurer Kelly Schmidt also attended and provided testimony. The Committee voted DO NOT PASS (10 Yeas, 2 Nays, 0 Absent and Non-Voting) on February 9<sup>th</sup>. HB 1504 failed (25 Yeas, 67 Nays, 2 Other) on February 14<sup>th</sup>.

<https://www.legis.nd.gov/assembly/66-2019/bill-index/bi2022.html>

SB 2022 contains the 2019-21 budget authority and continuing appropriations for RIO to administer the TFFR retirement program and SIB investment program which are special funds. RIO's budget request includes maintaining current staffing levels (19 FTE), adding one new investment professional, and seeks approval to spend up to \$9.13 million to upgrade or replace TFFR's outdated pension administration system.

SB 2022 was assigned to the Senate Appropriations Committee. The first Committee Hearing was held on January 8<sup>th</sup>. A sub-committee was appointed to review our budget details, with a particular focus on the TFFR pension software project. The sub-committee, consisting of Senators Poolman (Chair), Wanzek and Robinson, met with RIO on February 13<sup>th</sup>. Discussion focused on: 1) why the TFFR pension system upgrade project wasn't included in the Governor's Recommendation; 2) PERS system comparisons; 3) state procurement process; and 4) whether the project could be done for less than \$9 million. After a positive discussion, the sub-committee unanimously voted to substantially approve RIO's budget request.

The Senate Appropriations Committee, Senator Ray Holmberg (Chair), recommended DO PASS to amended SB 2022 (14-0) on February 15<sup>th</sup>. The amended budget includes a 2% pay raise on July 1, 2019, and 3% pay raise on July 1, 2020, along with increased ongoing funding for health insurance, operating expenses, contingencies and one investment FTE and up to \$9 million of "one-time" funding for the TFFR Pension Administration System project. **The Senate approved SB 2022 by a vote of 46-1 on February 18<sup>th</sup>.**

<https://www.legis.nd.gov/assembly/66-2019/bill-index/bi2276.html>

SB 2276 was originally assigned to the Education Committee on January 14<sup>th</sup>, but returned to the Senate floor and re-referred to the Finance and Taxation Committee on January 21<sup>st</sup>. RIO attended the first SB 2276 committee hearing on January 28<sup>th</sup> and offered informational testimony.

The Senate Finance and Taxation Committee amended SB 2276 *"to provide a statement of legislative intent relating to legacy fund investments ... that:*

- 1. The Bank of North Dakota and SIB collaborate to allow for the expansion of the investment of legacy fund assets in BND programs;*
- 2. The minimum investment be 5% of the principal amount in the Legacy Fund;*
- 3. The investment shall earn at least the respective U.S. Treasury Rate for the investment term, not to exceed 10 years; and*
- 4. The investment be used to support community infrastructure priorities or existing economic development programs, including the BND Match (Loan CD) Program."*

On February 6<sup>th</sup>, amended SB 2276 received a DO PASS recommendation (5 Yeas, 1 Nay and 0 Absent and Non-Voting) from the Committee. Amended SB 2276 passed in the Senate (31 Yeas, 16 Nays, 0 Excused or Absent and Non-Voting) on February 7<sup>th</sup> (and passed to the House on February 8<sup>th</sup>). RIO's Executive Director and Assistant Attorney General Anders Odegaard offered meaningful background information and support to Senators Wardner and Klein in their review of the proposed legislation, which appeared to be well-received, although not entirely consistent with the amended bill.

**SB 2293**      **Game and Fish - Special Fund****Senators Oehlke, Kruen and J.Roers**  
**Representatives Jones, Mock and Porter**<https://www.legis.nd.gov/assembly/66-2019/bill-index/bi2293.html>

SB 2293 creates “a special fund known as the aquatic species nuisance program fund.” “All moneys in the fund are appropriated to the game and fish department for use in aquatic nuisance species education, inspection, and monitoring programs under chapter 20.1-17.” “Investment of the \$15 million balance in this section may be made under the supervision of the state investment board.”

SB 2293 was referred to the Energy and Natural Resources Committee. RIO attended the first committee hearing on January 25<sup>th</sup> for informational purposes, but offered no testimony. The Senate Energy and Natural Resources Committee, with Senator Jessica Unruh as Chair, recommended DO PASS (6 Yeas, 0 Other) to amended SB 2293 on Friday, February 15<sup>th</sup>. **SB 2293, as amended, was passed on the Senate floor by the Senate (45-2) on February 18<sup>th</sup>.**

**SB 2017**      **Game and Fish Department Budget****Senators Oehlke, Kruen and J.Roers**  
**Representatives Jones, Mock and Porter**<https://www.legis.nd.gov/assembly/66-2019/bill-index/bi2293.html>

On February 13<sup>th</sup>, the Senate Appropriations Committee, with Senator Ray Holmberg as Chairman, recommended DO PASS (14 Yeas, 0 Other) to amended SB 2017, which allows for the “Investment of up to \$15 million of the game and fish fund may be made under the supervision of the state investment board.” **SB 2017, as amended, was approved by the Senate (44-1) on February 14<sup>th</sup>.**

**SCR 4005**      **Legacy Fund - Principal & Earnings****Senators Hogue, Bekkedahl, Kruen and G. Lee**  
**Representatives Louser and Sanford**<https://www.legis.nd.gov/assembly/66-2019/bill-index/bi4005.html>

SCR 4005 amends the Constitution of North Dakota relating to use of the principle and earnings of the legacy fund to create the North Dakota first fund, a political subdivision grant and revolving loan fund, for the purpose of financing infrastructure projects. A newly created North Dakota infrastructure board would administer the process to award grants and low-interest loans to selected political subdivisions for designated infrastructure projects. The ND infrastructure board would consist of two members from the house of representatives, two senators, nine city mayors, two county commissioners and one state water commission member. Initial funding would be obtained by transferring 15% of the Legacy Fund’s principal balance as of July 1, 2021. Subsequent funding would be derived from annual transfers of 15% of any increase in the Legacy Fund principal balance each fiscal year plus 25% of Legacy Fund earnings (to be defined) each fiscal year, to the North Dakota first fund on September 1<sup>st</sup> of each succeeding fiscal year.

NDRIO worked with Callan and the Treasurer’s Office to forecast the potential impact of SCR 4005 on the expected growth of the Legacy Fund and its projected earnings over the next two decades.

SCR 4005 was referred to the Finance and Taxation Committee. The first Committee hearing was held on Tuesday, January 15<sup>th</sup> and attended by the State Treasurer, RIO’s Executive Director and many others.



SCR 4005 received a DO NOT PASS recommendation from the Committee on January 29<sup>th</sup> (6-0). SCR 4005 was declared lost on January 31<sup>st</sup> with a DO NOT PASS vote (11-34-2).

Note: RIO will continue to monitor many Legacy Fund bills, including ones relating to spending or investing earnings or principal, but we do not generally intend to offer testimony unless requested by legislators or other interested parties.

**Legislative Links:**

<https://www.legis.nd.gov/assembly/66-2019/regular>

**RETIREMENT AND INVESTMENT OFFICE  
AUDIT SERVICES  
2018-2019 2<sup>nd</sup> Quarter Audit Activities Report  
September 1, 2018 – December 31, 2018**

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, 2018 through June 30, 2019 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, the concerns of management, and the SIB Audit Committee.

**Retirement Program Audit Activities**

• **TFFR Employer Salary, Service Hours, Eligibility Review**

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 review is completed.

Status of TFFR Employer Audits as of December 31, 2018:

- Three (3) employer audits had been completed.
- Three (3) employer audits were in progress.

**NOTE:** Procedures for the TFFR Employer Audit Program were changed in November 2018. Audit Services will now be issuing reports to Retirement Services, not the employers. Retirement Services will be responsible for issuing reports to the employers and giving a written response on how, if any, findings and recommendations are being addressed. Retirement Services and Audit Services worked together on creating the new procedures.

• **Cost Benefit Effective Benefit Payment Audit**

A review of TFFR benefit recipients is completed to determine that they received their retirement benefits in a cost effective and timely manner. For sample members, Audit Services reviewed their progression through the presumptive retirement process and benefit recalculation process to determine that procedures were completed in a timely manner. The benefit paid was recalculated for at least one retiree from each retirement option represented in the sample. Comment cards received from members who presentations were reviewed for a year. Lastly, the TFFR budget and investment cost per member was reviewed.

The substantive testing has been completed. Audit Services is now analyzing the data to complete the audit report.

• **Data Analytics**

Audit Services and RIO's Information Technology Division has been working with North Dakota Information Technology Department to develop data analytics to help streamline the TFFR Employer Salary, Service Hours, Eligibility Review process. Multiple meetings have been held, and the development of data analytics has started.

• **External Audit Support**

Audit Services provided support to our external audit partners, CliftonLarsonAllen (CLA), during the GASB 68 Census Data Audits. CLA GASB 68 Census Data Audit work concluded in October. Audit Services worked with the external audit partners on reconciling GASB 68 census testing data.

**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. The staff participated in the ND employee staff survey in October 2018. The Executive Limitations Audit was started in December 2018.

- **Investment Due Diligence**

An audit about the ongoing due diligence that is being performed on the investment managers that have been hired by the SIB was developed. Audit Services has not performed an investment due diligence audit so discussions with investment staff and research went into the development of this audit. This audit includes reviewing the procedures and documentation that is being done on the investment managers by RIO's staff. A sample of investment managers was selected and documentation pertaining to the ongoing investment due diligence was reviewed. This audit is currently in progress.

**Administrative Activities**

Audit staff attends monthly RIO staff meetings, and the Supervisor of Audit Services attends monthly RIO manager's meetings. The Supervisor of Audit Services attended two SIB meeting, one Securities Litigation meeting, one TFFR Board meeting, and audit staff were in attendance for the one SIB Audit Committee meeting. Internal auditing staff is participating in RIO's CAT (communication and teamwork) committee focused on improving communication and teamwork in the RIO office.

**Professional Development/CE/General Education**

Audit Services continued its participation with the Institute of Internal Auditors (IIA) Central NoDak Chapter by attending the November and December monthly meetings. Internal auditor staff also attended the fall IIA conference, topics covered fraud and selling audit ideas.

