

AUDIT COMMITTEE MEETING

Tuesday, November 16, 2021 – 2:30 PM
Workforce Safety & Insurance Conference Room
1600 E Century Ave Suite 1, Bismarck, ND 58503

AGENDA

- I. Call to Order and Approval of Agenda – Chair (committee action) (5 minutes)
- II. Approval of August 11, 2021 and October 14, 2021 Minutes – Chair (committee action) (5 minutes)
- III. Introduction of New Audit Committee Member Treasurer Thomas Beadle
- IV. Presentation of June 30, 2021 Financial Audit Report of RIO and GASB 68 Schedule Audit – Thomas Rey, CliftonLarsonAllen, LLP (committee action) (30 minutes)
- V. Fiduciary Responsibility – A.A.G. Dean DePountis (education) (30 minutes)
- VI. Executive Limitations/Staff Relations – Jan Murtha (informational) (15 minutes)
- VII. 2021-2022 First Quarter Audit Activities – Sara Sauter (committee action) (20 minutes)
- VIII. Update on Current Internal Audit Activities – Sara Sauter (committee action) (30 minutes)
- IX. Other – Next SIB Audit Committee Meeting
Workforce Safety & Insurance Conference Room
1600 E Century Ave Suite 1, Bismarck, ND 58503
Wednesday, February 16, 2022 @ 2:30 PM
- X. 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
AUGUST 11, 2021 MEETING**

MEMBERS PRESENT: Yvonne Smith, PERS Board, Chair
Dr. Rob Lech, TFFR Board, Vice Chair
Julie Dahle, External Representative
Jon Griffin, External Representative

MEMBER ABSENT: Jodi Smith, Commissioner of University & School Lands

STAFF PRESENT: Connie Flanagan, Chief Financial Officer
Jayme Heick, Retirement Programs Specialist
Bonnie Heit, Suprv of Admin Svs
Missy Kopp, Retirement Asst
Jan Murtha, Interim Exec Dir
Mathew Posch, Investment/Compliance Officer
Sara Sauter, Suprv of Internal Audit
Dottie Thorsen, Internal Auditor
Tami Volkert, Employer Services Coordinator
Denise Weeks, Retirement Program Manager

GUESTS : Dean DePountis, Attorney General's Office

CALL TO ORDER:

Ms. Smith called the State Investment Board (SIB) Audit Committee meeting to order at 2:30 p.m. on Thursday, August 11, 2021, at Workforce Safety & Insurance, 1600 E Century Ave., Bismarck, ND.

The following Audit Committee members were available representing a quorum; Ms. Dahle, Mr. Griffin, Dr. Lech, and Ms. Smith

AGENDA:

The agenda was considered for the August 11, 2021, meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE AUGUST 11, 2021, MEETING AS DISTRIBUTED.

AYES: MR. GRIFFIN, DR. LECH, MS. DAHLE, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER SMITH

MINUTES:

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. GRIFFIN AND CARRIED BY A VOICE VOTE TO ACCEPT THE MAY 20, 2021, MINUTES AS DISTRIBUTED.

AYES: MS. DAHLE, DR. LECH, MR. GRIFFIN, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER SMITH

ELECTIONS:

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. GRIFFIN TO NOMINATE MS. SMITH AS CHAIR OF THE SUB AUDIT COMMITTEE FOR THE PERIOD OF JULY 1, 2021 – JUNE 30, 2022.

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. GRIFFIN AND CARRIED BY A VOICE VOTE TO CEASE NOMINATIONS AND CAST A UNANIMOUS VOTE FOR MS. SMITH TO SERVE AS CHAIR OF THE SIB AUDIT COMMITTEE FOR THE PERIOD OF JULY 1, 2021 – JUNE 30, 2022.

AYES: MR. GRIFFIN, MS. DAHLE, DR. LECH, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER SMITH

IT WAS MOVED BY MR. GRIFFIN TO NOMINATE DR. LECH AS VICE CHAIR OF THE SIB AUDIT COMMITTEE FOR THE PERIOD OF JULY 1, 2021 – JUNE 30, 2022.

IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO CEASE NOMINATIONS AND CAST A UNANIMOUS VOTE FOR DR. LECH TO SERVE AS VICE CHAIR OF THE SIB AUDIT COMMITTEE FOR THE PERIOD OF JULY 1, 2021 – JUNE 30, 2022.

AYES: MS. DAHLE, MR. GRIFFIN, DR. LECH, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER SMITH

Ms. Smith appointed Ms. Sauter as liaison to the SIB for the period of July 1, 2021 – June 30, 2022.

CODE OF CONDUCT:

Mr. Posch reviewed the SIB Governance Manual Policy B-8, Board Members' Code of Conduct, which details the code of ethical responsibility applicable to members of the SIB. The SIB Audit Committee, as a standing committee of the SIB, is required to adhere to any applicable policies contained within the SIB Governance Manual. Mr. Posch requested the Audit Committee members affirm their understanding of the policy by signing and returning the Code of Conduct policy affirmation.

EXECUTIVE LIMITATIONS/STAFF RELATIONS:

Ms. Murtha updated the Audit Committee on RIO's internal agency communication plan, retirements/resignations, full-time positions/temporary assistance, Information Technology unification, agency reorganization, facility move, procurement activities, and requests for Internal Audit.

GOVERNANCE:

Dr. Lech recognized Mr. Darren Schulz, Interim CIO, for his years of service and outstanding work and wished him the best. Mr. Schulz resigned effective August 10, 2021.

The SIB, at their May 21, 2021, meeting, requested that Internal Audit review Governance Policy B-2 Governing Style in Section B Governance Process. The SIB asked the Audit Committee to clearly define “inquiry” and to also review the SIB’s structure and bring a recommendation back. From an audit perspective, Ms. Sauter reviewed her interpretation of the policy along with prepared questions and recommendations.

After discussion, the Committee asked Internal Audit to develop recommendations for a Special Audit Committee meeting to look further into three areas.

- Onboarding of new Board members including expectations, timeline, and a list of topics to be covered
- Board Education plan for the current members
- Recommendation to form a Governance Committee to address issues that arise concerning Board governance and possibly to include Board Policy review

The Committee will bring their recommendations forward to the SIB after further discussion at the special meeting.

Ms. Smith left the meeting and Dr. Lech assumed the role of Chair.

INTERNAL AUDIT ACTIVITIES:

Ms. Sauter reviewed current Internal Audit activities.

IT WAS MOVED BY MS. DAHLE AND SECONDED BY MR. GRIFFIN AND CARRIED BY A VOICE VOTE TO APPROVE THE CURRENT INTERNAL AUDIT ACTIVITIES REPORT.

AYES: MR. GRIFFIN, DR. LECH, MS. DAHLE

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER SMITH, MS. SMITH

YEAR-END ACTIVITIES:

Ms. Sauter reviewed Internal Audit’s year-end activities report to the Audit Committee for the period of July 1, 2020 – June 30, 2021.

IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO APPROVE INTERNAL AUDIT’S YEAR-END ACTIVITIES REPORT TO THE AUDIT COMMITTEE FOR THE PERIOD OF JULY 1, 2020 – JUNE 30, 2021.

AYES: MS. DAHLE, DR. LECH, AND MR. GRIFFIN

NAYS: NONE

MOTION CARRIED

ABSENT: MS. SMITH, COMMISSIONER SMITH

SIB REPORT:

Ms. Sauter reviewed the Audit Committee’s year-end report to the SIB for the period of July 1, 2020 – June 30, 2021.

IT WAS MOVED BY MS. DAHLE AND SECONDED BY MR. GRIFFIN AND CARRIED BY A VOICE VOTE TO APPROVE THE YEAR-END AUDIT COMMITTEE ACTIVITIES REPORT TO THE SIB FOR THE PERIOD OF JULY 1, 2020 – JUNE 30, 2021.

AYES: MS. DAHLE, DR. LECH, AND MR. GRIFFIN

NAYS: NONE
MOTION CARRIED
ABSENT: COMMISSIONER SMITH, MS. SMITH

AUDIT CHARTER:

The Audit Committee is to confirm annually the review of responsibilities outlined in their charter.

IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY MS. DAHLE AND CARRIED BY A VOICE VOTE TO APPROVE THE 2020-21 REVIEW OF RESPONSIBILITIES OUTLINED IN THE AUDIT COMMITTEE’S CHARTER.

AYES: MS. DAHLE, MR. GRIFFIN, AND DR. LECH
NAYS: NONE
MOTION CARRIED

OTHER:

The next Audit Committee meeting is scheduled for Tuesday, November 16, 2021, at 2:30 p.m. at Workforce Safety & Insurance, 1600 East Century Ave., Bismarck, ND.

With no further business to come before the Audit Committee, Dr. Lech adjourned the meeting at 4:36 p.m.

Respectfully Submitted:

Ms. Yvonne Smith, Chair
SIB Audit Committee

Bonnie Heit
Recorder

**STATE INVESTMENT BOARD
AUDIT COMMITTEE
MINUTES OF THE
OCTOBER 14, 2021, SPECIAL MEETING**

MEMBERS PRESENT: Yvonne Smith, PERS Board, Chair
Dr. Rob Lech, TFFR Board, Vice Chair
Julie Dahle, External Representative
Jon Griffin, External Representative
Jodi Smith, Commissioner of University & School Lands

STAFF PRESENT: Eric Chin, Interim Chief Investment Officer
Connie Flanagan, Chief Financial Officer
Jayme Heick, Retirement Programs Specialist
Missy Kopp, Executive Asst
Jan Murtha, Interim Exec Dir
Sara Sauter, Suprv of Internal Audit
Dottie Thorsen, Internal Auditor
Tami Volkert, Employer Services Coordinator

GUESTS : Dean DePountis, Attorney General's Office

CALL TO ORDER:

Ms. Smith called the State Investment Board (SIB) Audit Committee meeting to order at 3:00 p.m. on Thursday, October 14, 2021, at the Retirement and Investment Office (RIO), 3442 E Century Ave., Bismarck, ND.

The following Audit Committee members were available representing a quorum: Ms. Dahle, Mr. Griffin, Dr. Lech, Commissioner Smith, and Ms. Smith

AGENDA:

The agenda was considered for the October 14, 2021, meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY MR. GRIFFIN AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA FOR THE OCTOBER 14, 2021, MEETING AS DISTRIBUTED.

AYES: MS. DAHLE, COMMISSIONER SMITH, MR. GRIFFIN, DR. LECH, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

GOVERNANCE DISCUSSION:

Ms. Sauter reviewed the request from the SIB at its May 21, 2021 meeting for the Audit Committee to review Governance Policy B-2 Governing Style in Section B Governance Process, to clearly define "inquiry," and to review the SIB's structure and bring a recommendation back. At the August 11, 2021, meeting, the Committee discussed this request and established a list of three areas they wanted to discuss further at a special meeting:

- Comprehensive onboarding for new SIB members
- Plan for Board Education
- Establishing a Governance Committee

Internal audit staff researched each of these areas and have provided information to the Committee.

Board member orientation and education guidelines include a list of Board member core competencies. These are similar to the Teachers' Fund for Retirement (TFFR) governance manual which was recently updated and are research based. The Executive Director (ED) will present an annual Board education plan which will not be all inclusive, but will provide a framework. The ED will also offer options for education outside of regular Board meetings.

New Board member orientation includes a list of topics to help them understand RIO and its programs, board governance and policies, laws and rules governing the plans, and board meeting protocols. The orientation process will help new members understand what is expected of them.

Ms. Sauter reviewed the draft charter for an SIB Governance Committee. The new committee would take over the responsibility for Board self-assessment and would also advise the SIB about governance. The Committee discussed calling the new Committee the Governance and Policy Review Committee and adding policy review to the list of responsibilities. The Committee would be composed of three SIB members who are nominated and approved by the Board. The ED would be the primary staff person responsible for organizing Committee meetings.

IT WAS MOVED BY MR. GRIFFIN AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO RECOMMEND TO THE SIB THE BOARD MEMBER ORIENTATION AND EDUCATION PROGRAM POLICY WITH THE DISCUSSED CHANGES AND THE ESTABLISHMENT OF A GOVERNANCE AND POLICY REVIEW COMMITTEE.

AYES: MR. GRIFFIN, DR. LECH, COMMISSIONER SMITH, AND MS. SMITH

NAYS: NONE

MOTION CARRIED

ABSENT: MS. DAHLE

OTHER:

The next Audit Committee meeting is scheduled for Tuesday, November 16, 2021, at 2:30 p.m. at Workforce Safety & Insurance, 1600 East Century Ave., Bismarck, ND.

With no further business to come before the Audit Committee, Ms. Smith adjourned the meeting at 4:34 p.m.

Respectfully Submitted:

Ms. Yvonne Smith, Chair
SIB Audit Committee

Missy Kopp
Recorder



Audit Results Presentation to: North Dakota Retirement and Investment Office – Audit Committee

November 16, 2021

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Agenda

- 2021 Audit Results
- Required Communications
- Financial Highlights
- 2021 GASB 68 Schedules Audit Results



2021 Audit Results

- Independent Auditors' Report - Unmodified "clean" opinion that the financial statements are presented fairly, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).
- Limited procedures were performed, and no opinion rendered, on management's discussion and analysis, required supplemental information, supplemental schedules, and the Introductory, Investment, Actuarial, and Statistical sections.
- Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
 - No material weaknesses were identified.
 - No significant deficiencies were identified.
- Letter to the Board providing required communications with those charged with governance



Required Governing Body Communications

- Auditor's responsibility under U.S. Generally Accepted Auditing Standards
- Significant accounting policies
- Management judgments and accounting estimates
 - Valuation of alternative investments
 - Actuarial assumptions and methods used
- Significant Financial Statement Disclosures
- Significant Transactions



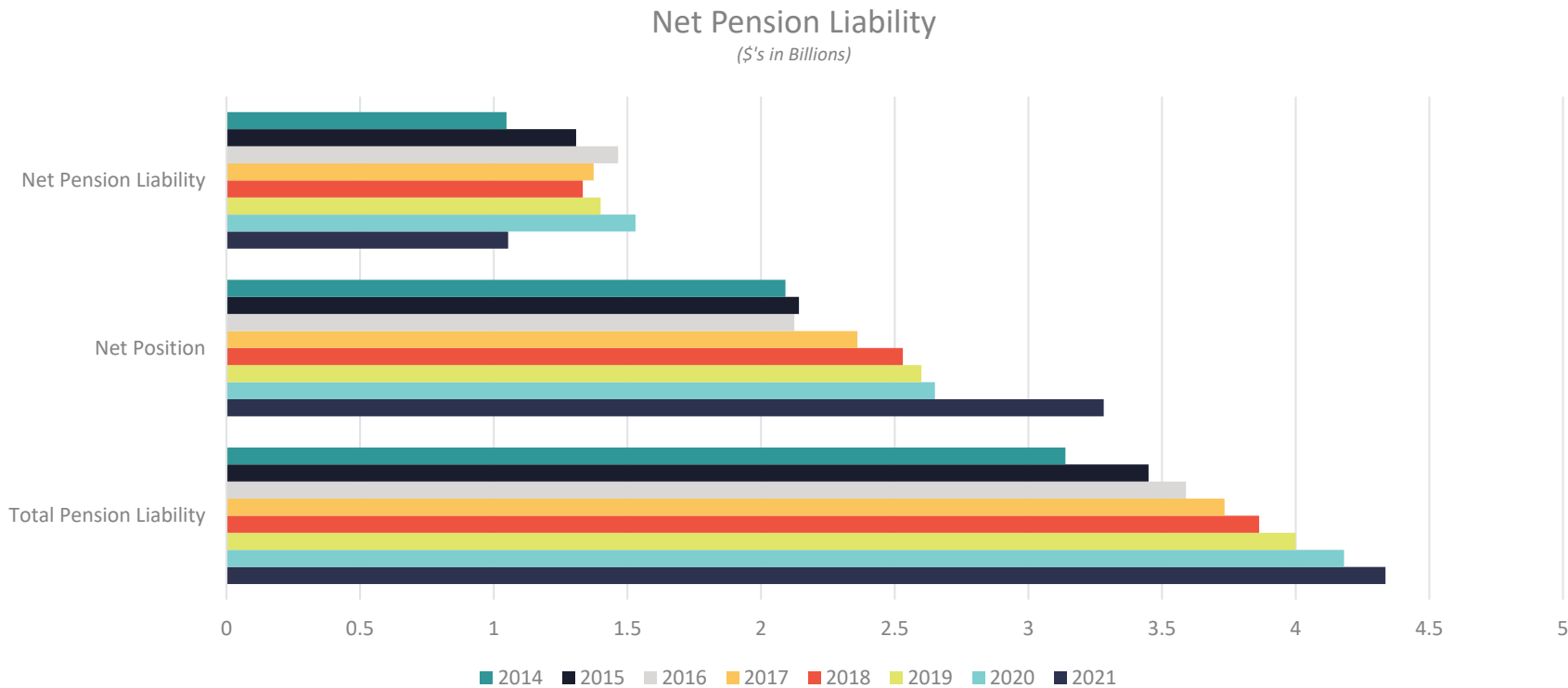
Other Communications

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



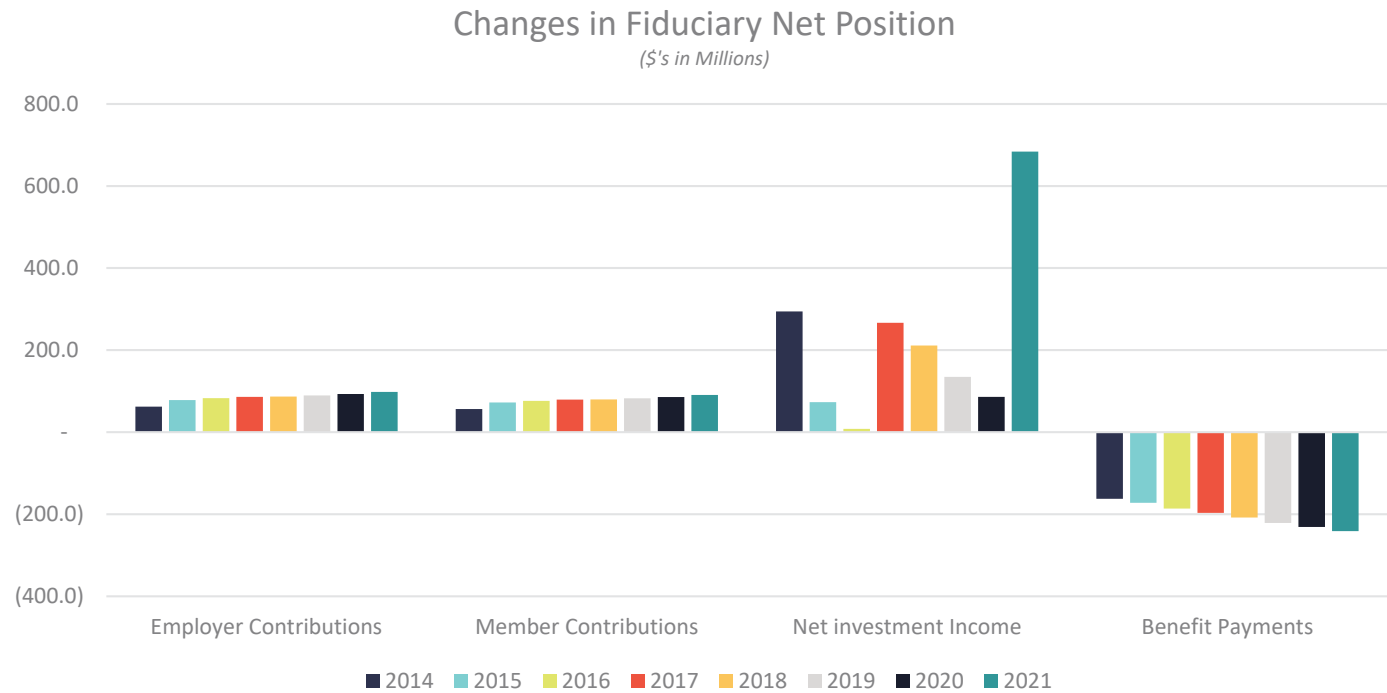
Financial Highlights – TFFR Net Pension Liability

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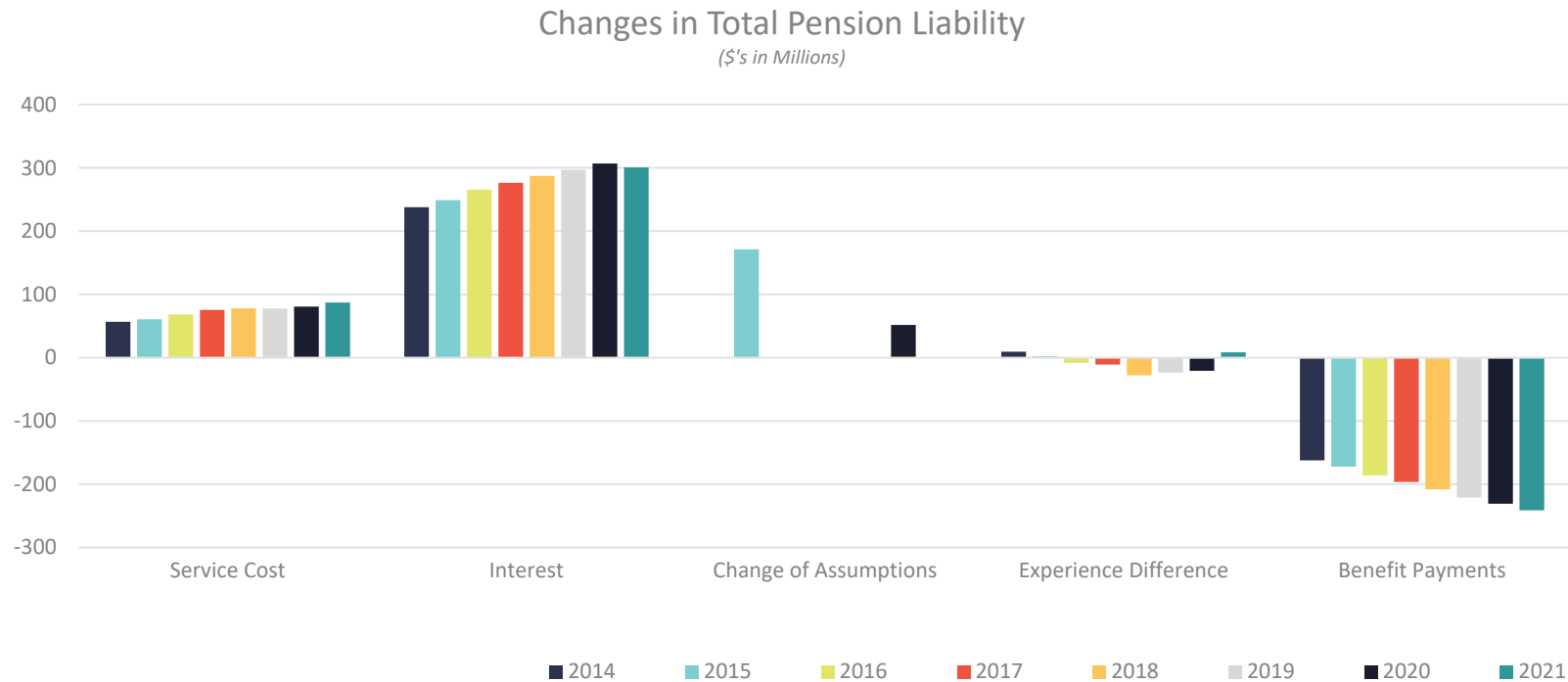


Financial Highlights – TFFR Changes in Fiduciary Net Position

- Active Members
 - 2021 – 11,627
 - 2020 – 11,347
- Investment Income
 - 26.36% money-weighted rate of return in 2021
- Retirees
 - 2021 – 9,262
 - 2020 – 9,036



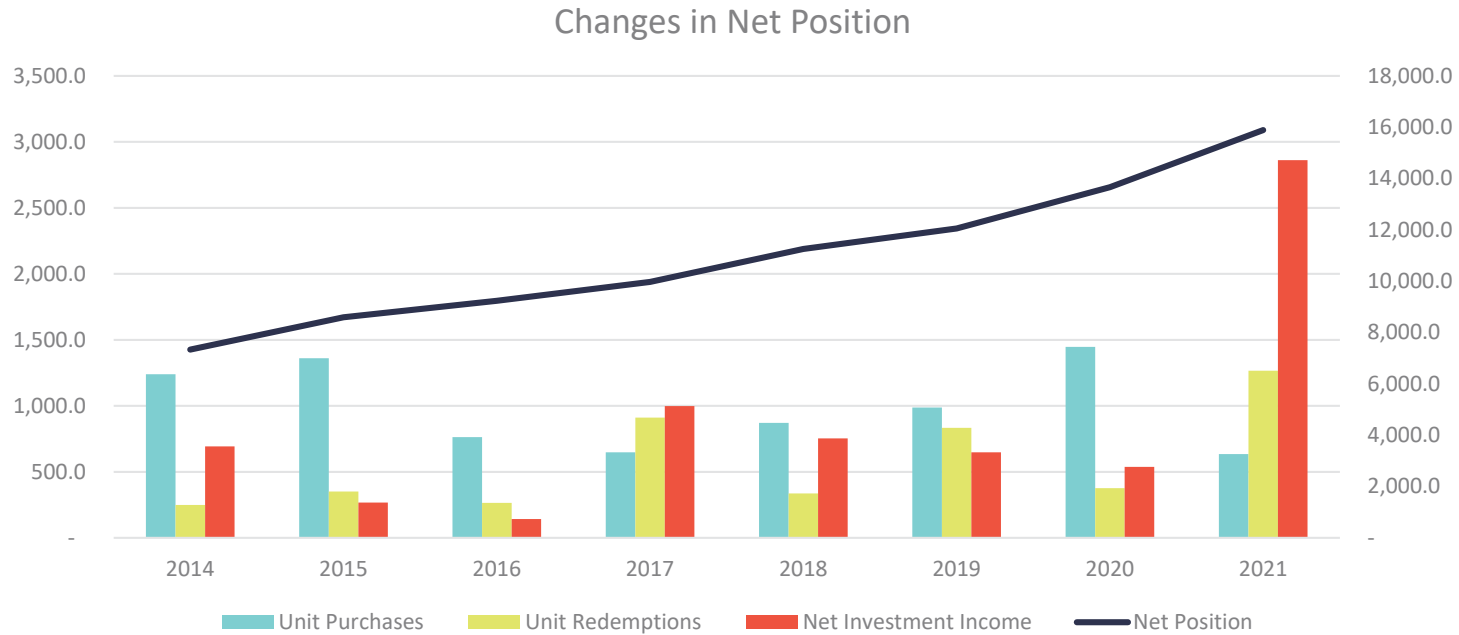
Financial Highlights – TFFR Changes in Total Pension Liability



- Investment return assumption remained at 7.25% in 2021



Financial Highlights – Investment Trust Changes in Fiduciary Net Position



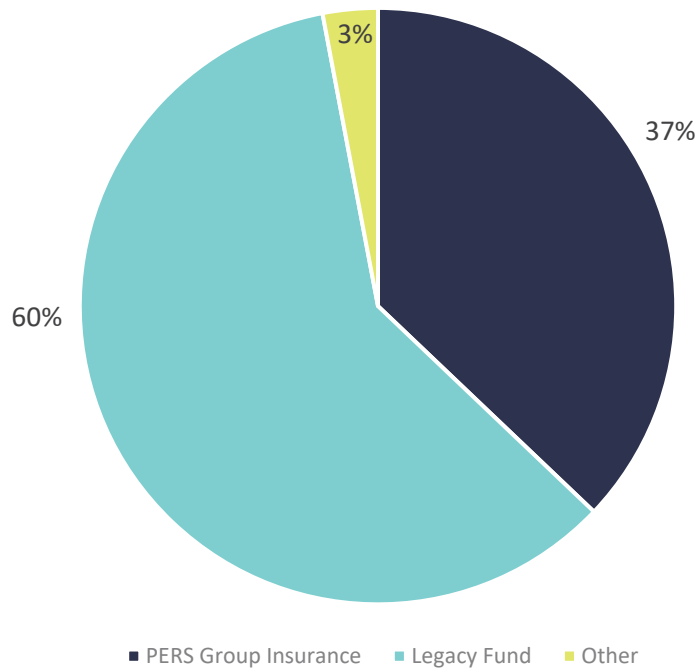
- Unit Purchases and Redemptions – See next slide
- Net time-weighted rates of return for the Legacy Fund, Pension Pool and Insurance Pool were 22.68%, 26.75% and 9.74%, respectively , for the year ended June 30, 2021



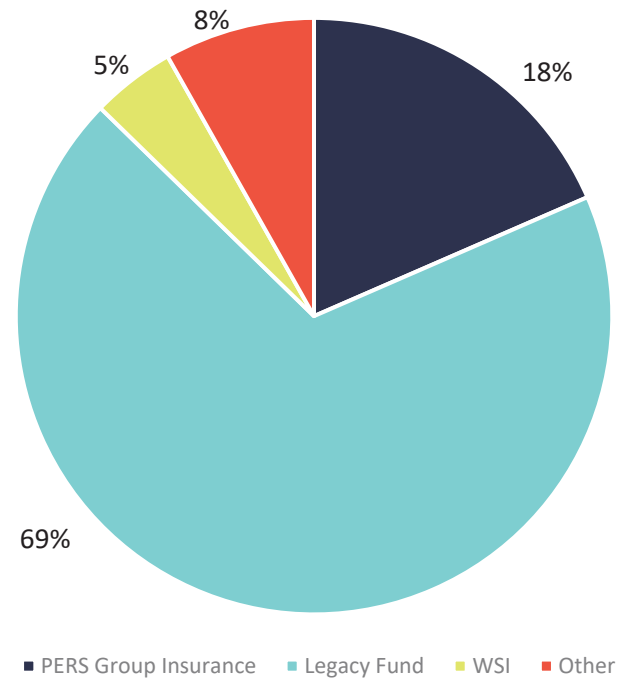
Financial Highlights – Investment Trust Unit Purchases and Redemptions

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2021 Unit Purchases



2021 Unit Redemptions



2021 Audit Results – Schedules of Employer Allocations and Pension Amounts by Employer

- Independent Auditors’ Report – Unmodified “clean” opinion that the schedule of employer allocations and the net pension liability, total deferred outflows, total deferred inflows and total pension expense are presented fairly, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).
- Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
 - No material weaknesses were identified
 - No significant deficiencies were identified
- Employer Census Testing
 - Tested individual employee census data at **12** separate employers
 - 142 total employees tested – No errors noted





Thomas Rey, CPA
Engagement Principal
thomas.rey@claconnect.com
Direct 410-453-5574

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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State Investment Board
Teachers' Fund for Retirement
North Dakota Retirement and Investment Office
Bismarck, North Dakota

We have audited the financial statements of the North Dakota Retirement and Investment Office (RIO) as of and for the year ended June 30, 2021, and have issued our report thereon dated November 2, 2021. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

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

No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2021.

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

Accounting estimates

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

The valuation of alternative investments, including private equity and real asset investments, are a management estimate which is primarily based upon net asset values reported by the investment managers and comprise 15% of the total investment portfolio. The values for these investments are reported based upon the most recent financial data available and are adjusted for cash flows through June 30, 2021. Our audit procedures validated this approach through the use of confirmations sent directly to a sample of investment managers and the review of the most recent audited financial statements for these sampled funds. Furthermore, we reviewed management's estimate and found it to be reasonable.

The actuarially calculated information was based on the assumptions and methods adopted by the Board, including an expected investment rate of return of 7.25% per annum compounded annually. The valuation takes into account all of the promised benefits required by the Retirement Code to which members are entitled as of July 1, 2021. Our audit procedures included reviewing the actuarial valuation and related assumptions used therein and we believe the estimate to be reasonable.

Financial statement disclosures

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

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

Difficulties encountered in performing the audit

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

Uncorrected misstatements

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

Corrected misstatements

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

Disagreements with management

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

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated November 2, 2021.

Management consultations with other independent accountants

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

Significant issues discussed with management prior to engagement

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

Other information in documents containing audited financial statements

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

With respect to the schedules of administrative expenses, consultant expenses, investment expenses, and appropriations – budget basis – fiduciary funds (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated November 2, 2021.

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

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

* * *

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
November 2, 2021

November 2, 2021
CliftonLarsonAllen LLP
1966 Greenspring Drive, Suite 300
Timonium, MD 21093

This representation letter is provided in connection with your audit of the financial statements of North Dakota Retirement and Investment Office (RIO), which comprise the fiduciary net position of the entity as of June 30, 2021, and the related changes in fiduciary net position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

We confirm, to the best of our knowledge and belief, as of November 2, 2021 the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the Contract between the State of North Dakota and CliftonLarsonAllen LLP dated March 29, 2021, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We acknowledge and have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. All significant plan amendments, adopted during the period or subsequent to the date of the financial statements, and their effects on benefits and financial status have been disclosed in the financial statements.
5. The values of non-readily marketable investments represent good faith estimates of fair value. The methods and significant assumptions used result in a measure of fair value appropriate for financial measurement and disclosure purposes.
6. Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.
7. No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
8. We have not identified or been notified of any uncorrected financial statement misstatements.

9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.
11. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
12. With respect to actuarial assumptions and valuations:
 - a. Management agrees with the actuarial methods and assumptions used by the actuary for funding purposes and for determining the total pension liability and has no knowledge or belief that would make such methods or assumptions inappropriate in the circumstances. We did not give any, nor cause any, instructions to be given to RIO's actuary with respect to values or amounts derived, and we are not aware of any matters that have impacted the independence or objectivity of RIO's actuary.
 - b. There were no omissions from the participant data provided to the actuary for the purpose of determining the total pension liability and other actuarially determined amounts in the financial statements.
 - c. There have been no changes in the actuarial methods or assumptions used in calculating the amounts recorded or disclosed in the financial statements. There have been no changes in plan provisions between the actuarial valuation date and the date of this letter.
13. We believe the plan and trust established under the plan is qualified under the appropriate section of The North Dakota Century Code, and we intend to continue them as a qualified plan and trust.
14. We are not aware of any present legislative intentions to terminate the plan.

Information Provided

1. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - e. All actuarial reports prepared for the plan during the year.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or

- c. Others when the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
 6. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts, or abuse whose effects should be considered when preparing financial statements.
 7. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
 8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
 9. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
 10. We are responsible for compliance with the laws, regulations, and provisions of contracts applicable to RIO, and we have identified and disclosed to you all laws, regulations, and provisions of contracts that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
 11. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts, or any debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
 12. The entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
 13. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
 14. Investments, derivative instruments, and land and other real estate held by RIO are properly valued.
 15. Expenses have been appropriately classified the statement of changes in net position, and allocations have been made on a reasonable basis.
 16. Revenues are appropriately classified in the statement of changes in net position.
 17. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
 18. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.
 19. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
 20. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
 21. We acknowledge our responsibility for presenting the schedules (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in

accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.



Signature: _____ Title: Interim Executive Director



Signature: _____ Title: Chief Financial Officer

**NORTH DAKOTA RETIREMENT
AND INVESTMENT OFFICE
Bismarck, ND**

**FINANCIAL STATEMENTS
June 30, 2021 and 2020**

North Dakota Retirement and Investment Office

Table of Contents
June 30, 2021 and 2020

PAGE

| | |
|--|----|
| INDEPENDENT AUDITORS' REPORT | 1 |
| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | 4 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 6 |
| FINANCIAL STATEMENTS | |
| Statement of Net Position – Fiduciary Funds | 13 |
| Statement of Changes in Net Position – Fiduciary Funds | 14 |
| Notes to Combined Financial Statements..... | 15 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Schedule of Changes in NPL and Related Ratios – ND Teachers' Fund for Retirement..... | 55 |
| Schedule of Employer Contributions – ND Teachers' Fund for Retirement..... | 56 |
| Schedule of Investment Returns – ND Teachers' Fund for Retirement | 57 |
| Schedule of Employer's Share of NPL and NOL – ND Public Employees Retirement System..... | 58 |
| Schedule of Employer Contributions – ND Public Employees Retirement System..... | 59 |
| SUPPLEMENTARY INFORMATION | |
| Combining Statement of Net Position – Investment Trust Funds – Fiduciary Funds | 60 |
| Combining Statement of Changes in Net Position – Investment Trust Funds – Fiduciary Funds | 62 |
| Pension and Investment Trust Funds – Schedule of Administrative Expenses | 64 |
| Pension and Investment Trust Funds – Schedule of Consultant Expenses..... | 65 |
| Pension and Investment Trust Funds – Schedule of Investment Expenses | 66 |
| Schedule of Appropriations – Budget Basis – Fiduciary Funds | 67 |
| SPECIAL COMMENTS REQUESTED BY THE LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE YEAR ENDED JUNE 30, 2021 | 68 |
| AUDIT COMMITTEE COMMUNICATIONS | 69 |



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the North Dakota Retirement and Investment Office (RIO), a department of the State of North Dakota, which comprise the statement of net position – fiduciary funds as of June 30, 2021 and 2020, and the related statement of changes in net position – fiduciary funds for the years then ended, and the related notes to the financial statements, which collectively comprise RIO's basic financial statements, and the combining and individual fund financial statements as of and for the years ended June 30, 2021 and 2020, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RIO as of June 30, 2021 and 2020, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the respective financial position of each of the individual funds of RIO as of June 30, 2021 and 2020, and the changes in financial position of such funds for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of RIO are intended to present the financial position and the changes in financial position of only that portion of the State of North Dakota that is attributable to the transactions of RIO. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2021 and 2020, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Audit Standards*, we have also issued our report dated November 2, 2021, 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 and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
November 2, 2021



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
Janilyn Murtha, Interim Executive Director
State Investment Board
Teachers' Fund for Retirement Board
North Dakota Retirement and Investment Office

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the North Dakota Retirement and Investment Office (RIO), a department of the State of North Dakota, which collectively comprise RIO's basic financial statements, and the combining and individual fund financial statements, as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 2, 2021.