Audit staff also completed cybersecurity awareness training administered through RIO's Information Technology division. The Supervisor of Audit Services started pursuing a Master's in Business Administration with a concentration in Public Administration in September 2018 and completed the following courses: Organizational Behavior, Human Resource Management, and Project Management.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE  
INTERNAL AUDIT SERVICES

**TFFR EMPLOYER REVIEW OF SALARIES, SERVICE HOURS, AND ELIGIBILITY OF TEACHERS REPORTED**

JULY 1, 2018 TO JUNE 30, 2019

	EMPLOYER	FISCAL YEARS	TOTAL MEMBERS	REPORT DATE	EMPLOYER CONTRIB'S DR(CR)	MEMBER SALARY ADJUSTED	MEMBER SERVICE CREDIT ADJUSTED	STATUS
×	Reviews Pending - (3 )							
&	Reviews in Progress - (0)							
✓	Reviews Completed - (3)							
	Reviews Carried Over From 2017/18 - (6)							
	Review Notifications Sent 2017/18 - (0)							
1	✓ DT Alexander	6/30/2015, 16	23	10/25/2018	(790.21)	3	0	<b>Four findings noted.</b> (1) Did not actively monitor hours for two retired teachers who returned to teach; (2) reported ineligible mileage; (3) reported summer salary in the wrong fiscal year; and (4) no written agreements for summer salary.
2	✓ DT Garrison	6/30/2015, 16	44	10/29/2018	\$0.00	0	0	<b>One finding noted.</b> Summer agreement was not issued for one member.
3	✓ DT Lidgerwood	6/30/2015, 16	45	9/13/2018	\$0.00	0	0	<b>One finding noted.</b> The employer did not actively monitor the service hours for one retiree who had returned to covered employment to ensure that the maximum allowable hours were not exceeded. Actual service hours were not reported to TFFR for the retiree.
4	× DT New England	6/30/2016, 17	26					Audit information received and is pending.
5	× DT Warwick NIC Review	6/30/2017	31					Audit information received and is pending.
6	× DT Wilton	6/30/2016, 17	32					Audit information received and is pending.
	<b>Totals</b>		<u>201</u>		<u>(\$790.21)</u>	<u>3</u>	<u>0</u>	

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE  
 AUDIT SERVICES DIVISION  
 FISCAL YEAR 2018 -2019**

	FY 2018 1st QTR	FY 2018 2nd QTR	FY 2019 3rd QTR	FY 2019 4th QTR	FY 2019 TOTAL
<b>Audit Activities</b>					
<b>Retirement Program Audits:</b>					
TFFR Employer Audit Program					335
<i>Alexander Public School District</i>	88	28.50			117
<i>Garrison Public School District</i>	37	21.50			59
<i>Lidgerwood Public School District</i>	47	0.00			47
<i>Scranton Public School District</i>	27	1.50			29
<i>General Employer Audits</i>	8				8
<i>Audit Peer Reviews/TFFR Meeting(s)/Audit Planning/Audit Notifications</i>	6	70.00			76
TFFR Cost Effective Benefit Payment Audit	2	161.50			164
TFFR Data Analytics		20.00			20
TFFR File Maintenance Audit(s)					0
Annual Salary Verification Project					0
Audit Continuous Improvement Project - Employer Audit Program - Census Data Audit File	13				13
<b>Agency Administrative and Investment Audits:</b>					
Executive Limitations Audit	7	11.00			18
Investment Due Diligence		53.00			53
Risk Assessment	206	7.25			213
RIO External Auditor Assistance	23	4.00			27
<b>Administrative Activities</b>					
Administrative - Staff Mtgs, Time Reports, Email, Records Retention, General Reporting	180	221.00			401
Audit Committee/SIB/TFFR Attendance and Preparation	186	188.50			374
Professional Development/CE/General Education	1	34.25			35
Annual Leave, Sick Leave, and Holidays	209	218.25			427
<b>Quarterly Total:</b>	<b>1040</b>	<b>1040</b>	<b>0.00</b>	<b>0.00</b>	<b>2080</b>

Total Hours for 2018-2019 4,160

D. Thorsen Total Hours 2018-2019 2,080

S. Sauter Total Hours 2018-2019 2080

## **TFFR Benefit Payment Cost Efficiency Review**

DATE: February 21, 2019

FROM: Dottie Thorsen, Internal Auditor

TO: Audit Committee of the State Investment Board

These are the audit procedures completed for the Cost Efficiency Review for the five-year period starting 2014 and ending 2018. The Executive Director, Deputy Executive Director, Retirement Program Manager, and the Supervisor of Internal Audit Services reviewed the Presumptive Retirement Process, Recalculation of Benefits Process, and the Member Comment and Feedback Review.

The Financial Review was reviewed by the Executive Director, Deputy Executive Director, Chief Financial Officer, Retirement Program Manager, and the Supervisor of Internal Audit Services.

### 1) Presumptive Retirement Process:

- The procedures from the 2015 Audit were forwarded to all Retirement Services Staff for comment. Revisions were made to the documented process.
- Completed audit worksheet for Test 1, 2, 3
- Test 1 analysis: Assumptions 1, 2, 3 - (1-Notification of Retirement to desired date of retirement benefit, 2 – Notification of Retirement to Retirement Calculation Process/ initial payment of Benefit, and 3 – did TFFR meet the requested retirement date)
- Test 2 analysis (receipt of Notice of Termination to Enrollment Letter Packet mailed)
- Test 3 analysis (receipt of signed Enrollment Packet from member to the final Retirement Packet is mailed)
- Audit recommendation in report

### 2) Recalculation of Benefits:

- The procedures from 2015 were forwarded to all Retirement Services Staff for comment. There were no revisions made to the documented process.
- Completed audited worksheet – Test 1
- Test 1 assumption (actual retirement date to adjusted benefit payment)
- Audit recalculation of Retirement Benefit – Audit tested a sample of five of the twenty-five sample members. The sample of five included the following options represented in the sample of twenty-five: one single, two 100% Joint and Survivor, one 50% Joint and Survivor, and one 20 - Year Term Certain option (copies of reconciliations are attached). There were no exceptions noted.

### 3) Member Comment and Feedback Review:

- Reviewed Customer Comment cards for 2018
- Calculated weighted averages
- Customer/Audit recommendation in report

### 4) Financial Review:

- Reviewed audited TFFR Budget for the 5-year period
- Reviewed TFFR/SIB Committee Board Files – staff monitoring
- Reviewed membership numbers for the 5-year period
- Reviewed census data for the 5-year period
- Calculated the following for the 5-year period: staff to client ratios, increase of appropriated expenses, appropriated expense cost per member

- Calculated the following for the 5-year period for membership: growth of active teachers, growth of retired teachers, growth of total membership

Audit Services – North Dakota Retirement and Investment Office  
**TFFR Benefit Payment Cost Efficiency Review**  
**Final Audit Report**  
February 21, 2019

**Background**

Audit Services Division of the Retirement and Investment Office (RIO) conducted a review to verify retirement benefits are being paid at the Teachers' Fund for Retirement (TFFR) on a cost effective basis according to the *Ends* policy in the State Investment Board (SIB) Governance Manual. One of the missions of RIO is to ensure that TFFR benefit recipients receive their retirement benefits in a cost effective and timely manner. This review was conducted per the request of the Executive Director/CIO.

**Results Summary**

Audit Services found that benefits are being paid at TFFR on a cost effective basis according to the *Ends* policy in the SIB Governance Manual. RIO's overall mission of ensuring that TFFR benefit recipients receive their retirement benefits in a cost effective and timely manner is also being met. Audit Services made two recommendations to improve the Presumptive Retirement Process: one in Phase I and another in Phase III of the audit report.

**Scope**

Audit work commenced at the end of October 2018 and concluded in February 2019. Audit work encompassed three phases:

- Phase I – Identify and Document Key Retirement Process(es)
- Phase II – Sample Selection and Testing
- Phase III – Analysis of TFFR Financial Metrics and Member Feedback

**Observations, Conclusions and Recommendations**

**Observations, Conclusions and Recommendations Phase I**

The Presumptive Retirement Process and the Recalculation of Benefit Process have been identified as the two critical retirement processes. These processes are responsible for the initial processing of retirement benefits and the recalculation of retirement benefits following the close of the fiscal year. A review of both processes indicated efficiency in operations.

**Presumptive Retirement Process: Phase I and II**

Individual members are counseled to notify TFFR of their intent to retire from covered employment 120 calendar days (86 business days) prior to their desired retirement date, the date on which retirement benefit payments are to begin. Upon receipt of this notification, TFFR initiates the Presumptive Retirement Process which estimates final salary and service hours and issues the first retirement benefit payments based on these estimated amounts. The initial retirement benefit payment is to commence on the desired retirement date provided by the individual members.

Retirement Services recommends that prospective retirees notify TFFR of their intent to retire from covered employment at least 120 calendar days (86 business days) prior to their desired retirement date. The 120-day timeframe is a guideline, not a requirement, and is communicated to members verbally during phone and personal benefits counseling sessions, and is also



included in written communications including the Retirement Brochure, Member Handbook, Retirement Planning Checklist, and Retirement Benefit Estimate letter. The purpose of this request is to ensure that Retirement Services has adequate time to complete the Presumptive Retirement Process and pay the new retiree their first benefit on their retirement date. If delays occur, retirement benefits will be paid retroactively to the retirement date desired by the member. Therefore, even though members may be aware of the 120-day guideline, because benefits are paid retroactively, members often decide to delay beginning the retirement process for a number of reasons. Retirement Services staff has been very successful in paying benefits on or soon after the member's retirement date regardless of late notification.

Twenty-four of the twenty-five member accounts tested actually completed the presumptive process in less than the 120 days. The one member that did not meet the 120-day guideline did not return required documents in a timely manner. The average number of days to complete the process was 75 days.

For the 2019 Presumptive Retirement process, Retirement Services is revising procedures and retirement forms to encourage members to return information to TFFR in a timely manner.

After receiving the notice of retirement and all required documents, the Employer Services Coordinator (ESC) initiated the procedure to estimate 90% of final salary, investigate salary fluctuations over a five-year period, and review service hours. The ESC reviews contracts and the Salary Verification form received from the Employer. The ESC corresponds with the Employer to identify all salary reported to TFFR to determine eligibility. All salary greater than or equal to \$500.00 required written documentation. Once the ESC completes the salary reconciliation, the Retirement Program Manager (RPM) reviews all retiring members' salary reconciliations for accuracy.

For the twenty-five member accounts reviewed, the average timeframe to complete the salary reconciliation was 37 days which represents 50 percent of the time to complete the presumptive process.

**Finding #1:** Employers are not identifying salary in a timely manner.

**Audit Recommendation #1:** Internal Audit Services recommends Retirement Services send an electronic salary reconciliation form developed by audit to the employer. The employer would be identifying salary paid prior to the ESC reconciling salary.

**Management Response Recommendation #1:**

Retirement Services agrees with the recommendation that using an electronic salary worksheet completed by the employer may create some time savings during the presumptive retirement salary review process.

The RPM has visited with the ESC and she will begin to use an electronic salary reconciliation worksheet on a case by case basis for employers to reconcile presumptive fiscal year (PFY) salaries once she has determined the additional information is needed. During the retirement process, Retirement Services takes a look at the final salaries

reported in the last five years and reviews them for reasonability. ESC follows up with employers on large salary increases and other salary inconsistencies during this timeframe. ESC does not audit PFY salaries during the retirement process and will not require every employer to complete a salary reconciliation worksheet for every retiree. Many employers can quickly print and send the ESC a payroll summary showing FY totals by pay and deduct category for the employee in question. These documents will generally answer most questions for the ESC. However, on occasion providing some employers with a form to complete will be another helpful tool to get information from the employer.