Internal Control over Financial Reporting

Management of RIO is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered RIO's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RIO's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of RIO's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Baltimore, Maryland
November 2, 2021

North Dakota Retirement and Investment Office

Management's Discussion and Analysis

June 30, 2021 and 2020

Our discussion and analysis of the ND Retirement and Investment Office's (RIO) financial performance provides an overview of RIO's financial activities for the fiscal years ended June 30, 2021 and 2020. Please read it in conjunction with the basic financial statements, which follow this discussion.

RIO administers two fiduciary funds, a pension trust fund for the ND Teachers' Fund for Retirement (TFFR) and an investment trust fund for the ND State Investment Board (SIB) consisting of 26 investment clients in two investment pools and four individual investment accounts.

Financial Highlights

Total net position increased from the previous fiscal year in the fiduciary funds by \$2.86 billion (17.5%) and \$1.64 billion (11.2%) in FY2021 and FY2020, respectively. Approximately 39% of the FY2021 increase and 53% of the FY2020 increase is due to the growth of the Legacy Fund. The Legacy Fund was created by a constitutional amendment in 2010. The amendment provides that 30% of oil and gas gross production and oil extraction taxes on oil produced after June 30, 2011, be transferred to the Legacy Fund. Transfers into the Legacy Fund totaled \$380.6 million and \$596.6 million, and net investment income exceeded \$1.6 billion and \$277 million in FY2021 and FY2020, respectively.

Total additions in the fiduciary funds for FY2021 increased by \$2.1 billion (94.2%) and \$307.0 million (15.8%) in FY2020. Net investment income increased in FY2021 by \$2.9 billion due to exceptionally strong financial markets following the pull back that occurred near the end of FY2020 causing a decrease in net investment income in FY2020 of \$158.7 million. Changes in purchases of units each year are highly dependent on Legacy Fund deposits and thus on oil and gas production. There was a decrease in purchases of units in the investment program in FY2021 as oil and gas production activity pulled back due to the global pandemic after increasing in FY2020 due to strong oil and gas tax collections. The increase in FY2020 was also due to deposits into the Budget Stabilization Fund that brought that fund back to statutory limits. Total fiduciary fund purchases of units decreased \$811.4 million (56.1%) in FY2021 and increased by \$458.8 million (46.4%) in FY2020.

Deductions in the fiduciary funds increased in FY2021 by \$901.8 million (147.6%) and decreased by \$448.4 million (42.3%) in FY2020. The vast majority of the changes in deductions are driven by redemptions of units due to the constitutionally mandated earnings transfers from the Legacy Fund to the State's general fund every two years. The State Constitution requires that all earnings accrued after June 30, 2017, be transferred to the general fund at the end of each biennium. A transfer of \$871.7 million was made in July, 2021, and accrued as of the end of FY2021.

Payments to TFFR members in the form of benefits and refunds increased by \$10.3 million (4.5%) and \$9.6 million (4.3%) in FY2021 and FY2020, respectively. These increases represented a rise in the total number of retirees drawing retirement benefits from the pension fund as well as an increase in the retirement salaries on which the benefits of new retirees are based.

As of June 30, 2021 and 2020, the TFFR pension plan had a Net Pension Liability (NPL) of \$1.05 and \$1.53 billion, and Plan Fiduciary Net Position as a percent of Total Pension Liability (TPL) of 75.7% and 63.4%, respectively.

Overview of the Financial Statements

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

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

Fund Financial Statements

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

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

Financial Analysis

RIO's fiduciary fund total assets as of June 30, 2021 and 2020, were \$20.15 billion and \$16.4 billion, respectively, and were comprised mainly of investments. Total assets increased by \$3.8 billion (23.0%) and \$1.2 billion (7.9%) from each prior year primarily due to on-going deposits to the Legacy Fund and Budget Stabilization Fund as well as extremely strong financial markets in FY2021.

Total liabilities as of June 30, 2021 and 2020, were \$980.5 million and \$72.6 million. Nearly 89% of the liabilities (\$871.7 million) as of June 30, 2021, were the Legacy Fund's earnings that were due to be transferred to the State's general fund at the end of the biennium. Previous year-end liabilities were comprised mainly of the securities lending collateral payable.

RIO's fiduciary fund total net position was \$ 19.2 billion and \$16.3 billion at the close of fiscal years 2021 and 2020, respectively.

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

| | 2021 | 2020 | Total % Change |
|---------------------------------------|--------------------|--------------------|---------------------------|
| Assets | | | |
| Investments | \$ 19,948.0 | \$ 16,220.7 | 23.0% |
| Securities Lending Collateral | 88.9 | 58.8 | 51.2% |
| Receivables | 89.4 | 85.3 | 4.7% |
| Cash & Other | 26.1 | 21.4 | 21.8% |
| Total Assets | 20,152.4 | 16,386.2 | 23.0% |
| Deferred Outflows of Resources | | | |
| Deferred outflows related to pensions | 2.7 | 0.9 | 201.6% |
| Liabilities | | | |
| Obligations under Securities Lending | 88.9 | 58.8 | 51.2% |
| Accounts Payable & Accrued Expenses | 891.6 | 13.8 | 6344.4% |
| Total Liabilities | 980.5 | 72.6 | 1250.1% |
| Deferred Inflows of Resources | | | |
| Deferred inflows related to pensions | 0.8 | 0.9 | -18.2% |
| Total Net Position | \$ 19,173.8 | \$ 16,313.6 | 17.5% |
| | | | |
| | 2020 | 2019 | Total % Change |
| Assets | | | |
| Investments | \$ 16,220.7 | \$ 15,028.7 | 7.9% |
| Securities Lending Collateral | 58.8 | 46.3 | 27.1% |
| Receivables | 85.3 | 87.7 | -2.7% |
| Cash & Other | 21.4 | 20.5 | 4.1% |
| Total Assets | 16,386.2 | 15,183.2 | 7.9% |
| Deferred Outflows of Resources | | | |
| Deferred outflows related to pensions | 0.9 | 1.2 | -23.7% |
| Liabilities | | | |
| Obligations under Securities Lending | 58.8 | 46.3 | 27.1% |
| Accounts Payable & Accrued Expenses | 13.8 | 465.0 | -97.0% |
| Total Liabilities | 72.6 | 511.3 | -85.8% |
| Deferred Inflows of Resources | | | |
| Deferred inflows related to pensions | 0.9 | 0.2 | 448.2% |
| Total Net Position | \$ 16,313.6 | \$ 14,672.9 | 11.2% |

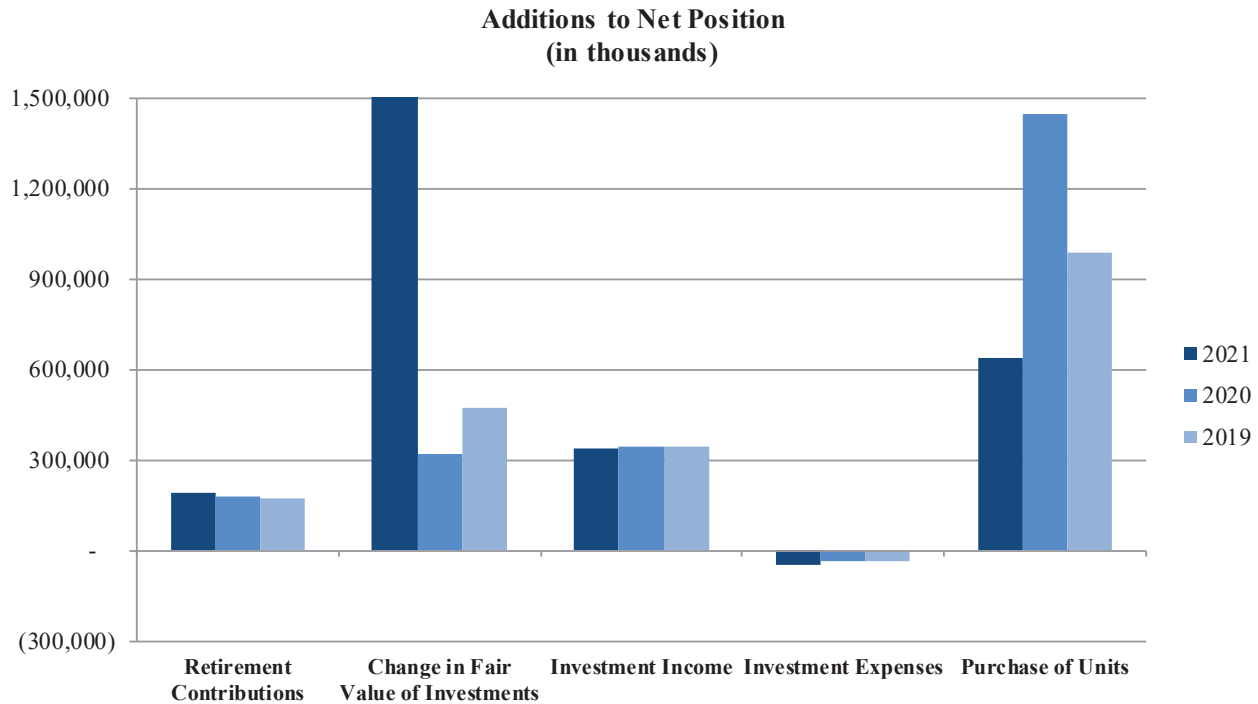
**North Dakota Retirement and Investment Office
Changes in Net Position – Fiduciary Funds
(In Millions)**

| | <u>2021</u> | <u>2020</u> | <u>Total % Change</u> |
|-------------------------------------|-------------------|-------------------|---------------------------|
| Additions | | | |
| Contributions | \$ 191.5 | \$ 181.1 | 5.7% |
| Net Investment Income | 3,545.0 | 622.9 | 469.2% |
| Net Securities Lending Income | 1.0 | 0.9 | 5.9% |
| Purchase of Units | <u>635.2</u> | <u>1,446.6</u> | -56.1% |
| Total Additions | <u>4,372.7</u> | <u>2,251.5</u> | 94.2% |
| Deductions | | | |
| Payments to TFFR members | 241.1 | 230.8 | 4.5% |
| Administrative Expenses | 4.8 | 3.9 | 24.8% |
| Redemption of Units | <u>1,266.6</u> | <u>376.1</u> | 236.8% |
| Total Deductions | <u>1,512.5</u> | <u>610.8</u> | 147.6% |
| Total Change in Net Position | <u>\$ 2,860.2</u> | <u>\$ 1,640.7</u> | 74.3% |

| | <u>2020</u> | <u>2019</u> | <u>Total % Change</u> |
|-------------------------------------|-------------------|-----------------|---------------------------|
| Additions | | | |
| Contributions | \$ 181.1 | \$ 173.9 | 4.1% |
| Net Investment Income | 622.9 | 781.6 | -20.3% |
| Net Securities Lending Income | 0.9 | 1.2 | -20.2% |
| Purchase of Units | <u>1,446.6</u> | <u>987.8</u> | 46.4% |
| Total Additions | <u>2,251.5</u> | <u>1,944.5</u> | 15.8% |
| Deductions | | | |
| Payments to TFFR members | 230.8 | 221.2 | 4.3% |
| Administrative Expenses | 3.9 | 4.0 | -3.8% |
| Redemption of Units | <u>376.1</u> | <u>833.9</u> | -54.9% |
| Total Deductions | <u>610.8</u> | <u>1,059.2</u> | -42.3% |
| Total Change in Net Position | <u>\$ 1,640.7</u> | <u>\$ 885.4</u> | 85.3% |

Statement of Changes in Net Position – Additions

Contributions collected by the pension trust fund increased by \$10.4 million (5.7%) in FY2021 and \$7.2 million (4.1%) in FY2020 over the previous fiscal years due to both an increase in the number of active members contributing to the fund and an increase in the average salary of active members. Net investment income (including net securities lending income and net of investment expenses) increased by \$2.9 billion (468.4%) in FY2021 and decreased by \$158.9 million (20.3%) in FY2020. Financial markets pulled back in FY2020 in comparison to the previous year but recovered substantially in FY2021. Deposits of funds into the investment trust fund (purchase of units) increased from FY2019 to FY2020 by \$458.8 million but decreased by \$811.4 million in FY2021, mainly due to changes in amounts available for deposits to the Legacy Fund and Budget Stabilization Fund.



Statement of Changes in Net Position – Deductions

Benefits paid to TFFR plan participants, including partial lump-sum distributions, increased by \$10.8 million (4.8%) and \$9.0 million (4.2%) in FY2021 and FY2020, respectively. The increases are due to an increase in the total number of retirees in the plan as well as an increased retirement salary on which the benefits are based. Refunds decreased by \$566,000 (8.7%) in FY2021 after increasing by \$589,000 (10.0%) FY2020.

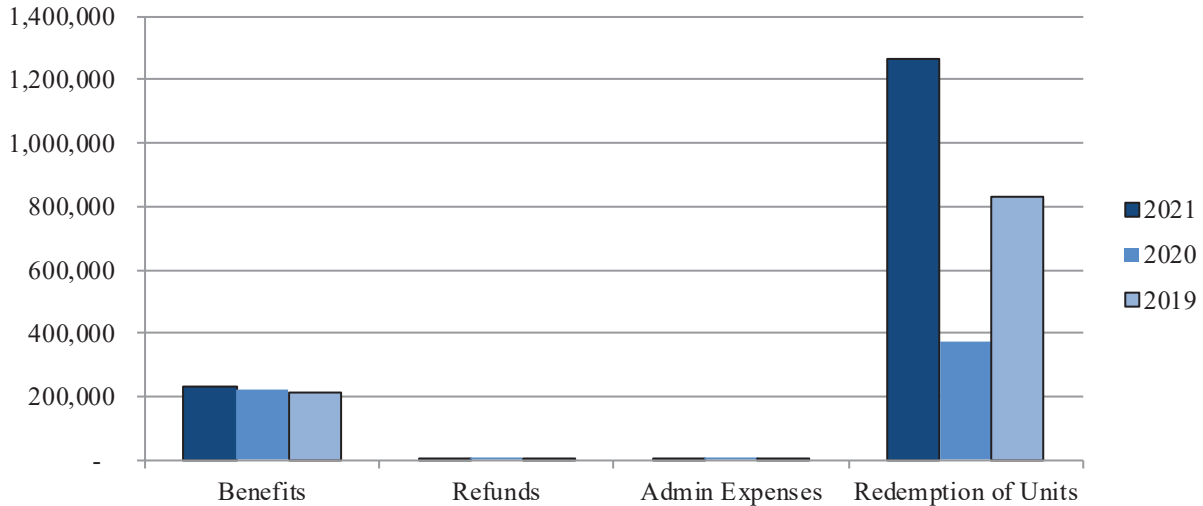
Administrative expenses increased by \$960,000 in fiscal year 2021 after decreasing in fiscal year 2020 by nearly \$154,000. Approximately half of the increase in FY2021 was due mainly to an increase in the agency's portion of the pension expense from the ND Public Employees Retirement System pension plan for the State of ND. That increase was driven by a change in actuarial assumptions, specifically a decrease in the discount rate.

An additional portion of that increase relates to the Pension Administration System (PAS) modernization project that began at the end of FY20 and ramped up during FY21. A project management consultant was hired and a Request for Proposals (RFP) was issued during the fiscal year. The total budget for this multi-year project is \$9.3 million, with approximately \$331,000 expended through June 30, 2021. The remaining appropriation authority for this project will be carried forward into the next biennium to complete the project.

The decrease in FY20 was related to the global pandemic that caused a halt in travel for staff and board member education and due diligence on-site visits, which were replaced with virtual on-line conferences and manager meetings.

The redemption of units in the investment trust funds increased by \$890.5 million in FY2021 after decreasing by \$457.9 million in FY2020. Biennial swings will continue in this line item due to the biennial earnings transfers from the Legacy Fund required under the State Constitution.

**Deductions from Net Position
(in thousands)**



Conclusion

For the fiscal year ended June 30, 2021, the pension investment pool (which includes the TFFR pension plan), the Legacy Fund and the insurance investment pool generated net time weighted investment returns of 26.74%, 22.68% and 9.74%, respectively, outperforming their corresponding policy benchmarks. Investment returns for global equities exceeded long-term expectations in fiscal year 2021 driven by the economic and financial asset recovery that followed global lockdowns. The MSCI World Index, S&P 500 Index and Russell 2000 index were up 39.04%, 40.79% and 62.02% for fiscal year 2021. Positive performance in equity markets were driven by positive news on vaccine progress as well as a deluge of fiscal and monetary stimulus. In the second and third fiscal quarters, nearly \$3 trillion in COVID-relief funds were infused into the economy. Not surprisingly, equity returns for the pension pool, Legacy Fund and insurance pool were all strong. The pension pool's public equity allocation was up 41.79%, while the Legacy Fund and insurance pool's public equity allocations were up 42.35% and 43.06%, respectively. Fixed income returns across the pension pool, Legacy Fund and insurance pool were all positive despite rising interest rates in the U.S. The pension pool's fixed income allocation was up 4.92%, while the Legacy Fund and insurance pool's public fixed income allocations were up 3.29% and 2.88%, respectively. Real asset performance was solid, driven by strong returns from infrastructure assets. The pension pool's real asset allocation was up 9.98%, while the Legacy Fund and insurance pool's real asset portfolios were up 9.04% and 6.47%, respectively. Lastly, private equity in the pension pool returned 48.81% for the fiscal year.

For the fiscal year ended June 30, 2020, the pension investment pool and the TFFR pension plan generated net time weighted returns of over 3.4%, exceeding their respective policy benchmarks. The Legacy Fund and insurance investment pool achieved higher absolute returns of 4.2% and 5%, respectively, but trailed policy benchmarks for that year. Investment returns were below long-term expectations in fiscal 2020 largely due to the impact of the global pandemic in the first quarter. Investment performance in the first half of fiscal 2020 benefited

from continuing favorable U.S. income tax policy which bolstered revenues, margins and capital spending. Despite a very sharp and severe market decline in the first calendar quarter of 2020, the markets materially recovered in the second quarter to push returns into positive territory for the fiscal year ended June 30, 2020. Public equity returns were mixed as U.S. equities earned over 8%, while international equities were flat and global equities were down over 7% within the pension pool. Fixed income results were strong, but mixed, as U.S. investment grade debt earned over 9%, while non-investment grade debt earned less than 1% in FY20 within the pension pool. Real asset performance was also mixed with above benchmark returns for timber (up 6%) and infrastructure (up 4%), while real estate posted a 2.2% return, which trailed policy benchmarks within the pension pool last year. Private equity returns were disappointing within the pension pool earning slightly over 3% for the 1-year ended June 30, 2020, largely due to poor results in liquidating strategies, but trending favorably in recent years with our two long-term strategic partners.

While the post-lockdown recovery has been strong and global economic growth projections remain favorable (the international monetary fund (IMF) expects global economic growth to be 6% for 2021 and 4.9% for 2022), there remain a number of concerns surrounding markets. Notable concerns include:

- Although global COVID-19 case counts have begun to recede following the delta surge, additional market impact from COVID remains a very real possibility.
- Supply chain issues and associated inflation concerns are headwinds for the economy.
- Apprehension over China's ongoing economic deceleration, which was further exacerbated by Evergrande's recent woes continue to weigh on the global economy.
- Rising uncertainty over fed policy as it relates to inflation, as well as questions on whether Fed Chairman Jerome Powell will remain for a second term continue to add volatility to the markets.

While there is a strong case for continued economic growth, there exist notable headwinds and navigating the markets will continue to be challenging. The State Investment Board will continue to evaluate the ever-evolving markets and research investment strategies to prudently manage its investment portfolios.

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

TFFR's funding level increased from 65.7% to 68.6% on an actuarial basis (and on a market basis from 63.4% to 75.7%) from July 1, 2020 to July 1, 2021. As net investment gains over the past 5 years are recognized, the plan's funding level is expected to improve, if all actuarial assumptions are met in the future, including the 7.25% investment return assumption.

Protecting the long term solvency of the pension plan is the TFFR Board's fiduciary responsibility. The Board will continue to proactively address TFFR funding issues so the plan will be financially strong and sustainable for past, present, and future ND educators.

Contacting RIO Financial Management

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

North Dakota Retirement and Investment Office
Statement of Net Position – Fiduciary Funds
June 30, 2021 and 2020

| | Pension Trust | | Investment Trust | | Total | |
|--|-------------------------|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Assets: | | | | | | |
| Investments, at fair value | | | | | | |
| Global equities | \$ 1,843,851,776 | \$ 1,500,306,819 | \$ 7,923,977,037 | \$ 6,047,922,687 | \$ 9,767,828,813 | \$ 7,548,229,506 |
| Global fixed income | 859,935,213 | 609,737,594 | 6,287,302,991 | 5,437,603,865 | 7,147,238,204 | 6,047,341,459 |
| Global real assets | 480,647,867 | 466,252,190 | 2,261,103,560 | 1,989,786,268 | 2,741,751,427 | 2,456,038,458 |
| Cash equivalents | 38,081,928 | 23,710,131 | 253,103,896 | 145,396,714 | 291,185,824 | 169,106,845 |
| Total investments | <u>3,222,516,784</u> | <u>2,600,006,734</u> | <u>16,725,487,484</u> | <u>13,620,709,534</u> | <u>19,948,004,268</u> | <u>16,220,716,268</u> |
| Invested securities lending collateral | 13,508,350 | 7,594,167 | 75,402,097 | 51,197,270 | 88,910,447 | 58,791,437 |
| Receivables: | | | | | | |
| Investment income | 11,296,690 | 12,709,777 | 50,014,693 | 51,681,680 | 61,311,383 | 64,391,457 |
| Contributions | 28,014,669 | 20,919,360 | - | - | 28,014,669 | 20,919,360 |
| Miscellaneous | 5,566 | 5,683 | 24,181 | 24,662 | 29,747 | 30,345 |
| Total receivables | <u>39,316,925</u> | <u>33,634,820</u> | <u>50,038,874</u> | <u>51,706,342</u> | <u>89,355,799</u> | <u>85,341,162</u> |
| Due from other state agency | - | - | - | - | - | - |
| Cash and cash equivalents | 25,620,714 | 21,060,210 | 463,338 | 353,025 | 26,084,052 | 21,413,235 |
| Equipment & Software (net of depr) | 1,349 | 3,149 | - | - | 1,349 | 3,149 |
| Total assets | <u>3,300,964,122</u> | <u>2,662,299,080</u> | <u>16,851,391,793</u> | <u>13,723,966,171</u> | <u>20,152,355,915</u> | <u>16,386,265,251</u> |
| Deferred outflows of resources | | | | | | |
| Related to pensions | 1,547,047 | 549,008 | 1,172,782 | 352,915 | 2,719,829 | 901,923 |
| Liabilities: | | | | | | |
| Accounts payable | 151,625 | 165,186 | 269,770 | 261,446 | 421,395 | 426,632 |
| Investment expenses payable | 2,537,244 | 2,038,386 | 11,428,225 | 8,513,217 | 13,965,469 | 10,551,603 |
| Securities lending collateral | 13,508,350 | 7,594,167 | 75,402,097 | 51,197,270 | 88,910,447 | 58,791,437 |
| Accrued expenses | 3,455,406 | 1,973,137 | 2,061,222 | 843,730 | 5,516,628 | 2,816,867 |
| Miscellaneous payable | - | - | 28,999 | 29,597 | 28,999 | 29,597 |
| Due to other state funds | - | - | 871,687,384 | - | 871,687,384 | - |
| Due to other state agencies | 10,974 | 7,961 | 3,917 | 3,218 | 14,891 | 11,179 |
| Total liabilities | <u>19,663,599</u> | <u>11,778,837</u> | <u>960,881,614</u> | <u>60,848,478</u> | <u>980,545,213</u> | <u>72,627,315</u> |
| Deferred inflows of resources | | | | | | |
| Related to pensions | 442,740 | 536,950 | 326,334 | 403,422 | 769,074 | 940,372 |
| Fiduciary net position: | | | | | | |
| Restricted for pensions | 3,282,404,830 | 2,650,532,301 | - | - | 3,282,404,830 | 2,650,532,301 |
| Held in trust for investment pool participants: | | | | | | |
| Pension pool | - | - | 4,293,189,642 | 3,433,370,472 | 4,293,189,642 | 3,433,370,472 |
| Insurance pool | - | - | 3,206,265,290 | 2,987,425,838 | 3,206,265,290 | 2,987,425,838 |
| Held in trust for individual investment accounts | - | - | 8,391,901,695 | 7,242,270,876 | 8,391,901,695 | 7,242,270,876 |
| Total fiduciary net position | <u>\$ 3,282,404,830</u> | <u>\$ 2,650,532,301</u> | <u>\$ 15,891,356,627</u> | <u>\$ 13,663,067,186</u> | <u>\$ 19,173,761,457</u> | <u>\$ 16,313,599,487</u> |
| Each participant unit is valued at \$1.00 | | | | | | |
| Participant units outstanding | | | <u>15,891,356,627</u> | <u>13,663,067,186</u> | | |

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

North Dakota Retirement and Investment Office
Statement of Changes in Net Position – Fiduciary Funds
Years Ending June 30, 2021 and 2020

| | Pension Trust | | Investment Trust | | Total | |
|---|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Additions: | | | | | | |
| Contributions: | | | | | | |
| Employer contributions | \$ 98,264,202 | \$ 93,032,453 | \$ - | \$ - | \$ 98,264,202 | \$ 93,032,453 |
| Member contributions | 90,557,210 | 85,735,134 | - | - | 90,557,210 | 85,735,134 |
| Purchased service credit | 2,559,121 | 2,175,497 | - | - | 2,559,121 | 2,175,497 |
| Interest, penalties and other | 126,112 | 158,683 | - | - | 126,112 | 158,683 |
| Total contributions | 191,506,645 | 181,101,767 | - | - | 191,506,645 | 181,101,767 |
| Investment income: | | | | | | |
| Net change in fair value of investments | 640,469,814 | 37,928,921 | 2,618,257,668 | 278,642,657 | 3,258,727,482 | 316,571,578 |
| Interest, dividends and other income | 51,912,318 | 54,664,894 | 282,043,704 | 286,561,726 | 333,956,022 | 341,226,620 |
| | 692,382,132 | 92,593,815 | 2,900,301,372 | 565,204,383 | 3,592,683,504 | 657,798,198 |
| Less investment expenses | 8,388,601 | 6,523,407 | 39,305,773 | 28,437,549 | 47,694,374 | 34,960,956 |
| Net investment income | 683,993,531 | 86,070,408 | 2,860,995,599 | 536,766,834 | 3,544,989,130 | 622,837,242 |
| Securities lending activity: | | | | | | |
| Securities lending income | 223,739 | 169,620 | 1,002,370 | 988,246 | 1,226,109 | 1,157,866 |
| Less securities lending expenses | (44,740) | (33,911) | (200,426) | (197,478) | (245,166) | (231,389) |
| Net securities lending income | 178,999 | 135,709 | 801,944 | 790,768 | 980,943 | 926,477 |
| Purchase of units (\$1 per unit) | - | - | 635,230,202 | 1,446,622,465 | 635,230,202 | 1,446,622,465 |
| Total additions | 875,679,175 | 267,307,884 | 3,497,027,745 | 1,984,180,067 | 4,372,706,920 | 2,251,487,951 |
| Deductions: | | | | | | |
| Benefits paid to participants | 234,211,585 | 223,936,233 | - | - | 234,211,585 | 223,936,233 |
| Partial lump-sum distributions | 993,499 | 425,297 | - | - | 993,499 | 425,297 |
| Refunds | 5,923,187 | 6,489,704 | - | - | 5,923,187 | 6,489,704 |
| Administrative expenses | 2,678,375 | 2,095,405 | 2,158,611 | 1,781,619 | 4,836,986 | 3,877,024 |
| Redemption of units (\$1 per unit) | - | - | 1,266,579,693 | 376,059,310 | 1,266,579,693 | 376,059,310 |
| Total deductions | 243,806,646 | 232,946,639 | 1,268,738,304 | 377,840,929 | 1,512,544,950 | 610,787,568 |
| Change in fiduciary net position | 631,872,529 | 34,361,245 | 2,228,289,441 | 1,606,339,138 | 2,860,161,970 | 1,640,700,383 |
| Fiduciary net position: | | | | | | |
| Beginning of year | \$ 2,650,532,301 | \$ 2,616,171,056 | \$ 13,663,067,186 | \$ 12,056,728,048 | \$ 16,313,599,487 | \$ 14,672,899,104 |
| End of Year | \$ 3,282,404,830 | \$ 2,650,532,301 | \$ 15,891,356,627 | \$ 13,663,067,186 | \$ 19,173,761,457 | \$ 16,313,599,487 |

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

Note 1 - Summary of Significant Accounting Policies

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

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

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

Fund Financial Statement

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Fiduciary Fund

A pension trust fund and investment trust funds have been established to account for the assets held by RIO in a trustee capacity for TFFR and as an agent for other governmental units or funds which have placed certain investment assets under the management of the SIB. The SIB manages two external investment pools and four individual investment accounts. The two external investment pools consist of a pension pool and insurance pool. The SIB manages the investments of the North Dakota Public Employees Retirement System, Bismarck City Employees and Police, City of Grand Forks Employees and City of Grand Forks Park District Employees pension plans in the pension pool. The investments of Workforce Safety & Insurance, State Fire and Tornado, State Bonding, Petroleum Tank Release Compensation Fund, Insurance Regulatory Trust, North Dakota Association of Counties Fund, Risk Management, Risk Management Workers Comp, PERS Group Insurance, City of Bismarck Deferred Sick Leave, City of Fargo FargoDome Permanent Fund, Cultural Endowment Fund, ND State Board of Medicine, Lewis and Clark Interpretive Center Endowment Fund, Attorney General Settlement Fund, Veterans' Cemetery Trust Fund and Budget Stabilization Fund are managed in the insurance pool. The Legacy Fund, Job Service of North Dakota, Tobacco Prevention and Control Fund, and PERS Retiree Health investments are managed by the SIB in individual investment accounts.

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

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

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

Use of Estimates

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

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

Budgetary Process

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

Once passed and signed, the appropriation bill becomes RIO's financial plan for the next two years. Changes to the appropriation are limited to Emergency Commission authorization, initiative, or referendum action. The Emergency Commission can authorize receipt of federal or other moneys not appropriated by the Assembly if the Assembly did not indicate intent to reject the money. The Emergency Commission may authorize pass-through federal funds from one state agency to another. The Emergency Commission may authorize the transfer of expenditure authority between appropriated line items, however RIO has specific authority as a special fund to transfer between the contingency line item and other line items. Unexpended appropriations lapse at the end of each biennium, except certain capital expenditures covered under the NDCC section 54-44.1-11.

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

Capital Assets and Depreciation

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

| | <u>Years</u> |
|------------------------|--------------|
| Office equipment | 5 |
| Furniture and fixtures | 5 |

Investments

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

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

Pooled Investments

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

Investment Valuation and Income Recognition

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

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

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

Pensions and Other Postemployment Benefits (OPEB)

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

Note 2 - Cash and Cash Equivalents

Custodial Credit Risk

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

Pension Trust Fund

Deposits held by the Pension Trust Fund at June 30, 2021 were deposited in the Bank of North Dakota. At June 30, 2021 and 2020, the carrying amount of TFFR's deposits was \$25,620,714 and \$21,060,210, respectively, and the bank balance was \$25,635,028 and \$21,073,623, respectively. The difference results from checks outstanding or deposits not yet processed by the bank. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, these deposits at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

Investment Trust Funds

Certificates of deposit, an insurance pool cash account, a pension pool cash account and a Legacy Fund cash account are recorded as investments and have a cost and carrying value of \$88,921,637 and \$136,809,065 at June 30, 2021 and 2020, respectively. In addition, these funds carry cash and cash equivalents totaling \$463,338 and \$353,025 at June 30, 2021 and 2020, respectively. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, these deposits held at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

Note 3 - Investments

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

Interest Rate Risk

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

At June 30, 2021 and 2020, the following tables show the investments by investment type and maturity (expressed in thousands).

| 2021 | Total Fair Value | Less than 1 Year | 1-6 Years | 6-10 Years | More than 10 Years |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|
| Asset Backed Securities | \$ 466,600 | \$ 507 | \$ 111,066 | \$ 132,450 | \$ 222,577 |
| Bank Loans | 16,123 | - | 13,652 | 2,471 | - |
| Collateralized Bonds | 2,930 | - | - | 2,930 | - |
| Commercial Mortgage-Backed | 328,792 | 5 | 8,119 | 3,573 | 317,095 |
| Commercial Paper | 12,998 | 12,998 | - | - | - |
| Corporate Bonds | 2,426,220 | 83,417 | 1,237,811 | 584,494 | 520,498 |
| Corporate Convertible Bonds | 17,733 | - | 11,058 | 159 | 6,516 |
| Government Agencies | 41,889 | 1,306 | 24,488 | 6,734 | 9,361 |
| Government Bonds | 858,389 | 44,235 | 182,055 | 224,661 | 407,438 |
| Gov't Mortgage Backed | 599,911 | 3 | 5,230 | 26,101 | 568,577 |
| Gov't-issued CMB | 30,923 | 16 | 5,421 | 21,953 | 3,533 |
| Index Linked Government Bonds | 683,160 | 77,720 | 283,042 | 120,897 | 201,501 |
| Municipal/Provincial Bonds | 39,237 | 3,380 | 7,538 | 6,055 | 22,264 |
| Non-Government Backed CMOs | 159,803 | 10,844 | 9,798 | 21,006 | 118,155 |
| Repurchase Agreements | 25,300 | 25,300 | - | - | - |
| Short Term Bills and Notes | 73,606 | 73,606 | - | - | - |
| Sukuk | 2,787 | - | 1,442 | 1,345 | - |
| Funds/Pooled Investments | 1,726,778 | 28,585 | 928,703 | 414,962 | 354,528 |
| Total Debt Securities | <u>\$ 7,513,179</u> | <u>\$ 361,922</u> | <u>\$ 2,829,423</u> | <u>\$ 1,569,791</u> | <u>\$ 2,752,043</u> |

North Dakota Retirement and Investment Office

Notes to Financial Statements

June 30, 2021 and 2020

| 2020 | Total Fair Value | Less than 1 Year | 1-6 Years | 6-10 Years | More than 10 Years |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|
| Asset Backed Securities | \$ 459,221 | \$ 104 | \$ 122,916 | \$ 95,116 | \$ 241,085 |
| Bank Loans | 898 | - | 898 | - | - |
| Collateralized Bonds | 2,633 | - | - | 217 | 2,416 |
| Commercial Mortgage-Backed | 294,632 | 2,588 | 913 | 1,965 | 289,166 |
| Commercial Paper | 33,978 | 33,978 | - | - | - |
| Corporate Bonds | 2,230,382 | 77,375 | 1,142,807 | 519,710 | 490,490 |
| Corporate Convertible Bonds | 10,197 | - | 4,534 | 1,825 | 3,838 |
| Government Agencies | 38,491 | 1,918 | 16,412 | 14,179 | 5,982 |
| Government Bonds | 540,285 | 5,049 | 225,629 | 60,235 | 249,372 |
| Gov't Mortgage Backed | 882,440 | 6 | 6,682 | 40,851 | 834,901 |
| Gov't-issued CMB | 62,317 | - | 7,526 | 36,243 | 18,548 |
| Index Linked Government Bonds | 585,354 | - | 268,167 | 84,069 | 233,118 |
| Municipal/Provincial Bonds | 46,452 | 3,299 | 11,713 | 5,448 | 25,992 |
| Non-Government Backed CMOs | 115,408 | - | 2,745 | 7,555 | 105,108 |
| Short Term Bills and Notes | 58,648 | 58,648 | - | - | - |
| Funds/Pooled Investments | 1,481,985 | 27,098 | 1,018,852 | 184,510 | 251,525 |
| Total Debt Securities | \$ 6,843,321 | \$ 210,063 | \$ 2,829,794 | \$ 1,051,923 | \$ 2,751,541 |

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

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

Interest-only (IO) and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors, which may result from a decline in interest rates. The SIB held POs valued at \$6.5 million and \$0.0 million and IOs valued at \$26.4 million and \$24.4 million at June 30, 2021 and 2020, respectively. The SIB has no policy regarding IO or PO strips.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Investment Board maintains a highly diversified portfolio of debt securities encompassing a wide range of credit ratings. Although the SIB has no overall policy regarding credit risk, each debt securities manager is given a specific set of guidelines to invest within based on the mandate for which it was hired. The guidelines specify in which range of credit the manager may invest. These ranges include investment grade and below investment grade categories. The following tables present the SIB's ratings as of June 30, 2021 and 2020, (expressed in thousands).