TFFR's intent is to ensure that the initial retirement benefit payment is received by the member on their desired date of retirement. For the 25 member accounts tested:

- 20 of 25 members received initial retirement benefit payments on their desired date of retirement.
- The remaining 5 members received the initial retirement benefit payment after their desired date of retirement:
  - 4 members failed to notify TFFR of their intent to retire in a timely manner (April, May, and June) for June and July payments.
  - 1 account had processing delays caused by the member actions.

TFFR issues initial retirement benefit payments on the retirement date desired by the member a majority of the time despite not being notified by members 120 calendar days (86 business days) prior to their desired retirement date. Of the five exceptions noted during testing, member controlled delays contributed to the overall processing delays of initial retirement benefits. All five members were retroactively paid for the requested retirement date.

### **Recalculation of Benefit Process: Phase I and II**

The Presumptive Retirement Process utilizes 90% estimated final salary and 100% service hours when calculating initial retirement benefit amounts. Every member account which utilized estimated final salary and service hours must be recalculated once the employer has reported actual final salary, service hours, and last day worked to TFFR at the close of the fiscal year. The Recalculation of Benefit Process utilizes actual final salary and service hours to recalculate the retirement benefit amount owed the member. If the recalculated retirement benefit amount is different than the amount determined during the Presumptive Retirement Process, the member account is updated to reflect the new retirement benefit payment amount. Subsequent payments will reflect the updated amount. For the 25 member accounts tested:

- 19 of the accounts were recalculated and had an increase of retirement benefits
- 3 of the accounts were recalculated, but final average salary used to recalculate the benefit did not change
- 3 of the accounts were deferred retirements and are not recalculated
- TFFR required on average 21 days to complete the Recalculation of Benefit Process for each member account.

- Recalculated retirement benefit amounts were paid on the next available payment date on all 19 member accounts with no delays.

Audit Services also recalculated the benefit paid for 5 of the 25 sample members. Audit Services selected at least one member from each of the retirement options represented in the sample: 2 - 100% Joint and Survivor, 1 - single, 1 - 50% Joint and Survivor, and 1- 20-year Term Certain. All of the benefit amounts were calculated correctly. All required documents for the retirement process were found on FileNet in the member account.

At the time of this review, no additional performance metrics or benchmarks beyond those previously addressed are used by Retirement Services to monitor the effectiveness of the Presumptive Retirement Process and/or the Recalculation of Benefit Process. For the purposes of evaluating the overall efficiency of the processes under review, each process was segmented and key dates used to determine timeframes required to move from one point in the process to the next. It is anticipated that lengthy completion times may signify a point in the process where increased efficiency could be gained.

**Conclusion for the two processes:** All timeframes identified for both processes under review appeared reasonable and provided no indication that either process experienced a failure at any point except for Audit Recommendation #1. This review has provided insight into the Presumptive Retirement Process and the Recalculation of Benefit Process as well as provided a wide variety of data points. TFFR has the potential to leverage this new information to its advantage.

### **Observations, Conclusions and Recommendations Phase III**

Appropriated expenses have increased on average for the five-year period 2.11% per year. The expenses fluctuated over the five-year period due to the following expenses/cost savings. In 2018, salary/fringe benefits increased due to one staff member that retired under the Voluntary Separation Incentive Program and two staff members who resigned for new career opportunities with other state agencies. All three positions were filled by January 2018. New staff members came from other state agencies. Also in 2018, TFFR decreased expenses with cost saving initiatives in the member/employer outreach program areas by utilizing more electronic education material and correspondence instead of printed versions.

Over the five-year period, IT Contractual Services fluctuated from year to year due to the payment schedule for CPAS IT Services. The expenses were not unexpected; they were just paid every other year.

Total membership continues to increase at an average rate of 2.45% per year, with the largest increases in membership occurring in fiscal year 2016. Increases in total TFFR membership correlate to changing demographic conditions in North Dakota, which per the US Census Bureau has experienced a population increase of 13% since 2010. The population increase was 20,595 people from 2014 to 2018 (760,077-739,482). In 2018, 23.3% of North Dakota's population was under the age of 18 which will continue to place increased demands on the educational system

and by extension TFFR. The number of retirees, beneficiaries, and terminated members continues to increase at a faster rate than active members.

TFFR has controlled total appropriated expenses during the five-year period starting in 2014 and ending in 2018. The appropriated cost per member decreased even though current staffing levels were maintained all the while experiencing increases in membership. TFFR financial metrics for the last five fiscal years indicate efficiency in operations. Over the five-year period, cost per member decreased by .33% or \$.55 per person.

The administration of TFFR is conducted by the Retirement Services Division of RIO. Eight full time staff members are allocated at 100% to TFFR. An additional eight full time staff members have a portion of their time allocated to TFFR at varying percentages, which equates to approximately four full time staff members allocated at 100% to TFFR. Staff to member ratios for the last five fiscal years are as follows:

	<i><u>FY 2014</u></i>	<i><u>FY 2015</u></i>	<i><u>FY 2016</u></i>	<i><u>FY 2017</u></i>	<i><u>FY 2018</u></i>
Total	20,222	20,806	21,442	21,792	22,218
Staff (12.05): Active, Retirees, Beneficiaries, Terminated	1:1844	1:1808	1:1779	1:1727	1:1678

**Observations, Conclusions and Recommendations Phase III**

Member comments and feedback solicited throughout the most recent fiscal year overwhelmingly indicate that members receive excellent service from TFFR staff. TFFR member comments and feedback provide support to the opinion that TFFR is achieving efficiency in operations. There were two suggestions made by members to improve the Presumptive Benefit process. Please see the next page.

Members were asked to rate staff courtesy, promptness, and content/information on a scale of excellent, above average, average, and poor. Members were also given the opportunity to provide written comments. Member satisfaction results for the three previously noted categories are as follows:

***Staff Courtesy Survey Ratings:***

	Excellent	Above Average	Average	Poor
Totals	112	9	0	0
Weight	4.0	3.0	2.0	1.0
Percent	93%	7%	0%	0%
<b>Average</b>	<b>3.9</b>			

**Promptness Survey Ratings:**

	Excellent	Above Average	Average	Poor
Totals	110	10	1	0
Weight	4.0	3.0	2.0	1.0
Percent	91%	8%	1%	0%
<b>Average</b>	<b>3.9</b>			

**Content/Information Survey Ratings:**

	Excellent	Above Average	Average	Poor
Totals	111	9	1	0
Weight	4.0	3.0	2.0	1.0
Percent	92%	7%	1%	0%
<b>Average</b>	<b>3.9</b>			

**Finding #2:** Two of the comments provided by members gave suggestions for improvement with communication during the retirement process.

- When I sent in my final paperwork, it would have been comforting to receive a notification that it had been received.
- Consider confirming with the retiree that the papers are on the way. I just wasn't sure. It all came that last week when things are nuts! Thank you for the help!

**Audit Recommendation #2:** During the process, communication with the member occurs when they notify TFFR of their intent to retire and turn in the required documents. Communication then occurs when the retirement packet is sent to the member after the salary reconciliation (about 37 days). After the member returns the signed retirement documents, communication occurs in the final mailing – June 1 payments received notification at the end of May and July 1 payments received communication at the end of June (about 75 days).

Audit Services agrees with the member suggestions above and recommends that an email be sent after receiving the signed retirement documents. Confirmation that documents were received would help address member concerns about receiving their first benefit payment as scheduled.

**Management Response Recommendation #2:** The RPM plans to put the item on a future Retirement Division meeting to discuss the possibility of adding additional emails to pending retirees during the retirement process. Currently, an email is sent to the pending retiree once they submit their retirement request. They also get an estimated date of the first payment in their enrollment letter and a final letter/new retiree notice before the first payment is issued. It is important to note that when we implement a new pension software and Member Online is used to apply for retirement benefits – pending retirees will have easy access to monitor the process online.

**Distribution:**

David Hunter, Executive Director/CIO

Fay Kopp, Deputy Executive Director/Chief Retirement Officer

Connie Flanagan, Fiscal and Investment Operations Manager

Shelly Schumacher, Retirement Program Manager

**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 21, 2019**

**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, 2018 and ending December 31, 2018.

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 2018.

**RETIREMENT AND INVESTMENT OFFICE  
AUDIT SERVICES  
EXECUTIVE LIMITATIONS AUDIT REPORT  
January 1, 2018 – December 31, 2018**

**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
- 2018 Employee Survey Results
- 2018 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. Staff and SIB survey responses were generally 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:

- 2018 SIB Client Satisfaction Survey and Responses
- RIO Administrative Manual (Media Policy), Media Inquiry, and Open Records Request
- 2018 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 3.67 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 effectively promotes the SIB and provides necessary information to various stakeholders, constituencies,



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

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
- 2018 Executive Review Committee Survey, Results, and Meeting Minutes
- 2019-2021 Budget Guidelines

A review of the quarterly monitoring reports for fiscal year 2018 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. RIO submitted the 2019-2021 biennial budget that was within the governor's guideline. During calendar year 2018, 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:

- 2018 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 2018

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 2018 and FY 2019
- OMB/Risk Management – Risk Management Fund Manual
- State Bonding Fund – Commercial Blanket Bond – CY 2018
- RIO Financial Audit - Fiscal Year Ended June 30, 2018
- SIB Executive Review Committee Survey, Results, and Meeting Minutes
- SIB Meeting Agendas, Materials, and Minutes – Nov 16, 2018

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

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

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, 2018 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 – July 1, 2017 – June 30, 2019
- RIO Salaries & Pay Grades
- SIB Executive Review Committee – Executive Director/CIO Performance Review
- ND Administrative Code, Chapter 04-07-02
- SIB Meeting Agenda, Materials, and Minutes – May 25, 2018

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:

- 2018 Executive Limitation/CIO Effectiveness Survey and Results
- 2018 Executive Review Committee Survey and Results
- SIB Governance Manual Policy A-9 and Conflict of Interest Statement
- SIB Meeting Agenda, Materials, and Minutes – Feb 23, 2018 and July 27, 2018
- SIB Audit Committee Agenda, Materials, and Minutes – Feb 22, 2018

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

## MEMORANDUM

**TO:** State Investment Board (SIB) Audit Committee

**FROM:** Sara Sauter, Supervisor of Audit Services

**DATE:** February 21, 2019

**SUBJECT:** TFFR Employer Reporting Reviews

As discussed at the November 15, 2018 meeting, the SIB Audit Committee was advised by legal counsel to no longer have audit staff send reports to employers. Audit Services and Retirement Services have worked together on developing the new procedures to ensure that employers will still be communicated any findings or recommendations. An article was also put in the Briefly, an Employer Newsletter, to let employers know there was a change in who will be issuing the report.