North Dakota Retirement and Investment Office
Notes to Financial Statements
June 30, 2021 and 2020

| 2021 | Total Fair Value | Credit Rating* | | | | | | | | | | |
|--------------------------------------|---------------------|----------------|--------------|--------------|--------------|------------|------------|-----------|----------|-------|----------|------------|
| | | AAA | AA | A | BBB | BB | B | CCC | CC | C | D | NR |
| Asset Backed Securities | \$ 466,600 | \$ 239,151 | \$ 52,850 | \$ 56,092 | \$ 45,809 | \$ 3,515 | \$ 2,927 | \$ 3,872 | \$ 1,909 | \$ - | \$ 889 | \$ 59,586 |
| Bank Loans | 16,123 | - | - | - | 296 | 4,237 | 9,990 | 1,002 | - | - | - | 598 |
| Collateralized Bond | 2,930 | 2,930 | - | - | - | - | - | - | - | - | - | - |
| Commercial Mortgage Backed | 328,792 | 245,667 | 10,311 | 14,175 | 7,286 | 5,090 | 4,316 | 1,885 | 160 | 27 | - | 39,875 |
| Commercial Paper | 12,998 | - | - | - | - | - | - | - | - | - | - | 12,998 |
| Corporate Bonds | 2,426,220 | 13,056 | 54,478 | 495,678 | 1,412,446 | 299,862 | 103,885 | 35,737 | 97 | - | - | 10,981 |
| Corporate Convertible Bonds | 17,733 | - | - | - | 2,608 | 4,515 | 1,712 | 3,139 | - | - | - | 5,759 |
| Gov't Agencies | 40,129 | 3,867 | 8,797 | 10,239 | 13,697 | 1,712 | - | 422 | - | - | - | 1,395 |
| Gov't Bonds | 110,973 | - | 9,351 | 4,605 | 47,664 | 33,811 | 9,234 | 2,026 | - | - | - | 4,282 |
| Gov't Mortgage Backed | 535,414 | - | 516,452 | - | 4,390 | 7,821 | 6,394 | - | - | - | - | 357 |
| Gov't Issued CMB | 30,698 | 1,813 | 27,945 | - | 940 | - | - | - | - | - | - | - |
| Index Linked Government Bonds | 19,224 | 19,224 | - | - | - | - | - | - | - | - | - | - |
| Municipal/Provincial Bonds | 39,237 | 2,412 | 20,081 | 9,321 | 4,366 | 1,583 | - | - | 218 | - | 800 | 456 |
| Non-Gov't Backed CMOs | 159,803 | 37,221 | 12,681 | 17,201 | 20,972 | 7,293 | 2,034 | 798 | 1,116 | - | 47 | 60,440 |
| Repurchase Agreements | 25,300 | - | 25,300 | - | - | - | - | - | - | - | - | - |
| Short Term Bills & Notes | 10,817 | - | 9,339 | 1,478 | - | - | - | - | - | - | - | - |
| Sukuk | 2,787 | - | - | - | 2,787 | - | - | - | - | - | - | - |
| Funds/Pooled Investments | 1,726,778 | 504,809 | 300,285 | 613,389 | 214,815 | 12,949 | 41,080 | - | - | - | - | 39,451 |
| Total Credit Risk of Debt Securities | 5,972,556 | \$ 1,070,150 | \$ 1,047,870 | \$ 1,222,178 | \$ 1,778,076 | \$ 382,388 | \$ 181,572 | \$ 48,881 | \$ 3,500 | \$ 27 | \$ 1,736 | \$ 236,178 |
| US Gov't & Agencies ** | 1,540,623 | | | | | | | | | | | |
| Total Debt Securities | <u>\$ 7,513,179</u> | | | | | | | | | | | |

| 2020 | Total Fair Value | Credit Rating* | | | | | | | | | | |
|--------------------------------------|---------------------|----------------|--------------|--------------|--------------|------------|------------|-----------|----------|----------|----------|------------|
| | | AAA | AA | A | BBB | BB | B | CCC | CC | C | D | NR |
| Asset Backed Securities | \$ 459,221 | \$ 239,274 | \$ 57,836 | \$ 41,573 | \$ 48,308 | \$ 6,957 | \$ 1,424 | \$ 3,669 | \$ 1,707 | \$ - | \$ 1,102 | \$ 57,371 |
| Bank Loans | 898 | - | - | - | - | - | 130 | 316 | - | - | - | 452 |
| Collateralized Bond | 2,633 | 2,633 | - | - | - | - | - | - | - | - | - | - |
| Commercial Mortgage Backed | 294,632 | 222,765 | 7,606 | 9,032 | 5,452 | 3,243 | 4,082 | 1,685 | - | - | - | 40,767 |
| Commercial Paper | 33,978 | - | - | - | - | - | - | - | - | - | - | 33,978 |
| Corporate Bonds | 2,230,382 | 14,432 | 102,599 | 654,018 | 1,130,019 | 217,674 | 74,429 | 26,995 | 286 | 1,105 | 485 | 8,340 |
| Corporate Convertible Bonds | 10,197 | - | - | - | 915 | 2,635 | 923 | 2,639 | - | - | 20 | 3,065 |
| Gov't Agencies | 35,950 | 9,347 | 4,653 | 6,926 | 13,607 | - | - | 1,417 | - | - | - | - |
| Gov't Bonds | 122,856 | 2,479 | 9,698 | 1,725 | 56,336 | 34,417 | 10,249 | - | 3,286 | - | 921 | 3,745 |
| Gov't Mortgage Backed | 723,348 | - | 710,210 | 1,023 | 3,399 | - | 7,941 | - | - | - | - | 775 |
| Gov't Issued CMB | 46,648 | 2,044 | 44,604 | - | - | - | - | - | - | - | - | - |
| Index Linked Government Bonds | - | - | - | - | - | - | - | - | - | - | - | - |
| Municipal/Provincial Bonds | 46,452 | 2,522 | 21,104 | 14,331 | 4,206 | 1,866 | - | - | 481 | - | 634 | 1,308 |
| Non-Gov't Backed CMOs | 115,408 | 37,218 | 4,281 | 7,884 | 14,053 | 1,128 | 1,446 | 902 | 1,168 | - | 152 | 47,176 |
| Short Term Bills & Notes | 6,098 | - | 6,098 | - | - | - | - | - | - | - | - | - |
| Funds/Pooled Investments | 1,481,985 | 380,142 | 247,276 | 656,131 | 116,280 | 18,038 | 26,709 | - | - | - | - | 37,409 |
| Total Credit Risk of Debt Securities | 5,610,686 | \$ 912,856 | \$ 1,215,965 | \$ 1,392,643 | \$ 1,392,575 | \$ 285,958 | \$ 127,333 | \$ 37,623 | \$ 6,928 | \$ 1,105 | \$ 3,314 | \$ 234,386 |
| US Gov't & Agencies ** | 1,232,635 | | | | | | | | | | | |
| Total Debt Securities | <u>\$ 6,843,321</u> | | | | | | | | | | | |

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

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in a single issuer. As of June 30, 2021 and 2020, the SIB's portfolio has no single issuer exposure that comprises 5% or more of the overall portfolio, excluding investments issued or explicitly guaranteed by the US government and investments in mutual funds, external investment pools, and other pooled investments. Therefore, there is no concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Although the SIB does not have a formal investment policy governing foreign currency risk, the SIB manages its exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios to limit foreign currency and security risk. The SIB's exposure to foreign currency risk is presented in the following tables as of June 30, 2021 and 2020 (expressed in thousands).

North Dakota Retirement and Investment Office

Notes to Financial Statements

June 30, 2021 and 2020

2021

| Currency | Short-Term | Debt | Equity | Real Estate | Total |
|--|-------------|------------|--------------|-------------|--------------|
| Argentine peso | \$ 65 | \$ 364 | \$ - | \$ - | \$ 429 |
| Australian dollar | 1,305 | 133 | 85,215 | - | 86,653 |
| Brazilian real | (10,006) | 13,514 | 4,080 | - | 7,588 |
| British pound sterling | (45,730) | 47,308 | 262,384 | - | 263,962 |
| Canadian dollar | (624) | 561 | 36,173 | - | 36,110 |
| Chinese yuan renminbi | 427 | - | 23,707 | - | 24,134 |
| Chilean peso | 822 | - | - | - | 822 |
| Colombian peso | (508) | - | - | - | (508) |
| Danish krone | 575 | - | 87,460 | - | 88,035 |
| Euro | (35,762) | 37,980 | 609,331 | 651 | 612,200 |
| Hong Kong dollar | 816 | - | 155,260 | - | 156,076 |
| Hungarian forint | (335) | - | 2,875 | - | 2,540 |
| Indian rupee | - | 427 | - | - | 427 |
| Japanese yen | 1,604 | - | 294,524 | - | 296,128 |
| Mexican peso | (825) | 952 | 1,440 | - | 1,567 |
| New Israeli shekel | (492) | 491 | 3,605 | - | 3,604 |
| New Taiwan dollar | 334 | - | 7,660 | - | 7,994 |
| New Zealand dollar | (245) | - | 8,445 | - | 8,200 |
| Norwegian krone | 232 | - | 23,304 | - | 23,536 |
| Peruvian nuevo sol | (2,183) | 2,065 | - | - | (118) |
| Polish zloty | (224) | - | - | - | (224) |
| Russian ruble | 7 | - | - | - | 7 |
| Singapore dollar | 303 | - | 10,712 | - | 11,015 |
| South African rand | 638 | - | 1,168 | - | 1,806 |
| South Korean won | - | - | 12,253 | - | 12,253 |
| Swedish krona | 237 | - | 105,046 | - | 105,283 |
| Swiss franc | 4 | - | 179,514 | - | 179,518 |
| Thai baht | - | - | 3,296 | - | 3,296 |
| Turkish lira | - | - | 1,321 | - | 1,321 |
| International commingled funds (various currencies) | - | - | 1,353,624 | 34,534 | 1,388,158 |
| Total international investment securities | \$ (89,565) | \$ 103,795 | \$ 3,272,397 | \$ 35,185 | \$ 3,321,812 |

North Dakota Retirement and Investment Office

Notes to Financial Statements

June 30, 2021 and 2020

2020

| Currency | Short-Term | Debt | Equity | Real Estate | Total |
|--|-------------|-----------|--------------|-------------|--------------|
| Argentine peso | \$ 205 | \$ 416 | \$ - | \$ - | \$ 621 |
| Australian dollar | (453) | 704 | 63,821 | - | 64,072 |
| Brazilian real | 458 | - | 3,903 | - | 4,361 |
| British pound sterling | (25,312) | 26,067 | 237,714 | - | 238,469 |
| Canadian dollar | (690) | 369 | 37,124 | - | 36,803 |
| Chinese yuan renminbi | 278 | - | - | - | 278 |
| Colombian peso | 452 | - | - | - | 452 |
| Danish krone | 64 | - | 72,330 | - | 72,394 |
| Euro | (30,138) | 32,755 | 459,666 | 613 | 462,896 |
| Hong Kong dollar | 1,038 | - | 142,692 | - | 143,730 |
| Hungarian forint | 243 | - | 2,169 | - | 2,412 |
| Indonesian rupiah | 55 | - | - | - | 55 |
| Japanese yen | 2,616 | - | 288,982 | - | 291,598 |
| Malaysian ringgit | 203 | - | - | - | 203 |
| Mexican peso | (24) | - | 1,189 | - | 1,165 |
| New Israeli shekel | - | - | 3,463 | - | 3,463 |
| New Taiwan dollar | 23 | - | 8,138 | - | 8,161 |
| New Zealand dollar | 101 | - | 17 | - | 118 |
| Norwegian krone | 133 | - | 8,613 | - | 8,746 |
| Polish zloty | (47) | - | - | - | (47) |
| Russian ruble | (52) | - | - | - | (52) |
| Singapore dollar | 276 | - | 8,120 | - | 8,396 |
| South African rand | 1,098 | - | 480 | - | 1,578 |
| South Korean won | - | - | 11,816 | - | 11,816 |
| Swedish krona | 37 | - | 72,201 | - | 72,238 |
| Swiss franc | 1,618 | - | 148,008 | - | 149,626 |
| Thai baht | - | - | 3,088 | - | 3,088 |
| International commingled funds (various currencies) | - | - | 980,048 | 35,004 | 1,015,052 |
| Total international investment securities | \$ (47,818) | \$ 60,311 | \$ 2,553,582 | \$ 35,617 | \$ 2,601,692 |

Negative amounts represent short positions.

Derivative Securities

Derivatives are financial arrangements between two parties whose payments are based on, or “derived” from, the performance of some agreed upon benchmark. The investment policies of the SIB’s clients allow the use of derivative securities to hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative instruments. The fair value of all derivative securities is reported in the statement of net position. At June 30, 2021 and 2020, the SIB had four types of derivative securities: futures, options, swaps and currency forwards.

Futures

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specific price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the SIB’s counterparty risk. The net change in the futures contracts’ value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included in net change in fair value of investments in the statement of changes in net position and totaled \$232.5 and \$65.4 million for fiscal years 2021 and 2020, respectively. At June 30, 2021 and 2020, the SIB investment portfolio had the notional futures balances shown below (expressed in thousands).

| <u>Futures</u> | Notional Value | |
|---|-----------------------------|-----------------------------|
| | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
| Cash & Cash Equivalent Derivative Futures | | |
| Long | \$ 172,043 | \$ - |
| Short | (653,875) | (258,482) |
| Commodity Derivative Futures | | |
| Long | - | - |
| Short | (31,463) | - |
| Equity Derivative Futures | | |
| Long | 662,160 | 1,064,665 |
| Short | - | - |
| Fixed Income Derivative Futures | | |
| Long | 771,100 | 262,374 |
| Short | (1,213,556) | (1,703,654) |
| | <u> </u> | <u> </u> |
| Total Futures | <u>\$ (293,591)</u> | <u>\$ (635,097)</u> |

Options

Options represent or give buyers the right, but not the obligation, to buy (call) or sell (put) an asset at a preset price over a specified period. Options are traded on organized exchanges (exchange traded) thereby minimizing the SIB’s counterparty credit risk. The option’s price is usually a small percentage of the underlying asset’s value. As a seller of a financial option, the SIB, through its investment manager, receives a premium at the beginning of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a buyer of a financial option, the SIB, through its investment manager, pays a premium at the beginning of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Gains and losses on options are determined based on fair values and recorded with the net change in fair value of investments in the statement of changes in net position and totaled \$0.6 million

North Dakota Retirement and Investment Office

Notes to Financial Statements

June 30, 2021 and 2020

and \$5.3 million for fiscal years 2021 and 2020, respectively. At June 30, 2021 and 2020, the SIB investment portfolio had the following option balances (expressed in thousands).

| <u>Options</u> | Fair Value | |
|----------------------|---------------|---------------|
| | June 30, 2021 | June 30, 2020 |
| Cash & Other Options | | |
| Call | \$ 99 | \$ 201 |
| Put | 767 | 537 |
| Fixed Income Options | | |
| Call | (220) | (146) |
| Put | (170) | (70) |
| Total Options | \$ 476 | \$ 522 |

Swaps

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

Gains and losses on swaps are determined based on fair values and are recorded with the net change in fair value of investments in the statement of changes in net position and totaled \$(3.0) and \$(22.5) million for fiscal years 2021 and 2020, respectively. The maximum loss that would be recognized at June 30, 2021 and 2020, if all counterparties failed to perform as contracted is \$2.3 million and \$3.0 million, respectively. Swap fair values are determined by a third party pricing source. At June 30, 2021 and 2020, the SIB's investment portfolio had the swap fair value balances as shown below (expressed in thousands).

Credit Default Swaps

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

North Dakota Retirement and Investment Office

Notes to Financial Statements

June 30, 2021 and 2020

| Counterparty/Moody's Rating | Notional Amount | | Expiration Date Range | Fair Value | |
|--|-------------------|--------------------|--------------------------|-----------------|---------------|
| | June 30, 2021 | June 30, 2020 | | June 30, 2021 | June 30, 2020 |
| Bank of America/Aa2 (3 contracts) | \$ (3,400) | \$ - | 2021 | \$ 10 | \$ - |
| Bank of America/Aa2 (5 contracts) | | (3,730) | 2021 - 2025 | | (71) |
| Citibank/Aa3 (27 contracts) | (3,000) | | 2023 - 2024 | (12) | |
| Citibank/Aa3 (33 contracts) | | 3,715 | 2020 - 2024 | | (262) |
| Citigroup Global Markets/A1 (5 contracts) | (6,804) | | 2024 - 2026 | 623 | |
| Citigroup Global Markets/A1 (2 contracts) | | (400) | 2024 | | (9) |
| Credit Suisse First Boston/A1 (12 contracts) | (18,361) | | 2022 - 2026 | 1,505 | |
| Credit Suisse First Boston/A1 (9 contracts) | | (3,675) | 2020 - 2024 | | (114) |
| Deutsche Bank/A3 (2 contracts) | | 2,000 | 2059 | | (15) |
| Goldman Sachs/A2 (4 contracts) | (1,700) | | 2023 - 2024 | 8 | |
| Goldman Sachs/A3 (4 contracts) | | (1,700) | 2023 - 2024 | | (55) |
| JP Morgan Chase/Aa2 (1 contract) | 26,110 | | 2026 | (667) | |
| JP Morgan Chase/Aa2 (4 contracts) | | (25,515) | 2025 - 2029 | | 852 |
| Morgan Stanley/A1 (1 contract) | (100) | | 2024 | 1 | |
| Morgan Stanley/A3 (5 contracts) | | 2,555 | 2024 - 2025 | | (35) |
| Total Credit Default Swaps | \$ (7,255) | \$ (26,750) | | \$ 1,468 | \$ 291 |

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

Interest Rate Swaps

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

| Counterparty/Moody's Rating | Notional Amount | | Expiration Date Range | Fair Value | |
|--|-------------------|-------------------|--------------------------|-------------------|-----------------|
| | June 30, 2021 | June 30, 2020 | | June 30, 2021 | June 30, 2020 |
| Citigroup Global Markets/A1 (17 contracts) | \$ 55,438 | \$ - | 2022 - 2051 | \$ (41) | \$ - |
| Citigroup Global Markets/A1 (16 contracts) | | 112,251 | 2020 - 2050 | | 443 |
| Credit Suisse First Boston/A1 (13 contracts) | 132,778 | | 2023 - 2051 | 1,145 | |
| Credit Suisse First Boston/A1 (22 contracts) | | 185,220 | 2020 - 2050 | | 714 |
| JP Morgan Chase/Aa2 (129 contracts) | 160,807 | | 2023 - 2035 | (4,026) | |
| JP Morgan Chase/Aa2 (100 contracts) | | 367,049 | 2020 - 2045 | | 4,871 |
| Total Interest Rate Swaps | \$ 349,023 | \$ 664,520 | | \$ (2,922) | \$ 6,028 |

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

Inflation Swaps

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

North Dakota Retirement and Investment Office

Notes to Financial Statements

June 30, 2021 and 2020

| Counterparty/Moody's Rating | Notional Amount | | Expiration Date Range | Fair Value | |
|---|------------------|---------------|--------------------------|-----------------|---------------|
| | June 30, 2021 | June 30, 2020 | | June 30, 2021 | June 30, 2020 |
| Citigroup Global Markets/A1 (4 contracts) | \$ 13,240 | \$ - | 2026 | \$ (402) | \$ - |
| JP Morgan Chase/Aa2 (21 contracts) | 17,220 | | 2026 - 2031 | (369) | |
| Total Inflation Swaps | \$ 30,460 | \$ - | | \$ (771) | \$ - |

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

Total Return Swaps

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

| Counterparty/Moody's Rating | Notional Amount | | Expiration Date Range | Fair Value | |
|---|-----------------|-----------------|--------------------------|---------------|---------------|
| | June 30, 2021 | June 30, 2020 | | June 30, 2021 | June 30, 2020 |
| Credit Suisse International/Aa3 (2 contracts) | \$ 2,764 | \$ - | 2041 | \$ 7 | \$ - |
| Credit Suisse International/A1 (2 contracts) | | 2,764 | 2041 | | 2 |
| Total Total Return Swaps | \$ 2,764 | \$ 2,764 | | \$ 7 | \$ 2 |

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

Currency Forwards

Currency forwards represent forward exchange contracts that are entered into in order to manage the exposure to changes in currency exchange rates on the currency denominated portfolio holdings. A forward exchange contract is a commitment to purchase (positive) or sell (negative) a currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net change in fair value of investments in the statements of changes in net position and totaled \$(3.2) million and \$2.4 million for fiscal years 2021 and 2020, respectively. At June 30, 2021 and 2020, the SIB's investment portfolio included the currency forwards balances shown below (expressed in thousands).

North Dakota Retirement and Investment Office

Notes to Financial Statements

June 30, 2021 and 2020

| Currency | Cost | Purchases | Sales | Fair Value | |
|---|-----------|-----------|-----------|-----------------|-------------------|
| | | | | 6/30/2021 | 6/30/2020 |
| Australian dollar | \$ (131) | \$ - | \$ (131) | \$ (128) | \$ (737) |
| Brazilian real | (8,393) | 6,733 | (15,126) | (9,541) | (2) |
| British pound sterling | (66,012) | 24,676 | (90,688) | (64,811) | (39,408) |
| Canadian dollar | (399) | - | (399) | (404) | (579) |
| Chilean peso | 1,733 | 1,733 | - | 1,702 | - |
| Colombian peso | - | - | - | - | 167 |
| Euro | (135,085) | 89,223 | (224,308) | (131,704) | (60,502) |
| Japanese yen | (521) | - | (521) | (516) | - |
| New Israeli shekel | (1,953) | - | (1,953) | (1,970) | - |
| Peruvian nuevo sol | (2,236) | - | (2,236) | (2,183) | - |
| Russian ruble | 6 | 6 | - | 7 | (52) |
| South African rand | (1,032) | - | (1,032) | (986) | - |
| United States dollar | 214,023 | 336,394 | (122,371) | 214,023 | 99,701 |
| Total forwards subject to currency risk | | | | <u>\$ 3,489</u> | <u>\$ (1,412)</u> |

Derivative Interest Rate Risk

Derivative interest rate risk is the risk that changes in interest rates will adversely affect the value of an interest rate-based derivative investment. The SIB does not have a formal investment policy regarding such derivative investments. At June 30, 2021 and 2020, the tables below show the SIB's derivative investments subject to interest rate risk (expressed in thousands).

2021

| | Total Notional Value | | | | | | |
|--|----------------------|---------------------|--------------------|-------------------|-------------|-----------------------|--|
| | 3 months or less | 3 to 6 months | 6 to 12 months | 1-5 years | 5-10 years | Greater than 10 years | |
| Futures-interest rate contracts | \$ (675,150) | \$ (403,466) | \$ (17,715) | \$ 172,043 | \$ - | \$ - | |
| Margined Options-interest rate contracts | - | - | - | - | - | - | |
| Total | <u>\$ (675,150)</u> | <u>\$ (403,466)</u> | <u>\$ (17,715)</u> | <u>\$ 172,043</u> | <u>\$ -</u> | <u>\$ -</u> | |

| | Total Fair Value | | | | | | |
|-----------------------------------|------------------|---------------|----------------|---------------|-------------------|-----------------------|--|
| | 3 months or less | 3 to 6 months | 6 to 12 months | 1-5 years | 5-10 years | Greater than 10 years | |
| Options - interest rate contracts | \$ (20) | \$ - | \$ - | \$ - | \$ - | \$ 838 | |
| Options on futures | (371) | - | 29 | - | - | - | |
| Swaps - interest rate contracts | - | - | - | (760) | (3,095) | 162 | |
| Swaps - credit contracts | - | 10 | - | 1,458 | - | - | |
| Total | <u>\$ (391)</u> | <u>\$ 10</u> | <u>\$ 29</u> | <u>\$ 698</u> | <u>\$ (3,095)</u> | <u>\$ 1,000</u> | |

North Dakota Retirement and Investment Office
Notes to Financial Statements
June 30, 2021 and 2020

| 2020 | Total Notional | | | | | | |
|--|-----------------------|---------------------|-----------------------|--------------------|---------------------|-------------|-----------------------|
| | Value | 3 months or less | 3 to 6 months | 6 to 12 months | 1-5 years | 5-10 years | Greater than 10 years |
| Futures-interest rate contracts | \$ (1,699,762) | \$ (265,954) | \$ (1,175,326) | \$ (86,077) | \$ (172,405) | \$ - | \$ - |
| Margined Options-interest rate contracts | (3) | (3) | - | - | - | - | - |
| Total | <u>\$ (1,699,765)</u> | <u>\$ (265,957)</u> | <u>\$ (1,175,326)</u> | <u>\$ (86,077)</u> | <u>\$ (172,405)</u> | <u>\$ -</u> | <u>\$ -</u> |

| | Total Fair | | | | | | |
|-----------------------------------|-----------------|------------------|---------------|----------------|-----------------|---------------|-----------------------|
| | Value | 3 months or less | 3 to 6 months | 6 to 12 months | 1-5 years | 5-10 years | Greater than 10 years |
| Options - interest rate contracts | \$ 731 | \$ (7) | \$ - | \$ - | \$ - | \$ - | \$ 738 |
| Options on futures | (209) | (209) | - | - | - | - | - |
| Swaps - interest rate contracts | 6,028 | 7 | (2) | 472 | 5,826 | 250 | (525) |
| Swaps - credit contracts | 291 | - | (3) | - | 396 | (87) | (15) |
| Total | <u>\$ 6,841</u> | <u>\$ (209)</u> | <u>\$ (5)</u> | <u>\$ 472</u> | <u>\$ 6,222</u> | <u>\$ 163</u> | <u>\$ 198</u> |

Fair Value Measurement

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

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

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

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

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

The following tables show the fair value leveling of the SIB's investment portfolio at June 30, 2021 and 2020 (expressed in thousands).

North Dakota Retirement and Investment Office
Notes to Financial Statements
June 30, 2021 and 2020

| 2021 | Dollars in (000) | | | |
|--|---------------------------|---|---|---|
| | Fair Value Measures Using | | | |
| | Fair Value 6/30/21 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by Fair Value Level | | | | |
| <i>Short Term Securities</i> | | | | |
| Commercial Paper | \$ 12,998 | \$ - | \$ 12,998 | \$ - |
| Short Term Bills and Notes | 73,606 | - | 73,606 | - |
| Total Short Term Securities | 86,604 | - | 86,604 | - |
| <i>Fixed Income Investments</i> | | | | |
| Asset Backed Securities | 464,720 | - | 464,720 | - |
| Bank Loans | 16,123 | - | 16,123 | - |
| Collateralized Bonds | 2,930 | - | 2,930 | - |
| Commercial Mortgage-Backed | 328,792 | - | 328,792 | - |
| Corporate Bonds | 2,425,355 | - | 2,424,932 | 423 |
| Corporate Convertible Bonds | 17,733 | - | 17,733 | - |
| Funds - Fixed Income ETF | 18,501 | 18,501 | - | - |
| Government Agencies | 36,772 | - | 36,772 | - |
| Government Bonds | 858,389 | - | 858,389 | - |
| Government Mortgage Backed Securities | 599,911 | - | 599,911 | - |
| Gov't-issued Commercial Mortgage-Backed | 30,923 | - | 30,923 | - |
| Index Linked Government Bonds | 683,160 | - | 683,160 | - |
| Municipal/Provincial Bonds | 39,237 | - | 34,000 | 5,237 |
| Non-Government Backed C.M.O.s | 157,823 | - | 156,720 | 1,103 |
| Sukuk | 2,787 | - | 2,787 | - |
| Total Fixed Income Investments | 5,683,156 | 18,501 | 5,657,892 | 6,763 |
| <i>Equity Investments</i> | | | | |
| Common Stock | 6,297,043 | 6,296,895 | 148 | - |
| Convertible Equity | 11,586 | 11,586 | - | - |
| Funds - Equities ETF | 107,225 | 107,225 | - | - |
| Preferred Stock | 3,900 | 2,001 | 1,899 | - |
| Rights/Warrants | 87 | 87 | - | - |
| Stapled Securities | 3,360 | 3,360 | - | - |
| Total Equity Investments | 6,423,201 | 6,421,154 | 2,047 | - |
| <i>Derivative Investments</i> | | | | |
| Exchange Cleared Swaps | (1,441) | - | (1,441) | - |
| Options | 476 | (341) | 817 | - |
| Swaps | (777) | - | (777) | - |
| Total Derivative Investments | (1,742) | (341) | (1,401) | - |
| Total Investments by Fair Value Level | \$ 12,191,219 | \$ 6,439,314 | \$ 5,745,142 | \$ 6,763 |

North Dakota Retirement and Investment Office
Notes to Financial Statements
June 30, 2021 and 2020

| | | Dollars in (000) | | | |
|--|----------------------|------------------|-------------------------|---|-----------------------------|
| Investments Measured at the Net Asset Value (NAV) | | | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
| Commingled Funds-Debt | \$ 1,708,277 | \$ | - | Daily, monthly | 1-15 days |
| Commingled Funds-Equities | 1,491,014 | | - | Daily, monthly | 1-15 days |
| Distressed Debt | 225,536 | | 75,000 | Quarterly, Not eligible | 60 days |
| Long/Short | 365,032 | | - | Monthly | 15 days |
| Mezzanine Debt | 205 | | 8,499 | Not eligible | Not eligible |
| Private Credit | 476,410 | | 181,200 | Not eligible | Not eligible |
| Private Equity | 551,014 | | 861,976 | Not eligible | Not eligible |
| Real Assets | 2,036,389 | | 430,427 | Quarterly, Not eligible | 30-90 days |
| Total Investments Measured at the NAV | \$ 6,853,877 | \$ | 1,557,102 | | |
| Investments at Other Than Fair Value | | | | | |
| Cash and adjustments to cash | \$ 824,404 | | | | |
| Bank Certificates of Deposit | 42,900 | | | | |
| Other miscellaneous securities | 10,304 | | | | |
| Repurchase Agreements | 25,300 | | | | |
| Total Investments at Other Than Fair Value | \$ 902,908 | | | | |
| Total Investments | \$ 19,948,004 | | | | |

North Dakota Retirement and Investment Office
Notes to Financial Statements
June 30, 2021 and 2020

| 2020 | Dollars in (000) | | | |
|--|-----------------------|---|---|---|
| | Fair Value 6/30/20 | Fair Value Measures Using | | |
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Investments by Fair Value Level | | | | |
| <i>Short Term Securities</i> | | | | |
| Commercial Paper | \$ 33,978 | \$ - | \$ 33,978 | \$ - |
| Short Term Bills and Notes | 58,648 | - | 58,648 | - |
| Total Short Term Securities | 92,626 | - | 92,626 | - |
| <i>Fixed Income Investments</i> | | | | |
| Asset Backed Securities | 458,001 | - | 458,001 | - |
| Bank Loans | 898 | - | 898 | - |
| Collateralized Bonds | 2,633 | - | 2,633 | - |
| Commercial Mortgage-Backed | 294,632 | - | 294,632 | - |
| Corporate Bonds | 2,228,985 | - | 2,226,656 | 2,329 |
| Corporate Convertible Bonds | 10,197 | - | 10,197 | - |
| Funds - Fixed Income ETF | 24,430 | 24,430 | - | - |
| Government Agencies | 38,491 | - | 35,309 | 3,182 |
| Government Bonds | 540,285 | - | 540,285 | - |
| Government Mortgage Backed Securities | 866,696 | - | 866,696 | - |
| Gov't-issued Commercial Mortgage-Backed | 62,317 | - | 62,317 | - |
| Index Linked Government Bonds | 585,354 | - | 585,354 | - |
| Municipal/Provincial Bonds | 41,223 | - | 41,223 | - |
| Non-Government Backed C.M.O.s | 110,132 | - | 110,132 | - |
| Other Fixed Income | 76 | 67 | 9 | - |
| Total Fixed Income Investments | 5,264,350 | 24,497 | 5,234,342 | 5,511 |
| <i>Equity Investments</i> | | | | |
| Common Stock | 4,689,513 | 4,689,513 | - | - |
| Convertible Equity | 15,417 | 15,417 | - | - |
| Funds - Equities ETF | 86,628 | 86,628 | - | - |
| Preferred Stock | 2,262 | 2,262 | - | - |
| Rights/Warrants | 257 | 257 | - | - |
| Stapled Securities | 2,666 | 2,666 | - | - |
| Total Equity Investments | 4,796,743 | 4,796,743 | - | - |
| <i>Derivative Investments</i> | | | | |
| Exchange Cleared Swaps | 6,806 | - | 6,806 | - |
| Options | 522 | (209) | 731 | - |
| Swaps | (485) | - | (485) | - |
| Total Derivative Investments | 6,843 | (209) | 7,052 | - |
| Total Investments by Fair Value Level | \$ 10,160,562 | \$ 4,821,031 | \$ 5,334,020 | \$ 5,511 |

North Dakota Retirement and Investment Office

Notes to Financial Statements

June 30, 2021 and 2020

| | | Dollars in (000) | | | |
|---|----------------------|-------------------------|---|-----------------------------|--|
| Investments Measured at the Net Asset Value (NAV) | | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period | |
| Commingled Funds-Debt | \$ 1,457,557 | \$ - | Daily, monthly | 1-15 days | |
| Commingled Funds-Equities | 1,086,970 | - | Daily, monthly | 1-15 days | |
| Distressed Debt | 245,445 | 90,604 | Quarterly, Not eligible | 60 days | |
| Long/Short | 263,941 | - | Monthly | 15 days | |
| Mezzanine Debt | 229 | 8,499 | Not eligible | Not eligible | |
| Private Credit | 413,775 | 191,200 | Not eligible | Not eligible | |
| Private Equity | 290,360 | 332,373 | Not eligible | Not eligible | |
| Real Assets | 1,886,206 | 246,371 | Quarterly, Not eligible | 30-90 days | |
| Total Investments Measured at the NAV | \$ 5,644,483 | \$ 869,047 | | | |
| Investments at Other Than Fair Value | | | | | |
| Cash and adjustments to cash | \$ 298,319 | | | | |
| Bank Certificates of Deposit | 88,433 | | | | |
| Other miscellaneous securities | 28,919 | | | | |
| Total Investments at Other Than Fair Value | \$ 415,671 | | | | |
| Total Investments | \$ 16,220,716 | | | | |

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

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

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

Distressed Debt — these include investments in the debt instruments of companies which may be publicly traded or privately held that are financially distressed and are either in bankruptcy or likely candidates for bankruptcy. Typical holdings are senior and subordinated debt instruments, mortgages and bank loans. The SIB is including these types of investments in its global fixed income allocations. As of June 30, 2021 and 2020, unfunded commitments in one of its two distressed debt funds totaled \$75.0 million and \$90.6 million, respectively. This fund is not eligible for redemptions. The other fund is eligible for redemptions with quarterly liquidity and 60 days notice, and has no unfunded commitment.

Equity Long/Short — This strategy is a combination of long and short positions, primarily in publicly traded equities. The SIB utilizes this strategy, through a limited partnership structure, within its global equity allocations. This is an open-ended fund with monthly liquidity with a notice period of 15 days. There was no unfunded commitment as of June 30, 2021 and 2020.

Mezzanine Debt — This strategy is a hybrid of debt and equity financing. It is essentially debt capital that gives the lender the rights to convert to an ownership or equity interest in the company if the loan is not paid back in time and in full. It is generally subordinated to senior debt. The SIB utilizes this strategy, through a limited partnership structure, in its global fixed income allocation. The two funds in this category are not eligible for redemptions, have remaining lives of 1-2 years, and unfunded commitments of \$8.5 million as of June 30, 2021 and 2020.

Private Credit — These investments include loans to private companies, privately placed debt of public companies, or loans backed by real assets. Loan repayment can be derived from either cash flows from an operating company or cash flows generated by a physical or esoteric asset. Private debt is typically secured and has various protections/covenants in place. The debt is customized to the borrower's requirement, thus rendering it illiquid. The SIB includes these strategies within its global fixed income allocation through limited partnership-type structures. Private credit issuers may be investment grade but are typically below-investment grade and similar in some respect to the syndicated bank loan and high yield markets. The SIB participates in two senior private credit funds, commonly referred to as direct lenders, which are structured as custom managed accounts and are not eligible for redemptions during their investment lives. Due to the perpetual nature of the funds, the remaining investment lives fluctuate based on timing of new commitments, and the unfunded commitments totaled \$181.2 million and \$191.2 million as of June 30, 2021 and 2020, respectively.

Private Equity — Private Equity investments are typically private interests in corporations across different areas of the capital structure and in different stages of the corporations' development via limited partnership vehicles. Private Equity investments are illiquid and long term in nature (10-12 years), typically held until maturity. Private Equity portfolios generally have a "J-Curve Effect" whereby there are low to negative returns in the initial years due to the payment of investment management fees and initial funding of investments made by the General Partner during a period when investments are typically carried at cost and returns have not been realized. To diversify the program, Private Equity investments are made across business cycles, vintage years, and different strategies. The SIB has a dedicated sub-asset class for private equity investments within its global equity allocation in the pension pool. The SIB does not have the option to request redemptions from its private equity funds. The General Partner distributes earnings and proceeds from the sale of the underlying investments as transactions occur. The SIB has \$862.0 million and \$333.3 million in unfunded private equity commitments as of June 30, 2021 and 2020, respectively.

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

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

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

Real Estate — includes investments in private vehicles through limited partnerships or commingled vehicles that have an ownership interest in direct real estate properties. The investment strategies may include “value added” strategies, which derive their return from both income and appreciation, “opportunistic”, which derive their return primarily through appreciation, and “alternative” which invest in less traditional types of property. Both domestic and international real estate funds are utilized. The SIB has a dedicated sub-asset class for these types of investments within global real assets. There are currently 10 different real estate funds in the portfolio. Four of those funds are open-ended vehicles that accept redemption requests quarterly with a 30-90 day notification period. There were no unfunded commitments in the open-ended funds as of June 30, 2021; and two of the four open-ended funds had unfunded commitments totaling \$45 million as of June 30, 2020. The remaining five funds are closed-ended limited partnerships that are not eligible for redemptions. Those five funds have a combined unfunded commitment of \$263.3 million and \$85.1 million as of June 30, 2021 and 2020, respectively.

Timberland — includes investments in limited liability companies that have an ownership interest in properties where the value of the property is derived mainly from income-producing timber but also from the “higher and better use” value of the underlying land. The SIB includes these assets within its global real assets allocations. There are three funds in the portfolio and they have no unfunded commitments. The funds are not eligible for redemption other than distributions of income and/or proceeds as determined by the investment manager. The funds have remaining lives of 1-5 years.

Infrastructure — includes investments in limited partnerships that have an ownership interest in transportation assets such as toll roads, tunnels and bridges; and regulated assets such as electricity transmission, gas and oil distribution and wastewater collection. Other possible investments would include communication assets and social infrastructure. The SIB includes these assets within its global real assets allocations. The infrastructure investments in the portfolio as of June 30, 2021 and 2020, include both open and closed-ended funds. The open-ended funds have no unfunded commitments and are eligible for redemptions quarterly with 90 days notice. There may be a 3-12 month queue for receiving redemptions. The closed-ended funds have unfunded commitments of \$167.1 million and \$116.3 million at June 30, 2021 and 2020, respectively, and are not eligible for redemptions.

Securities Lending

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

Non-cash collateral cannot be pledged or sold unless the borrower defaults. All securities loans can be terminated on demand by either the lender or the borrower, although the average term of SIB loans was approximately 130 and 232 days as of June 30, 2021 and 2020, respectively. Cash open collateral is invested in a short term investment pool, which had an interest sensitivity of 1 day as of both June 30, 2021 and 2020. This pool is valued based on amortized cost. There were no violations of legal or contractual provisions, no borrower or lending agent default losses known to the securities lending agent. There are no dividends or coupon payments owing on the securities

North Dakota Retirement and Investment Office

Notes to Financial Statements

June 30, 2021 and 2020

lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

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

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

The following represents the balances relating to the securities lending transactions at June 30, 2021 and 2020 (expressed in thousands).

| | | Non-Cash Collateral | Cash Collateral Investment |
|--|----------------------------|--------------------------------|---|
| 2021 | Securities Lent | Value | Value |
| Lent for cash collateral: | | | |
| US agency securities | \$ 937 | \$ - | \$ 957 |
| US government securities | 1,483 | - | 1,540 |
| US corporate fixed income securities | 32,989 | - | 33,846 |
| Global government securities | 1,137 | - | 1,207 |
| Global corporate fixed income securities | 3,551 | - | 3,781 |
| US equities | 29,346 | - | 30,361 |
| Global equities | 16,043 | - | 17,218 |
| Lent for non-cash collateral: | | | |
| US agency securities | 1,160 | 1,198 | - |
| US government securities | 2,186 | 2,242 | - |
| US corporate fixed income securities | 38,039 | 39,396 | - |
| US equities | 153,604 | 158,573 | - |
| Global equities | 14,377 | 15,433 | - |
| Total | \$ 294,852 | \$ 216,842 | \$ 88,910 |

North Dakota Retirement and Investment Office

Notes to Financial Statements

June 30, 2021 and 2020

| 2020 | Securities Lent | Non-Cash Collateral Value | Cash Collateral Investment Value |
|--|--------------------|---------------------------------|---|
| Lent for cash collateral: | | | |
| US agency securities | \$ 634 | \$ - | \$ 646 |
| US government securities | 1,471 | - | 1,487 |
| US corporate fixed income securities | 16,468 | - | 16,744 |
| Global government securities | 827 | - | 875 |
| Global corporate fixed income securities | 205 | - | 214 |
| US equities | 7,717 | - | 7,815 |
| Global equities | 29,051 | - | 31,010 |
| Lent for non-cash collateral: | | | |
| US government securities | 1,316 | 1,343 | - |
| US corporate fixed income securities | 17,204 | 17,555 | - |
| US equities | 87,966 | 89,262 | - |
| Global equities | 12,630 | 13,519 | - |
| Total | \$ 175,489 | \$ 121,679 | \$ 58,791 |

Note 4 - Capital Assets

| | June 30, 2019 | Additions | Retirements | June 30, 2020 | Additions | Retirements | June 30, 2021 |
|---|---------------|------------|-------------|---------------|------------|-------------|---------------|
| Office equipment | \$16,879 | \$ - | \$ - | \$16,879 | \$ - | \$ - | \$16,879 |
| Less accumulated depreciation on office equipment | (11,930) | (1,800) | - | (13,730) | (1,800) | - | (15,530) |
| Software | 1,213,500 | - | - | 1,213,500 | \$0 | - | 1,213,500 |
| Less accumulated depreciation on software | (1,213,500) | - | - | (1,213,500) | - | - | (1,213,500) |
| | \$ 4,949 | \$ (1,800) | \$ - | \$ 3,149 | \$ (1,800) | \$ - | \$ 1,349 |

Note 5 - State Agency Transactions

Due To/From Other State Agencies and Other State Funds

Amounts due from/to other state agencies and other state funds are as follows as of June 30, 2021 and 2020:

| | 2021 | 2020 |
|-----------------------------------|----------------|-----------|
| Due To Other State Agencies | | |
| Information Technology Department | \$ 10,976 | \$ 7,831 |
| Office of Attorney General | 3,884 | 3,011 |
| Office of Management and Budget | 31 | 337 |
| Total due to other state agencies | \$ 14,891 | \$ 11,179 |
| Due To Other State Funds | | |
| General Fund | \$ 871,687,384 | \$ - |

Due to other state agencies balances are a result of a time lag between the dates that services are provided, the payments are made, and the transactions are entered into the accounting system. Due to other state funds represents the statutorily defined earnings of the Legacy Fund for the 2019-21 biennium that is required by the State Constitution to be transferred to the general fund at the end of the biennium.

Note 6 - Operating Leases

RIO leased office space under an operating lease effective July 1, 2017 through June 30, 2023. RIO also incurs rent expense at other locations on a temporary basis to sponsor retirement education for TFFR members. Rent expense totaled \$88,365 and \$89,924 for fiscal years 2021 and 2020, respectively. Minimum payments under the lease for fiscal 2022 are \$90,872.

Note 7 - Changes in Noncurrent Liabilities

Changes in noncurrent liabilities are included in accrued expenses in the statements of changes in net position. The changes for the years ended June 30, 2021 and 2020 are summarized as follows:

| | Beginning Balance 7/1/2020 | Additions | Reductions | Ending Balance 6/30/2021 | Amounts Due Within One Year |
|---------------|----------------------------------|-----------|-------------|--------------------------------|-----------------------------------|
| Accrued Leave | \$205,830 | \$160,655 | (\$155,082) | \$211,403 | \$141,891 |
| | Beginning Balance 7/1/2019 | Additions | Reductions | Ending Balance 6/30/2020 | Amounts Due Within One Year |
| Accrued Leave | \$194,227 | \$149,970 | (\$138,367) | \$205,830 | \$135,440 |

Pension and Investment Trust Funds liquidate the accrued annual leave.

Note 8 - North Dakota Teachers' Fund for Retirement**Administration**

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

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

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

Membership

As of June 30, 2021 and 2020, the number of participating employer units was 212 and 213, respectively, consisting of the following:

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|----------------------------|----------------------|----------------------|
| Public School Districts | 173 | 174 |
| County Superintendents | 6 | 6 |
| Special Education Units | 20 | 20 |
| Vocational Education Units | 4 | 4 |
| Other | 9 | 9 |
| Total | <u>212</u> | <u>213</u> |

TFFR's membership consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|---|---------------|---------------|
| Retirees and beneficiaries currently receiving benefits | 9,262 | 9,036 |
| Terminated employees - vested | 1,754 | 1,715 |
| Terminated employees - nonvested | 1,213 | 1,132 |
| Total | <u>12,229</u> | <u>11,883</u> |
| Current employees | | |
| Vested | 8,306 | 8,216 |
| Nonvested | 3,321 | 3,131 |
| Total | <u>11,627</u> | <u>11,347</u> |

Member and Employer Contributions

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

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

Pension Benefits

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

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Investment Rate of Return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 26.36% and 3.37% for the years ended June 30, 2021 and 2020, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Realized Gains and Losses

Realized gains and losses on sales of investments are components of net change in fair value of investments and are computed as described in Note 1. For the years ended June 30, 2021 and 2020, TFFR had net realized gains of \$236,376,522 and \$50,611,877, respectively.

Net Pension Liability

The components of the net pension liability of TFFR at June 30, 2021 and 2020 (expressed in thousands), were as follows:

North Dakota Retirement and Investment Office

Notes to Financial Statements

June 30, 2021 and 2020

| | June 30, 2021 | June 30, 2020 |
|---|---------------------|---------------------|
| Total pension liability | \$ 4,336,060 | \$ 4,181,036 |
| Plan fiduciary net position | <u>(3,282,405)</u> | <u>(2,650,532)</u> |
| Net pension liability (NPL) | <u>\$ 1,053,655</u> | <u>\$ 1,530,504</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 75.7% | 63.4% |

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2021 and 2020, using the following actuarial assumptions:

| Valuation date | July 1, 2021 | July 1, 2020 |
|----------------------------|---|---|
| Inflation | 2.30% | 2.30% |
| Salary increases | 3.80% to 14.80%; varying by service, including inflation and productivity | 3.80% to 14.80%; varying by service, including inflation and productivity |
| Cost of living adjustments | None | None |
| Investment rate of return | 7.25% net of investment expenses, including inflation | 7.25% net of investment expenses, including inflation |

For the July 1, 2021 and 2020, valuations, the post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

The pre-retirement mortality table was updated to the Pub T-2010 Employee table projected with generational improvement using Scale MP-2019. The actuarial assumptions used were based on the results of an experience study dated March 19, 2020.

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

North Dakota Retirement and Investment Office

Notes to Financial Statements

June 30, 2021 and 2020

adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of July 1, 2021 and 2020 are summarized in the following tables:

| 2021 | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------|----------------------|---|
| Global Equity | 55.0% | 6.9% |
| Global Fixed Income | 26.0% | 0.7% |
| Global Real Assets | 18.0% | 4.8% |
| Cash Equivalents | 1.0% | -1.0% |

| 2020 | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------|----------------------|---|
| Global Equity | 58.0% | 6.9% |
| Global Fixed Income | 23.0% | 1.3% |
| Global Real Assets | 18.0% | 5.0% |
| Cash Equivalents | 1.0% | 0.0% |

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 2.0% for expected inflation.

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at rates equal to those based on the July 1, 2021 and 2020 Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, TFFR's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of July 1, 2021 and 2020. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021 and 2020.

Sensitivity of Net Pension Liability

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.25% as of June 30, 2021 and 2020, 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:

North Dakota Retirement and Investment Office

Notes to Financial Statements

June 30, 2021 and 2020

| 2021 | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|----------------------------------|------------------------|----------------------------------|------------------------|
| Employers' net pension liability | \$ 1,582,102,595 | \$ 1,053,655,311 | \$ 614,833,478 |

| 2020 | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|----------------------------------|------------------------|----------------------------------|------------------------|
| Employers' net pension liability | \$ 2,038,548,355 | \$ 1,530,503,462 | \$ 1,108,292,065 |

Note 9 - ND Public Employees Retirement System (NDPERS)

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

NDPERS pension (Main System) and OPEB plans are cost-sharing multiple-employer defined benefit plans that cover employees/retirees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS pension plan provides for pension, death and disability benefits. NDPERS OPEB plan provides a credit toward the monthly health insurance premium of members receiving retirement benefits from the PERS, HPRS and Judges retirement under Chapter 27-17 of the North Dakota Century Code. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the credit is expanded to also include any dental, vision, and long-term care plan. The cost to administer the pension plan is financed through the contributions and investment earnings of the plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit pension and OPEB plans is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor, one member appointed by the Attorney General, one member appointed by the State Health Officer, three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

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

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated

contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

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

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

Refunds of Member Contributions

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

Member and Employer Contributions

Member contributions are set by statute. During the 1983-1985 biennium the State of North Dakota implemented the employer pickup provision of the IRS code whereby a portion or all of the required member contributions are made by the employer. RIO, as the employer, is paying 4% of the member contribution. Employer contributions are set by statute.

Contribution rates are established as a percent of covered compensation as follows:

| | Member | Employer |
|--|--------|----------|
| Members first enrolled prior to January 1, 2020 | 7.00% | 7.12% |
| Members first enrolled after January 1, 2020 | 7.00% | 8.26% |
| Members returning to the DB Plan as a result of Senate Bill 2015 | 9.00% | 7.12% |

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

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

OPEB Benefits

The employer contribution is set by statute at 1.14% of covered compensation. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

At June 30, 2021 and 2020, RIO reported a liability of \$4,531,009 and \$1,889,405, respectively, for its proportionate share of the net pension and OPEB liability. These amounts are included in the accrued liabilities in the statements of net position. The net pension and OPEB liability was measured as of June 30, 2020 and 2019, and the total pension and OPEB liability used to calculate the net pension and OPEB liability was determined by an actuarial valuation as of that date. RIO's proportion of the net pension liability was based on RIO's share of covered payroll in the pension and OPEB plans relative to the covered payroll of all participating NDPERS Main System and OPEB employers. At June 30, 2020, RIO's pension plan proportion was 0.140747 percent and as of June 30, 2019, was 0.151523 percent. RIO's OPEB plan proportion was 0.122537 percent as of June 30, 2020 and was 0.141245 percent as of June 30, 2019.

RIO recognized pension and OPEB expense of \$652,402 and \$234,757 for the years ended June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, RIO reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

North Dakota Retirement and Investment Office

Notes to Financial Statements

June 30, 2021 and 2020

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|---|-----------------------------------|------------|----------------------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| Differences between expected and actual experience | \$ 19,519 | \$ 3,853 | \$ 226,838 | \$ 325,848 |
| Changes in assumptions | 2,387,471 | 677,150 | 392,423 | 569,784 |
| Net differences between projected and actual earnings on plan investments | 146,456 | 31,068 | - | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 14,114 | 55,138 | 149,812 | 44,740 |
| Employer contributions subsequent to the measurement date | 152,268 | 134,714 | - | - |
| Total | \$ 2,719,828 | \$ 901,923 | \$ 769,073 | \$ 940,372 |

Deferred outflows of resources related to pensions and OPEB resulting from employer contributions subsequent to the measurement date in the amount of \$152,268 will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

| Year Ended June 30 | |
|--------------------|--------------|
| 2022 | 545,435 |
| 2023 | 459,175 |
| 2024 | 367,933 |
| 2025 | 426,276 |
| 2026 | (394) |
| 2027 | 62 |
| | \$ 1,798,487 |

Actuarial assumptions

The total pension and OPEB liabilities in the July 1, 2020 and 2019 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

2020 – Pension Plan

| | |
|----------------------------------|--|
| Inflation | 2.25% |
| Salary Increase (Payroll Growth) | 3.5% to 17.75%, including inflation |
| Investment Rate of Return | 7.00%, net of investment expense, including inflation |
| Cost-of-living Adjustments | None |
| Mortality Rates | Sex-distinct Pub-2010 tables for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale. |

2019 – Pension Plan

| | |
|----------------------------------|--|
| Inflation | 2.50% |
| Salary Increase (Payroll Growth) | 4.00% to 20%, including inflation |
| Investment Rate of Return | 7.50%, net of investment expense, including inflation |
| Cost-of-living Adjustments | None |
| Mortality Rates | Mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%. |

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2020 and 2019, funding actuarial valuation for NDPERS.

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

2020 – OPEB Plan

| | |
|----------------------------------|---|
| Inflation | 2.25% |
| Salary Increase (Payroll Growth) | Not applicable. |
| Investment Rate of Return | 6.50%, net of investment expense, including inflation |
| Mortality Rates | Pub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale. |

2019 – OPEB Plan

| | |
|----------------------------------|--|
| Inflation | 2.50% |
| Salary Increase (Payroll Growth) | Not applicable. |
| Investment Rate of Return | 7.25%, net of investment expense, including inflation |
| Mortality Rates | Mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males (no setback for females) multiplied by 125%. |

There were no benefit changes during 2019. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date are no longer eligible to participate in the OPEB Plan. Therefore, the OPEB Plan is, for the most part, a closed plan. There were no other benefit changes during 2020. The economic assumptions (excluding salary increases) and the asset smoothing method were updated beginning with the actuarial valuation as of July 1, 2017, based on a review performed by the actuary. The investment return assumption was decreased from 7.5% to 7.25% beginning with the actuarial valuation as of July 1, 2019, and further to 6.50% beginning with the actuarial valuation as of July 1, 2020. All other actuarial assumptions were adopted by the PERS Board based on an experience study covering the period July 1, 2009, through June 30, 2014. The employer rate to the System is the statutory contribution rate of 1.14% of payroll.

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

North Dakota Retirement and Investment Office

Notes to Financial Statements

June 30, 2021 and 2020

2020 - Pension Plan

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------|----------------------|---|
| Global Equity | 57% | 6.9% |
| Global Fixed Income | 23% | 1.3% |
| Global Real Assets | 20% | 5.0% |

2019 - Pension Plan

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------|----------------------|---|
| Global Equity | 57% | 7.0% |
| Global Fixed Income | 23% | 2.1% |
| Global Real Assets | 20% | 5.4% |

2020 - OPEB Plan

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------|----------------------|---|
| Large Cap Domestic Equity | 37% | 6.1% |
| Small Cap Domestic Equity | 9% | 7.0% |
| International Equity | 14% | 6.5% |
| Core-Plus Fixed Income | 40% | 1.2% |

2019 - OPEB Plan

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------|----------------------|---|
| Large Cap Domestic Equity | 37% | 6.0% |
| Small Cap Domestic Equity | 9% | 7.3% |
| International Equity | 14% | 7.0% |
| Core-Plus Fixed Income | 40% | 2.1% |

Discount rate

For pension plans, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years.

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate (SDR) that reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For 2020, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45% (based on the most recent date available on or before the measurement date of the “20-year Municipal GO Index” from Fidelity); and the resulting Single Discount Rate is 4.64%.

For 2019, the expected return on pension plan investments is 7.50%; the municipal bond rate is 3.13% (based on the most recent date available on or before the measurement date of the “20-year Municipal Go Index” from Fidelity); and the resulting Single Discount Rate is 7.50%.

The discount rate used to measure the total OPEB liability for 2020 was 6.50% and for 2019 was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2020 and 2019 OPEB actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current OPEB members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the OPEB fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB investments was applied to all periods of projected benefit payments to determine the total OPEB liability for both years.

Sensitivity of the Employer's proportionate share of the net pension and OPEB liability to changes in the discount rate

The following presents RIO's proportionate share of the net pension and OPEB liability calculated using the current discount rate, as well as what the RIO's proportionate share of the net pension and OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

North Dakota Retirement and Investment Office

Notes to Financial Statements

June 30, 2021 and 2020

| 2021 | | | |
|-----------------------------|------------------------|----------------------------------|------------------------|
| | 1% Decrease (3.64%) | Current Discount Rate (4.64%) | 1% Increase (5.64%) |
| RIO's net pension liability | \$ 5,744,908 | \$ 4,427,931 | \$ 3,350,323 |
| | | | |
| | 1% Decrease (5.50%) | Current Discount Rate (6.50%) | 1% Increase (7.50%) |
| RIO's net OPEB liability | 135,189 | 103,078 | 75,924 |
| | | | |
| 2020 | | | |
| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
| RIO's net pension liability | \$ 2,546,343 | \$ 1,775,959 | \$ 1,128,702 |
| | | | |
| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
| RIO's net OPEB liability | 144,799 | 113,446 | 86,608 |

Sensitivity for Healthcare Cost Trend Rates

The benefit provided by the North Dakota retiree health insurance credit fund is a fixed dollar subsidy and is not affected by the healthcare cost trend. Therefore, a sensitivity analysis was not performed.

Pension and OPEB plan fiduciary net position

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

Note 10 - Related Parties

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

Note 11 - Contingencies/Litigation

The State Investment Board has been named as a defendant in a case arising out of the Tribune bankruptcy proceedings, relating to securities that were purchased by external investment managers in one or more portfolios held by the SIB on behalf of its investment client funds. Outside counsel has been retained, in addition to assistance received from the ND Office of Attorney General. On July 15, 2019, the Litigation Trustee filed a Notice of Appeal to the Second Circuit, appealing the various judgments of the US District Court that dismissed his claims against defendants in the Action and denying leave to amend his complaint to add a constructive fraudulent transfer claim. The Second Circuit held oral argument on August 24, 2020, and on August 20, 2021, upheld the dismissal. The Litigation Trustee has now filed a petition for an *en banc* rehearing by the full Second Circuit of the Court's August 20, 2021, decision. No liability has been recorded for this case.

REQUIRED SUPPLEMENTARY INFORMATION

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

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | | | | | |
| Service cost | \$ 87,088 | \$ 80,591 | \$ 77,756 | \$ 78,041 | \$ 75,476 | \$ 68,239 | \$ 60,618 | \$ 56,752 |
| Interest | 300,698 | 306,791 | 296,876 | 287,375 | 276,412 | 265,440 | 249,064 | 237,821 |
| Changes of benefit terms | - | - | - | - | - | - | - | - |
| Differences between expected and actual experience | 8,366 | (20,732) | (23,495) | (27,939) | (10,749) | (8,093) | 2,209 | 9,347 |
| Changes of assumptions | - | 51,813 | - | - | - | - | 171,325 | - |
| Benefit payments, including refunds of member contributions | (241,128) | (230,851) | (221,228) | (207,979) | (196,516) | (185,969) | (172,239) | (162,259) |
| Net change in total pension liability | 155,024 | 187,612 | 129,909 | 129,498 | 144,623 | 139,617 | 310,977 | 141,661 |
| Total pension liability - beginning | 4,181,036 | 3,993,424 | 3,863,515 | 3,734,017 | 3,589,394 | 3,449,777 | 3,138,800 | 2,997,139 |
| Total pension liability - ending (a) | \$ 4,336,060 | \$ 4,181,036 | \$ 3,993,424 | \$ 3,863,515 | \$ 3,734,017 | \$ 3,589,394 | \$ 3,449,777 | \$ 3,138,800 |
| Plan fiduciary net position | | | | | | | | |
| Contributions - employer | \$ 98,264 | \$ 93,032 | \$ 89,445 | \$ 86,676 | \$ 86,059 | \$ 82,840 | \$ 78,422 | \$ 62,355 |
| Contributions - member | 90,557 | 85,735 | 82,429 | 79,878 | 79,309 | 76,343 | 72,268 | 56,555 |
| Contributions - purchased service credit | 2,559 | 2,175 | 1,917 | 2,181 | 2,553 | 2,768 | 1,601 | 2,034 |
| Contributions - other | 126 | 159 | 159 | 194 | 236 | 45 | 172 | 48 |
| Net investment income | 684,173 | 86,206 | 135,043 | 211,345 | 266,688 | 8,239 | 73,205 | 294,246 |
| Benefit payments, including refunds of member contributions | (241,128) | (230,851) | (221,228) | (207,979) | (196,516) | (185,969) | (172,239) | (162,259) |
| Administrative expenses | (2,678) | (2,095) | (2,251) | (2,129) | (2,173) | (1,852) | (1,923) | (1,586) |
| Net change in plan fiduciary net position | 631,873 | 34,361 | 85,514 | 170,166 | 236,156 | (17,586) | 51,506 | 251,393 |
| Plan fiduciary net position - beginning ** | 2,650,532 | 2,616,171 | 2,530,657 | 2,360,491 | 2,124,335 | 2,141,921 | 2,090,415 | 1,839,584 |
| Plan fiduciary net position - ending (b) | \$ 3,282,405 | \$ 2,650,532 | \$ 2,616,171 | \$ 2,530,657 | \$ 2,360,491 | \$ 2,124,335 | \$ 2,141,921 | \$ 2,090,977 |
| Plan's net pension liability - ending (a) - (b) | \$ 1,053,655 | \$ 1,530,504 | \$ 1,377,253 | \$ 1,332,858 | \$ 1,373,526 | \$ 1,465,059 | \$ 1,307,856 | \$ 1,047,823 |
| Plan fiduciary net position as a percentage of the total pension liability | 75.7% | 63.4% | 65.5% | 65.5% | 63.2% | 59.2% | 62.1% | 66.6% |
| Covered payroll | 770,700 | 729,661 | 701,528 | 679,809 | 674,971 | 649,725 | 615,105 | 580,053 |
| Plan's net pension liability as a percentage of covered payroll | 136.7% | 209.8% | 196.3% | 196.1% | 203.5% | 225.5% | 212.6% | 180.6% |

Notes to Schedule:

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

** Restated in 2015 due to GASB 68 implementation.

Changes of assumptions:

In 2020, amounts reported as changes of assumptions resulted primarily from a decrease in the investment return assumption from 7.75% to 7.25%, the inflation assumption lowered from 2.75% to 2.30%, lower individual salary increases, and an updated mortality improvement scale.

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

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

| Fiscal Year | Actuarially determined contribution | Contributions in relation to the actuarially determined contribution | Contribution deficiency (excess) | Covered payroll | Contributions as a percentage of covered payroll |
|-------------|---|--|--|--------------------|--|
| 2012 | \$ 69,374 | \$ 46,126 | \$ 23,248 | \$ 527,156 | 8.75% |
| 2013 | 52,396 | 59,301 | (6,905) | 551,656 | 10.75% |
| 2014 | 59,513 | 62,355 | (2,842) | 580,053 | 10.75% |
| 2015 | 71,168 | 78,422 | (7,254) | 615,105 | 12.75% |
| 2016 | 84,724 | 82,840 | 1,884 | 649,725 | 12.75% |
| 2017 | 89,231 | 86,059 | 3,172 | 674,971 | 12.75% |
| 2018 | 88,307 | 86,676 | 1,631 | 679,809 | 12.75% |
| 2019 | 90,778 | 89,445 | 1,333 | 701,528 | 12.75% |
| 2020 | 93,688 | 93,032 | 656 | 729,661 | 12.75% |
| 2021 | 101,655 | 98,264 | 3,391 | 770,700 | 12.75% |

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 22 years |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.30%; decreased from 2.75% prior to 7/1/2020 and from 3% prior to 7/1/2015. |
| Salary increases | 3.80% - 14.80% including inflation and productivity; 4.25% - 14.5% prior to 7/1/2020; 4.5% - 14.75% prior to 7/1/2015. |
| Investment rate of return | 7.25%, net of investment expenses, including inflation; rate was decreased from 7.75% beginning 7/1/2020 and decreased from 8% beginning 7/1/2015. |
| Retirement age | In the 2020 and 2015 valuations, rates of retirement were changed to better reflect anticipated future experience. |
| Mortality | In the 2020 valuation, the PubT-2010 pre-retirement, retiree and contingent survivor tables were adopted and for disabled members, PubNS-2010 tables were adopted; all with generational improvement. In the 2015 valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 mortality tables with generational improvement. In prior years, those assumptions were based on percentages of GRS post termination non-disabled tables and RP-2000 disabled-life tables. |

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

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

| <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 26.36% | 3.37% | 5.46% | 9.15% | 12.81% | 0.39% | 3.56% | 16.35% | 13.60% |

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

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

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|
| RIO's proportion of NDPERS net pension liability (asset) | 0.140747% | 0.151523% | 0.153507% | 0.156317% | 0.152969% | 0.145546% | 0.121849% |
| RIO's proportion of NDPERS net OPEB liability (asset) | <u>0.122537%</u> | <u>0.141245%</u> | <u>0.144121%</u> | <u>0.147503%</u> | _____ | _____ | _____ |
| RIO's proportionate share of NDPERS net pension liability (asset) | \$ 4,428 | \$ 1,776 | \$ 2,591 | \$ 2,513 | \$ 1,491 | \$ 990 | \$ 773 |
| RIO's proportionate share of NDPERS net OPEB liability (asset) | <u>103</u> | <u>113</u> | <u>114</u> | <u>117</u> | _____ | _____ | _____ |
| RIO's covered payroll | <u>\$ 1,631</u> | <u>\$ 1,584</u> | <u>\$ 1,567</u> | <u>\$ 1,596</u> | <u>\$ 1,507</u> | <u>\$ 1,377</u> | <u>\$ 1,026</u> |
| RIO's proportionate share of NDPERS net pension liability (asset) as a percentage of its covered payroll | 271.49% | 112.12% | 165.35% | 157.46% | 98.94% | 71.90% | 75.34% |
| RIO's proportionate share of NDPERS net OPEB liability (asset) as a percentage of its covered payroll | <u>6.32%</u> | <u>7.16%</u> | <u>7.28%</u> | <u>7.31%</u> | _____ | _____ | _____ |
| NDPERS Plan fiduciary net position as a percentage of the total pension liability | 48.91% | 71.66% | 62.80% | 61.98% | 70.46% | 77.15% | 77.70% |
| NDPERS Plan fiduciary net position as a percentage of the total OPEB liability | <u>63.38%</u> | <u>63.13%</u> | <u>61.89%</u> | <u>59.78%</u> | _____ | _____ | _____ |

*Complete data for this schedule is not available prior to 2015 for pension liability and prior to 2018 for OPEB liability. Amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

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

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| RIO's Statutorily required pension contributions | \$ 131 | \$ 116 | \$ 113 | \$ 112 | \$ 114 | \$ 107 | \$ 98 | \$ 73 |
| RIO's Statutorily required OPEB contributions | 21 | 19 | 18 | 18 | 18 | | | |
| RIO's pension contributions in relation to the statutory required contribution | 131 | 116 | 113 | 112 | 114 | 107 | 98 | 73 |
| RIO's OPEB contributions in relation to the statutory required contribution | 21 | 19 | 18 | 18 | 18 | | | |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| RIO's Covered payroll | \$ 1,843 | \$ 1,631 | \$ 1,584 | \$ 1,567 | \$ 1,596 | \$ 1,507 | \$ 1,377 | \$ 1,026 |
| RIO's pension contributions as a percentage of covered payroll | 7.12% | 7.12% | 7.12% | 7.12% | 7.12% | 7.12% | 7.12% | 7.12% |
| RIO's OPEB contributions as a percentage of covered payroll | 1.14% | 1.14% | 1.14% | 1.14% | 1.14% | | | |

*Complete data for this schedule is not available prior to 2014 for pension contributions and 2017 for OPEB contributions.

| | Pension Pool Participants | | | | | Insurance Pool Participants | | | | | Risk Mgmt Workers' Comp | | |
|---|------------------------------------|-------------------------------------|-----------------------------------|---|-----------------------------------|------------------------------|----------------------|---------------------|-----------------------------------|---------------------------------|-------------------------|-------------------------|---------------------|
| | Public Employees Retirement System | Bismarck City Employee Pension Plan | Bismarck City Police Pension Plan | City of Grand Forks Employee Pension Plan | City of Grand Forks Park District | Workforce Safety & Insurance | State Fire & Tornado | State Bonding | Petroleum Tank Release Comp. Fund | Insurance Regulatory Trust Fund | | Cultural Endowment Fund | |
| Assets: | | | | | | | | | | | | | |
| Investments | | | | | | | | | | | | | |
| Global equities | \$2,424,172,969 | \$58,861,823 | \$26,401,619 | \$48,915,617 | \$5,096,810 | \$505,201,987 | \$7,912,132 | \$0 | \$0 | \$2,132,232 | \$334,423 | \$1,305,529 | \$1,582,034 |
| Global fixed income | 942,697,964 | 43,235,697 | 14,891,626 | 19,500,252 | 2,340,869 | 1,382,432,323 | 12,488,610 | 2,095,802 | 3,083,841 | 2,497,096 | 227,656 | 2,817,289 | 2,594,679 |
| Global real assets | 625,531,022 | 25,626,804 | 10,380,626 | 12,483,780 | 1,855,228 | 394,427,942 | - | - | - | - | 31,764 | - | - |
| Cash equivalents | 24,697,250 | 457,590 | 154,976 | 769,713 | 64,966 | 19,387,668 | 2,283,236 | 1,731,443 | 3,130,695 | 2,500,660 | 18,428 | 218,479 | 129,437 |
| Total investments | 4,017,099,205 | 128,181,914 | 51,828,847 | 81,669,362 | 9,357,873 | 2,301,449,920 | 22,683,978 | 3,827,245 | 6,214,536 | 7,129,988 | 612,271 | 4,341,297 | 4,306,150 |
| Invested sec lending collateral | 16,290,433 | 481,137 | 189,188 | 350,781 | 49,530 | 6,288,417 | 74,012 | 5,979 | 8,723 | 17,872 | 2,263 | 13,898 | 14,512 |
| Investment income receivable | 8,413,419 | 266,659 | 103,286 | 113,353 | 17,262 | 9,867,720 | 135,086 | 23,097 | 51,254 | 6,444 | 237 | 48,006 | 4,140 |
| Operating Cash | 93,147 | - | - | - | - | 57,502 | 1,306 | 1,192 | 1,333 | 866 | 204 | 1,224 | 1,169 |
| Miscellaneous receivable | 5,995 | - | - | - | - | 3,551 | 36 | 6 | 10 | 4 | 1 | 7 | 7 |
| Due from other state agencies | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Total assets | 4,041,902,199 | 128,929,710 | 52,121,321 | 82,133,496 | 9,424,665 | 2,317,667,110 | 22,894,418 | 3,857,519 | 6,275,856 | 7,155,174 | 614,976 | 4,404,432 | 4,325,978 |
| Deferred outflows of resources | | | | | | | | | | | | | |
| Related to pensions | 310,503 | - | - | - | - | 191,178 | 2,113 | 328 | 591 | 214 | 48 | 456 | 441 |
| Liabilities: | | | | | | | | | | | | | |
| Investment expenses payable | 3,322,281 | 97,928 | 40,252 | 65,771 | 8,419 | 1,411,107 | 17,160 | 1,116 | 1,637 | 4,061 | 590 | 3,463 | 3,768 |
| Securities lending collateral | 16,290,433 | 481,137 | 189,188 | 350,781 | 49,530 | 6,288,417 | 74,012 | 5,979 | 8,723 | 17,872 | 2,263 | 13,898 | 14,512 |
| Accounts payable | 66,918 | - | - | - | - | 38,337 | 393 | 65 | 106 | 45 | 10 | 73 | 71 |
| Accrued expenses | 573,944 | - | - | - | - | 363,621 | 4,502 | 640 | 1,220 | 389 | 89 | 970 | 907 |
| Miscellaneous payable | - | 5,563 | 2,247 | 3,416 | 404 | - | - | - | - | - | - | - | - |
| Due to other state funds | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Due to other state agencies | 971 | - | - | - | - | 575 | 6 | 1 | 2 | 1 | - | 1 | 1 |
| Total liabilities | 20,254,547 | 584,628 | 231,687 | 419,968 | 58,353 | 8,102,057 | 96,073 | 7,801 | 11,688 | 22,368 | 2,952 | 18,405 | 19,259 |
| Deferred inflows of resources | | | | | | | | | | | | | |
| Related to pensions | \$83,069 | \$0 | \$0 | \$0 | \$0 | \$58,806 | \$657 | \$111 | \$192 | \$40 | \$12 | \$143 | \$153 |
| Fiduciary net position held in trust for external investment pool participants | \$ 4,021,875,086 | \$ 128,345,082 | \$ 51,889,634 | \$ 81,713,528 | \$ 9,366,312 | \$ 2,309,697,425 | \$ 22,799,801 | \$ 3,849,935 | \$ 6,264,567 | \$ 7,132,980 | \$ 612,060 | \$ 4,386,340 | \$ 4,307,007 |
| Each participant unit is valued at \$1.00 | | | | | | | | | | | | | |
| Participant units outstanding | 4,021,875,086 | 128,345,082 | 51,889,634 | 81,713,528 | 9,366,312 | 2,309,697,425 | 22,799,801 | 3,849,935 | 6,264,567 | 7,132,980 | 612,060 | 4,386,340 | 4,307,007 |