Attached are the revised procedures that Audit and Retirement Services have established relating to the TFFR Employer Reporting Reviews.

**Committee Information only.** No Committee action is requested.

## **TFFR EMPLOYER REPORTING REVIEWS**

### **Audit Services**

- 1) Send audit notification and questionnaire to Employer for Audit Services to conduct review of TFFR employer reporting for selected members for two-year period.
- 2) Review Employer documentation and member eligibility, eligible salary, service credit of sample.
- 3) Complete schedules, member account changes to salaries/contributions, service hours, payroll reconciliations, and related reports.
- 4) Provide draft Audit Services report, including findings and recommendations, to Retirement Services (CRO and RPM) for initial review and discussion.
- 5) Issue final Audit Services report on TFFR Employer Reporting Review to Retirement Services. Request response from Retirement Services.
- 6) Audit Services report and Retirement Services response will be reported to SIB Audit Committee on a quarterly basis.

*Note: Effective December 1, 2018, Audit Services will no longer issue audit report, invoices, or refunds to employers resulting from review of TFFR reporting.*

### **Retirement Services**

- 1) Review Audit Services report on TFFR Employer Reporting Review. Determine if additional years will be reviewed by Retirement Services.
- 2) Provide written response to findings and recommendations included in Audit Services report.
- 3) Contact Employer/Business Manager to discuss findings, recommendations, and future actions.
- 4) Make account corrections, prepare and send invoice or refund to Employer/Business Manager, and prepare and send account correction letter to members.
- 5) Prepare TFFR Employer Reporting Review report.
- 6) Issue TFFR Employer Reporting Review report and cover letter to Employer (Superintendent and Governing Body President).
- 7) Request Employer to provide written acknowledgement that Employer has accepted report and will comply with findings and recommendations OR has the right to appeal to TFFR Board.
- 8) Monitor receipt of Employer acknowledgement, and follow up with Employer as needed.
- 9) TFFR Employer Reporting Review reports will be presented for acceptance by TFFR Board on a quarterly basis.

### **Employer (Superintendent and Governing Body/School Board President)**

- 1) Review TFFR Employer Reporting Review report from Retirement Services.
- 2) Add TFFR Employer Reporting Review report to Governing Body / School Board Meeting agenda.
- 3) Employer to Accept or reject TFFR Employer Reporting Review report.
- 4) If accepted, Supt and Governing Body President sign acknowledgement letter and provide explanation of how Employer will comply with findings and recommendations.
- 5) If rejected, Employer files appeal with TFFR Board.
- 6) Follow up with TFFR office and Employer staff as needed.

1.10.19

# MEMORANDUM

**TO:** State Investment Board (SIB) Audit Committee

**FROM:** Sara Sauter, Supervisor of Audit Services

**DATE:** February 21, 2019

**SUBJECT:** GASB 68 Schedules Audit

Ms. Wildasin, 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 2018 Audit Committee meeting. As anticipated, CLA concluded their audit of the GASB 68 schedules. The final audit report was issued in December 2018 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 23, 2019 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, 2018 to June 30, 2019. 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 23, 2019 please forward those to the Supervisor of Audit Services, Sara Sauter at [sasauter@nd.gov](mailto: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, 2018**

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 - North Dakota Teachers' Fund for Retirement (TFFR), a department of the State of North Dakota, as of and for the year ended June 30, 2018, 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, 2018 (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



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

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 of TFFR as of and for the year ended June 30, 2018, 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, 2018, and our report thereon, dated October 31, 2018, 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, 2018 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 November 30, 2018, on our consideration of RIO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RIO's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RIO's internal control over financial reporting.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
November 30, 2018

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, 2018

<b>Employer Name</b>	<b>Covered Payroll</b>	<b>Employer's Proportionate Share Allocation</b>
Alexander School	\$ 1,227,517	0.18056775%
Anamoose School	772,592	0.11364838%
Apple Creek Elem School	302,602	0.04451281%
Ashley School	947,234	0.13933825%
Bakker Elem School	41,000	0.00603110%
Barnes County North	1,558,787	0.22929762%
Beach School	2,077,459	0.30559440%
Belcourt School	8,601,906	1.26534089%
Belfield Public School	1,553,219	0.22847865%
Beulah School	3,607,812	0.53070940%
Billings Co. School Dist.	852,837	0.12545235%
Bismarck Public Schools	72,783,129	10.70640246%
Bismarck State College	-	0.00000000%
Blessed John Paul II Catholic Sch Network	-	0.00000000%
Bottineau School	3,784,276	0.55666726%
Bowbells School	606,611	0.08923249%
Bowman School	2,887,045	0.42468449%
Burke Central School	1,041,812	0.15325054%
Burleigh County Spec. Ed.	103,526	0.01522871%
Carrington School	2,938,966	0.43232212%
Cavalier School	2,227,101	0.32760664%
Center Stanton School	1,571,704	0.23119771%
Central Cass School	3,662,940	0.53881875%
Central Elementary School	63,927	0.00940373%
Central Valley School	1,296,725	0.19074831%
Dakota Prairie School	2,026,079	0.29803638%
Devils Lake School	10,218,902	1.50320100%
Dickinson School	20,081,355	2.95396851%
Divide School	2,550,985	0.37525002%
Drake School	465,956	0.06854222%
Drayton School	1,354,524	0.19925057%
Dunseith School	3,287,960	0.48365916%
E Central Ctr Exc Childn	796,018	0.11709433%
Earl Elem. School	33,500	0.00492785%
Edgeley School	1,229,717	0.18089141%
Edmore School	742,367	0.10920229%
Eight Mile School	1,698,568	0.24985946%
Elgin-New Leipzig School	1,192,791	0.17545961%
Ellendale School	1,613,451	0.23733870%
Emerado Elementary School	625,595	0.09202512%

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, 2018

<b>Employer Name</b>	<b>Covered Payroll</b>	<b>Employer's Proportionate Share Allocation</b>
Enderlin Area School District	2,023,274	0.29762369%
Fairmount School	1,030,231	0.15154704%
Fargo Public Schools	70,836,581	10.42006522%
Fessenden-Bowdon School	1,075,610	0.15822226%
Finley-Sharon School	1,022,471	0.15040548%
Flasher School	1,172,590	0.17248808%
Fordville Lankin School	579,430	0.08523418%
Fort Ransom Elem School	161,403	0.02374236%
Fort Totten School	1,387,228	0.20406137%
Fort Yates School	1,097,220	0.16140106%
Gackle-Streeter Pub Sch	802,508	0.11804891%
Garrison School	2,357,896	0.34684666%
Glen Ullin School	1,137,097	0.16726708%
Glenburn School	1,745,787	0.25680541%
Goodrich School	302,319	0.04447109%
Grafton School	4,259,415	0.62656016%
Grand Forks School	47,181,333	6.94037677%
Great North West Cooperative	113,171	0.01664740%
Grenora School	1,185,937	0.17445147%
Griggs County Central Sch	1,661,121	0.24435096%
Gst Educational Services	1,761,354	0.25909526%
Halliday School	264,603	0.03892312%
Hankinson School	1,522,883	0.22401612%
Harvey School	2,303,500	0.33884492%
Hatton Eielson Psd	1,123,556	0.16527508%
Hazelton - Moffit School	805,316	0.11846208%
Hazen School	2,996,978	0.44085570%
Hebron School	1,197,665	0.17617659%
Hettinger School	1,384,703	0.20368983%
Hillsboro School	2,644,524	0.38900961%
Hope School	700,555	0.10305170%
Horse Creek Elem. School	38,600	0.00567807%
James River Multidistrict Spec Ed Unit	1,481,006	0.21785610%
Jamestown School	13,385,750	1.96904464%
Kenmare School	1,807,522	0.26588652%
Kensal School	291,469	0.04287513%
Kidder County School District	2,159,696	0.31769148%
Killdeer School	2,882,595	0.42402996%
Kindred School	3,394,364	0.49931117%
Kulm School	1,046,528	0.15394432%

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, 2018

<b>Employer Name</b>	<b>Covered Payroll</b>	<b>Employer's Proportionate Share Allocation</b>
Lake Region Spec Ed	1,817,811	0.26740003%
Lakota School	1,272,940	0.18724953%
Lamoure School	1,521,158	0.22376237%
Langdon Area School	2,345,033	0.34495448%
Larimore School	2,232,051	0.32833476%
Leeds School	1,064,427	0.15657723%
Lewis And Clark School	2,609,285	0.38382604%
Lidgerwood School	1,124,160	0.16536401%
Linton School	1,650,803	0.24283323%
Lisbon School	3,586,333	0.52754979%
Litchville-Marion School	789,247	0.11609835%
Little Heart Elem. School	132,868	0.01954490%
Logan County	4,079	0.00060006%
Lone Tree Elem. School	238,118	0.03502717%
Lonetree Spec Ed Unit	214,377	0.03153487%
Maddock School	912,861	0.13428188%
Mandan Public Schools	20,215,366	2.97368147%
Mandaree School	1,444,294	0.21245574%
Manning Elem School	104,242	0.01533395%
Manvel Elem. School	841,787	0.12382697%
Maple Valley School	1,674,845	0.24636978%
Mapleton Elem. School	800,512	0.11775542%
Marmarth Elem. School	105,287	0.01548778%
Max School	1,169,297	0.17200368%
May-Port C-G School	2,759,358	0.40590166%
Mcclusky School	560,922	0.08251161%
Mckenzie County	44,073	0.00648319%
Mckenzie County School	7,584,854	1.11573250%
Medina School	1,066,599	0.15689684%
Menoken Elem School	195,538	0.02876365%
Midkota	1,061,295	0.15611651%
Midway School	1,285,118	0.18904094%
Milnor School	1,474,895	0.21695721%
Minnewaukan School	1,749,421	0.25733996%
Minot School	44,503,060	6.54640276%
Minto School	1,281,549	0.18851589%
Mohall Lansford Sherwood	2,106,133	0.30981232%
Montpelier School	781,122	0.11490306%
Morton County	10,175	0.00149672%
Mott-Regent School	1,414,419	0.20806113%