North Dakota Retirement and Investment Office
Combining Statement of Net Position – Investment Trust Funds – Fiduciary Funds
June 30, 2021 (with Summarized Comparative Totals for 2020)

| Insurance Pool Participants | | | | | | | | | | | | | Individual Investment Accounts | | | Totals | |
|----------------------------------|----------------------------|----------------------|---------------------------|--------------------------------------|------------------------------|-------------------------|---|----------------------------------|-------------------------|-----------------------------|-------------------------------------|---------------------------------|--------------------------------|--------------------------|--|--------|--|
| ND Veterans' Cemetery Trust Fund | ND Ass'n. of Counties Fund | PERS Insurance Group | Budget Stabilization Fund | City of Bismarck Deferred Sick Leave | City of Fargo FargoDome Fund | State Board of Medicine | Lewis & Clark Interpretive Center Endowment | Attorney General Settlement Fund | Legacy Fund | Job Service of North Dakota | Tobacco Prevention and Control Fund | PERS Retiree Health Credit Fund | 2021 | 2020 | | | |
| \$188,850 | \$2,693,298 | \$0 | \$0 | \$251,307 | \$24,723,747 | \$744,347 | \$318,354 | \$0 | \$4,675,750,227 | \$19,108,158 | \$0 | \$118,281,574 | \$ 7,923,977,037 | \$ 6,047,922,687 | | | |
| 133,121 | 4,818,947 | 32,716,340 | 740,906,543 | 550,570 | 19,498,111 | 1,856,854 | 587,859 | 915,009 | 2,916,006,936 | 77,129,210 | - | 61,279,787 | 6,287,302,991 | 5,437,603,865 | | | |
| 57,633 | - | - | - | - | 4,986,475 | 172,485 | - | - | 1,185,549,801 | - | - | - | 2,261,103,560 | 1,989,786,268 | | | |
| 1,264 | 232,454 | 1,719,117 | 5,479,123 | 42,134 | 499,547 | 7,294 | 9,249 | 9,400 | 188,441,320 | 435,556 | 1,000 | 681,897 | 253,103,896 | 145,396,714 | | | |
| 380,868 | 7,744,699 | 34,435,457 | 746,385,666 | 844,011 | 49,707,880 | 2,780,980 | 915,462 | 924,409 | 8,965,748,284 | 96,672,924 | 1,000 | 180,243,258 | 16,725,487,484 | 13,620,709,534 | | | |
| (850) | 25,756 | 447,692 | 10,138,395 | 2,788 | 199,292 | 9,142 | 3,247 | 12,475 | 40,777,415 | - | - | - | 75,402,097 | 51,197,270 | | | |
| 183 | 2,156 | 123,140 | 3,251,861 | 1,518 | 47,825 | 575 | 47 | 661 | 27,536,721 | 6 | - | 37 | 50,014,693 | 51,681,680 | | | |
| - | - | - | 36,463 | - | - | - | - | - | 268,932 | - | - | - | 463,338 | 353,025 | | | |
| - | - | - | 1,193 | - | - | - | - | - | 13,371 | - | - | - | 24,181 | 24,662 | | | |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | | | |
| 380,201 | 7,772,611 | 35,006,289 | 759,813,578 | 848,317 | 49,954,997 | 2,790,697 | 918,756 | 937,545 | 9,034,344,723 | 96,672,930 | 1,000 | 180,243,295 | 16,851,391,793 | 13,723,966,171 | | | |
| - | - | - | 41,228 | - | - | - | - | - | 625,682 | - | - | - | 1,172,782 | 352,915 | | | |
| 318 | 6,150 | 10,153 | 231,086 | 613 | 44,139 | 1,909 | 723 | 284 | 5,949,800 | 77,308 | 592 | 127,597 | 11,428,225 | 8,513,217 | | | |
| (850) | 25,756 | 447,692 | 10,138,395 | 2,788 | 199,292 | 9,142 | 3,247 | 12,475 | 40,777,415 | - | - | - | 75,402,097 | 51,197,270 | | | |
| - | - | - | 12,862 | - | - | - | - | - | 150,890 | - | - | - | 269,770 | 261,446 | | | |
| - | - | - | 77,846 | - | - | - | - | - | 1,037,094 | - | - | - | 2,061,222 | 843,730 | | | |
| 136 | 332 | 1,487 | - | 250 | 2,200 | 250 | 250 | 250 | - | 4,348 | 250 | 7,616 | 28,999 | 29,597 | | | |
| - | - | - | - | - | - | - | - | - | 871,687,384 | - | - | - | 871,687,384 | - | | | |
| - | - | - | 193 | - | - | - | - | - | 2,166 | - | - | - | 3,917 | 3,218 | | | |
| (396) | 32,238 | 459,332 | 10,460,382 | 3,651 | 245,631 | 11,301 | 4,220 | 13,009 | 919,604,749 | 81,656 | 842 | 135,213 | 960,881,614 | 60,848,478 | | | |
| \$0 | \$0 | \$0 | \$19,676 | \$0 | \$0 | \$0 | \$0 | \$0 | \$163,475 | \$0 | \$0 | \$0 | 326,334 | 403,422 | | | |
| \$ 380,597 | \$ 7,740,373 | \$ 34,546,957 | \$ 749,374,748 | \$ 844,666 | \$ 49,709,366 | \$ 2,779,396 | \$ 914,536 | \$ 924,536 | \$ 8,115,202,181 | \$ 96,591,274 | \$ 158 | \$ 180,108,082 | \$ 15,891,356,627 | \$ 13,663,067,186 | | | |
| 380,597 | 7,740,373 | 34,546,957 | 749,374,748 | 844,666 | 49,709,366 | 2,779,396 | 914,536 | 924,536 | 8,115,202,181 | 96,591,274 | 158 | 180,108,082 | 15,891,356,627 | 13,663,067,186 | | | |

| | Pension Pool Participants | | | | | Insurance Pool Participants | | | | | | | |
|---|------------------------------------|-------------------------------------|-----------------------------------|---|--|------------------------------|----------------------|---------------|-----------------------------------|---------------------------------|-------------------------|--------------|--------------------|
| | Public Employees Retirement System | Bismarck City Employee Pension Plan | Bismarck City Police Pension Plan | City of Grand Forks Employee Pension Plan | City of Grand Forks Park District Pension Plan | Workforce Safety & Insurance | State Fire & Tornado | State Bonding | Petroleum Tank Release Comp. Fund | Insurance Regulatory Trust Fund | Cultural Endowment Fund | Risk Mgmt | Risk Workers' Comp |
| Additions: | | | | | | | | | | | | | |
| Investment income: | | | | | | | | | | | | | |
| Net change in fair value of investments | \$ 811,750,964 | \$ 21,344,943 | \$ 9,398,347 | \$ 16,531,382 | \$ 1,804,671 | \$ 202,419,817 | \$ 3,090,719 | \$ 21,948 | \$ 36,887 | \$ 332,380 | \$ 111,108 | \$ 512,933 | \$ 626,878 |
| Interest, dividends and other income | 64,016,475 | 2,243,633 | 870,634 | 1,285,751 | 182,972 | 45,087,703 | 396,853 | 45,069 | 69,214 | 40,881 | 9,979 | 73,266 | 75,948 |
| Less investment expenses | 10,702,104 | 345,797 | 141,287 | 215,357 | 28,509 | 4,839,847 | 48,016 | 3,215 | 4,726 | 6,177 | 1,617 | 8,629 | 9,372 |
| Net investment income | 865,065,335 | 23,242,779 | 10,127,694 | 17,601,776 | 1,959,134 | 242,667,673 | 3,439,556 | 63,802 | 101,375 | 367,084 | 119,470 | 577,570 | 693,454 |
| Securities lending activity: | | | | | | | | | | | | | |
| Securities lending income | 277,552 | 8,398 | 3,352 | 5,534 | 630 | 88,961 | 1,209 | 32 | 48 | 139 | 37 | 161 | 192 |
| Less Securities lending expenses | (55,502) | (1,679) | (670) | (1,106) | (126) | (17,785) | (241) | (6) | (12) | (27) | (7) | (33) | (37) |
| Net securities lending income | 222,050 | 6,719 | 2,682 | 4,428 | 504 | 71,176 | 968 | 26 | 36 | 112 | 30 | 128 | 155 |
| Purchase of units (\$1 per unit) | - | - | - | 3,812,824 | 467,262 | - | 3,994,740 | - | - | 5,886,156 | - | - | - |
| Total Additions | 865,287,385 | 23,249,498 | 10,130,376 | 21,419,028 | 2,426,900 | 242,738,849 | 7,435,264 | 63,828 | 101,411 | 6,253,352 | 119,500 | 577,698 | 693,609 |
| Deductions: | | | | | | | | | | | | | |
| Administrative Expenses | 552,926 | - | - | - | - | 324,531 | 3,446 | 997 | 1,159 | 985 | 807 | 1,027 | 1,021 |
| Redemption of units (\$1 per unit) | 52,075,000 | 1,750,000 | 750,000 | 7,106,610 | 459,481 | 57,500,000 | 7,444,698 | - | - | 4,833,187 | - | 750,000 | 1,500,000 |
| Total Deductions | 52,627,926 | 1,750,000 | 750,000 | 7,106,610 | 459,481 | 57,824,531 | 7,448,144 | 997 | 1,159 | 4,834,172 | 807 | 751,027 | 1,501,021 |
| Change in fiduciary net position | 812,659,459 | 21,499,498 | 9,380,376 | 14,312,418 | 1,967,419 | 184,914,318 | (12,880) | 62,831 | 100,252 | 1,419,180 | 118,693 | (173,329) | (807,412) |
| Fiduciary net position: | | | | | | | | | | | | | |
| Beginning of year | 3,209,215,627 | 106,845,584 | 42,509,258 | 67,401,110 | 7,398,893 | 2,124,783,107 | 22,812,681 | 3,787,104 | 6,164,315 | 5,713,800 | 493,367 | 4,559,669 | 5,114,419 |
| End of year | \$ 4,021,875,086 | \$ 128,345,082 | \$ 51,889,634 | \$ 81,713,528 | \$ 9,366,312 | \$ 2,309,697,425 | \$ 22,799,801 | \$ 3,849,935 | \$ 6,264,567 | \$ 7,132,980 | \$ 612,060 | \$ 4,386,340 | \$ 4,307,007 |

North Dakota Retirement and Investment Office
Combining Statement of Changes in Net Position – Investment Trust Funds – Fiduciary Funds
Year Ended June 30, 2021 (with Summarized Comparative Totals for 2020)

| Insurance Pool Participants | | | | | | | | | | Individual Investment Accounts | | | | Totals | |
|----------------------------------|---------------------------|----------------------|---------------------------|--------------------------------------|------------------------------|-------------------------|---|----------------------------------|------------------|--------------------------------|-------------------------------------|---------------------------------|-------------------|-------------------|--|
| ND Veterans' Cemetery Trust Fund | ND Ass'n of Counties Fund | PERS Group Insurance | Budget Stabilization Fund | City of Bismarck Deferred Sick Leave | City of Fargo FargoDome Fund | State Board of Medicine | Lewis & Clark Interpretive Center Endowment | Attorney General Settlement Fund | Legacy Fund | Job Service of North Dakota | Tobacco Prevention and Control Fund | PERS Retiree Health Credit Fund | 2021 | 2020 | |
| \$ 63,161 | \$ 934,566 | \$ 472,325 | \$ 10,641,810 | \$ 92,267 | \$ 8,520,648 | \$ 263,359 | \$ 108,123 | \$ 15,221 | \$ 1,490,459,152 | \$ 4,541,813 | \$ 8,071 | \$ 34,154,175 | \$ 2,618,257,668 | \$ 278,642,657 | |
| 6,348 | 133,195 | 843,264 | 18,793,591 | 14,904 | 847,933 | 53,710 | 16,218 | 25,331 | 142,241,067 | 1,805,626 | 51 | 2,864,088 | 282,043,704 | 286,561,726 | |
| 69,509 | 1,067,761 | 1,315,589 | 29,435,401 | 107,171 | 9,368,581 | 317,069 | 124,341 | 40,552 | 1,632,700,219 | 6,347,439 | 8,122 | 37,018,263 | 2,900,301,372 | 565,204,383 | |
| 1,476 | 17,242 | 45,970 | 924,418 | 2,683 | 134,854 | 7,067 | 2,967 | 2,184 | 20,990,995 | 322,167 | 3,704 | 495,393 | 39,305,773 | 28,437,549 | |
| 68,033 | 1,050,519 | 1,269,619 | 28,510,983 | 104,488 | 9,233,727 | 310,002 | 121,374 | 38,368 | 1,611,709,224 | 6,025,272 | 4,418 | 36,522,870 | 2,860,995,599 | 536,766,834 | |
| 27 | 393 | 600 | 13,439 | 39 | 3,144 | 127 | 50 | 18 | 598,288 | - | - | - | 1,002,370 | 988,246 | |
| (5) | (80) | (119) | (2,686) | (9) | (628) | (25) | (12) | (2) | (119,629) | - | - | - | (200,426) | (197,478) | |
| 22 | 313 | 481 | 10,753 | 30 | 2,516 | 102 | 38 | 16 | 478,659 | - | - | - | 801,944 | 790,768 | |
| 5 | - | 235,722,245 | - | - | - | - | - | - | 380,557,970 | - | - | 4,789,000 | 635,230,202 | 1,446,622,465 | |
| 68,060 | 1,050,832 | 236,992,345 | 28,521,736 | 104,518 | 9,236,243 | 310,104 | 121,412 | 38,384 | 1,992,745,853 | 6,025,272 | 4,418 | 41,311,870 | 3,497,027,745 | 1,984,180,067 | |
| - | - | - | 106,354 | - | - | - | - | - | 1,165,358 | - | - | - | 2,158,611 | 1,781,619 | |
| - | - | 233,925,000 | 5,944,245 | 30,000 | 3,050,000 | - | - | 170,236 | 871,687,384 | 4,683,097 | 7,590,755 | 5,330,000 | 1,266,579,693 | 376,059,310 | |
| - | - | 233,925,000 | 6,050,599 | 30,000 | 3,050,000 | - | - | 170,236 | 872,852,742 | 4,683,097 | 7,590,755 | 5,330,000 | 1,268,738,304 | 377,840,929 | |
| 68,060 | 1,050,832 | 3,067,345 | 22,471,137 | 74,518 | 6,186,243 | 310,104 | 121,412 | (131,852) | 1,119,893,111 | 1,342,175 | (7,586,337) | 35,981,870 | 2,228,289,441 | 1,606,339,138 | |
| 312,537 | 6,689,541 | 31,479,612 | 726,903,611 | 770,148 | 43,523,123 | 2,469,292 | 793,124 | 1,056,388 | 6,995,309,070 | 95,249,099 | 7,586,495 | 144,126,212 | 13,663,067,186 | 12,056,728,048 | |
| \$ 380,597 | \$ 7,740,373 | \$ 34,546,957 | \$ 749,374,748 | \$ 844,666 | \$ 49,709,366 | \$ 2,779,396 | \$ 914,536 | \$ 924,536 | \$ 8,115,202,181 | \$ 96,591,274 | \$ 158 | \$ 180,108,082 | \$ 15,891,356,627 | \$ 13,663,067,186 | |

North Dakota Retirement and Investment Office
Pension and Investment Trust Funds – Schedule of Administrative Expenses
Years Ended June 30, 2021 and 2020

| | Pension Trust | | Investment Trust | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Salaries and wages: | | | | |
| Salaries and wages | \$ 853,912 | \$ 835,872 | \$ 1,039,581 | \$ 872,424 |
| Fringe benefits | 705,235 | 441,279 | 619,462 | 419,286 |
| Total salaries and wages | <u>1,559,147</u> | <u>1,277,151</u> | <u>1,659,043</u> | <u>1,291,710</u> |
| Operating expenses: | | | | |
| Travel | 2,096 | 21,478 | 4,096 | 25,641 |
| Supplies | 1,542 | 2,799 | 1,146 | 1,465 |
| Postage and Mailing Services | 28,162 | 36,604 | 17,341 | 15,868 |
| Printing | 7,633 | 13,676 | 3,201 | 4,097 |
| Small Office Equipment and Furniture | 9,853 | 3,360 | 7,356 | 1,898 |
| Insurance | 523 | 546 | 371 | 373 |
| Rent/Lease of Building Space | 52,129 | 53,354 | 36,236 | 36,570 |
| Repairs | 167 | 1,266 | 118 | 898 |
| Information Technology and Communications | 96,712 | 73,166 | 23,356 | 22,959 |
| IT Contractual Services | 142,172 | 99,205 | 521,165 | 466,295 |
| Professional Development | 10,294 | 13,528 | 5,219 | 5,673 |
| Operating Fees and Services | 16,260 | 18,969 | 21,904 | 22,508 |
| Professional Fees and Services | 8,498 | 9,737 | 13,042 | 13,982 |
| Consultant Services | 500,192 | 253,576 | 86,212 | 86,872 |
| Total operating expenses | <u>876,233</u> | <u>601,264</u> | <u>740,763</u> | <u>705,099</u> |
| Pension trust portion of investment program expenses | 241,195 | 215,190 | (241,195) | (215,190) |
| Depreciation | 1,800 | 1,800 | - | - |
| Total administrative expenses | <u>2,678,375</u> | <u>2,095,405</u> | <u>2,158,611</u> | <u>1,781,619</u> |
| Less - nonappropriated items: | | | | |
| Consultant Services | 203,496 | 253,576 | 86,212 | 86,872 |
| Other operating fees paid under continuing appropriation | 113,534 | 110,071 | 563,229 | 522,515 |
| Depreciation | 1,800 | 1,800 | - | - |
| Accrual adjustments to employee benefits | 365,693 | 117,513 | 292,285 | 128,847 |
| Total nonappropriated items | <u>684,523</u> | <u>482,960</u> | <u>941,726</u> | <u>738,234</u> |
| Total appropriated administrative expenses | <u>\$ 1,993,852</u> | <u>\$ 1,612,445</u> | <u>\$ 1,216,885</u> | <u>\$ 1,043,385</u> |

The accompanying notes are an integral part of these statements.

North Dakota Retirement and Investment Office
Pension and Investment Trust Funds – Schedule of Consultant Expenses
Years Ended June 30, 2021 and 2020

| | Pension Trust | | Investment Trust | |
|-------------------------------------|-------------------|-------------------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Actuary fees: | | | | |
| Segal Consulting | \$ 93,241 | \$ 152,873 | \$ - | \$ - |
| Auditing/Accounting fees: | | | | |
| CliftonLarsonAllen LLP | 77,659 | 71,986 | 13,855 | 49,494 |
| Project management fees: | | | | |
| Segal Consulting | 292,258 | - | - | - |
| Disability consulting fees: | | | | |
| Sanford Health | - | 150 | - | - |
| Legal fees: | | | | |
| Office of Administrative Hearings | - | 2,100 | - | - |
| K&L Gates LLP | 13,246 | 10,363 | 18,013 | 13,841 |
| Kasowitz, Benson, Torres & Friedman | - | 125 | - | 163 |
| Jackson Walker LLP | 7,099 | 3,594 | 37,641 | 10,781 |
| ND Attorney General | 16,689 | 12,385 | 16,703 | 12,593 |
| Total legal fees: | <u>37,034</u> | <u>28,567</u> | <u>72,357</u> | <u>37,378</u> |
| Total consultant expenses | <u>\$ 500,192</u> | <u>\$ 253,576</u> | <u>\$ 86,212</u> | <u>\$ 86,872</u> |

North Dakota Retirement and Investment Office
Pension and Investment Trust Funds – Schedule of Investment Expenses
Years Ended June 30, 2021 and 2020

| | Pension Trust | | Investment Trust | |
|--|---------------|---------------|------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Investment managers' fees: | | | | |
| Global equity managers | \$ 1,474,059 | \$ 1,373,171 | \$ 1,909,859 | \$ 1,848,580 |
| Domestic large cap equity managers | 1,485,841 | 717,445 | 8,783,440 | 4,078,287 |
| Domestic small cap equity managers | 894,545 | 602,625 | 5,898,203 | 3,091,577 |
| International equity managers | 944,488 | 865,295 | 8,403,141 | 6,910,433 |
| Emerging markets equity managers | 883,349 | 769,333 | 1,453,717 | 1,290,364 |
| Domestic fixed income managers | 1,981,147 | 1,091,995 | 17,676,932 | 10,733,934 |
| Below investment grade fixed income managers | 4,089,829 | 2,064,617 | 5,641,515 | 2,999,775 |
| Diversified real assets managers | - | - | 15,015,782 | 5,413,236 |
| Real estate managers | 4,038,160 | 2,034,014 | 7,851,454 | 4,859,416 |
| Infrastructure managers | 5,179,679 | 1,852,956 | 6,891,614 | 2,414,217 |
| Timber managers | 334,301 | 358,278 | 406,296 | 435,437 |
| Private equity managers | 7,231,329 | 2,585,827 | 8,838,471 | 3,011,436 |
| Short term fixed income managers | - | - | 880,375 | 743,318 |
| Cash & equivalents managers | 25,059 | 28,516 | 177,118 | 131,914 |
| Balanced account managers | - | - | 1,129,687 | 1,022,362 |
| Total investment managers' fees | \$28,561,786 | \$ 14,344,072 | \$90,957,604 | \$ 48,984,286 |
| Custodian fees | 249,724 | 231,579 | 1,419,325 | 1,202,295 |
| Investment consultant fees | 169,820 | 108,804 | 725,789 | 487,468 |
| SIB Service Fees | - | - | 78,284 | 73,461 |
| Total investment expenses | \$28,981,330 | \$ 14,684,455 | \$93,181,002 | \$ 50,747,510 |

Reconciliation of investment expenses to financial statements

| | 2021 | 2020 | 2021 | 2020 |
|---|--------------|---------------|--------------|---------------|
| Investment expenses as reflected in the financial statements | \$ 8,388,601 | \$ 6,523,407 | \$39,305,773 | \$ 28,437,549 |
| Plus investment management fees included in investment income | | | | |
| Domestic large cap equity managers | 527,679 | 256,402 | 2,018,196 | 1,144,803 |
| Domestic small cap equity managers | - | - | - | - |
| International equity managers | 191,418 | 207,075 | 2,044,266 | 1,777,070 |
| Emerging markets equity managers | 178,302 | 417,764 | 294,471 | 701,047 |
| Domestic fixed income managers | 1,253,598 | 680,670 | 11,860,842 | 5,765,868 |
| Below investment grade fixed income managers | 3,692,447 | 1,681,382 | 5,171,706 | 2,544,213 |
| Diversified real assets managers | - | - | 12,818,627 | 3,813,479 |
| Real estate managers | 2,622,180 | 594,427 | 3,834,000 | 866,687 |
| Infrastructure managers | 4,561,475 | 1,379,223 | 6,071,866 | 1,798,221 |
| Timber managers | 334,301 | 358,278 | 406,296 | 435,437 |
| Private equity managers | 7,231,329 | 2,585,827 | 8,838,471 | 3,011,435 |
| Cash equivalents managers | - | - | 152,877 | 119,383 |
| Balanced account managers | - | - | 363,611 | 332,318 |
| Investment expenses per schedule | \$28,981,330 | \$ 14,684,455 | \$93,181,002 | \$ 50,747,510 |

North Dakota Retirement and Investment Office
 Schedule of Appropriations – Budget Basis – Fiduciary Funds
 July 1, 2019 to June 30, 2021 Biennium

| | Approved 2019-2021 Appropriation | 2019-2021 Appropriation Adjustment | Adjusted 2019-2021 Appropriation | Fiscal 2021 Expenses | Fiscal 2020 Expenses | Unexpended Appropriations |
|--------------------|--|--|--|-------------------------|-------------------------|------------------------------|
| All Fund Types: | | | | | | |
| Salaries and wages | \$ 4,978,230 | \$ - | \$ 4,978,230 | \$2,560,213 | \$2,322,501 | \$ 95,516 |
| Operating expenses | 3,538,934 | - | 3,538,934 | 650,524 | 333,329 | 2,555,081 |
| Capital Assets | 6,300,000 | - | 6,300,000 | - | - | 6,300,000 |
| Contingency | 52,000 | - | 52,000 | - | - | 52,000 |
| Total | \$ 14,869,164 | \$ - | \$ 14,869,164 | \$3,210,737 | \$2,655,830 | \$ 9,002,597 |

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

Reconciliation of Administrative Expenses to Appropriated Expenditures

| | 2021 | 2020 |
|--|--------------------|--------------------|
| Administrative expenses as reflected in the financial statements | \$4,836,986 | \$3,877,024 |
| Less expenses paid under continuing appropriation: | | |
| Consulting Services* | (289,708) | (340,448) |
| Other operating fees paid under continuing appropriations* | (676,763) | (632,586) |
| Depreciation expense | (1,800) | (1,800) |
| Changes in benefit accrual amounts | (657,978) | (246,360) |
| Total appropriated expenses | \$3,210,737 | \$2,655,830 |

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

**Special Comments Requested by the Legislative Audit
and Fiscal Review Committee
Year Ended June 30, 2021**

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

Audit Report Communications

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

Unmodified

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

Yes

3. Was internal control adequate and functioning effectively?

Yes

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

No

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

There were no prior year findings or recommendations.

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

No

Audit Committee Communications

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

For the year ended June 30, 2021, no new accounting policies were adopted and the application of existing policies was not changed.

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

The valuation of alternative investments, including private equity and real asset investments, are a management estimate which is primarily based upon net asset values reported by the investment managers and comprise 16% of the total investment portfolio. The values for these investments are reported based upon the most recent financial data available and are adjusted for cash flows through June 30, 2021. Our audit procedures validated this approach through the use of confirmations sent directly to a sample of investment managers and the review of the most recent audited financial statements for these funds. Furthermore, we reviewed management's estimate and found it to be reasonable.

The actuarial valuation was based on the actuarial assumptions and methods adopted by the Board, including an actuarial expected investment rate of return of 7.25% per annum compounded annually. The valuation takes into account all of the promised benefits to which members are entitled as of July 1, 2021 as required by the North Dakota Century Code. The valuation provides certain information required by GASB to be disclosed in the financial statements. Additionally, the valuation is used to determine the adequacy of the current employer contribution rate. Our audit procedures included reviewing the actuarial valuation and related assumptions used therein and we believe the estimate to be reasonable.

3. Identify any significant audit adjustments.

None

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

None

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

None

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

None

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

None

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

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

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



Baltimore, Maryland
November 2, 2021

**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, 2021**

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Table of Contents

| | PAGE |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT..... | 1 |
| SCHEDULE OF EMPLOYER ALLOCATIONS..... | 3 |
| SCHEDULE OF PENSION AMOUNTS BY EMPLOYER | 9 |
| NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS BY EMPLOYER..... | 15 |
| 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 <i>GOVERNMENT AUDITING STANDARDS</i> | 22 |



INDEPENDENT AUDITORS' REPORT

Governor Doug Burgum
The Legislative Assembly
Janilyn Murtha, Interim Executive Director
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, 2021, 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, 2021 (specified column totals), included in the accompanying schedule of pension amounts by employer of TFFR, and the related notes.

Management's Responsibility for the Schedules

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for TFFR as of and for the year ended June 30, 2021, 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, 2021, and our report thereon, dated November 2, 2021, 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, 2021 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 2, 2021, 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 the 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 and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
November 2, 2021

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, 2021

| Employer Name | Covered Payroll | Employer's Proportionate Share Allocation |
|---|----------------------------|--|
| Alexander School | \$ 1,532,485 | 0.19884342% |
| Anamoose School | 706,708 | 0.09169696% |
| Apple Creek Elem School | 354,606 | 0.04601094% |
| Ashley School | 1,068,982 | 0.13870276% |
| Bakker Elem School | 55,075 | 0.00714612% |
| Barnes County North | 1,722,251 | 0.22346593% |
| Beach School | 2,159,780 | 0.28023624% |
| Belcourt School | 9,236,682 | 1.19848019% |
| Belfield Public School | 1,577,009 | 0.20462040% |
| Beulah School | 3,959,829 | 0.51379667% |
| Billings Co. School Dist. | 984,554 | 0.12774806% |
| Bismarck Public Schools | 80,745,044 | 10.47685043% |
| Bismarck State College | - | 0.00000000% |
| Blessed John Paul II Catholic Sch Network | - | 0.00000000% |
| Bottineau School | 4,030,561 | 0.52297432% |
| Bowbells School | 682,902 | 0.08860802% |
| Bowman School | 3,418,532 | 0.44356212% |
| Burke Central School | 936,948 | 0.12157112% |
| Burleigh County Spec. Ed. | 120,603 | 0.01564848% |
| Carrington School | 2,985,315 | 0.38735126% |
| Cavalier School | 2,512,417 | 0.32599173% |
| Center Stanton School | 1,759,542 | 0.22830447% |
| Central Cass School | 4,522,150 | 0.58675909% |
| Central Regional Education Association | 796,299 | 0.10332162% |
| Central Elementary School | - | 0.00000000% |
| Central Valley School | 1,425,288 | 0.18493426% |
| Dakota Prairie School | 2,312,424 | 0.30004219% |
| Devils Lake School | 11,725,954 | 1.52146882% |
| Dickinson School | 25,085,329 | 3.25487764% |
| Divide School | 2,943,487 | 0.38192398% |
| Drake School | 510,667 | 0.06626015% |
| Drayton School | 1,611,454 | 0.20908981% |
| Dunseith School | 3,767,459 | 0.48883622% |
| E Central Ctr Exc Childn | 604,224 | 0.07839937% |
| Earl Elem. School | 27,200 | 0.00352927% |
| Edgeley School | 1,383,988 | 0.17957560% |
| Edmore School | 669,351 | 0.08684976% |
| Eight Mile School | 1,983,342 | 0.25734306% |
| Elgin-New Leipzig School | 1,200,323 | 0.15574455% |
| Ellendale School | 1,830,944 | 0.23756904% |

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, 2021

| Employer Name | Covered Payroll | Employer's Proportionate Share Allocation |
|--|----------------------------|--|
| Emerado Elementary School | 754,570 | 0.09790718% |
| Enderlin Area School District | 2,175,764 | 0.28231026% |
| Fairmount School | 811,349 | 0.10527434% |
| Fargo Public Schools | 78,514,245 | 10.18739920% |
| Fessenden-Bowdon School | 1,168,957 | 0.15167475% |
| Finley-Sharon School | 1,166,572 | 0.15136539% |
| Flasher School | 1,436,357 | 0.18637055% |
| Fordville Lankin School | 620,035 | 0.08045092% |
| Fort Ransom Elem School | 172,434 | 0.02237368% |
| Fort Totten School | 1,833,731 | 0.23793068% |
| Fort Yates School | 1,050,265 | 0.13627427% |
| Cackle-Streeter Pub Sch | 885,654 | 0.11491561% |
| Garrison School | 2,546,830 | 0.33045686% |
| Glen Ullin School | 1,221,554 | 0.15849935% |
| Glenburn School | 1,945,280 | 0.25240442% |
| Goodrich School | 181,557 | 0.02355748% |
| Grafton School | 4,678,252 | 0.60701365% |
| Grand Forks School | 51,251,415 | 6.64998599% |
| Great North West Cooperative | 136,985 | 0.01777405% |
| Grenora School | 1,315,558 | 0.17069661% |
| Griggs County Central Sch | 1,659,611 | 0.21533823% |
| Gst Educational Services | 2,008,201 | 0.26056863% |
| Halliday School | 311,263 | 0.04038710% |
| Hankinson School | 1,632,659 | 0.21184118% |
| Harvey School | 2,365,301 | 0.30690306% |
| Hatton Eielson Psd | 1,323,461 | 0.17172208% |
| Hazelton - Moffit School | 922,982 | 0.11975899% |
| Hazen School | 3,016,976 | 0.39145943% |
| Hebron School | 1,209,359 | 0.15691709% |
| Hettinger School | 1,495,942 | 0.19410186% |
| Hillsboro School | 2,868,782 | 0.37223090% |
| Hope-Page Public School District | 1,722,840 | 0.22354241% |
| Horse Creek Elem. School | 46,200 | 0.00599455% |
| James River Multidistrict Spec Ed Unit | 1,387,239 | 0.17999737% |
| Jamestown School | 14,202,120 | 1.84275695% |
| Kenmare School | 2,010,036 | 0.26080665% |
| Kensal School | 300,107 | 0.03893956% |
| Kidder County School District | 2,129,166 | 0.27626408% |
| Killdeer School | 4,041,570 | 0.52440276% |
| Kindred School | 4,182,999 | 0.54275354% |

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, 2021

| Employer Name | Covered Payroll | Employer's Proportionate Share Allocation |
|---------------------------|----------------------------|--|
| Kulm School | 1,095,475 | 0.14214039% |
| Lake Region Spec Ed | 2,093,494 | 0.27163553% |
| Lakota School | 1,188,020 | 0.15414822% |
| Lamoure School | 1,574,528 | 0.20429854% |
| Langdon Area School | 2,599,443 | 0.33728349% |
| Larimore School | 2,230,671 | 0.28943455% |
| Leeds School | 1,055,197 | 0.13691420% |
| Lewis And Clark School | 2,667,665 | 0.34613549% |
| Lidgerwood School | 1,184,734 | 0.15372195% |
| Linton School | 1,667,893 | 0.21641281% |
| Lisbon School | 3,922,895 | 0.50900441% |
| Litchville-Marion School | 897,386 | 0.11643783% |
| Little Heart Elem. School | 177,457 | 0.02302545% |
| Logan County | - | 0.00000000% |
| Lone Tree Elem. School | 291,191 | 0.03778266% |
| Lonetree Spec Ed Unit | 135,672 | 0.01760371% |
| Maddock School | 894,430 | 0.11605434% |
| Mandan Public Schools | 23,309,480 | 3.02445724% |
| Mandaree School | 1,762,416 | 0.22867741% |
| Manning Elem School | 120,109 | 0.01558441% |
| Manvel Elem. School | 1,043,680 | 0.13541983% |
| Maple Valley School | 1,754,950 | 0.22770871% |
| Mapleton Elem. School | 1,105,888 | 0.14349148% |
| Marmarth Elem. School | 139,341 | 0.01807985% |
| Max School | 1,245,808 | 0.16164632% |
| May-Port C-G School | 2,725,072 | 0.35358422% |
| Mcclusky School | 759,379 | 0.09853108% |
| Mckenzie County | 49,006 | 0.00635862% |
| Mckenzie County School | 11,703,642 | 1.51857383% |
| Medina School | 1,105,983 | 0.14350373% |
| Menoken Elem School | 255,826 | 0.03319400% |
| Midkota | 1,285,581 | 0.16680697% |
| Midway School | 1,338,233 | 0.17363867% |
| Milnor School | 1,597,201 | 0.20724045% |
| Minnewaukan School | 2,118,785 | 0.27491710% |
| Minot School | 49,716,549 | 6.45083366% |
| Minto School | 1,621,523 | 0.21039619% |
| Mohall Lansford Sherwood | 2,122,701 | 0.27542521% |
| Montpelier School | 831,746 | 0.10792085% |
| Morton County | - | 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, 2021

| Employer Name | Covered Payroll | Employer's Proportionate Share Allocation |
|---------------------------------------|----------------------------|--|
| Mott-Regent School | 1,476,467 | 0.19157491% |
| Mt Pleasant School | 2,066,539 | 0.26813811% |
| Munich School | 1,073,937 | 0.13934575% |
| N Central Area Career And Tech Center | - | 0.00000000% |
| Napoleon School | 1,617,439 | 0.20986639% |
| Naughton Rural School | 151,757 | 0.01969078% |
| Nd Center For Distance Education | 1,996,655 | 0.25907040% |
| Nd Dept Of Public Instruction | 239,615 | 0.03109063% |
| Nd School For Blind | 686,338 | 0.08905389% |
| Nd School For Deaf | 948,981 | 0.12313235% |
| Nd United | 107,705 | 0.01397492% |
| Nd Youth Correctional Cnt | 518,173 | 0.06723413% |
| Nedrose School | 3,515,406 | 0.45613175% |
| Nelson County | 10,547 | 0.00136846% |
| Nesson School | 2,327,885 | 0.30204823% |
| New England School | 1,537,221 | 0.19945789% |
| New Rockford Sheyenne School | 1,855,873 | 0.24080368% |
| New Salem-Almont | 2,173,236 | 0.28198224% |
| New Town School | 6,588,890 | 0.85492330% |
| Newburg United District | 807,144 | 0.10472879% |
| North Border School | 2,699,594 | 0.35027840% |
| North Sargent School | 1,664,812 | 0.21601314% |
| North Star | 1,725,389 | 0.22387315% |
| North Valley Area Career | 804,469 | 0.10438161% |
| Northern Cass School Dist | 3,566,907 | 0.46281423% |
| Northern Plains Spec Ed | 449,841 | 0.05836784% |
| Northwood School | 2,076,595 | 0.26944292% |
| Oakes School | 2,502,217 | 0.32466831% |
| Oberon Elem School | 360,717 | 0.04680383% |
| Oliver - Mercer Spec Ed | 865,791 | 0.11233831% |
| Page School | - | 0.00000000% |
| Park River Area School District | 2,227,868 | 0.28907084% |
| Parshall School | 1,873,180 | 0.24304926% |
| Peace Garden Spec Ed | 705,918 | 0.09159449% |
| Pembina Spec Ed Coop | 132,365 | 0.01717462% |
| Pingree - Buchanan School | 932,279 | 0.12096532% |
| Pleasant Valley Elem | - | 0.00000000% |
| Powers Lake School | 1,434,722 | 0.18615840% |
| Richardton-Taylor | 1,945,640 | 0.25245119% |
| Richland School | 1,687,314 | 0.21893271% |

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, 2021

| Employer Name | Covered Payroll | Employer's Proportionate Share Allocation |
|--|----------------------------|--|
| Robinson School | - | 0.00000000% |
| Rolette County | - | 0.00000000% |
| Rolette School | 1,328,338 | 0.17235487% |
| Roosevelt School | 389,902 | 0.05059066% |
| Roughrider Area Career And Tech Center | 236,512 | 0.03068795% |
| Roughrider Service Program | 200,712 | 0.02604283% |
| Rugby School | 4,005,512 | 0.51972415% |
| Rural Cass Spec Ed | 1,657,683 | 0.21508813% |
| Sargent Central School | 1,809,518 | 0.23478896% |
| Sawyer School | 642,380 | 0.08335026% |
| Scranton School | 1,245,781 | 0.16164293% |
| Se Region Career And Tech | 1,850,804 | 0.24014597% |
| Selfridge School | 923,473 | 0.11982263% |
| Sheyenne Valley Area Voc | 992,653 | 0.12879901% |
| Sheyenne Valley Spec Ed | 1,900,670 | 0.24661620% |
| Slope County | 27,629 | 0.00358496% |
| Solen - Cannonball School | 1,660,427 | 0.21544414% |
| Souris Valley Spec Ed | 1,252,418 | 0.16250404% |
| South Cent. Prairie Sp Ed | 372,553 | 0.04833961% |
| South East Education Cooperative | 712,038 | 0.09238852% |
| South Heart School | 2,446,169 | 0.31739587% |
| South Prairie School District | 2,956,719 | 0.38364097% |
| South Valley Spec Ed | 478,609 | 0.06210062% |
| Southwest Special Education Unit | 70,000 | 0.00908266% |
| St. John'S School | 3,630,280 | 0.47103699% |
| St. Thomas School | 568,133 | 0.07371653% |
| Stanley School | 3,779,712 | 0.49042606% |
| Starkweather School | 655,273 | 0.08502312% |
| Sterling School | 173,411 | 0.02250046% |
| Strasburg School District | 903,269 | 0.11720119% |
| Surrey School | 2,704,926 | 0.35097025% |
| Sweet Briar Elem School | 123,860 | 0.01607112% |
| Tgu School District | 2,674,576 | 0.34703227% |
| Thompson School | 2,695,195 | 0.34970763% |
| Tioga School | 3,458,821 | 0.44878979% |
| Turtle Lake-Mercer School | 1,429,053 | 0.18542289% |
| Twin Buttes Elem. School | 479,900 | 0.06226814% |
| Underwood School | 1,579,199 | 0.20490455% |
| United School | 3,541,189 | 0.45947725% |
| Upper Valley Spec Ed | 2,664,861 | 0.34577166% |

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, 2021

| Employer Name | Covered Payroll | Employer's Proportionate Share Allocation |
|-----------------------------|----------------------------|--|
| Valley - Edinburg School | 1,565,472 | 0.20312356% |
| Valley City School | 6,534,110 | 0.84781538% |
| Velva School | 3,072,542 | 0.39866921% |
| Wahpeton School | 7,552,249 | 0.97992119% |
| Ward County | 31,450 | 0.00408073% |
| Warwick School | 1,851,906 | 0.24028894% |
| Washburn School | 2,077,978 | 0.26962236% |
| West Fargo School | 71,788,903 | 9.31477104% |
| West River Student Services | 552,825 | 0.07173026% |
| Westhope School | 1,181,268 | 0.15327211% |
| White Shield School | 1,671,370 | 0.21686402% |
| Williams Co School Dist #8 | 3,243,203 | 0.42081291% |
| Williston School | 25,750,488 | 3.34118356% |
| Wilmac Special Education | 5,084,610 | 0.65973954% |
| Wilton School | 1,585,187 | 0.20568159% |
| Wing School | 718,516 | 0.09322911% |
| Wishek School | 1,295,045 | 0.16803494% |
| Wolford School | - | 0.00000000% |
| Wyndmere School | 1,455,242 | 0.18882097% |
| Yellowstone Elem. School | 586,400 | 0.07608671% |
| Zeeland School | 480,314 | 0.06232177% |
| Grand Totals: | \$770,699,600 | 100% |

Note: Columns may not foot due to rounding.

North Dakota Retirement and Investment Office -
 North Dakota Teachers' Fund for Retirement
 Schedule of Pension Amounts by Employer
 As of and for the year ended June 30, 2021

| Employer Name | Deferred Outflows of Resources | | | | Deferred Inflows of Resources | | | | Pension Expense | | | | |
|--|--|--|------------------------|--------------------------------------|--------------------------------------|--|---|------------------------|--------------------------------------|-------------------------------------|--|---|--------------------------------|
| | Net Pension Liability for the year ended June 30, 2020 | Differences Between Expected and Actual Experience | Changes of Assumptions | 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 | Proportionate Share of Contributions | Total Deferred Inflows of Resources | Proportionate Share of Pension Expense | Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Pension Expense | Total Employer Pension Expense |
| Alexander School | \$ 2,095,124 | \$ 14,556 | \$ 73,591 | \$ 273,565 | \$ 361,712 | \$ 88,357 | \$ 613,902 | \$ - | \$ 121,398 | \$ 823,657 | \$ 72,584 | \$ 97,206 | \$ 169,790 |
| Anamoose School | 966,170 | 6,713 | 33,936 | 11,915 | 52,564 | 40,746 | 283,102 | - | 184,621 | 508,469 | 33,472 | (29,516) | 3,956 |
| Apple Creek Elem School | 484,797 | 3,368 | 17,028 | 44,878 | 65,274 | 20,445 | 142,052 | - | 59,176 | 221,673 | 16,795 | (21,520) | (4,725) |
| Ashley School | 1,461,449 | 10,154 | 51,333 | 45,118 | 106,605 | 61,633 | 428,226 | - | 76,411 | 566,270 | 50,631 | (22,150) | 28,481 |
| Bakker Elem School | 75,295 | 523 | 2,645 | 15,654 | 18,822 | 3,175 | 22,063 | - | 497 | 25,735 | 2,609 | 2,546 | 5,155 |
| Barnes County North | 2,354,561 | 16,359 | 82,703 | 45,645 | 144,707 | 99,298 | 689,920 | - | 226,550 | 1,015,768 | 81,572 | (112,485) | (30,913) |
| Beach School | 2,952,724 | 20,515 | 103,713 | 9,999 | 134,227 | 124,524 | 865,191 | - | 418,914 | 1,408,629 | 102,295 | (129,503) | (27,208) |
| Belcourt School | 12,627,850 | 87,735 | 443,549 | 247,974 | 779,258 | 532,550 | 3,700,142 | - | 1,021,740 | 5,254,432 | 437,484 | (245,985) | 191,499 |
| Belfield Public School | 2,155,994 | 14,979 | 75,729 | 90,043 | 180,751 | 90,924 | 631,737 | - | 336,313 | 1,058,974 | 74,693 | (28,689) | 46,004 |
| Beulah School | 5,413,646 | 37,613 | 190,153 | 198,879 | 426,645 | 228,308 | 1,586,276 | - | 294,535 | 2,109,119 | 187,552 | (73,261) | 114,291 |
| Billings Co. School Dist. | 1,346,024 | 9,352 | 47,279 | 169,362 | 225,993 | 56,765 | 394,405 | - | 92,053 | 543,223 | 46,632 | 5,859 | 52,491 |
| Bismarck Public Schools | 110,389,891 | 766,961 | 3,877,410 | 633,992 | 5,278,363 | 4,655,434 | 32,345,832 | - | 2,746,232 | 39,747,498 | 3,824,387 | (332,345) | 3,492,042 |
| Bismarck State College | - | - | - | - | - | - | - | - | - | - | - | (8,928) | (8,928) |
| Blessed John Paul II Catholic Sch Netw | - | - | - | - | - | - | - | - | 8,367 | 8,367 | - | (8,785) | (8,785) |
| Bottineau School | 5,510,347 | 38,284 | 193,549 | 176,861 | 408,694 | 232,386 | 1,614,611 | - | 543,627 | 2,390,624 | 190,902 | (149,016) | 41,886 |
| Bow bells School | 933,623 | 6,487 | 32,793 | 67,411 | 106,691 | 39,373 | 273,565 | - | 52,862 | 365,800 | 32,345 | 1,721 | 34,066 |
| Bow man School | 4,673,616 | 32,471 | 164,159 | 256,204 | 452,834 | 197,099 | 1,369,437 | - | 86,711 | 1,653,247 | 161,914 | 1,508 | 163,422 |
| Burke Central School | 1,280,941 | 8,900 | 44,993 | 187,593 | 241,486 | 54,021 | 375,334 | - | 363,793 | 793,148 | 44,377 | (44,127) | 250 |
| Burleigh County Spec. Ed. | 164,881 | 1,146 | 5,791 | 20,229 | 27,166 | 6,953 | 48,313 | - | 13,204 | 68,470 | 5,712 | 6,941 | 12,653 |
| Carrington School | 4,081,347 | 28,356 | 143,356 | 26,205 | 197,917 | 172,121 | 1,195,894 | - | 541,522 | 1,909,537 | 141,396 | (127,292) | 14,104 |
| Cavalier School | 3,434,829 | 23,864 | 120,647 | 125,910 | 270,421 | 144,856 | 1,006,455 | - | 197,023 | 1,348,334 | 118,997 | (28,029) | 90,968 |
| Center Stanton School | 2,405,542 | 16,713 | 84,494 | 109,794 | 211,001 | 101,448 | 704,859 | - | 80,329 | 886,636 | 83,338 | 1,542 | 84,880 |
| Central Cass School | 6,182,418 | 42,954 | 217,155 | 540,031 | 800,140 | 260,729 | 1,811,538 | - | 174,346 | 2,246,613 | 214,186 | 37,798 | 251,984 |
| Central Regional Education Associatio | 1,088,654 | 7,564 | 38,239 | 1,003,110 | 1,048,913 | 45,911 | 318,991 | - | 2,421 | 367,323 | 37,716 | 200,276 | 237,992 |
| Central Elementary School | - | - | - | - | - | - | - | - | 72,841 | 72,841 | - | (19,182) | (19,182) |
| Central Valley School | 1,948,570 | 13,538 | 68,443 | 12,986 | 94,967 | 82,176 | 570,959 | - | 83,775 | 737,010 | 67,507 | (41,386) | 26,121 |
| Dakota Prairie School | 3,161,410 | 21,965 | 111,044 | 267,065 | 400,074 | 133,325 | 926,339 | - | 173,831 | 1,233,495 | 109,525 | 32,602 | 142,127 |
| Devils Lake School | 16,031,037 | 111,380 | 563,085 | 405,842 | 1,080,307 | 676,071 | 4,697,325 | - | 894,221 | 6,267,617 | 555,385 | (316,531) | 238,854 |
| Dickinson School | 34,295,191 | 238,274 | 1,204,608 | 3,866,349 | 5,309,231 | 1,446,319 | 10,048,986 | - | 439,525 | 11,934,830 | 1,188,135 | 1,154,389 | 2,342,524 |
| Divide School | 4,024,162 | 27,959 | 141,347 | 335,925 | 505,231 | 169,710 | 1,179,138 | - | 168,199 | 1,517,047 | 139,415 | 23,354 | 162,769 |
| Drake School | 698,154 | 4,851 | 24,522 | 12,350 | 41,723 | 29,443 | 204,569 | - | 76,438 | 310,450 | 24,187 | (43,373) | (19,186) |
| Drayton School | 2,203,086 | 15,306 | 77,383 | 243,341 | 336,030 | 92,910 | 645,536 | - | 112,177 | 850,623 | 76,324 | 40,468 | 116,792 |
| Dunseith School | 5,150,649 | 35,785 | 180,915 | 314,928 | 531,628 | 217,217 | 1,509,214 | - | 48,714 | 1,775,145 | 178,441 | 124,391 | 302,832 |
| E Central Ctr Exc Childn | 826,059 | 5,739 | 29,015 | - | 34,754 | 34,837 | 242,047 | - | 434,708 | 711,592 | 28,618 | (93,917) | (65,299) |
| Earl Elem. School | 37,186 | 258 | 1,306 | 1,094 | 2,658 | 1,568 | 10,896 | - | 11,810 | 24,274 | 1,288 | (3,117) | (1,829) |
| Edgeley School | 1,892,108 | 13,146 | 66,460 | 112,518 | 192,124 | 79,795 | 554,415 | - | 257,160 | 891,370 | 65,551 | (36,976) | 28,575 |
| Edmore School | 915,097 | 6,358 | 32,142 | 41,833 | 80,333 | 38,592 | 268,137 | - | 319,762 | 626,491 | 31,703 | (41,037) | (9,334) |
| Eight Mile School | 2,711,509 | 18,839 | 95,241 | 377,459 | 491,539 | 114,352 | 794,511 | - | 124,506 | 1,033,369 | 93,938 | 88,347 | 182,285 |
| Elgin-New Leipzig School | 1,641,011 | 11,401 | 57,640 | 33,092 | 102,133 | 69,206 | 480,840 | - | 196,803 | 746,849 | 56,852 | (19,736) | 37,116 |
| Ellendale School | 2,503,159 | 17,391 | 87,923 | 58,675 | 163,989 | 105,565 | 733,462 | - | 243,566 | 1,082,593 | 86,720 | (96,960) | (10,240) |

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, 2021

| Employer Name | Deferred Outflows of Resources | | | | | Deferred Inflows of Resources | | | | Pension Expense | | | | |
|--|--|--|-------------|------------------------|--------------------------------------|--------------------------------------|--|---|------------------------|---|-------------------------------------|--|---|--------------------------------|
| | Net Pension Liability for the year ended June 30, 2020 | Differences Between Expected and Actual Experience | | Changes of Assumptions | Proportionate Share of Contributions | Total Deferred Outflows of Resources | Differences Between Expected and Actual Experience | Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | Changes of Assumptions | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Deferred Inflows of Resources | Proportionate Share of Pension Expense | Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Employer Pension Expense |
| | | Experience | Assumptions | | | | | | | | | | | |
| Emerado Elementary School | 1,031,604 | 7,167 | 36,235 | 102,959 | 146,361 | 43,505 | 302,275 | - | 19,763 | 365,543 | 35,739 | 12,069 | 47,808 | |
| Enderlin Area School District | 2,974,577 | 20,667 | 104,481 | 22,937 | 148,085 | 125,446 | 871,594 | - | 212,133 | 1,209,173 | 103,052 | (51,098) | 51,954 | |
| Fairmount School | 1,109,229 | 7,707 | 38,961 | 12,969 | 59,637 | 46,779 | 325,020 | - | 520,090 | 891,889 | 38,429 | (102,617) | (64,188) | |
| Fargo Public Schools | 107,340,073 | 745,772 | 3,770,286 | 889,705 | 5,405,763 | 4,526,815 | 31,452,191 | - | 4,459,862 | 40,438,868 | 3,718,728 | (1,207,704) | 2,511,024 | |
| Fessenden-Bow don School | 1,598,129 | 11,103 | 56,134 | 54,241 | 121,478 | 67,397 | 468,275 | - | 146,888 | 682,560 | 55,366 | (3,338) | 52,028 | |
| Finley-Sharon School | 1,594,869 | 11,081 | 56,019 | 51,090 | 118,190 | 67,260 | 467,320 | - | 111,474 | 646,054 | 55,253 | (60,665) | (5,412) | |
| Flasher School | 1,963,703 | 13,643 | 68,974 | 187,281 | 269,898 | 82,815 | 575,393 | - | 7,037 | 665,245 | 68,031 | 11,880 | 79,911 | |
| Fordville Larkin School | 847,675 | 5,889 | 29,774 | 32,747 | 68,410 | 35,749 | 248,381 | - | 133,762 | 417,893 | 29,367 | (23,048) | 6,319 | |
| Fort Ransom Elem School | 235,741 | 1,638 | 8,280 | 547 | 10,465 | 9,942 | 69,076 | - | 19,663 | 98,681 | 8,167 | (6,757) | 1,410 | |
| Fort Totten School | 2,506,969 | 17,418 | 88,056 | 337,774 | 443,248 | 105,726 | 734,578 | - | 186,777 | 1,027,081 | 86,852 | (41,164) | 45,688 | |
| Fort Yates School | 1,435,861 | 9,976 | 50,434 | 91,497 | 151,907 | 60,554 | 420,728 | - | 492,451 | 973,733 | 49,744 | (74,655) | (24,911) | |
| Gackle-Streeter Pub Sch | 1,210,814 | 8,412 | 42,529 | 10,133 | 61,074 | 51,063 | 354,786 | - | 38,225 | 444,074 | 41,948 | (14,604) | 27,344 | |
| Garrison School | 3,481,876 | 24,191 | 122,300 | 11,687 | 158,178 | 146,840 | 1,020,240 | - | 176,722 | 1,343,802 | 120,627 | (38,677) | 81,950 | |
| Glen Ullin School | 1,670,037 | 11,603 | 58,660 | 80,709 | 150,972 | 70,430 | 489,345 | - | 173,982 | 733,757 | 57,857 | (23,416) | 34,441 | |
| Glenburn School | 2,659,473 | 18,477 | 93,413 | 154,595 | 266,485 | 112,157 | 779,264 | - | 323,666 | 1,215,087 | 92,136 | (12,834) | 79,302 | |
| Goodrich School | 248,215 | 1,725 | 8,718 | 9,110 | 19,553 | 10,468 | 72,730 | - | 263,834 | 347,032 | 8,599 | (42,690) | (34,091) | |
| Grafton School | 6,395,832 | 44,437 | 224,652 | 121,148 | 390,237 | 269,729 | 1,874,071 | - | 591,078 | 2,734,878 | 221,579 | (149,988) | 71,591 | |
| Grand Forks School | 70,067,931 | 486,814 | 2,461,114 | 128,172 | 3,076,100 | 2,954,950 | 20,530,915 | - | 3,649,091 | 27,134,956 | 2,427,458 | (976,518) | 1,450,940 | |
| Great North West Cooperative | 187,277 | 1,301 | 6,578 | 116,169 | 124,048 | 7,898 | 54,875 | - | 201,505 | 264,278 | 6,488 | (6,685) | (197) | |
| Grenora School | 1,798,554 | 12,496 | 63,174 | 124,833 | 200,503 | 75,850 | 527,002 | - | 191,212 | 794,064 | 62,310 | 3,369 | 65,679 | |
| Griggs County Central Sch | 2,268,923 | 15,764 | 79,695 | 4,241 | 99,700 | 95,686 | 664,827 | - | 391,861 | 1,152,374 | 78,605 | (131,055) | (52,450) | |
| Gst Educational Services | 2,745,495 | 19,075 | 96,435 | 225,221 | 340,731 | 115,785 | 804,470 | - | 134,617 | 1,054,872 | 95,116 | 23,062 | 118,178 | |
| Halliday School | 425,541 | 2,957 | 14,947 | 12,033 | 29,937 | 17,946 | 124,690 | - | 147,209 | 289,845 | 14,743 | (55,072) | (40,329) | |
| Hankinson School | 2,232,076 | 15,508 | 78,401 | 30,809 | 124,718 | 94,133 | 654,030 | - | 167,295 | 915,458 | 77,329 | (95,065) | (17,736) | |
| Harvey School | 3,233,700 | 22,467 | 113,583 | 18,623 | 154,673 | 136,374 | 947,521 | - | 381,008 | 1,464,903 | 112,029 | (96,208) | 15,821 | |
| Hatton Elison Psd | 1,809,359 | 12,571 | 63,553 | 85,432 | 161,556 | 76,305 | 530,168 | - | 80,590 | 687,063 | 62,684 | (17,345) | 45,339 | |
| Hazleton - Moffit School | 1,261,847 | 8,767 | 44,322 | 97,009 | 150,098 | 53,215 | 369,739 | - | 153,230 | 576,184 | 43,716 | (21,176) | 22,540 | |
| Hazen School | 4,124,633 | 28,657 | 144,876 | 67,959 | 241,492 | 173,947 | 1,208,577 | - | 446,230 | 1,828,754 | 142,895 | (98,032) | 44,863 | |
| Hebron School | 1,653,365 | 11,487 | 58,074 | 27,471 | 97,032 | 69,727 | 484,460 | - | 209,194 | 763,381 | 57,280 | (55,205) | 2,075 | |
| Hettinger School | 2,045,165 | 14,209 | 71,836 | 16,160 | 102,205 | 86,250 | 599,263 | - | 204,057 | 889,570 | 70,853 | (120,259) | (49,406) | |
| Hillsboro School | 3,922,031 | 27,249 | 137,760 | 149,259 | 314,268 | 165,402 | 1,149,212 | - | 215,501 | 1,530,115 | 135,876 | 7,471 | 143,347 | |
| Hope-Page Public School District | 2,355,366 | 16,364 | 82,731 | 1,531,626 | 1,630,721 | 99,332 | 690,156 | - | 36,012 | 825,500 | 81,600 | 218,791 | 300,391 | |
| Horse Creek Elem. School | 63,162 | 439 | 2,219 | 24,056 | 26,714 | 2,664 | 18,507 | - | 25,173 | 46,344 | 2,188 | (25) | 2,163 | |
| James River Multidistrict Spec Ed Unit | 1,896,552 | 13,177 | 66,616 | 55,466 | 135,259 | 79,983 | 555,717 | - | 311,636 | 947,336 | 65,705 | (31,825) | 33,880 | |
| Jamestown n School | 19,416,306 | 134,900 | 681,992 | - | 816,892 | 818,837 | 5,689,258 | - | 1,589,074 | 8,097,169 | 672,665 | (573,305) | 99,360 | |
| Kenmare School | 2,748,003 | 19,092 | 96,523 | 133,962 | 249,577 | 115,891 | 805,205 | - | 146,164 | 1,067,260 | 95,203 | (55,750) | 39,453 | |
| Kensal School | 410,289 | 2,851 | 14,411 | 49,637 | 66,899 | 17,303 | 120,221 | - | 161,143 | 298,667 | 14,214 | (46,275) | (32,061) | |
| Kidder County School District | 2,910,871 | 20,224 | 102,243 | 123,945 | 246,412 | 122,759 | 852,927 | - | 630,692 | 1,606,378 | 100,845 | (162,116) | (61,271) | |
| Kildeer School | 5,525,398 | 38,389 | 194,078 | 1,084,804 | 1,317,271 | 233,021 | 1,619,021 | - | 19,536 | 1,871,578 | 191,424 | 233,328 | 424,752 | |
| Kindred School | 5,718,751 | 39,732 | 200,869 | 577,183 | 817,784 | 241,175 | 1,675,677 | - | 27,773 | 1,944,625 | 198,122 | 73,049 | 271,171 | |

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, 2021

| Employer Name | Deferred Outflows of Resources | | | | | Deferred Inflows of Resources | | | | | Pension Expense | | |
|---------------------------|--|--|------------------------|---|--------------------------------------|--|---|------------------------|---|-------------------------------------|--|---|--------------------------------|
| | Net Pension Liability for the year ended June 30, 2020 | Differences Between Expected and Actual Experience | Changes of Assumptions | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Resources | Total Deferred Outflows of Resources | Differences Between Expected and Actual Experience | Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | Changes of Assumptions | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Resources | Total Deferred Inflows of Resources | Proportionate Share of Pension Expense | Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Pension Expense | Total Employer Pension Expense |
| Kulm School | 1,497,670 | 10,405 | 52,605 | 29,053 | 92,063 | 63,161 | 438,839 | - | 159,614 | 661,614 | 51,886 | (60,297) | (8,411) |
| Lake Region Spec Ed | 2,862,102 | 19,885 | 100,530 | 226,563 | 346,978 | 120,702 | 838,637 | - | 211,413 | 1,170,752 | 99,156 | (24,462) | 74,694 |
| Lakota School | 1,624,191 | 11,284 | 57,049 | 65,616 | 133,949 | 68,496 | 475,911 | - | 322,718 | 867,125 | 56,269 | (74,003) | (17,734) |
| Larimore School | 2,152,602 | 14,956 | 75,609 | 806 | 91,171 | 90,781 | 630,744 | - | 250,479 | 972,004 | 74,576 | (67,615) | 6,961 |
| Langdon Area School | 3,553,805 | 24,691 | 124,826 | 429,123 | 578,640 | 149,873 | 1,041,316 | - | 453,419 | 1,644,608 | 123,119 | 7,577 | 130,696 |
| Larimore School | 3,049,643 | 21,188 | 107,118 | 61,356 | 189,662 | 128,612 | 893,589 | - | 356,892 | 1,379,093 | 105,653 | (117,913) | (12,260) |
| Leeds School | 1,442,604 | 10,023 | 50,671 | - | 60,694 | 60,838 | 422,704 | - | 258,260 | 741,802 | 49,978 | (63,046) | (13,068) |
| Lewis And Clark School | 3,647,075 | 25,339 | 128,102 | 61,612 | 215,053 | 153,807 | 1,068,646 | - | 498,184 | 1,720,637 | 126,351 | (112,023) | 14,328 |
| Lidgerwood School | 1,619,699 | 11,253 | 56,891 | 14,097 | 82,241 | 68,307 | 474,595 | - | 218,075 | 760,977 | 56,113 | (58,643) | (2,530) |
| Linton School | 2,280,245 | 15,843 | 80,093 | 6,330 | 102,266 | 96,164 | 668,145 | - | 308,541 | 1,072,850 | 78,998 | (100,352) | (21,354) |
| Lisbon School | 5,363,152 | 37,262 | 188,379 | 332,980 | 558,621 | 226,178 | 1,571,481 | - | 395,785 | 2,193,444 | 185,803 | (82,444) | 103,359 |
| Litchville-Marion School | 1,226,853 | 8,524 | 43,093 | 30,900 | 82,517 | 51,740 | 359,486 | - | 123,867 | 535,093 | 42,504 | (39,813) | 2,691 |
| Little Heart Elem. School | 242,609 | 1,686 | 8,522 | 56,612 | 66,820 | 10,231 | 71,088 | - | 1,695 | 83,014 | 8,405 | 12,311 | 20,716 |
| Logan County | - | - | - | - | - | - | - | - | 6,757 | 6,757 | - | (1,265) | (1,265) |
| Lone Tree Elem. School | 398,099 | 2,766 | 13,983 | 40,456 | 57,205 | 16,789 | 116,649 | - | 19,817 | 153,255 | 13,792 | 7,299 | 21,091 |
| Lonetree Spec Ed Unit | 185,482 | 1,289 | 6,515 | 109,512 | 117,316 | 7,822 | 54,349 | - | 224,645 | 286,816 | 6,426 | (10,293) | (3,867) |
| Maddock School | 1,222,813 | 8,496 | 42,951 | 5,367 | 56,814 | 51,569 | 358,302 | - | 315,813 | 725,684 | 42,364 | (74,316) | (31,952) |
| Mandan Public Schools | 31,867,354 | 221,406 | 1,119,331 | 554,233 | 1,894,970 | 1,343,931 | 9,337,595 | - | 91,874 | 10,773,400 | 1,104,024 | 349,817 | 1,453,841 |
| Mandaree School | 2,409,472 | 16,740 | 84,632 | 269,998 | 371,370 | 101,614 | 706,010 | - | 367,003 | 1,174,627 | 83,475 | (78,009) | 5,466 |
| Manning Elem. School | 164,206 | 1,141 | 5,768 | 102,856 | 109,765 | 6,925 | 48,115 | - | 67,681 | 122,721 | 5,689 | 5,730 | 11,419 |
| Manvel Elem. School | 1,426,858 | 9,913 | 50,118 | 132,648 | 192,679 | 60,174 | 418,090 | - | 56,771 | 535,035 | 49,433 | 16,673 | 66,106 |
| Maple Valley School | 2,399,265 | 16,669 | 84,273 | 12,477 | 113,419 | 101,183 | 703,019 | - | 194,912 | 999,114 | 83,121 | (66,005) | 17,116 |
| Mapleton Elem. School | 1,511,906 | 10,504 | 53,105 | 313,748 | 377,357 | 63,761 | 443,010 | - | 10,094 | 516,865 | 52,379 | 67,166 | 119,545 |
| Marmarth Elem. School | 190,499 | 1,324 | 6,691 | 49,598 | 57,613 | 8,034 | 55,819 | - | 71,480 | 135,333 | 6,600 | (14,723) | (8,123) |
| Max School | 1,703,195 | 11,833 | 59,824 | 92,342 | 163,999 | 71,828 | 499,061 | - | 204,422 | 775,311 | 59,006 | (41,022) | 17,984 |
| May-Port C-G School | 3,725,559 | 25,884 | 130,859 | - | 156,743 | 157,117 | 1,091,643 | - | 628,620 | 1,877,380 | 129,070 | (116,899) | 12,171 |
| Mcclusky School | 1,038,178 | 7,213 | 36,466 | 232,993 | 276,672 | 43,783 | 304,201 | - | 222,063 | 570,047 | 35,967 | (47,094) | (11,127) |
| McKenzie County | 66,998 | 465 | 2,353 | 2,887 | 5,705 | 2,825 | 19,631 | - | 6,122 | 28,578 | 2,321 | (4,303) | (1,982) |
| McKenzie County School | 16,000,534 | 111,168 | 562,014 | 4,491,271 | 5,164,453 | 674,785 | 4,688,387 | - | 5,363,172 | 554,328 | 1,344,989 | 1,899,317 | |
| Medina School | 1,512,035 | 10,505 | 53,110 | 44,031 | 107,646 | 63,767 | 443,048 | - | 172,796 | 679,611 | 52,383 | (26,140) | 26,243 |
| Menoken Elem. School | 349,750 | 2,430 | 12,285 | 74,853 | 89,568 | 14,750 | 102,482 | - | 117,232 | 117,232 | 12,117 | 23,093 | 35,210 |
| Midkota | 1,757,570 | 12,211 | 61,734 | 197,421 | 271,366 | 74,121 | 514,994 | - | 58,479 | 647,594 | 60,890 | (5,928) | 54,962 |
| Midway School | 1,829,553 | 12,711 | 64,262 | 72,046 | 149,019 | 77,157 | 536,085 | - | 352,527 | 965,769 | 63,384 | (102,244) | (38,860) |
| Minor School | 2,183,600 | 15,171 | 76,698 | 131,856 | 223,725 | 92,088 | 639,826 | - | 185,526 | 917,440 | 75,649 | (56,173) | 19,476 |
| Minnewaukan School | 2,896,679 | 20,125 | 101,745 | 464,489 | 586,359 | 122,161 | 848,769 | - | 197,633 | 1,168,563 | 100,354 | (771) | 99,583 |
| Minot School | 67,969,551 | 472,235 | 2,387,409 | 1,580,840 | 4,440,484 | 2,866,456 | 19,916,060 | - | 2,649,198 | 25,431,714 | 2,354,761 | (816,882) | 1,537,879 |
| Minto School | 2,216,851 | 15,402 | 77,866 | 388,414 | 481,682 | 93,490 | 649,569 | - | 219,239 | 962,298 | 76,801 | 52,641 | 129,442 |
| Mohall Lansford Sherwood | 2,902,032 | 20,163 | 101,933 | - | 122,096 | 122,386 | 850,337 | - | 489,372 | 1,462,095 | 100,539 | (187,344) | (86,805) |
| Montpelier School | 1,137,114 | 7,900 | 39,941 | 8,447 | 56,288 | 47,955 | 333,191 | - | 91,099 | 472,245 | 39,395 | (10,923) | 28,472 |
| Morton County | - | - | - | 104 | 104 | - | - | - | 32,549 | 32,549 | - | (8,112) | (8,112) |