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, 2018

<b>Employer Name</b>	<b>Covered Payroll</b>	<b>Employer's Proportionate Share Allocation</b>
Mt Pleasant School	1,612,121	0.23714302%
Munich School	1,019,447	0.14996072%
N Central Area Career And Tech Center	-	0.00000000%
Napoleon School	1,556,132	0.22890714%
Naughton Rural School	94,743	0.01393664%
Nd Center For Distance Education	1,370,228	0.20156057%
Nd Dept Of Public Instruction	265,274	0.03902183%
Nd School For Blind	718,703	0.10572125%
Nd School For Deaf	950,591	0.13983196%
Nd United	324,961	0.04780184%
Nd Youth Correctional Cnt	1,221,312	0.17965509%
Nedrose School	2,755,718	0.40536633%
Nelson County	13,127	0.00193100%
Nesson School	1,800,693	0.26488198%
New England School	1,429,491	0.21027815%
New Rockford Sheyenne School	1,731,675	0.25472949%
New Salem-Almont	1,946,197	0.28628567%
New Town School	4,966,161	0.73052258%
Newburg United District	764,066	0.11239422%
North Border School	2,728,317	0.40133553%
North Sargent School	1,603,875	0.23593013%
North Star	1,705,297	0.25084927%
North Valley Area Career	564,266	0.08300355%
Northern Cass School Dist	3,208,659	0.47199386%
Northern Plains Spec Ed	316,851	0.04660873%
Northwood School	1,641,959	0.24153232%
Oakes School	2,112,497	0.31074840%
Oberon Elem School	353,671	0.05202499%
Oliver - Mercer Spec Ed	958,458	0.14098916%
Page School	661,141	0.09725391%
Park River Area School District	2,090,534	0.30751766%
Parshall School	1,868,579	0.27486804%
Peace Garden Spec Ed	596,955	0.08781211%
Pembina Spec Ed Coop	124,132	0.01825987%
Pingree - Buchanan School	838,869	0.12339769%
Pleasant Valley Elem	-	0.00000000%
Powers Lake School	1,168,526	0.17189030%
Richardton-Taylor	1,821,633	0.26796227%
Richland School	1,514,323	0.22275701%
Robinson School	-	0.00000000%

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, 2018

<b>Employer Name</b>	<b>Covered Payroll</b>	<b>Employer's Proportionate Share Allocation</b>
Rolette County	-	0.00000000%
Rolette School	1,263,823	0.18590847%
Roosevelt School	390,943	0.05750780%
Roughrider Area Career And Tech Center	138,650	0.02039542%
Roughrider Service Program	259,052	0.03810651%
Rugby School	3,341,580	0.49154668%
Rural Cass Spec Ed	1,210,871	0.17811925%
Sargent Central School	1,617,334	0.23790992%
Sawyer School	517,145	0.07607208%
Scranton School	1,157,038	0.17020042%
Se Region Career And Tech	1,511,205	0.22229832%
Selfridge School	941,682	0.13852148%
Sheyenne Valley Area Voc	775,994	0.11414881%
Sheyenne Valley Spec Ed	1,524,122	0.22419840%
Slope County	25,972	0.00382044%
Solen - Cannonball School	1,598,170	0.23509096%
Souris Valley Spec Ed	1,154,005	0.16975418%
South Cent. Prairie Sp Ed	58,055	0.00853989%
South East Education Cooperative	530,039	0.07796883%
South Heart School	1,772,898	0.26079340%
South Prairie Elem School	2,428,054	0.35716686%
South Valley Spec Ed	484,962	0.07133794%
Southwest Special Education Unit	67,336	0.00990513%
St. John'S School	2,643,349	0.38883679%
St. Thomas School	598,062	0.08797495%
Stanley School	3,717,787	0.54688673%
Starkweather School	494,694	0.07276950%
Sterling School	292,871	0.04308130%
Strasburg School District	958,480	0.14099243%
Surrey School	2,521,869	0.37096713%
Sweet Briar Elem School	111,900	0.01646050%
Tgu School District	2,590,959	0.38113016%
Thompson School	2,367,880	0.34831521%
Tioga School	3,162,934	0.46526784%
Turtle Lake-Mercer School	1,318,614	0.19396820%
Twin Buttes Elem. School	450,991	0.06634080%
Underwood School	1,510,583	0.22220685%
United School	3,357,843	0.49393886%
Upper Valley Spec Ed	2,629,016	0.38672835%
Valley - Edinburg School	1,625,781	0.23915244%

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, 2018

<b>Employer Name</b>	<b>Covered Payroll</b>	<b>Employer's Proportionate Share Allocation</b>
Valley City School	6,126,995	0.90128138%
Velva School	2,676,715	0.39374499%
Wahpeton School	6,605,525	0.97167313%
Ward County	29,401	0.00432495%
Warwick School	1,544,703	0.22722592%
Washburn School	1,758,128	0.25862070%
West Fargo School	60,539,948	8.90542987%
West River Student Services	608,558	0.08951892%
Westhope School	1,062,194	0.15624880%
White Shield School	1,442,649	0.21221378%
Williams County School	2,146,468	0.31574563%
Williston School	19,254,823	2.83238560%
Wilmac Special Education	3,763,024	0.55354108%
Wilton School	1,345,217	0.19788155%
Wing School	711,162	0.10461196%
Wishek School	1,300,442	0.19129513%
Wolford School	560,250	0.08241280%
Wyndmere School	1,344,948	0.19784197%
Yellowstone Elem. School	495,268	0.07285397%
Zeeland School	447,243	0.06578945%
<b>Grand Totals:</b>	<b>\$679,809,385</b>	<b>100%</b>

*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, 2018

Employer Name	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense			
	Net Pension Liability for the year ended June 30, 2018	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of	Total Employer Pension Expense
Alexander School	\$ 2,406,712	\$ 6,532	\$ -	\$ 132,582	\$ 260,898	\$ 400,012	\$ 65,456	\$ 8,321	\$ -	\$ 24,057	\$ 97,834	\$ 211,211	\$ 62,258	\$ 273,469
Anamoose School	1,514,772	4,111	-	83,446	58,830	146,387	41,198	5,237	-	18,433	64,868	132,935	11,765	144,700
Apple Creek Elem School	593,293	1,610	-	32,683	6,125	40,418	16,136	2,051	-	120,591	138,778	52,067	(24,115)	27,952
Ashley School	1,857,181	5,041	-	102,309	8,413	115,763	50,510	6,421	-	107,696	164,627	162,985	(20,452)	142,533
Bakker Elem School	80,386	218	-	4,428	7,145	11,791	2,186	278	-	5,282	5,282	7,055	510	7,565
Barnes County North	3,056,212	8,295	-	168,361	-	176,656	83,121	10,566	-	421,580	515,267	268,211	(102,582)	165,629
Beach School	4,073,140	11,055	-	224,382	-	235,437	110,778	14,082	-	353,044	477,904	357,456	(83,520)	273,936
Belcourt School	16,865,201	45,774	-	929,075	193,769	1,168,618	458,687	58,309	-	634,977	1,151,973	1,480,077	(127,093)	1,352,984
Belfield Public School	3,045,297	8,265	-	167,760	137,725	313,750	82,824	10,529	-	60,555	153,908	267,253	16,130	283,383
Beulah School	7,073,604	19,198	-	389,673	239,650	648,521	192,382	24,456	-	351,012	567,850	620,774	(42,713)	578,061
Billings Co. School Dist.	1,672,102	4,538	-	92,113	173,995	270,646	45,477	5,781	-	115,202	166,460	146,742	279	147,021
Bismarck Public Schools	142,701,175	387,304	-	7,861,160	1,896,025	10,144,489	3,881,076	493,365	-	1,780,404	6,154,845	12,523,348	104,223	12,627,571
Bismarck State College	-	-	-	-	-	-	-	-	-	26,788	26,788	-	(8,930)	(8,930)
Blessed John Paul II Cath. Schl Net	-	-	-	-	-	-	-	-	-	34,728	34,728	-	(8,788)	(8,788)
Bottineau School	7,419,586	20,137	-	408,732	191,983	620,852	201,792	25,652	-	518,512	745,956	651,137	(83,375)	567,762
Bow bells School	1,189,343	3,228	-	65,519	69,941	138,688	32,347	4,112	-	52,737	89,196	104,376	3,269	107,645
Bowman School	5,660,443	15,363	-	311,824	43,240	370,427	153,948	19,570	-	173,144	346,662	496,756	(35,568)	461,188
Burke Central School	2,042,613	5,544	-	112,524	328,565	446,633	55,553	7,062	-	184,006	246,621	179,258	17,236	196,494
Burleigh County Spec. Ed.	202,977	551	-	11,182	32,566	44,299	5,520	702	-	6,589	12,811	17,813	6,201	24,014
Carrington School	5,762,241	15,639	-	317,432	84,114	417,185	156,717	19,922	-	299,869	476,508	505,690	(43,175)	462,515
Cavalier School	4,366,532	11,851	-	240,545	42,895	295,291	118,758	15,097	-	190,359	324,214	383,204	(23,319)	359,885
Center Stanton School	3,081,538	8,364	-	169,757	111,556	289,677	83,809	10,654	-	56,699	151,162	270,433	7,497	277,930
Central Cass School	7,181,691	19,492	-	395,627	57,259	472,378	195,322	24,829	-	240,745	460,896	630,260	(54,894)	575,366
Central Elementary School	125,338	340	-	6,905	3,117	10,362	3,409	433	-	10,010	13,852	11,000	(1,763)	9,237
Central Valley School	2,542,405	6,900	-	140,057	25,970	172,927	69,146	8,790	-	127,129	205,065	223,120	(30,433)	192,687
Dakota Prairie School	3,972,403	10,781	-	218,833	221,296	450,910	108,038	13,734	-	65,067	186,839	348,615	26,906	375,521
Devils Lake School	20,035,540	54,378	-	1,103,723	-	1,158,101	544,911	69,269	-	1,545,725	2,159,905	1,758,304	(353,748)	1,404,556
Dickinson School	39,372,215	106,860	-	2,168,947	2,448,058	4,723,865	1,070,815	136,123	-	1,206,938	3,455,276	610,636	-	4,065,912
Divide School	5,001,551	13,575	-	275,527	160,464	449,566	136,028	17,292	-	64,277	217,597	438,932	8,441	447,373
Drake School	913,571	2,480	-	50,327	18,206	71,013	24,847	3,159	-	175,016	203,022	80,174	(38,976)	41,198
Drayton School	2,655,728	7,208	-	146,299	198,846	352,353	72,228	9,182	-	124,236	205,646	233,065	23,851	256,916
Dunseith School	6,446,491	17,496	-	355,126	529,386	902,008	175,327	22,288	-	197,615	565,739	114,690	(726)	680,429
E Central Cir Exc Childn	1,560,702	4,236	-	85,976	4,078	94,290	42,447	5,396	-	97,413	145,256	136,966	(21,522)	115,444
Earl Elem. School	65,681	178	-	3,618	2,189	5,985	1,786	227	-	3,399	5,412	5,764	(528)	5,236
Edgeley School	2,411,026	6,544	-	132,819	-	139,363	65,573	8,336	-	186,730	260,639	211,590	(33,802)	177,788
Edmore School	1,455,512	3,950	-	80,182	73,145	157,277	39,586	5,032	-	76,588	121,206	127,735	(726)	127,009
Eight Mile School	3,330,273	9,039	-	183,459	423,858	616,356	90,574	11,514	-	88,922	191,010	292,262	75,327	367,589
Elgin-New Leipzig School	2,338,628	6,347	-	128,831	118,379	253,557	63,604	8,085	-	39,165	110,854	205,236	17,614	222,850
Ellendale School	3,163,389	8,586	-	174,266	-	182,852	86,035	10,937	-	448,546	545,518	277,617	(97,464)	180,153
Emerado Elementary School	1,226,564	3,329	-	67,569	45,515	116,413	33,359	4,241	-	27,311	64,911	107,642	851	108,493