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, 2021

| Employer Name | Deferred Outflows of Resources | | | | | Deferred Inflows of Resources | | | | | Pension Expense | | |
|-------------------------------------|--|--|------------------------|---|--------------------------------------|--|---|------------------------|---|-------------------------------------|--|---|--------------------------------|
| | Net Pension Liability for the year ended June 30, 2020 | Differences Between Expected and Actual Experience | Changes of Assumptions | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Deferred Outflows of Resources | Differences Between Expected and Actual Experience | Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | Changes of Assumptions | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Deferred Inflows of Resources | Proportionate Share of Pension Expense | Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Employer Pension Expense |
| Mott-Regent School | 2,018,539 | 14,024 | 70,901 | 141,475 | 226,400 | 85,127 | 591,461 | - | 440,109 | 1,116,697 | 69,931 | (97,833) | (27,902) |
| Mt Pleasant School | 2,825,251 | 19,629 | 99,236 | 326,341 | 445,206 | 119,148 | 827,839 | - | 74,165 | 1,021,152 | 97,879 | 36,902 | 134,781 |
| Munich School | 1,468,224 | 10,201 | 51,571 | 83,986 | 145,758 | 61,919 | 430,211 | - | 163,653 | 655,783 | 50,866 | 15,093 | 65,959 |
| N Central Area Career And Tech Cent | - | - | - | - | - | - | - | - | 121,281 | 121,281 | - | (42,726) | (42,726) |
| Napoleon School | 2,211,268 | 15,363 | 77,670 | 441,031 | 534,064 | 93,255 | 647,934 | - | 506,220 | 1,247,409 | 76,608 | (58,501) | 18,107 |
| Naughton Rural School | 207,473 | 1,441 | 7,287 | 79,728 | 88,456 | 8,750 | 60,793 | - | 1,495 | 71,038 | 7,188 | 14,968 | 22,156 |
| Nd Center For Distance Education | 2,729,709 | 18,965 | 95,880 | 793,256 | 908,101 | 115,119 | 799,844 | - | 93,084 | 1,008,047 | 94,569 | 183,978 | 278,547 |
| Nd Dept Of Public Instruction | 327,588 | 2,276 | 11,506 | 121,391 | 135,173 | 13,815 | 95,988 | - | 101,819 | 211,622 | 11,349 | 19,035 | 30,384 |
| Nd School For Blind | 938,321 | 6,519 | 32,958 | 26,405 | 65,882 | 39,571 | 274,942 | - | 192,391 | 506,904 | 32,508 | (38,568) | (6,060) |
| Nd School For Deaf | 1,297,391 | 9,014 | 45,570 | 17,105 | 71,689 | 54,714 | 380,154 | - | 180,793 | 615,661 | 44,947 | (31,147) | 13,800 |
| Nd United | 147,247 | 1,023 | 5,172 | 3,936 | 10,131 | 6,210 | 43,146 | - | 276,819 | 326,175 | 5,101 | (67,895) | (62,794) |
| Nd Youth Correctional Cnt | 708,416 | 4,922 | 24,883 | 35,337 | 65,142 | 29,876 | 207,576 | - | 1,328,526 | 1,565,978 | 24,543 | (230,626) | (206,083) |
| Nedrose School | 4,806,056 | 33,391 | 168,811 | 908,455 | 1,110,657 | 202,684 | 1,408,244 | - | 39,535 | 1,650,463 | 166,503 | 397,377 | 563,880 |
| Nelson County | 14,419 | 100 | 506 | 571 | 1,177 | 608 | 4,225 | - | 5,687 | 10,520 | 500 | (917) | (417) |
| Nesson School | 3,182,547 | 22,112 | 111,786 | 602,774 | 736,672 | 134,216 | 932,532 | - | 55,825 | 1,122,573 | 110,257 | 126,760 | 237,017 |
| New England School | 2,101,599 | 14,601 | 73,818 | 119,490 | 207,909 | 88,630 | 615,799 | - | 194,868 | 899,297 | 72,809 | 15,473 | 88,282 |
| New Rockford Sheyenne School | 2,537,241 | 17,628 | 89,120 | 67,702 | 174,450 | 107,002 | 743,448 | - | 270,550 | 1,121,000 | 87,901 | (68,911) | 18,990 |
| New Salem-Almont | 2,971,121 | 20,643 | 104,360 | 145,735 | 270,738 | 125,300 | 870,581 | - | 180,040 | 1,175,921 | 102,933 | 27,254 | 130,187 |
| New Town School | 9,007,945 | 62,585 | 316,401 | 1,492,688 | 1,871,674 | 379,889 | 2,639,458 | - | 118,732 | 3,138,079 | 312,074 | 378,102 | 690,176 |
| Newburg United District | 1,103,480 | 7,667 | 38,759 | 108,198 | 154,624 | 46,537 | 323,336 | - | 165,528 | 535,401 | 38,229 | 8,186 | 46,415 |
| North Border School | 3,690,727 | 25,642 | 129,636 | 51,491 | 206,769 | 155,648 | 1,081,436 | - | 752,861 | 1,989,945 | 127,863 | (189,682) | (61,819) |
| North Sargent School | 2,276,034 | 15,813 | 79,945 | 147,030 | 242,788 | 95,986 | 666,911 | - | 233,328 | 996,225 | 78,852 | 14,138 | 92,990 |
| North Star | 2,358,851 | 16,389 | 82,854 | 42,740 | 141,983 | 99,479 | 691,177 | - | 317,077 | 1,107,733 | 81,721 | (42,144) | 39,577 |
| North Valley Area Career | 1,099,822 | 7,641 | 38,631 | 253,094 | 299,366 | 46,382 | 322,264 | - | 29,397 | 398,043 | 38,103 | 9,994 | 48,097 |
| Northern Cass School Dist | 4,876,467 | 33,880 | 171,284 | 242,358 | 447,522 | 205,654 | 1,428,875 | - | 157,360 | 1,791,889 | 168,942 | 88,365 | 257,307 |
| Northern Plains Spec Ed | 614,996 | 4,273 | 21,602 | 202,524 | 228,399 | 25,936 | 180,203 | - | 26,729 | 232,868 | 21,306 | 44,625 | 65,931 |
| Northwood School | 2,839,000 | 19,725 | 99,719 | 318,008 | 437,452 | 119,728 | 831,868 | - | 8,201 | 959,797 | 98,355 | 83,265 | 181,620 |
| Oakes School | 3,420,885 | 23,767 | 120,157 | 495,988 | 639,912 | 144,268 | 1,002,369 | - | 252,688 | 1,399,325 | 118,514 | (43) | 118,471 |
| Oberon Elem School | 493,151 | 3,426 | 17,322 | 229,493 | 250,241 | 20,797 | 144,500 | - | 311,882 | 477,179 | 17,085 | (50,806) | (33,721) |
| Oliver - Mercer Spec Ed | 1,183,659 | 8,224 | 41,576 | 67,936 | 117,736 | 49,918 | 346,829 | - | 405,575 | 802,322 | 41,007 | (62,365) | (21,358) |
| Page School | - | - | - | 103,737 | 103,737 | - | - | - | 1,408,240 | 1,408,240 | - | (202,979) | (202,979) |
| Park River Area School District | 3,045,810 | 21,162 | 106,983 | 34,095 | 162,240 | 128,450 | 892,466 | - | 248,803 | 1,269,719 | 105,520 | (96,804) | 8,716 |
| Parshall School | 2,560,901 | 17,792 | 89,951 | 192,974 | 300,717 | 108,000 | 750,381 | - | 419,753 | 1,278,134 | 88,721 | (70,380) | 18,341 |
| Peace Garden Spec Ed | 965,090 | 6,705 | 33,898 | 178,126 | 218,729 | 40,700 | 282,785 | - | 87,551 | 411,036 | 33,435 | 29,498 | 62,933 |
| Pembina Spec Ed Coop | 180,961 | 1,257 | 6,356 | 23,113 | 30,726 | 7,632 | 53,024 | - | 20,399 | 81,055 | 6,269 | (19,264) | (12,995) |
| Pingree - Buchanan School | 1,274,558 | 8,855 | 44,768 | 130,639 | 184,262 | 53,751 | 373,464 | - | 132,737 | 559,952 | 44,156 | (16,368) | 27,788 |
| Pleasant Valley Elem | - | - | - | - | - | - | - | - | - | - | - | (4,752) | (4,752) |
| Powers Lake School | 1,961,468 | 13,628 | 68,896 | 187,468 | 269,992 | 82,720 | 574,738 | - | 27,950 | 685,408 | 67,954 | 44,128 | 112,082 |
| Richardson-Taylor | 2,659,965 | 18,481 | 93,430 | 124,302 | 236,213 | 112,178 | 779,408 | - | 314,335 | 1,205,921 | 92,153 | (22,763) | 69,390 |
| Richland School | 2,306,796 | 16,027 | 81,025 | 35,870 | 132,922 | 97,284 | 675,925 | - | 149,433 | 922,642 | 79,917 | (69,114) | 10,803 |

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, 2021

| Employer Name | Deferred Outflows of Resources | | | | | Deferred Inflows of Resources | | | | | Pension Expense | | |
|------------------------------------|--|--|------------------------|---|--------------------------------------|--|---|------------------------|---|-------------------------------------|--|---|--------------------------------|
| | Net Pension Liability for the year ended June 30, 2021 | Differences Between Expected and Actual Experience | Changes of Assumptions | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Deferred Outflows of Resources | Differences Between Expected and Actual Experience | Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | Changes of Assumptions | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Deferred Inflows of Resources | Proportionate Share of Pension Expense | Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Employer Pension Expense |
| Robinson School | - | - | - | - | - | - | - | - | 10,092 | 10,092 | - | (20,228) | (20,228) |
| Rolette County | - | - | - | - | - | - | - | - | - | - | (1,139) | (1,139) | |
| Rolette School | 1,816,026 | 12,617 | 63,787 | 30,906 | 107,310 | 76,587 | 532,122 | - | 162,213 | 770,922 | 62,915 | (11,249) | 51,666 |
| Roosevelt School | 533,051 | 3,704 | 18,723 | 72,339 | 94,766 | 22,480 | 156,192 | - | 189,066 | 367,738 | 18,467 | (26,102) | (7,635) |
| Roughrider Area Career And Tech Ce | 323,345 | 2,247 | 11,357 | 129,468 | 143,072 | 13,636 | 94,745 | - | 19,473 | 127,854 | 11,202 | 7,933 | 19,135 |
| Roughrider Service Program | 274,402 | 1,906 | 9,638 | 25,868 | 37,412 | 11,572 | 80,404 | - | 139,417 | 231,393 | 9,506 | 14,867 | 24,373 |
| Rugby School | 5,476,101 | 38,047 | 192,346 | 262,261 | 492,654 | 230,942 | 1,604,577 | - | 22,708 | 1,858,227 | 189,716 | 38,210 | 227,926 |
| Rural Cass Spec Ed | 2,266,288 | 15,746 | 79,603 | 542,449 | 637,798 | 95,575 | 664,055 | - | 75,773 | 835,403 | 78,514 | 81,066 | 159,580 |
| Sargent Central School | 2,473,866 | 17,188 | 86,894 | 136,709 | 240,791 | 104,330 | 724,879 | - | 71,810 | 901,019 | 85,706 | 13,107 | 98,813 |
| Sawyer School | 878,224 | 6,102 | 30,847 | 62,101 | 99,050 | 37,037 | 257,332 | - | 280,512 | 574,881 | 30,426 | (94,991) | (64,565) |
| Scranton School | 1,703,159 | 11,833 | 59,823 | 26,757 | 98,413 | 71,827 | 499,050 | - | 111,880 | 682,757 | 59,005 | (20,009) | 38,996 |
| Se Region Career And Tech | 2,530,311 | 17,580 | 88,876 | 206,561 | 313,017 | 106,710 | 741,418 | - | 774 | 848,902 | 87,661 | 41,807 | 129,468 |
| Selfridge School | 1,262,518 | 8,772 | 44,346 | 23,797 | 76,915 | 53,244 | 369,936 | - | 201,700 | 624,880 | 43,739 | (28,810) | 14,929 |
| Sheyenne Valley Area Voc | 1,357,098 | 9,429 | 47,668 | 176,894 | 233,991 | 57,232 | 397,649 | - | 75,146 | 530,027 | 47,016 | 24,467 | 71,483 |
| Sheyenne Valley Spec Ed | 2,598,485 | 18,054 | 91,271 | 629,189 | 738,514 | 109,585 | 761,394 | - | 300,621 | 1,171,600 | 90,023 | (14,233) | 75,790 |
| Slope County | 37,773 | 262 | 1,327 | 418 | 2,007 | 1,593 | 11,068 | - | 2,994 | 15,655 | 1,309 | (604) | 705 |
| Solen - Cannonball School | 2,270,039 | 15,772 | 79,734 | 298,999 | 394,505 | 95,734 | 665,154 | - | 471,128 | 1,232,016 | 78,644 | (122,312) | (43,668) |
| Souris Valley Spec Ed | 1,712,232 | 11,896 | 60,142 | 159,193 | 231,231 | 72,209 | 501,709 | - | 477,512 | 1,051,430 | 59,319 | (154,611) | (95,292) |
| South Cent. Prairie Sp Ed | 509,333 | 3,539 | 17,890 | 405,986 | 427,415 | 21,480 | 149,242 | - | 37,508 | 208,230 | 17,646 | 62,642 | 80,288 |
| South East Education Cooperative | 973,457 | 6,763 | 34,192 | 710,826 | 751,781 | 41,053 | 285,237 | - | 287,499 | 613,789 | 33,725 | 157,898 | 191,623 |
| South Heart School | 3,344,258 | 23,235 | 117,466 | 687,926 | 828,627 | 141,036 | 979,916 | - | - | 1,120,952 | 115,860 | 188,437 | 304,297 |
| South Prairie School District | 4,042,253 | 28,085 | 141,983 | 601,296 | 771,364 | 170,473 | 1,184,439 | - | - | 1,354,912 | 140,041 | 306,315 | 446,356 |
| South Valley Spec Ed | 654,326 | 4,546 | 22,983 | 78,062 | 105,591 | 27,595 | 191,727 | - | 201,700 | 421,022 | 22,669 | (78,495) | (55,826) |
| Southwest Special Education Unit | 95,700 | 665 | 3,361 | 3,529 | 7,555 | 4,036 | 28,041 | - | 13,699 | 45,776 | 3,315 | (2,226) | 1,089 |
| St. John'S School | 4,963,106 | 34,482 | 174,328 | 899,209 | 1,108,019 | 209,307 | 1,454,262 | - | 18,957 | 1,682,526 | 171,944 | 149,097 | 321,041 |
| St. Thomas School | 776,718 | 5,396 | 27,282 | 15,423 | 48,101 | 32,756 | 227,590 | - | 262,748 | 523,094 | 26,909 | (63,111) | (36,202) |
| Stanley School | 5,167,400 | 35,902 | 181,503 | 179,271 | 396,676 | 217,923 | 1,514,123 | - | 572,197 | 2,304,243 | 179,021 | 1,357 | 180,378 |
| Starkweather School | 895,851 | 6,224 | 31,466 | 120,223 | 157,913 | 37,780 | 262,497 | - | 70,691 | 370,968 | 31,036 | (17,002) | 14,034 |
| Sterling School | 237,077 | 1,647 | 8,327 | 37,125 | 47,125 | 9,998 | 69,467 | - | 207,130 | 286,595 | 8,213 | (26,192) | (17,979) |
| Strasburg School District | 1,234,897 | 8,580 | 43,375 | 88,583 | 140,538 | 52,079 | 361,843 | - | 255,027 | 668,949 | 42,782 | (41,790) | 992 |
| Surrey School | 3,698,017 | 25,693 | 129,892 | 93,888 | 249,473 | 155,955 | 1,083,572 | - | 267,627 | 1,507,154 | 128,115 | (29,675) | 98,440 |
| Sweet Briar Elem School | 169,334 | 1,176 | 5,948 | 19,512 | 26,636 | 7,141 | 49,617 | - | 8,845 | 65,603 | 5,866 | 6,315 | 12,181 |
| Tgu School District | 3,656,524 | 25,405 | 128,434 | - | 153,839 | 154,205 | 1,071,414 | - | 481,946 | 1,707,565 | 126,678 | (148,225) | (21,547) |
| Thompson School | 3,684,713 | 25,600 | 129,424 | 197,898 | 352,922 | 155,394 | 1,079,674 | - | 76,864 | 1,311,932 | 127,655 | 51,481 | 179,136 |
| Tioga School | 4,728,697 | 32,854 | 166,094 | 145,828 | 344,776 | 199,422 | 1,385,577 | - | 339,313 | 1,924,312 | 163,823 | 71,050 | 234,873 |
| Turtle Lake-Mercer School | 1,953,718 | 13,574 | 68,624 | 83,220 | 165,418 | 82,393 | 572,468 | - | 123,913 | 778,774 | 67,685 | (36,306) | 31,379 |
| Twin Buttes Elem. School | 656,092 | 4,558 | 23,045 | 28,152 | 55,755 | 27,669 | 192,244 | - | 58,264 | 278,177 | 22,730 | (23,291) | (561) |
| Underwood School | 2,158,988 | 15,000 | 75,834 | - | 90,834 | 91,050 | 632,615 | - | 213,436 | 937,101 | 74,797 | (72,588) | 2,209 |
| United School | 4,841,306 | 33,636 | 170,049 | 165,488 | 369,173 | 204,171 | 1,418,573 | - | 350,891 | 1,973,635 | 167,724 | (34,178) | 133,546 |
| Upper Valley Spec Ed | 3,643,241 | 25,312 | 127,968 | 61,349 | 214,629 | 153,645 | 1,067,522 | - | 414,387 | 1,635,554 | 128,218 | (36,146) | 90,072 |

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, 2021

| Employer Name | Deferred Outflows of Resources | | | | | Deferred Inflows of Resources | | | | | Pension Expense | | |
|-------------------------------|--|--|------------------------|---|--------------------------------------|--|---|------------------------|---|-------------------------------------|--|---|--------------------------------|
| | Net Pension Liability for the year ended June 30, 2020 | Differences Between Expected and Actual Experience | 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 Investment Earnings on Pension Plan | 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 |
| Valley - Edinburg School | 2,140,222 | 14,870 | 75,175 | 45,394 | 135,439 | 90,259 | 627,116 | - | 442,634 | 1,160,009 | 74,147 | (74,031) | 116 |
| Valley City School | 8,933,052 | 62,065 | 313,771 | 23,710 | 399,546 | 376,730 | 2,617,513 | - | 576,421 | 3,570,664 | 309,480 | (273,855) | 35,625 |
| Velva School | 4,200,599 | 29,185 | 147,545 | 275,813 | 452,543 | 177,150 | 1,230,836 | - | 105,230 | 1,513,216 | 145,527 | 185 | 145,712 |
| Wahpeton School | 10,324,992 | 71,735 | 362,662 | 325,102 | 759,499 | 435,432 | 3,025,372 | - | 461,812 | 3,922,616 | 357,703 | (165,230) | 192,473 |
| Ward County | 42,997 | 299 | 1,510 | 347 | 2,156 | 1,813 | 12,599 | - | 3,018 | 17,430 | 1,490 | (721) | 769 |
| Warwick School | 2,531,817 | 17,590 | 88,929 | 242,765 | 349,284 | 106,773 | 741,859 | - | 342,616 | 1,191,248 | 87,713 | (35,223) | 52,490 |
| Washburn School | 2,840,890 | 19,738 | 99,785 | 208,956 | 328,479 | 119,808 | 832,422 | - | 36,563 | 988,793 | 98,421 | 42,012 | 140,433 |
| West Fargo School | 98,145,580 | 681,891 | 3,447,332 | 6,992,457 | 11,121,680 | 4,139,059 | 28,758,072 | - | - | 32,897,131 | 3,400,191 | 3,163,786 | 6,563,977 |
| West River Student Services | 755,790 | 5,251 | 26,547 | 59,410 | 91,208 | 31,874 | 221,457 | - | 353,270 | 606,601 | 26,184 | (53,883) | (27,699) |
| Westhope School | 1,614,960 | 11,220 | 56,725 | 37,887 | 105,832 | 68,107 | 473,207 | - | 122,568 | 663,882 | 55,949 | (15,942) | 40,007 |
| White Shield School | 2,284,999 | 15,876 | 80,260 | 342,328 | 438,464 | 96,364 | 669,538 | - | 465,218 | 1,231,120 | 79,162 | (27,845) | 51,317 |
| Williams Co School Dist #8 | 4,433,918 | 30,806 | 155,740 | 1,145,556 | 1,332,102 | 186,990 | 1,299,202 | - | 46,651 | 1,532,843 | 153,610 | 147,086 | 300,696 |
| Williston School | 35,204,558 | 244,592 | 1,236,549 | 5,323,273 | 6,804,414 | 1,484,670 | 10,315,444 | - | 37,465 | 11,837,579 | 1,219,639 | 1,683,894 | 2,903,533 |
| Wilmac Special Education | 6,951,381 | 48,296 | 244,165 | 1,367,909 | 1,660,370 | 293,158 | 2,036,855 | - | 157,710 | 2,487,723 | 240,826 | 407,954 | 648,780 |
| Wilton School | 2,167,175 | 15,057 | 76,121 | 96,266 | 187,444 | 91,396 | 635,014 | - | 48,374 | 774,784 | 75,080 | 18,423 | 93,503 |
| Wing School | 982,313 | 6,825 | 34,503 | 100,407 | 141,735 | 41,427 | 287,832 | - | 193,469 | 522,728 | 34,032 | (29,312) | 4,720 |
| Wishek School | 1,770,509 | 12,301 | 62,189 | 93,884 | 168,374 | 74,667 | 518,785 | - | 287,275 | 880,727 | 61,338 | (40,006) | 21,332 |
| Wolford School | - | - | - | 14,485 | 14,485 | - | - | - | 792,109 | 792,109 | - | (153,237) | (153,237) |
| Wyndmere School | 1,989,522 | 13,823 | 69,881 | 43,726 | 127,430 | 83,903 | 582,959 | - | 287,028 | 953,890 | 68,926 | (80,304) | (11,378) |
| Yellowstone Elem. School | 801,692 | 5,570 | 28,159 | 55,714 | 89,443 | 33,809 | 234,907 | - | 52,940 | 321,656 | 27,774 | (6,114) | 21,660 |
| Zeeland School | 656,657 | 4,562 | 23,065 | 72,913 | 100,540 | 27,693 | 192,410 | - | 73,218 | 293,321 | 22,749 | (23,886) | (1,137) |
| Total for all entities | \$ 1,053,655,311 | \$ 7,320,530 | \$ 37,009,305 | \$ 60,769,895 | \$ 105,099,730 | \$ 44,435,438 | \$ 308,736,216 | \$ - | \$ 60,769,895 | \$ 413,941,549 | \$ 36,503,210 | \$ - | \$ 36,503,210 |

Note: Columns may not foot due to rounding.

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

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Notes to Schedules of Employer Allocations and Pension Amounts by Employer
As of and for the year ended June 30, 2021

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.

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Notes to Schedules of Employer Allocations and Pension Amounts by Employer
As of and for the year ended June 30, 2021

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

Tier 2

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

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

Death and Disability Benefits

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

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

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.

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Notes to Schedules of Employer Allocations and Pension Amounts by Employer
As of and for the year ended June 30, 2021

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, 2021, 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 | \$ 4,336,060,141 |
| Plan fiduciary net position | <u>(3,282,404,830)</u> |
| Net pension liability (NPL) | <u>\$ 1,053,655,311</u> |

Note 4 – Actuarial Assumptions

The total pension liability in the July 1, 2021, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|--|
| Inflation | 2.30% |
| Salary increases | 3.80% to 14.80%, varying by service, including inflation and productivity |
| Investment rate of return | 7.25%, net of investment expenses, including inflation |
| Cost-of-living adjustments | None |

For active and inactive members, mortality rates were based on the PubT-2010 Employee table, projected with generational improvement using Scale MP-2019. For healthy retirees, mortality rates were based on 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. For disability retirees,

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Notes to Schedules of Employer Allocations and Pension Amounts by Employer
As of and for the year ended June 30, 2021

mortality rates were based on the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2021, 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, 2021 is summarized in the following table:

| 2021 | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------|----------------------|---|
| Global Equity | 55.0% | 6.9% |
| Global Fixed Income | 26.0% | 0.7% |
| Global Real Assets | 18.0% | 4.8% |
| Cash Equivalents | 1.0% | -1.0% |

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 2.0% for expected inflation.

Discount rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at rates equal to those based on the July 1, 2021, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Notes to Schedules of Employer Allocations and Pension Amounts by Employer
As of and for the year ended June 30, 2021

members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, TFFR's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of July 1, 2021. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

Sensitivity of Net Pension Liability

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.25% as of June 30, 2021, 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:

| 2021 | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|----------------------------------|------------------------|----------------------------------|------------------------|
| Employers' net pension liability | \$ 1,582,102,595 | \$ 1,053,655,311 | \$ 614,833,478 |

Note 5 – Deferred Inflows and Deferred Outflows of Resources

Changes in the collective net pension liability from the beginning of the year to the end of the year arise from the net difference between changes in the total pension liability and plan fiduciary net position that occurred during that year. Changes in net pension liability will be recognized immediately as pension expense, or reported as deferred outflows of resources related to pensions or deferred inflows of resources related to pensions, depending on the nature of the change.

Differences between actual and expected investment-related experience are recognized over a closed five-year period. Differences between actual and expected non-investment-related experience (demographics) and changes of assumptions are recognized over the average of the expected remaining service lives of all members who are provided with pensions through the pension plan (active employees and inactive employees). The amounts below that are not included in pension expense for the current year are included in deferred outflows of resources or deferred inflows of resources related to pensions.

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Notes to Schedules of Employer Allocations and Pension Amounts by Employer
As of and for the year ended June 30, 2021

| | Year Established | Original Balance | Original Amortization Period (in years) | Amortization Amount During 2021 | Outstanding Balance June 30, 2021 |
|-----------------------|---------------------|---------------------|--|---------------------------------------|---|
| Outflows | | | | | |
| Demographics | 2015 | 2,209,258 | 7 | \$ 315,610 | \$ - |
| Assumptions | 2015 | 171,324,647 | 7 | 24,474,947 | - |
| Investments | 2019 | 59,163,355 | 5 | 11,832,671 | 23,665,342 |
| Investments | 2020 | 114,538,151 | 5 | 22,907,630 | 68,722,890 |
| Assumptions | 2020 | 51,813,028 | 7 | 7,401,861 | 37,009,305 |
| Demographics | 2021 | 8,366,320 | 8 | 1,045,790 | 7,320,530 |
| Total Outflows | | | | \$ 67,978,509 | \$ 136,718,067 |
| Inflows | | | | | |
| Demographics | 2016 | \$ 8,092,800 | 7 | \$ 1,156,114 | \$ 1,156,116 |
| Demographics | 2017 | 10,748,944 | 7 | 1,535,563 | 3,071,129 |
| Investments | 2017 | 103,235,815 | 5 | 20,647,163 | - |
| Investments | 2018 | 30,002,998 | 5 | 6,000,600 | 6,000,598 |
| Demographics | 2018 | 27,939,071 | 7 | 3,991,296 | 11,973,887 |
| Demographics | 2019 | 23,494,914 | 7 | 3,356,416 | 13,425,666 |
| Demographics | 2020 | 20,732,097 | 7 | 2,961,728 | 14,808,640 |
| Investments | 2021 | 493,904,813 | 5 | 98,780,963 | 395,123,850 |
| Total Inflows | | | | \$ 138,429,843 | \$ 445,559,886 |

| | June 30, 2021 |
|--|-----------------------|
| Deferred Outflows of Resources | |
| Difference between expected and actual experience in the Total Pension Liability | \$ 7,320,530 |
| Changes in assumptions | 37,009,305 |
| Net difference between projected and actual earnings on pension plan investments | - |
| Total Deferred Outflows of Resources | \$ 44,329,835 |
| Deferred Inflows of Resources | |
| Difference between expected and actual experience in the Total Pension Liability | \$ 44,435,438 |
| Changes in assumptions | - |
| Net difference between projected and actual earnings on pension plan investments | 308,736,216 |
| Total Deferred Inflows of Resources | \$ 353,171,654 |

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as follows:

| Year ended June 30: | |
|---|-------------------------|
| 2022 | \$ (74,594,728) |
| 2023 | (67,438,017) |
| 2024 | (77,735,121) |
| 2025 | (96,651,456) |
| 2026 | 5,485,923 |
| Thereafter | 2,091,580 |
| Net deferred outflows/(inflows) of resources | \$ (308,841,819) |

North Dakota Retirement and Investment Office -
North Dakota Teachers' Fund for Retirement
Notes to Schedules of Employer Allocations and Pension Amounts by Employer
As of and for the year ended June 30, 2021

Deferred outflows of resources and deferred inflows of resources resulting from changes in an individual employer's proportionate share are amortized over a closed period equal to the average of the expected remaining service lives of all members who are provided with pensions through the pension plan (active employees and inactive employees) for the period during which the change occurred. Because these deferred amounts and their amortization are specific to individual employers and offset on a collective basis, they are not included in the tables above.

Note 6 – Collective Pension Expense

The components of allocable pension expense for the year ended June 30, 2021 (excluding employer specific pension expense for changes in proportion) are as follows:

| | |
|--|----------------------|
| Service cost | \$ 87,088,239 |
| Interest on the total pension liability | 300,698,090 |
| Projected earnings on plan investments | (190,267,717) |
| Member contributions | (90,557,210) |
| Contributions - purchased service credit | (2,559,121) |
| Contributions - other | (126,112) |
| Administrative expenses | 2,678,375 |
| Current year recognition of: | |
| Changes in assumptions | \$ 31,876,808 |
| Difference between expected and actual experience | (11,639,717) |
| Difference between projected and actual earnings on pension plan investments | (90,688,425) |
| Change of benefit terms | - |
| Total pension expense | \$ 36,503,210 |

Note 7 - 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 Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. The supporting actuarial information is included in the June 30, 2021, 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 <https://www.rio.nd.gov/teachers-fund-retirement-employers> or by contacting RIO at: ND Retirement and Investment Office, 3442 East Century Avenue, P.O. Box 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
Janilyn Murtha, Interim Executive Director
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, 2021 (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 2, 2021.

Internal Control over Financial Reporting

In planning and performing our audits, we considered TFFR'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 TFFR's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of TFFR's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TFFR'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 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 results of that testing, and not to provide an opinion on the effectiveness of TFFR's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TFFR's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
November 2, 2021



Fiduciary Responsibility

Dean DePountis
November 2021

Terminology

- **Trust**
 - A legal entity created by a grantor for the benefit of designated beneficiaries.
- **Grantor, aka settlor, funder, trustor, or sponsor**
 - Creates and establishes the terms of the trust.
- **Beneficiaries**
 - Those who benefit from the trust.
- **Trustees**
 - Those who oversee asset management and benefit distributions in accordance with the plan documents.
 - Trustees are fiduciaries.
- **Plan documents**
 - Memorialize the intent of grantor.

Trust, sponsor, and beneficiaries (TFFR)

“There is hereby created the teachers’ fund for retirement...”

N.D.C.C. 15-39.1-01

“The primary objective of the teachers' fund for retirement is to provide income security to retired teachers.”

N.D.A.C. 82-01-01-01(1)(a)

“Teacher means: ...”

N.D.C.C. 15-39.1-04

The retirement plan is the trust, North Dakota is the sponsor, and teachers are the beneficiaries.

Trustee (TFFR)

“The authority to set policy for the fund rests in a board of trustees composed as follows: ...”

N.D.C.C. 15-39.1-05.1

The board “[h]as the powers and privileges of a corporation”...and... “[s]hall establish investment policy for the trust...”

N.D.C.C. 15-39.1-05.2

“The board may adopt such rules as may be necessary to fulfill the responsibilities of the board.”

N.D.C.C. 15-39.1-07

The Board is the trustee.

Trust, sponsor, trustee, and beneficiaries (SIB)

“The North Dakota state investment board consists of...”

N.D.C.C. 21-10-01

“The board is charged with the investment of the funds enumerated in section 21-10-06.”

N.D.C.C. 21-10-02

“The state investment board shall apply the prudent investor rule in investing for funds under its supervision.”

N.D.C.C. 21-10-07

The plans are the trusts, North Dakota is the sponsor, SIB is trustee, and plan clients are the beneficiaries.

Plan Documents

- North Dakota Century Code Chapter 15-39-1;
- North Dakota Administrative Code Title 82;
- TFFR Board Program Manual;
- Internal Revenue Code section 401(a) – Applicable to governmental plans.
- North Dakota Century Code Chapter 21-10
- SIB Governance Manual

What is a fiduciary?

A fiduciary is a person, “who occupies a position of such power and confidence with regard to the property of another that the law requires him to act solely in the interest of the person whom he represents.... [T]hey may be contrasted with persons in an ordinary business relationship, in which each party is free to seek purely personal benefits from his transactions with the other.”

Encyclopedia Britannica

Who is a fiduciary?

- Agents, executors and administrators, trustees, guardians, and officers of corporations are fiduciaries;
- Accountants, attorneys, and bankers are fiduciaries;
- TFFR and SIB Board members are fiduciaries.
- Fiduciaries are charged with fiduciary duty.

Fiduciary Duty

- Fiduciary responsibility has been called the most important duty imposed by law.
- Fiduciary law has a long history: recognized in Roman law, British common law, American common law, and developed by courts over hundreds of years.
- ERISA (1974), a federal law, clarified trust law as it applied to private sector pension funds.
- Although ERISA does not apply to public pension funds, it provides best practices that inform public pension fund fiduciary behavior.

Fiduciary Responsibilities

- Duty of Loyalty
- Duty of Prudence
- Duty to Follow the Law and Plan Docs

Duty of Loyalty

“Many forms of conduct permissible in a workaday world for those acting at arm's length, are forbidden to those bound by fiduciary ties. A trustee is held to something stricter than the morals of the marketplace. Not honesty alone, but the punctilio [i.e., a careful observance] of an honor the most sensitive, is then the standard of behavior. As to this there has developed a tradition that is unbending and inveterate. Uncompromising rigidity has been the attitude of courts of equity when petitioned to undermine the rule of undivided loyalty by the 'disintegrating erosion' of particular exceptions. Only thus has the level of conduct for fiduciaries been kept at a level higher than that trodden by the crowd.”

Justice Benjamin N. Cardozo, United States Supreme Court

Duty of Loyalty

A fiduciary shall discharge his duties with respect to the plan **solely** in the interest of members and beneficiaries and for the **exclusive purpose** of providing benefits and defraying reasonable expenses of administering the plan.

“As a qualified employee pension plan, all assets of the fund are held in trust for the exclusive benefit of members and their beneficiaries. Fund assets may not be diverted or used for any purpose other than to provide pension benefits and other incidental benefits allowed by law.”

N.D.A.C. 82-01-01-01(1)(c)(2)

Duty of Loyalty

Duty to employ good governance - transparency and accountability

- Open meetings
- Communication

Conflicts of Interest

- The standards concerning conflicts of interest originate from the common law duty of loyalty.
- Dealing with conflicts:
 - **Avoid** conflicts of interest;
 - **Disclose** unavoidable conflicts of interest;
 - **Mitigate** conflicts of interest;
 - Adopt and follow a Code of Ethics that defines standards of conduct.

Settlor vs. Fiduciary Functions

- Examples of settlor functions
 - Creating, amending, or terminating a plan, or benefits within the plan.
- Examples of fiduciary functions
 - Managing the plan, plan assets, or administering benefits
- An individual may have two roles – as a board member and as an official or employee of the plan sponsor.
 - Awareness of which role is being performed is critical
 - Trust assets cannot be used for costs relating to settlor purposes (e.g. accounting requirements imposed on employer, plan design, etc.)
 - Costs of implementing settlor decisions may be payable from the plan

Duty of Prudence

- Requires that fiduciaries discharge their duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.
- Requires conscientious processes in all decision-making by:
 - Understanding the facts
 - Investigating the options
 - Seeking expert advice and questioning those experts if their advice is not clear
- The law requires process more than outcome and prudence rather than perfection.

Duty to Follow the Law and Plan Docs

- Fiduciaries have a duty to administer the plan in a fair and impartial manner.
- In doing so, they must consider:
 - Plan provisions
 - Statutes, rules, and ordinances
 - Federal laws
 - Legal opinions
 - Common law concepts

Fiduciary Liability

- Fiduciary liability means personal liability for losses
 - Restoration of profits
 - Additional civil penalties and/or injunctions
 - Potential criminal penalties for willful violations
- Co-Fiduciary Liability
 - Knowledge of another fiduciary's breach coupled with inaction is a breach of fiduciary duty
 - Courts have held that fiduciaries have a duty to speak up and try to prevent or remedy the breach

Mitigating Fiduciary Risk

- ✓ Establish, follow, and document prudent processes
- ✓ Maintain good governance structure
 - Thorough decision-making processes
 - Rigorous risk identification and management
 - Clearly defined and understood roles and responsibilities
- ✓ Perform on-going oversight
- ✓ Establish appropriate reporting and disclosure
- ✓ Periodically review procedures and processes; revise as needed
- ✓ Offer orientation and continuing education
- ✓ Obtain independent expert advice – law, actuarial, benefits, investments, audits

Still More Fiduciary Risk Mitigation

- ✓ Become familiar with the qualifications and reputation of the key service providers
- ✓ Verify service provider contracts provide for indemnification
- ✓ Read the law, rules, regulations and key policy documents governing the plan
- ✓ Require transparency and accountability
 - Benchmark operations to best practices
 - Conduct board self-evaluations
 - Adopt a culture of good governance and high ethical standards

Almost Done with Fiduciary Risk Mitigation

- ✓ Diligently prepare for and attend all board and committee meetings
- ✓ Establish an internal control framework, including an Audit Committee
- ✓ Review on a regular basis the efficiency and effectiveness of the system's success in meeting its goals
- ✓ Conduct an annual Board self-assessment

Summary

- Fulfill Duty of Loyalty
- Effect Duty of Prudence
- Follow Plan Documents
- Act in good faith in the best interest of plan participants and beneficiaries
- When in doubt, seek the advice of experts
- Maintain independence and objectivity by avoiding conflicts of interest

Additional reading

- <https://corpgov.law.harvard.edu/2018/09/10/the-rise-of-fiduciary-law/>



Thank
you!