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, 2018

Employer Name	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense			
	Net Pension Liability for the year ended June 30, 2018	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Investment	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 Investment	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Proportionate Share of Contributions	Total Employer Pension Expense
Enderlin Area School District	3,966,902	10,767	-	218,530	41,584	270,881	107,889	13,715	-	190,154	311,758	348,132	(22,712)	325,420
Fairmount School	2,019,907	5,482	-	111,273	25,938	142,693	54,936	6,983	-	81,399	143,318	177,266	(16,724)	160,542
Fargo Public Schools	138,884,706	376,946	-	7,650,917	98,809	8,126,672	3,777,279	480,170	-	3,231,342	7,488,791	12,188,418	(802,978)	11,385,440
Fessenden-Bow don School	2,108,879	5,724	-	116,174	48,336	170,234	57,356	7,291	-	22,018	86,665	185,074	7,679	192,753
Finley-Sharon School	2,004,692	5,441	-	110,435	20,672	136,548	54,522	6,931	-	260,094	321,547	175,930	(62,324)	113,606
Flasher School	2,299,022	6,240	-	126,649	76,842	209,731	62,527	7,948	-	93,404	163,879	201,760	(13,929)	187,831
Fordville Lankin School	1,136,051	3,083	-	62,583	-	65,666	30,897	3,928	-	68,953	103,778	99,699	(14,488)	85,211
Fort Ransom Elem School	316,452	859	-	17,433	4,429	22,721	8,607	1,094	-	25,717	35,418	27,772	(4,197)	23,575
Fort Totten School	2,719,849	7,382	-	149,832	-	157,214	73,972	9,403	-	495,595	578,970	238,682	(102,938)	135,754
Fort Yates School	2,151,247	5,839	-	118,508	192,108	316,455	58,508	7,438	-	403,462	469,408	188,792	(26,619)	162,173
Gackle-Streeter Pub Sch	1,573,425	4,270	-	86,677	17,153	108,100	42,793	5,440	-	44,738	92,971	138,083	(8,585)	129,498
Garrison School	4,622,975	12,547	-	254,672	67,511	334,730	125,732	15,983	-	133,001	274,716	405,709	(8,017)	397,692
Glen Ullin School	2,229,433	6,051	-	122,816	47,559	176,426	60,634	7,708	-	128,266	196,608	195,653	(6,758)	188,895
Glenburn School	3,422,852	9,290	-	188,559	247,533	445,382	93,092	11,834	-	344,558	449,484	300,387	(3,960)	296,427
Goodrich School	592,737	1,609	-	32,653	18,218	52,480	16,121	2,049	-	32,981	51,151	52,018	(5,278)	46,740
Grafton School	8,351,159	22,666	-	460,051	49,432	532,149	227,128	28,873	-	692,718	948,719	732,891	(110,712)	622,179
Grand Forks School	92,505,389	251,068	-	5,095,961	512,682	5,859,711	2,515,890	319,822	-	2,363,699	5,199,411	8,118,204	(440,009)	7,678,195
Great North West Cooperative	221,886	602	-	12,223	29,020	41,845	6,035	767	-	102,161	108,963	19,473	(10,144)	9,329
Grenora School	2,325,191	6,311	-	128,091	75,928	210,330	63,239	8,039	-	45,773	117,051	204,057	12,018	216,075
Griggs County Central Sch	3,256,852	8,839	-	179,414	10,601	198,854	88,577	11,260	-	306,088	405,925	285,819	(77,667)	208,152
Gst Educational Services	3,453,373	9,373	-	190,240	231,215	430,828	93,922	11,939	-	88,681	194,542	303,065	(18,543)	321,608
Halliday School	518,790	1,408	-	28,579	3,561	33,548	14,110	1,794	-	324,212	340,116	45,529	(57,814)	(12,285)
Hankinson School	2,985,817	8,104	-	164,483	61,619	234,206	81,206	10,323	-	289,483	381,012	262,033	(72,250)	189,783
Harvey School	4,516,323	12,258	-	248,796	74,495	335,549	122,831	15,614	-	256,580	395,025	396,349	(37,086)	359,263
Hatton Eielson Psd	2,202,883	5,979	-	121,353	-	127,332	59,912	7,616	-	138,290	205,818	193,323	(28,812)	164,511
Hazleton - Moffit School	1,578,932	4,285	-	86,981	70,205	161,471	42,943	5,459	-	173,076	221,478	138,566	(23,440)	115,126
Hazen School	5,875,982	15,948	-	323,698	127,401	467,047	159,810	20,315	-	154,296	334,421	515,672	(5,896)	509,776
Hebron School	2,348,184	6,373	-	129,357	18,390	154,120	63,864	8,118	-	96,627	168,609	206,075	(20,072)	186,003
Hettinger School	2,714,897	7,368	-	149,559	-	156,927	73,838	9,386	-	408,807	492,031	238,257	(102,935)	135,322
Hillsboro School	5,184,947	14,072	-	285,630	177,537	477,239	141,016	17,926	-	168,187	181,016	455,027	40,243	495,270
Hope School	1,373,533	3,728	-	75,666	151,714	231,108	37,356	4,749	-	113,218	155,323	120,540	3,135	123,675
Horse Creek Elem. School	75,681	205	-	4,169	50,298	54,672	2,058	262	-	56,973	59,293	6,642	(588)	6,054
James River Multidtrct Spec Ed Unit	2,903,713	7,881	-	159,961	171,658	339,500	78,973	10,039	-	89,012	-	254,828	38,731	293,559
Jamestown n School	26,244,575	71,230	-	1,445,768	-	1,516,998	713,780	90,736	-	1,351,179	2,155,695	2,303,204	(339,433)	1,963,771
Kenmare School	3,543,891	9,618	-	195,227	28,087	232,932	96,384	12,252	-	181,496	290,132	311,009	(46,535)	264,474
Kensal School	571,465	1,551	-	31,481	25,476	58,508	15,542	1,976	-	229,895	247,413	50,151	(38,268)	11,883
Kidder County School District	4,234,377	11,492	-	233,264	105,250	350,006	115,163	14,640	-	407,050	536,853	371,606	(82,688)	288,918
Killdeer School	5,651,719	15,339	-	311,343	283,912	610,594	153,711	19,540	-	71,973	245,224	495,991	41,924	537,915
Kindred School	6,655,110	18,063	-	366,618	198,040	582,721	181,001	23,009	-	151,591	355,601	584,048	(6,459)	577,589
Kulm School	2,051,860	5,569	-	113,033	54,969	173,571	55,805	7,094	-	207,215	270,114	180,070	(38,542)	141,528

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, 2018

Employer Name	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense			
	Net Pension Liability for the year ended June 30, 2018	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Proportionate Share of Contributions	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions
Lake Region Spec Ed	3,564,064	9,673	-	196,338	132,405	338,416	96,933	12,322	-	210,848	320,103	312,780	(34,343)	278,437
Lakota School	2,495,771	6,774	-	137,488	137,388	281,650	67,878	8,629	-	115,741	192,248	219,027	(12,880)	206,147
Lamoure School	2,982,435	8,095	-	164,297	34,527	206,919	81,114	10,311	-	213,521	304,946	261,736	(30,828)	230,908
Langdon Area School	4,597,754	12,479	-	253,282	665,911	931,672	125,046	15,896	-	436,567	577,509	403,495	19,614	423,109
Larimore School	4,376,237	11,878	-	241,079	149,157	402,114	119,022	15,130	-	242,007	376,159	384,055	(45,623)	338,432
Leeds School	2,086,953	5,664	-	114,967	16,331	136,962	56,759	7,215	-	150,012	213,986	183,149	(27,293)	155,856
Lewis And Clark School	5,115,857	13,885	-	281,824	72,669	368,378	139,137	17,687	-	330,613	448,964	408,964	(40,495)	408,469
Lidgerwood School	2,204,068	5,982	-	121,418	32,582	159,982	59,945	7,620	-	213,104	280,669	193,427	(37,876)	155,551
Linton School	3,236,623	8,784	-	178,300	12,663	196,747	88,027	284,044	-	207,674	306,891	284,044	(49,901)	234,143
Lisbon School	7,031,491	19,084	-	387,353	140,515	546,952	191,237	24,310	-	273,774	489,321	617,078	(44,940)	572,138
Litchville-Marion School	1,547,427	4,200	-	85,245	6,527	95,972	42,086	5,350	-	209,557	256,993	135,801	(40,450)	95,351
Little Heart Elem. School	260,506	707	-	14,351	39,612	54,670	7,085	901	-	6,783	14,769	22,862	5,996	28,858
Logan County	7,998	22	-	441	-	463	218	28	-	608	854	702	(149)	553
Lone Tree Elem. School	466,863	1,267	-	25,719	48,736	75,722	12,697	1,614	-	49,541	63,852	40,972	2,284	43,256
Lonetree Spec Ed Unit	420,315	1,141	-	23,154	90,416	114,711	11,431	1,453	-	6,870	19,754	36,887	13,949	50,836
Maddock School	1,789,787	4,858	-	98,596	-	103,454	48,677	6,188	-	211,444	266,309	157,070	(41,501)	115,569
Mandan Public Schools	39,634,961	107,573	-	2,183,421	899,823	3,190,817	1,077,961	137,031	-	104,101	1,319,093	3,478,335	253,058	3,731,393
Mandaree School	2,831,734	7,686	-	155,995	35,209	198,890	77,015	9,790	-	521,364	608,169	248,511	(110,010)	138,501
Manning Elem. School	204,380	555	-	11,259	31,660	43,474	5,559	707	-	4,303	10,569	17,936	6,296	24,232
Manvel Elem. School	1,650,438	4,479	-	90,920	33,181	128,580	44,887	5,706	-	42,639	93,232	144,841	(4,537)	140,304
Maple Valley School	3,283,760	8,912	-	180,897	31,197	221,006	89,309	11,353	-	133,979	234,641	288,180	(30,232)	257,948
Mapleton Elem. School	1,569,513	4,260	-	86,462	141,186	231,908	42,686	5,426	-	40,379	88,491	137,739	18,043	155,782
Marmarth Elem. School	206,430	560	-	11,372	39,625	51,557	5,614	714	-	142,682	149,010	18,116	(19,265)	(1,149)
Max School	2,292,565	6,222	-	126,293	12,918	145,433	62,351	7,926	-	122,547	192,824	201,194	(20,453)	180,741
May-Port C-G School	5,410,094	14,683	-	298,033	40,751	353,467	147,140	18,704	-	185,860	351,704	250,694	(20,694)	454,092
Mcclusky School	1,099,763	2,985	-	60,584	44,262	107,831	29,911	3,802	-	399,084	432,797	96,514	(75,468)	21,046
Mckenzie County	86,412	235	-	4,760	2,595	7,590	2,350	299	-	16,740	19,389	7,583	(4,103)	3,480
Mckenzie County School	14,871,133	40,362	-	819,225	2,450,260	3,309,847	404,454	51,414	-	-	455,868	1,305,080	591,849	1,896,929
Medina School	2,091,213	5,676	-	115,201	99,267	220,144	56,875	7,230	-	107,165	171,270	183,523	(1,904)	181,619
Menoken Elem. School	383,379	1,041	-	21,120	69,685	91,846	-	11,427	-	-	11,752	33,645	15,075	48,720
Midkota	2,080,812	5,648	-	114,628	62,920	183,196	56,592	7,194	-	131,145	194,931	182,610	(26,376)	156,234
Midway School	2,519,648	6,839	-	138,803	51,080	196,722	68,527	8,711	-	434,037	511,275	221,122	(72,441)	148,681
Minor School	2,891,732	7,848	-	159,300	155,879	323,027	78,647	9,998	-	262,601	351,246	253,776	(37,514)	216,262
Minnewaukan School	3,429,977	9,309	-	188,951	244,077	442,337	93,286	11,859	-	321,103	426,248	301,012	(33,592)	267,420
Minot School	87,254,274	236,816	-	4,806,686	-	5,043,502	2,373,074	301,667	-	2,794,170	5,468,911	7,657,370	(627,361)	7,030,009
Minto School	2,512,650	6,820	-	138,418	130,853	276,091	68,337	8,687	-	89,592	166,616	220,508	8,559	229,067
Mohall Lansford Sherwood	4,129,359	11,207	-	227,479	-	238,686	112,307	14,277	-	527,260	653,844	362,369	(122,471)	239,918
Montpelier School	1,531,495	4,157	-	84,367	25,184	113,708	41,652	5,295	-	22,892	69,839	134,403	2,052	136,455
Morton County	19,949	54	-	1,099	1,299	2,452	543	69	-	34,634	35,246	1,751	(5,396)	(3,645)
Mott-Regent School	2,773,160	7,527	-	152,769	-	160,296	75,422	9,588	-	341,951	426,961	243,370	(69,640)	173,730

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	Net Pension Liability for the year ended June 30, 2018	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Proportionate Share of Contributions	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions
Mt Pleasant School	3,160,780	8,579	-	174,122	29,543	212,244	85,964	10,928	-	162,770	259,662	277,388	(20,106)	257,282
Munich School	1,998,764	5,425	-	110,108	162,074	277,607	54,361	6,910	-	7,573	68,844	175,410	35,113	210,523
N Crl Area Career And Tech Ctr	-	-	-	-	-	-	-	-	-	249,455	249,455	-	(42,724)	(42,724)
Napoleon School	3,051,008	8,281	-	168,075	65,342	241,698	82,979	10,548	-	119,421	212,948	267,754	(17,552)	250,202
Naughton Rural School	185,756	504	-	10,233	26,463	37,200	5,052	642	-	1,018	6,712	16,302	4,673	20,975
Nd Center For Distance Education	2,686,517	7,291	-	147,996	406,038	561,325	73,066	9,288	-	190,677	273,031	235,767	82,141	317,908
Nd Dept Of Public Instruction	520,106	1,412	-	28,652	160,995	191,059	14,145	1,798	-	5,744	21,687	45,644	34,178	79,822
Nd School For Blind	1,409,114	3,824	-	77,626	64,727	146,177	38,324	4,872	-	90,271	133,467	123,663	(8,230)	115,433
Nd School For Deaf	1,863,762	5,058	-	102,671	58,881	166,610	50,689	6,444	-	58,938	116,071	163,562	25	163,587
Nd United	637,131	1,729	-	35,098	7,875	44,702	17,328	2,203	-	24,026	43,557	55,914	(4,615)	51,299
Nd Youth Correctional Cnt	2,394,548	6,499	-	131,911	78,531	216,941	65,125	8,279	-	174,070	247,474	210,144	(25,913)	184,231
Nedrose School	5,402,959	14,664	-	297,640	1,305,317	1,617,621	146,946	18,680	-	165,626	474,160	305,294	779,454	779,454
Nelson County	25,737	70	-	1,418	788	2,276	700	89	-	789	789	2,259	176	2,435
Nesson School	3,530,501	9,582	-	194,489	378,187	582,258	96,020	12,206	-	85,949	194,175	309,834	58,012	367,846
New England School	2,802,710	7,607	-	154,396	142,385	304,388	76,226	9,690	-	15,374	101,290	245,964	37,666	283,630
New Rockford Sheyenne School	3,395,183	9,215	-	187,035	112,088	308,338	92,340	11,738	-	280,662	384,740	297,959	(43,185)	254,774
New Salem-Almont	3,815,782	10,356	-	210,205	304,493	525,054	103,779	13,192	-	146,709	263,680	334,870	34,524	369,394
New Town School	9,736,831	26,427	-	536,385	841,399	1,404,211	264,815	33,663	-	147,385	445,863	854,497	139,326	993,823
Newburg United District	1,498,056	4,066	-	82,525	132,214	218,805	40,743	5,179	-	5,239	51,161	131,468	21,879	153,347
North Border School	5,349,234	14,518	-	294,680	205,973	515,171	145,484	18,494	-	628,899	792,877	469,445	(96,351)	373,094
North Sargent School	3,144,614	8,535	-	173,231	293,646	475,412	85,525	10,872	-	62,612	159,009	275,969	52,512	328,481
North Star	3,343,465	9,074	-	184,186	132,855	326,115	90,933	11,559	-	113,744	216,236	293,420	7,289	300,709
North Valley Area Career	1,106,320	3,003	-	60,945	66,782	130,730	30,089	3,825	-	160,219	194,133	97,090	(30,250)	66,840
Northern Cass School Dist	6,291,009	17,074	-	346,561	497,751	861,386	171,098	21,750	-	192,848	552,094	106,946	106,946	659,040
Northern Plains Spec Ed	621,228	1,686	-	34,222	100,219	136,127	16,896	2,148	-	10,250	29,294	54,519	24,010	78,529
Northwood School	3,219,284	8,737	-	177,345	146,446	332,528	87,556	11,130	-	16,400	115,086	282,522	31,168	313,690
Oakes School	4,141,836	11,241	-	228,167	120,831	360,239	112,646	14,320	-	193,054	320,020	363,484	(27,267)	336,217
Oberon Elem School	693,419	1,882	-	38,199	88,537	128,618	18,859	2,397	-	217,687	238,943	60,854	(38,354)	22,500
Oliver - Mercer Spec Ed	1,879,186	5,100	-	103,521	43,466	152,087	51,109	6,497	-	118,490	176,096	164,916	(11,242)	153,674
Page School	1,296,257	3,518	-	71,409	70,078	145,005	35,255	4,482	-	231,788	271,525	113,759	(31,030)	82,729
Park River Area School District	4,098,775	11,124	-	225,794	44,189	281,107	111,475	14,171	-	293,037	418,683	359,705	(61,749)	297,956
Parshall School	3,663,602	9,943	-	201,821	385,946	597,710	99,640	12,666	-	314,468	426,774	321,515	(12,171)	309,344
Peace Garden Spec Ed	1,170,411	3,177	-	64,476	91,098	158,751	31,832	4,046	-	35,878	-	35,878	21,151	123,865
Pembina Spec Ed Coop	243,378	661	-	13,407	21,077	35,145	6,619	841	-	63,090	70,550	21,359	(17,401)	3,958
Pingree - Buchanan School	1,644,716	4,464	-	90,605	10,415	105,484	44,732	5,686	-	64,234	114,652	144,339	(12,920)	131,419
Pleasant Valley Elem	-	-	-	-	-	-	-	-	-	14,258	14,258	-	(4,753)	(4,753)
Powers Lake School	2,291,054	6,218	-	126,210	140,147	272,575	62,310	7,921	-	69,875	140,106	201,061	17,046	218,107
Richardson-Taylor	3,571,557	9,694	-	196,751	296,688	90,243	97,136	12,348	-	77,262	186,746	313,437	3,614	317,051
Richland School	2,969,035	8,058	-	163,559	87,963	259,580	80,750	10,265	-	347,482	438,497	260,560	(61,825)	198,735
Robinson School	-	-	-	-	-	-	-	-	-	70,776	70,776	-	(20,228)	(20,228)

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

North Dakota Retirement and Investment Office -  
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Employer Name	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense			
	Net Pension Liability for the year ended June 30, 2018	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 of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Proportionate Share of Contributions	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions
Rolette County	-	-	-	-	-	-	-	-	-	3,413	3,413	-	(1,137)	(1,137)
Rolette School	2,477,897	6,725	-	136,503	129,220	272,448	67,392	8,567	-	105,927	181,886	217,458	13,874	231,332
Roosevelt School	766,497	2,080	-	42,225	74,964	119,269	20,847	2,650	-	130,724	154,221	67,267	(14,352)	52,915
Roughrider Area Career & Tech Ctr	271,842	738	-	14,975	50,669	66,382	7,393	940	-	84,265	92,598	23,857	(11,463)	12,394
Roughrider Service Program	507,906	1,379	-	27,980	183,342	212,701	13,814	1,756	-	89,449	105,019	44,573	37,185	81,758
Rugby School	6,551,621	17,782	-	360,917	-	378,699	178,186	22,651	-	69,596	270,433	574,965	(15,629)	559,336
Rural Cass Spec Ed	2,374,077	6,443	-	130,784	359,135	496,362	64,568	8,208	-	217,356	290,132	208,347	12,662	221,009
Sargent Central School	3,171,002	8,606	-	174,685	177,031	360,322	86,242	10,963	-	38,904	136,109	278,285	18,304	296,589
Sawyer School	1,013,933	2,752	-	55,856	29,158	87,766	27,576	3,506	-	635,268	666,350	88,982	(108,533)	(19,551)
Scranton School	2,268,530	6,157	-	124,969	50,601	181,727	61,698	7,843	-	56,991	126,532	199,085	(3,559)	195,526
Se Region Career And Tech	2,962,922	8,042	-	163,222	41,067	212,331	80,583	10,244	-	1,551	92,378	260,024	9,325	269,349
Selfridge School	1,846,295	5,011	-	101,709	54,907	161,627	50,214	6,383	-	13,800	70,397	162,029	5,769	167,798
Sheyenne Valley Area Voc	1,521,442	4,129	-	83,814	80,724	168,667	41,379	5,260	-	75,713	122,352	133,521	(2,971)	130,550
Sheyenne Valley Spec Ed	2,988,247	8,110	-	164,617	116,553	289,280	81,272	10,331	-	327,952	419,555	262,246	(51,664)	210,582
Slope County	50,921	138	-	2,805	838	3,781	1,385	176	-	1,215	2,776	4,469	(173)	4,296
Solen - Cannonball School	3,133,429	8,504	-	172,615	96,432	277,551	85,221	10,833	-	379,465	475,519	274,987	(80,955)	194,032
Souris Valley Spec Ed	2,262,583	6,141	-	124,642	204,357	335,140	61,536	7,822	-	835,413	904,771	198,563	(141,215)	57,348
South Cent. Prairie Sp Ed	113,825	309	-	6,270	-	6,579	3,096	394	-	77,478	80,968	9,989	(13,344)	(3,355)
South East Education Cooperative	1,039,214	2,821	-	57,248	898,787	958,856	28,264	3,593	-	272,380	304,237	91,201	134,361	225,562
South Heart School	3,476,007	9,434	-	191,487	380,886	581,807	94,538	12,018	-	106,556	305,052	83,201	388,253	
South Prairie Elem School	4,760,528	12,921	-	262,249	1,106,918	1,382,088	129,473	16,459	-	145,932	477,780	417,780	257,127	674,907
South Valley Spec Ed	950,834	2,581	-	52,380	171,289	226,250	25,860	3,287	-	389,726	418,873	83,444	(60,568)	22,876
Southwest Special Education Unit	132,021	358	-	7,273	1,376	9,007	3,591	456	-	3,329	7,376	11,586	(805)	10,781
St. John's School	5,182,643	14,066	-	285,503	66,206	365,775	140,954	17,918	-	75,834	234,706	454,825	(3,802)	451,023
St. Thomas School	1,172,581	3,182	-	64,595	358	68,135	31,891	4,054	-	183,514	219,459	183,514	(37,163)	65,742
Stanley School	7,289,225	19,784	-	401,551	532,882	954,217	198,247	25,201	-	39,892	263,340	639,697	107,897	747,594
Starkweather School	969,914	2,632	-	53,431	-	56,063	26,379	3,353	-	189,691	219,423	85,119	(39,667)	45,452
Sterling School	574,213	1,558	-	31,632	65,091	98,281	15,617	1,985	-	-	17,602	50,392	13,467	63,859
Strasburg School District	1,879,229	5,100	-	103,523	176,157	284,780	51,110	6,497	-	85,514	143,121	164,920	3,707	168,627
Surrey School	4,944,466	13,420	-	272,382	138,967	424,769	134,476	17,095	-	87,682	239,253	433,923	6,166	440,089
Sweet Briar Elem School	219,395	595	-	12,086	37,022	49,703	5,967	759	-	-	6,726	19,254	7,110	26,364
Tgu School District	5,079,925	13,787	-	279,844	-	293,631	138,160	17,563	-	418,850	574,573	445,810	(85,697)	360,113
Thompson School	4,642,548	12,600	-	255,750	332,029	600,379	126,264	16,051	-	51,279	193,594	407,427	48,238	455,665
Tioga School	6,201,361	16,831	-	341,622	394,515	752,968	168,660	21,440	-	52,916	243,016	544,227	101,497	645,724
Turtle Lake-Mercer School	2,585,321	7,017	-	142,421	167,105	316,543	70,314	8,938	-	173,182	252,434	226,886	(21,059)	205,827
Twin Buttes Elem. School	884,229	2,400	-	48,711	45,561	96,672	24,049	3,057	-	89,365	116,471	77,599	(15,499)	62,100
Underwood School	2,961,702	8,038	-	163,155	-	171,193	80,550	10,240	-	189,140	279,930	259,917	(40,331)	219,586
United School	6,583,505	17,868	-	362,674	413,984	794,526	179,053	22,761	-	180,219	382,033	577,763	30,400	608,163
Upper Valley Spec Ed	5,154,541	13,990	-	283,955	206,859	504,804	140,189	17,821	-	36,805	194,815	452,359	39,300	491,659
Valley - Edinburg School	3,187,563	8,651	-	175,597	181,585	365,833	86,693	11,020	-	262,643	360,356	279,738	(6,755)	272,983

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

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Employer Name	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense			
	Net Pension Liability for the year ended June 30, 2018	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 of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer Pension Expense
Valley City School	12,012,804	32,604	-	661,764	94,846	789,214	326,715	41,532	-	716,246	1,084,493	1,054,235	(173,487)	880,748
Velva School	5,248,063	14,244	-	289,107	113,691	417,042	142,733	18,144	-	91,884	252,761	460,566	(7,889)	452,677
Wahpeton School	12,951,026	35,150	-	713,450	-	748,600	352,232	44,776	-	845,078	1,242,086	1,136,572	(177,938)	958,634
Ward County	57,645	156	-	3,176	692	4,024	1,568	199	-	1,656	3,423	5,059	(270)	4,789
Warwick School	3,028,600	8,220	-	166,840	134,399	309,459	82,370	10,471	-	502,770	595,611	285,788	(62,243)	203,545
Washburn School	3,447,048	9,356	-	189,892	223,594	422,842	93,750	11,918	-	100,695	206,363	302,510	21,700	324,210
West Fargo School	118,696,763	322,154	-	6,538,798	10,638,135	17,499,087	3,228,223	410,374	-	-	3,638,597	10,416,739	2,410,637	12,827,376
West River Student Services	1,193,160	3,238	-	65,729	51,100	120,067	32,451	4,125	-	204,432	241,008	104,711	(19,134)	85,577
Westhope School	2,082,575	5,652	-	114,725	53,828	174,205	56,640	7,200	-	139,682	203,522	182,765	(9,711)	173,054
White Shield School	2,828,509	7,677	-	155,818	61,169	224,664	76,928	9,779	-	202,325	289,032	248,228	(40,030)	208,198
Williams County School	4,208,442	11,422	-	231,836	97,095	340,353	114,458	14,550	-	233,320	362,328	369,330	(46,041)	323,289
Williston School	37,751,687	102,461	-	2,079,675	2,575,349	4,757,485	1,026,741	130,520	-	93,667	1,250,928	3,313,060	729,355	4,042,415
Wilmac Special Education	7,377,918	20,024	-	406,437	1,057,473	1,483,934	200,659	25,508	-	241,072	467,239	647,481	215,294	862,775
Wilton School	2,637,481	7,158	-	145,294	63,633	216,085	71,732	9,119	-	61,085	141,936	231,463	3,655	235,118
Wing School	1,394,329	3,784	-	76,811	54,391	134,986	37,922	4,821	-	75,777	118,520	122,365	(6,338)	116,027
Wishek School	2,549,693	6,920	-	140,458	62,689	210,067	69,345	8,815	-	34,793	112,953	223,759	5,797	229,556
Wolford School	1,098,446	2,981	-	60,511	49,166	112,658	29,875	3,798	-	22,097	55,770	96,399	6,036	102,435
Wyndmere School	2,636,953	7,157	-	145,265	-	152,422	71,718	9,117	-	302,553	383,388	231,417	(64,786)	166,631
Yellow stone Elem. School	971,040	2,635	-	53,493	40,681	96,809	26,410	3,357	-	117,082	146,849	85,218	(11,807)	73,411
Zeeland School	876,880	2,380	-	48,306	84,519	135,205	23,849	3,032	-	121,190	148,071	76,954	(17,589)	59,365
<b>Total for all entities</b>	<b>\$ 1,332,858,315</b>	<b>\$ 3,617,497</b>	<b>\$ -</b>	<b>\$ 73,424,847</b>	<b>\$ 47,155,763</b>	<b>\$ 124,198,107</b>	<b>\$ 36,250,051</b>	<b>\$ 4,608,132</b>	<b>\$ -</b>	<b>\$ 47,155,763</b>	<b>\$ 88,013,946</b>	<b>\$ 116,970,649</b>	<b>\$ -</b>	<b>\$ 116,970,649</b>

Note: Columns may not foot due to rounding.

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

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**Note 1 – Nature and Organization of the Pension Plan**

***North Dakota Teachers' Fund for Retirement***

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

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

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

***Pension Benefits***

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

***Tier 1 Grandfathered***

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

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

***Tier 1 Non-grandfathered***

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

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

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**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, 2018, 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	\$ 3,863,515,726
Plan fiduciary net position	<u>(2,530,657,411)</u>
Net pension liability (NPL)	<u>\$ 1,332,858,315</u>

**Note 4 – Actuarial Assumptions**

The total pension liability in the July 1, 2018, 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 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.



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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, 2018, 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, 2018 is summarized in the following table:

2018	Long-Term Expected
<u>Asset Class</u>	<u>Target Allocation</u>
	<u>Real Rate of Return</u>
Global Equity	58.0%
Global Fixed Income	23.0%
Global Real Assets	18.0%
Cash Equivalents	1.0%
	6.7%
	1.5%
	5.1%
	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, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2018 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

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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, 2018. 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, 2018.

***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, 2018, 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	\$ 1,799,744,383	\$ 1,332,858,315	\$ 944,554,161

**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, 2018. The supporting actuarial information is included in the June 30, 2018, 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. Bo 7100, Bismarck, ND 58507-7100 or by calling (701) 328-9885.

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

Governor 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, 2018 (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 November 30, 2018.

**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.

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

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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
November 30, 2018

# Briefly

## Employer Newsletter

ND Teachers' Fund for Retirement  
3442 East Century Avenue, PO Box 7100  
Bismarck, ND 58507-7100  
701-328-9885 or 1-800-952-2970  
[www.nd.gov/rio](http://www.nd.gov/rio)

January 2019

### 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 change 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.

### Updated Member Action Form

We recently updated the Member Action Form and removed the Designation of Beneficiary Section. When you have a new member complete the [Member Action Form](#), also have them complete a [Designation of Beneficiary Form](#).

### GASB Statement 68 Update

The audited fiscal year 2018 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 2019 financials.

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



"But the first time you're late for class,  
it's back to the school bus."



## TFFR Employer Audit Information Corner

Sara Sauter  
Supervisor of Audit Services

### *TFFR Employer Audits*

Starting in 2019 there will be new procedures for TFFR Employer Audits. Audit Services will still be contacting employers for information to review salaries, eligibility, and service hours. After Audit Services is done reviewing the information for accuracy, any findings will be forwarded to TFFR Retirement Services Staff. Reports of any findings or recommendations will now be issued by Retirement Services. Retirement Services and Audit Services will be working together to make this transition seamless.

## 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.

## 2018 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) [2018 Comprehensive Annual Financial Report](#) (CAFR).

## Report Card Newsletter

The [January 2019 Report Card](#) newsletter can be viewed on the TFFR website. The newsletter highlights include:

- TFFR Annual Valuation Results
- July 2019 Retirement Education Workshops Scheduled
- [2019 Legislation Impacting TFFR](#)

## IRS Compensation Limit

Annually, the IRS issues a compensation limit that impacts the salary that can be reported to TFFR for benefit calculation purposes. The 2019 compensation limit is \$280,000. If you have any TFFR employees that will be earning in excess of this amount, please contact Shelly Schumacher, TFFR Retirement Program Manager, to discuss how to handle salary reporting for these employees.