MEMORANDUM

TO: State Investment Board
FROM: Jan Murtha
DATE: November 16, 2021
RE: Executive Limitations/Staff Relations

Ms. Murtha will provide a verbal update to the SIB on agency efforts to address current and future organizational risk through strategic planning. Including updates on the following topics:

1. **Facility Move:** RIO is confirmed to move to the WSI space the week of November 22, 2021.
2. **Staff Engagement:** Attached for your reference is the results of the State Engagement Survey conducted in October of this year. Survey results indicated statistically significant increases in 5 of 12 areas of engagement compared with 2020 survey results; and results exceed the State mean in 11 of 12 categories. These results help to inform future agency team trainings and workshops. WSI has offered to assist RIO with training efforts to be scheduled.
3. **Retirements/Resignations/FTE's/Temporary Assistance:**

| Employee Title | Status |
|----------------------------|--|
| Executive Director | Discussion scheduled 11/21 (CIO search first priority) |
| Chief Investment Officer | Finalist Interviews Scheduled 12/21 |
| Chief Risk Officer | Finalist Interviews Scheduled 11/21 |
| Contracts/Records Admin | Offer accepted, scheduled to start 11/29/21 |
| Retirement Program Admin | Started 11/15/21 |
| Front Desk Temp | Started 10/18/21 |
| Membership Specialist Temp | Started 10/18/21; reposted 11/16/21 |
| Employer Reporting Intern | Posted in Fall 2021, reposted for Spring of 2022. |
| Investment #1 | Authorized by HB 1506 in 2021 Legislative Special Session: staff is creating JDQ's |
| Investment #2 | Authorized by HB 1506 in 2021 Legislative Special Session: staff is creating JDQ's |
| Investment #3 | Authorized by HB 1506 in 2021 Legislative Special Session: staff is creating JDQ's |
| Investment #4 | Authorized by HB 1506 in 2021 Legislative Special Session: staff is creating JDQ's |
| Accounting #1 | Authorized by HB 1506 in 2021 Legislative Special Session: staff is creating JDQ's |
| Programs Coordinator | Authorized by HB 1506 in 2021 Legislative Special Session: staff is creating JDQ's |

Item #3 Continued from Page 1: Staff has been diligently attempting to fill vacancies and plan for future positions. As part of this effort Staff requested the State Personnel Board approve declassifying the Chief Risk Officer Position and maintaining the unclassified status of the Deputy Chief Investment Officer Position. The testimony submitted to the State Personnel Board is attached. The State Personnel Board voted to grant RIO's request at its meeting on November 3, 2021.

4. Current Procurement Activities including:

- **PAS Project** – The project is in the pre-award contract negotiation stage. The November 2021 PAS Project Update is attached.
- **Temporary Assistance for specialized services** – The agency issued an RFP for temporary assistance firms that can provide contract services for additional investment personnel. An award was made to two firms.

5. IT Unification: Unification efforts continue to progress, with both internal and external progress meetings. RIO accepted an invitation to participate in a strategic planning project with ITD, meetings to be scheduled.

BOARD ACTION REQUESTED: Board Acceptance.

Employee Engagement

ND State EE Engagement Survey - trending - Oct. 2021

Oct 18, 2021 - Oct 31, 2021

Reporting Group: Direct | Agency - 19000

Q¹² Mean

The Gallup Q¹² score represents the average, combined score of the 12 elements that measure employee engagement. Each element has consistently been linked to better business outcomes.

TOTAL RESPONDENTS

12

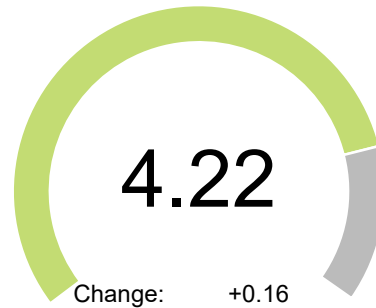
MEAN PERCENTILE RANK

60



Database: Gallup Overall

ENGAGEMENT MEAN



ENGAGEMENT INDEX

*

*Sentiment Distribution is not available when n<50

*No topics available when n < 250. 5 topics available when n ≥ 250. 10 topics available when n ≥ 1000.

*All text analytics are machine generated. Because we use machine learning to generate sentiments, results may not be 100% accurate.

*Percent Engaged available when n ≥ 30. All categories available when n ≥ 100.

* - Scores are not available due to data suppression. Respondents can select multiple responses for multi-select questions.

Percentile Rank in Gallup Overall Database

■ < 25th Percentile ■ 25-49th Percentile ■ 50-74th Percentile ■ 75-89th Percentile ■ ≥ 90th Percentile

Gallup Q¹² Items

| Questions | Total N | Current Mean | Last Mean | Change | Mean Percentile Rank - Gallup Overall | Company Overall Current Mean |
|-------------------------------------|---------|--------------|-----------|--------|---------------------------------------|------------------------------|
| Q00: Overall Satisfaction | 12 | 4.00 | 3.69 | ▲+0.31 | 46 | 3.69 |
| Q01: Know What's Expected | 12 | 4.08 | 4.06 | +0.02 | 18 | 4.19 |
| Q02: Materials and Equipment | 12 | 4.33 | 4.31 | +0.02 | 58 | 4.03 |
| Q03: Opportunity to do Best | 12 | 3.92 | 4.00 | -0.08 | 31 | 3.89 |
| Q04: Recognition | 12 | 4.17 | 4.06 | +0.11 | 68 | 3.41 |
| Q05: Cares About Me | 12 | 4.58 | 4.19 | ▲+0.39 | 68 | 4.07 |
| Q06: Development | 12 | 4.17 | 4.00 | +0.17 | 55 | 3.75 |
| Q07: Opinions Count | 12 | 4.00 | 3.69 | ▲+0.31 | 54 | 3.52 |
| Q08: Mission/Purpose | 12 | 4.92 | 4.19 | ▲+0.73 | 93 | 3.91 |
| Q09: Committed to Quality | 12 | 4.42 | 4.50 | -0.08 | 66 | 3.95 |
| Q10: Best Friend | 11 | 3.55 | 3.63 | -0.08 | 39 | 3.28 |
| Q11: Progress | 12 | 4.08 | 3.94 | +0.14 | 49 | 3.69 |
| Q12: Learn and Grow | 12 | 4.42 | 4.13 | ▲+0.29 | 65 | 3.88 |

*Not shown if n < 4 for Mean, Top Box, Verbatim Responses, and Sentiment, n < 10 for Frequency, or data is unavailable.

* - Scores are not available due to data suppression.

Respondents can select multiple responses for multi-select questions.

Percentile Rank in Gallup Overall Database

■ < 25th Percentile
 ■ 25-49th Percentile
 ■ 50-74th Percentile
 ■ 75-89th Percentile
 ■ >= 90th Percentile

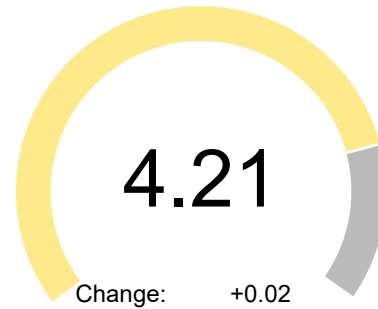
Basic Needs - What do I get?

Employees need to have a clear understanding of what excellence in their role looks like so they can be successful. Groups with high scores on the first element are more productive, cost-effective, creative and adaptive.

TOTAL RESPONDENTS

12

CURRENT MEAN



MEAN PERCENTILE RANK

39



Database: Gallup Overall

| Questions | Total N | Current Mean | Last Mean | Change | Mean Percentile Rank - Gallup Overall | Company Overall Current Mean |
|------------------------------|---------|--------------|-----------|--------|---------------------------------------|------------------------------|
| Q01: Know What's Expected | 12 | 4.08 | 4.06 | +0.02 | 18 | 4.19 |
| Q02: Materials and Equipment | 12 | 4.33 | 4.31 | +0.02 | 58 | 4.03 |

*Not shown if n < 4 for Mean, Top Box, Verbatim Responses, and Sentiment, n < 10 for Frequency, or data is unavailable.

* - Scores are not available due to data suppression.

Respondents can select multiple responses for multi-select questions.

Percentile Rank in Gallup Overall Database

■ < 25th Percentile

■ 25-49th Percentile

■ 50-74th Percentile

■ 75-89th Percentile

■ >= 90th Percentile

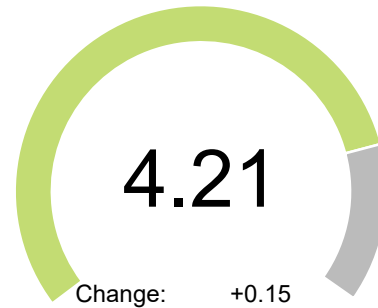
Individual - What do I give?

Employees want to know about their individual contributions and their worth to the organization. Manager support is especially important during this stage because managers typically define and reinforce value.

TOTAL RESPONDENTS

12

CURRENT MEAN



MEAN PERCENTILE RANK

57



Database: Gallup Overall

| Questions | Total N | Current Mean | Last Mean | Change | Mean Percentile Rank - Gallup Overall | Company Overall Current Mean |
|-----------------------------|---------|--------------|-----------|--------|---------------------------------------|------------------------------|
| Q03: Opportunity to do Best | 12 | 3.92 | 4.00 | -0.08 | 31 | 3.89 |
| Q04: Recognition | 12 | 4.17 | 4.06 | +0.11 | 68 | 3.41 |
| Q05: Cares About Me | 12 | 4.58 | 4.19 | ▲+0.39 | 68 | 4.07 |
| Q06: Development | 12 | 4.17 | 4.00 | +0.17 | 55 | 3.75 |

*Not shown if n < 4 for Mean, Top Box, Verbatim Responses, and Sentiment, n < 10 for Frequency, or data is unavailable.

* - Scores are not available due to data suppression.

Respondents can select multiple responses for multi-select questions.

Percentile Rank in Gallup Overall Database

■ < 25th Percentile

■ 25-49th Percentile

■ 50-74th Percentile

■ 75-89th Percentile

■ >= 90th Percentile

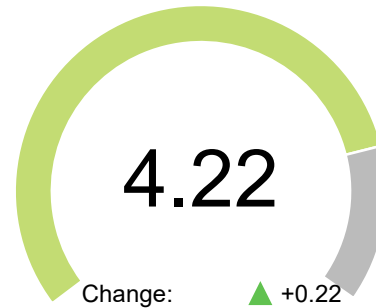
Teamwork - Do I belong here?

Employees need to feel like they belong and are a good fit with their team. They need to know they are part of something bigger than themselves. As a manager, encourage opportunities for teamwork and a sense of belonging.

TOTAL RESPONDENTS

12

CURRENT MEAN



MEAN PERCENTILE RANK

61



Database: Gallup Overall

| Questions | Total N | Current Mean | Last Mean | Change | Mean Percentile Rank - Gallup Overall | Company Overall Current Mean |
|---------------------------|---------|--------------|-----------|---------|---------------------------------------|------------------------------|
| Q07: Opinions Count | 12 | 4.00 | 3.69 | ▲ +0.31 | 54 | 3.52 |
| Q08: Mission/Purpose | 12 | 4.92 | 4.19 | ▲ +0.73 | 93 | 3.91 |
| Q09: Committed to Quality | 12 | 4.42 | 4.50 | -0.08 | 66 | 3.95 |
| Q10: Best Friend | 11 | 3.55 | 3.63 | -0.08 | 39 | 3.28 |

Mean Percentile Rank - Gallup Overall

Company Overall Current Mean

54

93

66

39

Respondents can select multiple responses for multi-select questions.

■ < 25th Percentile ■ 25-49th Percentile ■ 50-74th Percentile ■ 75-89th Percentile ■ >= 90th Percentile

■ < 25th Percentile

■ 25-49th Percentile

■ 50-74th Percentile

■ 75-89th Percentile

■ >= 90th Percentile

*Not shown if n < 4 for Mean, Top Box, Verbatim Responses, and Sentiment, n < 10 for Frequency, or data is unavailable.

* - Scores are not available due to data suppression.

Percentile Rank in Gallup Overall Database

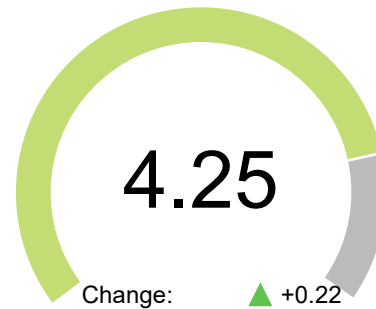
Growth - How can I grow?

Employees need to be challenged to learn something new and find better ways to do their jobs. They need to feel a sense of movement and progress as they mature in their roles.

TOTAL RESPONDENTS

12

CURRENT MEAN



MEAN PERCENTILE RANK

56



Database: Gallup Overall

| Questions | Total N | Current Mean | Last Mean | Change | Mean Percentile Rank - Gallup Overall | Company Overall Current Mean |
|---------------------|---------|--------------|-----------|--------|---------------------------------------|------------------------------|
| Q11: Progress | 12 | 4.08 | 3.94 | +0.14 | 49 | 3.69 |
| Q12: Learn and Grow | 12 | 4.42 | 4.13 | ▲+0.29 | 65 | 3.88 |

*Not shown if n < 4 for Mean, Top Box, Verbatim Responses, and Sentiment, n < 10 for Frequency, or data is unavailable.

* - Scores are not available due to data suppression.

Respondents can select multiple responses for multi-select questions.

Percentile Rank in Gallup Overall Database

■ < 25th Percentile

■ 25-49th Percentile

■ 50-74th Percentile

■ 75-89th Percentile

■ >= 90th Percentile

Engagement Index

There is a powerful link between employees who are engaged in their jobs and the achievement of crucial business outcomes.

ENGAGEMENT INDEX RATIO

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ENGAGEMENT INDEX

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Engaged

Employees are highly involved in and enthusiastic about their work and workplace. They are psychological "owners", drive performance, innovation, and move the organization forward.

Not Engaged

Employees are essentially psychologically unattached to their work and company. Because their engagement needs are not being fully met, they're putting time – but not energy or passion – into their work.

Actively Disengaged

Employees aren't just unhappy at work – they are resentful that their needs are not being met and are busy acting out their unhappiness. Every day, these workers potentially undermine what their engaged coworkers accomplish.

*Percent Engaged available when $n \geq 30$. All categories available when $n \geq 100$.

* - Scores are not available due to data suppression.

Respondents can select multiple responses for multi-select questions.

Thank You

MEMORANDUM

TO: Stacey Breuer, Chief People Officer, Human Resource Management Services
FROM: Jan Murtha, Interim Executive Director, RIO
DATE: October 25, 2021
RE: Testimony regarding RIO resource needs.

Thank you for the opportunity to present this request. The purpose of this memorandum is to request that the Deputy Chief Investment Officer position retain its unclassified status subsequent to the split of the Executive Director and Chief Investment Officer position, and to request that the Chief Risk Officer position be removed from the state's classified services because of the special nature of this position's duties. N.D.C.C. 54-44.3-20(7) states that a position can be excluded from the classified service if deemed inappropriate for the classified service due to the special nature of the position as determined by the HRMS division and approved by the State Personnel Board.

I. Agency Background

The Retirement and Investment Office is responsible for the administration of two programs. The State Investment Board program, which is the focus of this request and which serves 26 government client funds, and the Teachers' Fund for Retirement Program which serves over 20,000 members. The State Investment Board program currently has approximately 19.7 billion dollars in assets under management (AUM) as of August 31, 2021; compared with 4.8 billion AUM in fiscal year 2010. RIO's investment program, has more than quadrupled in just over a decade.

As the assets under management have increased so too has the complexity of the program, and the need for additional resources will continue to increase as long as the AUM and program complexity increase. The implementation of H.B. 1425, passed in the 2021 regular legislative session, introduced substantial additional complexity and demands on resources to the investment program. H.B. 1425 contained three major mandates, developing a preference program for in-state managers and directing the in state investment of 10% fixed income and 10% equity. The majority if not all of the 10% equity will be invested in private markets which requires far greater due diligence and monitoring than public equities because of the private long term nature of the investment.

The Retirement and Investment Office currently has a request for an additional 6 FTEs pending before the legislature for consideration in the 2021 special legislative session. In order to prudently manage, monitor, and rebalance complex investment programs for our clients, in an increasingly risk prone market, and based on comparisons with other public sector investment programs, we seek to dedicate 1 investment professional per 2 to 2.5 billion dollars in AUM. Currently we have 19 allotted FTEs across these two programs., In 2010 we had 17 allotted FTEs. Only 4 of our 19 FTEs are dedicated investment professionals. Of the 4 dedicated investment professionals only 2 of the investment professional positions are filled. The two unfilled investment positions are the Chief Risk

Officer and Chief Investment Officer. Initial interviews have been conducted for the Chief Risk Officer and the SIB hopes to conduct final interviews for the Chief Investment Officer (CIO) in November and fill the position in December 2021 or January 2022. The final position to fill is that of the Executive Director (ED), and the SIB will undertake filling the ED position subsequent to filling the CIO position. Approval of the agency request during the upcoming special legislative session would provide the new CIO the opportunity to build their investment team at the same time they are asked to build the in-state program.

II. Unclassified Position Request

Subsequent to the vacancy of the combined Executive Director/Chief Investment Officer position in June, the SIB made the decision to split the position. A search is currently underway for a dedicated Chief Investment Officer (CIO). RIO will use the salary funding from the previously combined position, and the investment FTE authorized in the 2021 regular session, to staff the CIO position. It is expected that the Executive Director salary will be within a range of similar director positions within the state, and thus less than the CIO position. All other positions will be compensated at rates below the ED salary.

The Deputy CIO position was also vacated in August, 2021. That position was filled with an internal promotion, leaving the position of Chief Risk Officer (CRO) vacant. The CRO position has been posted and received a large number of applicants. Upon reviewing the applicant pool and conducting first round interviews, it became clear that the position salary range, as currently classified within the state system, falls well below the market rate for similar positions in peer public funds, even with a pay-grade exception up to grade 108 granted by Human Resource Management Services (HRMS).

Prior to the splitting of the ED/CIO position, RIO had three approved non-classified positions (ED/CIO, Deputy ED/Chief Retirement Officer, and Deputy CIO). As a result of the ED/CIO split, the three unclassified positions are now filled by the Executive Director, Deputy Executive Director/Chief Retirement Officer, and the Chief Investment Officer. The duties of the Deputy Chief Investment Officer did not change as a result of the ED/CIO split, rather, the State Investment Board recognized that the investment program had grown such that it has become imperative for the Chief Investment Officer to dedicate the entirety of his or her focus to the investment program.

RIO is requesting the State Personnel Board to approve both the Deputy CIO and Chief Risk Officer positions as non-classified positions.

As previously indicated, as AUM in the SIB investment program has grown, so has program complexity; and the expertise needed to successfully manage these funds on behalf of the State of North Dakota and its client funds has increased. RIO must not only compete with private sector opportunities in filling its vacant positions, but the pay in similar public sector positions far outpace that which RIO can currently offer under the classification system.

RIO staff has provided HRMS with confidential public sector compensation survey data that is protected from disclosure pursuant to N.D.C.C. 44-04-18.4(1)&(2)(a)(b). The survey data indicates that the cap on the Chief Risk Officer position, even with a salary exception to grade 108, falls below the 25th percentile for similar positions in other public sector employment. In fact, many of the highly qualified applicants which have applied for the Chief Risk Officer position currently make \$100K to \$150K more than what the salary cap of the Chief Risk Officer position could pay even with the grade exception. Should the Deputy Chief Investment Officer position not be approved for continued unclassified status, the salary disparity between other public sector programs and what RIO could

offer becomes even greater. RIO's current dilemma in being able to successfully recruit and retain qualified individuals to staff this growing program is similar to that faced by the Bank of North Dakota in 2019 when it requested that its employees be unclassified. As indicated in the testimony offered in support of H.B. 1141 offered during the 2019 legislative session, RIO, like BND, has and will continue to lose qualified personnel to private market opportunities, and has and will continue to be hampered in recruitment efforts in comparison to other public sector programs, if it continues to offer bottom quartile salaries.

During the testimony offered in support of H.B. 1141(2019), and the need to attract and retain qualified staff, BND indicated that its assets had grown to approximately 7 billion. The Land Department, another agency responsible for investing state money, currently manages just under 6 billion. The RIO investment program surpassed this level of assets under management almost 10 years prior, and currently manages \$19.7 billion. Over the five years ended June 30, 2021, the SIB Investment Program generated an average excess return over its passive market benchmark of over \$100 million per year (over \$500 million for the five-years). This amount is after the payment of all fees and expenses. The additional amount of appropriation requested for the remainder of the 2021-23 biennium during the upcoming special legislative session, includes reasonable, though still low, salary assumptions for the currently open and newly requested positions, and equates to less than 1.2% per year of that net annual excess return amount.

III. Summary

Without the ability to recruit qualified staff members to assist with developing the in-state investment program and maintain and grow the current investment portfolios prior to the next biennium, the agency and the State Investment Board will be in the unenviable position of: determining what realistically can be accomplished now, what priorities must wait, what must be simplified, and what can be contracted out to consultants. More specifically, the rollout of the In-State Investment Program mandated by H.B. 1425 would be negatively impacted and significantly delayed. Staff will endeavor to continue to provide excellent service and diligent care for government client investments, however, without additional resources to support this growing program we are concerned that the agency will fall short of meeting the expectations of our clients, our stakeholders, and the people of North Dakota.

We therefore, respectfully request that the State Personnel Board approve both the Deputy CIO and Chief Risk Officer positions as non-classified positions. The position descriptions are included for your review and consideration. Thank you in advance for your support of this important state program and for your service to the people of North Dakota.

MEMORANDUM

TO: TFFR Board
FROM: Jan Murtha, Interim Executive Director – Chief Retirement Officer
DATE: November 16, 2021
RE: PAS Project Update

The following summarizes the efforts of RIO agency staff to complete Phase 1 and initiate Phase 2 of the PAS project from July 2021 through the current date:

- All Phase 1 Deliverables have been accepted by Staff.
- Phase 2 has been initiated (Procurement of Solution).
- The ESC approved contracting with Segal for assistance through Phase 3 of the PAS Project.
- Due to the need to prioritize resources for succession planning and all agency communication, Retirement Services staff reduced the frequency of meetings to discuss operation items and PAS related topic review from bi-monthly to monthly. Issue specific trainings to identify areas of improvement for both applicable processes and recommendations for changes to the law will resume once vacancies in the division have been filled.
- NDIT, RIO staff, and Segal meet weekly to discuss PAS project status and review progress on interim recommendations.
- The vendor solution RFP was issued June 1, 2021; responses were due July 21, 2021.
- Vendor responses were received, reviewed, and an initial analysis was conducted.
- We are currently in the contract negotiating phase of the procurement process prior to award.

BOARD INFORMATION ONLY. No board action requested.

RETIREMENT AND INVESTMENT OFFICE
Internal Audit
2021-2022 1st Quarter Audit Activities Report
July 1, 2021 – September 30, 2021

The audit objective of Internal Audit (IA) 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, 2021 through June 30, 2022 work plan approved by the SIB Audit Committee. The audit activities undertaken are consistent with the Internal Audit charter and goals, and the goals of RIO. To the extent possible, our audits are being carried out in accordance with the International Standards for the Professional Practice of Internal Auditing. Audit effort is being directed to the needs of RIO and the concerns of management and the SIB Audit Committee.

There were several events that occurred during the first quarter of 2021-22 that altered the original work plan. The events were as follows: The Executive Director/Chief Investment Officer and the Deputy Chief Investment Officer resigned from their positions. Also, three Retirement Service/Administrative Services staff members retired - the Supervisor of Administrative Services, the Office Assistant, and the Membership Specialist. These staff members represent over one hundred years of service to RIO.

Investment and Agency Audit Activities

• **Executive Limitation Audit**

Each year the SIB conducts a customer satisfaction survey. The purpose of this annual survey is to determine how well the SIB, through the staff of the RIO, is meeting the expectations of its clients. This survey is part of the SIB's ongoing effort to be more responsive to the needs of their clients and to continually improve the services that are provided. IA facilitated the survey in August and September 2021 and results were provided to the SIB at their October 22, 2021 meeting.

Due to the SIB separating the role of the Executive Director/Chief Investment Officer into two positions, the Executive Director and the Chief Investment Officer, the Supervisor of IA is having to review, evaluate, and make revisions to the audit program for Executive Limitations.

• **External Audit Support**

IA provided support to our external audit partners, CliftonLarsonAllen (CLA), during the GASB 68 Census Data Audit. In July 2021, IA sent out twelve employer confirmations as part of the financial statement audit. This task required more administrative time due to one employer not responding in a timely manner. CLA completed the GASB 68 Census Data Audit work would conclude in October. The June 30, 2021 Financial Statement Audit and GASB 68 Census Data Audit was completed in November 2021.

• **SIB Board Governance Review**

At the May 21, 2021 SIB meeting, the Board requested that the SIB Audit Committee review SIB Governance Policy B-2, governing style, in Section B governance process. The SIB Audit Committee was to clearly define inquiry and to review the Board's structure and how it operates, and bring a recommendation back to the full Board. The SIB operates under the Carver Board Governance Model.

The SIB Board structure and membership is established in statute and would require statute to amend. IA

researched and reviewed board governance and presented a report to the SIB Audit Committee. In the report, there were questions to be discussed/answered and possible recommendations for the SIB Audit Committee to consider at the August 11, 2021 Audit Committee meeting.

After discussion at the August meeting, the SIB Audit Committee requested IA to develop a comprehensive on-boarding process for new SIB members, to develop a plan for annual Board education, and to establish a standing Governance and Policy Committee for the SIB. The draft report was reviewed at a special SIB Audit Committee meeting held October 2021 and then was presented to the SIB Board the October 2021 meeting.

- **SIB Executive Search Committee**

The Executive Director/Chief Investment Officer of RIO (ED/CIO) resigned from his position effective June 22, 2021.

The SIB Board selected and approved Board members to serve on the Executive Search Committee (ESC) at the August 2021 meeting. EFL, an executive recruitment service, was selected for the search at the end of July 2021. At the August 27, 2021, SIB meeting, the SIB voted to divide the combined Executive Director/Chief Investment Officer (ED/CIO) position into two separate positions to better serve RIO's needs for current and future operations. The ESC proceeded with filling the CIO role first. EFL felt that the applicant pool would increase by dividing the position as the two positions require different skill sets. The Supervisor of IA assisted the ESC with scoring the RFPs for the executive recruitment service and attended meetings in the search for Executive Recruitment Services.

- **Succession Planning**

Due to five staff members resigning/retiring during the first quarter, RIO Management has reorganized the agency structure and job duties to better fit the current and future needs of the agency. During the first quarter, IA reviewed and analyzed the responsibilities for three of the vacant positions. IA wanted to ensure that current requirements and deadlines continued to be met. The responsibilities were classified by function – Executive Boards, Continuity of Operations (Business Continuity), Human Resources, Procurement, Records Management, Risk Management (Risk Management/Workforce Safety programs), Investment Services, Fiscal Services, and Retirement Services (TFFR Administrative Assistant/Office Assistant). The duties were forwarded to RIO Management to assign to the newly organized positions.

Retirement Program Audit Activities

- **Annual Employer Participant Data/Salary Verification Review**

On an annual basis, IA verifies retirement salaries and contributions reported to TFFR for the prior fiscal year for 65 randomly selected member accounts. TFFR eligibility and service hours were also verified. The project increases the number of participating employers included in the overall audit activities and reinforces to our participating employers the importance of accurate reporting.

The Annual Participant Data/Salary Verification Review report on fiscal year 2018-19 was issued May 11, 2021 and was presented to the SIB Audit Committee at the May 2021 meeting. IA had three recommendations in the report. IA has been working with Retirement Services on their response during the first quarter. The report will be presented to the TFFR Board at the November 2021 meeting.

- **TFFR File Maintenance Audit**

On an annual basis, IA will review system generated (CPAS) audit tables to ensure transactions initiated by staff are expected and appropriate given an individual's role with the organization. Member account information from Member Action Forms, Address Change Forms, Direct Deposit Authorization

Forms, and Point of Contact Forms are reviewed to verify that contact and demographic information has been updated correctly. The Records Management review was moved to Succession Planning.

Audit fieldwork started the end of June 2021 and continued during the months of July and August 2021. IA was reviewing information for the month of May 2020 during the fourth quarter of 2020 (new procedures due to COVID) and the month of October 2020 during the second quarter of 2021.

Due to the Succession Planning review, the fieldwork was suspended and the audit has not been completed.

- **TFFR Pension Administration Software Assistance (PAS Project)**

TFFR was approved spending for a pension system upgrade in fiscal year 2020-21. IA can help significantly reduce risk by playing a role that is educational, consultative or audit in nature, and by bringing independent subject-matter expertise to the most common risk areas. IA's ability to operate across the agency and across all individual work streams in a program provides visibility of risks that might otherwise be lost between silos. IA also went to training on project management for auditors to help with the upgrade process.

RIO was on schedule and completed Stage 1 of the PAS project at the close of fiscal year 2020-21. In Stage 2 of the project, RIO planned procurement, developed the RFP, and issued the RFP on June 1, 2021. During the month of July, RIO management (including IA) reviewed the responses received to the issued RFP. RIO staff (including IA) also attended scheduled software demonstrations during the month of August. RIO is now in the negotiation process of procurement procedures.

Administrative Activities

The IA staff attended the monthly RIO staff meetings, monthly RIO manager's meetings, divisional meetings, one Audit Committee meeting, three SIB meetings, and two TFFR meetings.

Professional Development/CE/General Education

The Supervisor of IA participated in training with the rest of the management team of RIO on change management. The Internal Auditor attending training on DOL standards for cashing checks and IT quarterly training on phishing.

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
INTERNAL AUDIT DIVISION
FISCAL YEAR 2021 -2022**

| | FY 2021 1st QTR | FY 2021 2nd QTR | FY 2022 3rd QTR | FY 2022 4th QTR | FY 2022 TOTAL |
|--|--------------------|--------------------|--------------------|--------------------|------------------|
| Audit Activities | | | | | |
| Retirement Program Audits: | | | | | |
| TFFR Employer Audit Program | | | | | 0 |
| <i>Employer (used Data Analytics) General Employer Audits</i> | | | | | 0.00 |
| <i>Audit Peer Reviews/TFFR Meeting(s)/Audit Planning/Audit Notifications</i> | 32 | | | | 32 |
| TFFR Pension Data System - PAS | 131 | | | | 131 |
| TFFR File Maintenance Audit | 66 | | | | 66 |
| Annual Salary Verification Project | 7 | | | | 7 |
| Agency Administrative and Investment Audits: | | | | | |
| Executive Limitations Audit and Executive Review Committee | 7 | | | | 7 |
| Executive Search Committee | 13 | | | | 13 |
| Administrative Policy Review | 6 | | | | 6 |
| Consulting | 34 | | | | 34 |
| Governance Review | 56 | | | | 56 |
| RIO External Auditor Assistance | 26 | | | | 26 |
| RIO Succession Planning | 132 | | | | 132 |
| Administrative Activities | | | | | |
| Administrative - Staff Mtgs, Time Reports, Email, Records Retention, General Reporting | 122 | | | | 122 |
| Division, COVID-19 Meetings, Preparation, etc. | 30 | | | | 30 |
| Audit Committee/SIB/TFFR Attendance and Preparation | 210 | | | | 210 |
| Professional Development/CE/General Education | 0 | | | | 0 |
| Annual Leave, Sick Leave, and Holidays | 193 | | | | 193 |
| Quarterly Total: | 1065 | 0 | 0 | 0 | 1065 |

Total Hours for 2021-2022 4,160

D. Thorsen Total Hours 2021-2022 2,080

S. Sauter Total Hours 2021-2022 2,080

Internal Audit
North Dakota Retirement and Investment Office
2018-2019 Salary Verification – Participant Data Review
Final Report
MAY 11, 2021

Background

The accurate reporting of retirement salaries along with member contributions, employer contributions, and service hours is vital to the administration of retirement benefits. It is the responsibility of the Teachers' Fund for Retirement (TFFR) to ensure that retirement salaries reported by participating employers on behalf of members are in compliance with the definition of salary as it appears in the North Dakota Century Code (NDCC) 15-39.1-04(10). Each year, Internal Audit (IA) randomly selects a group of member accounts and requests additional information from participating employers for the purpose of verifying reported retirement salaries. There are 211 employers reporting to TFFR under five models: Model 0– 4 employers, Model 1 – 81 employers, Model 2 All – 77 employers, Model 2 Partial - 44 employers, and Model 4 – 5 employers.

Results Summary

The retirement salaries reported to TFFR in 2018-2019 for the sixty-five member accounts were reviewed. The sample consisted of the following: twenty-one members from Model 1, thirty-one members from Model 2 All, and thirteen members from Model 2 Partial. Reporting errors were identified on nineteen member accounts (approximately 29% of the sample). IA has three recommendations.

(1) There are sixteen member accounts recommended for corrections due to the material dollar amount of the error. Three additional members had errors, but were not material amounts needing corrections. This error is an **elevated risk**.

(2) IA recommends that Retirement Services (RS's) request master payroll files from various employers or contact the business manager to ensure that the errors found are not systemic affecting other members. If RS's determines the error to be systemic, IA recommends reviewing the most current three years of salary (if applicable) using the master payroll files. This error is an **elevated risk**.

(3) It is TFFR's responsibility to determine that Employers are reporting in compliance with the specifications set by the Employer Payment Plan submitted. For Model 2 Partial, the employer picks-up a portion of the member contribution of 11.75%. The percentage of the member contributions designated as paid by the member should show as a deduction from salary paid on the payroll records. TFFR's current pension accounting system does not validate the pick-up percentage and the member percentage (only validates 11.75%). The two percentage amounts should equal the 11.75 % member contribution. Thirteen of the sample members were reported to TFFR under Model 2 Partial.

IA found that two of the thirteen sample member's payroll records appeared to be not in compliance with the reporting under this model. The percentage of designated member contributions paid by the member as required for the employer payment plan submitted was not deducted from salary earned. IA recommends that RS's validate these percentages on an annual basis for one member from the employer during first or second quarter of the fiscal year to ensure model compliance with the employer payment plan submitted to TFFR. This recommendation is **an interim procedure** until TFFR selects and institutes a new pension administrative software. The new system would be programmed to validate the percentages in the employer upload process. This error is an **elevated risk**.

In conclusion, RS's should notify IA with their responses to the errors found in this review by June 30, 2021.

Scope

The accuracy of retirement salaries, member contributions, model compliance, and employer contributions reported to TFFR for the 2018-2019 fiscal year were verified. Service hours reported in 2018-2019 were reviewed for reasonableness and eligibility was confirmed via an ESPB search.

Observations, Conclusions and Recommendations

IA provided the following information to RS's at the close of this review: a report, three electronic workbooks (one for each Model) that contains the salary reconciliations for the 65 sample members, the IA worksheets, and the Primary Test for all recommended corrections. IA will also provide all of the supporting documentation for the salary reconciliations where errors were noted. All of the documentation that supports the sixty-five salary reconciliations will be scanned to the member accounts.

IA reviewed a total of sixty-five member accounts. There were sixteen member accounts with errors that are recommended for corrections due to the material dollar amounts which are detailed below. Three-member accounts were noted with a reporting error, but no correction will be recommended due to the amount of the adjustment being immaterial. Individual identifying information has been eliminated by IA. The participating employers with errors are identified.

Apple Creek (08-039) – Model 2 Partial

The following two errors were noted: A portion of the eligible after-school salary paid was not reported to TFFR. This error resulted in a shortage of contributions. Secondly, the employer submitted payroll records that did not meet Model 2 Partial reporting compliance. The amount of the TFFR contribution deducted from the member's salary did not meet the 9.75% required by the employer payment plan submitted to TFFR. RS's should request the master payroll file to ensure that the errors were not systemic issues affecting other members, or contact the business manager to verify that the errors are not systemic. IA recommends correcting the account and has attached details of the corrections on the salary reconciliations and Primary Test.

Belcourt (40-027) Model 2 All – two sample members

The following two errors were noted. First, the employer reported grant salary in the wrong fiscal year to TFFR. Secondly, comp-time was issued to a member for eligible administrative duties. At fiscal year-end, salary was paid for comp-time not taken. The eligible salary (comp-time) for the administrative duties was not reported to TFFR. IA recommends that the grant salary be moved to the correct year and also correct the member account for the shortage of salary not reported. RS should request the master payroll file to ensure that the errors were not systemic issues affecting other members, or contact the business manager to verify that the errors are not systemic. IA has recommended correcting the two accounts and has attached details of the corrections on the salary reconciliations and Primary Test for the members affected.

Bottineau (05-001) Model 1

The employer had an error in reporting leave to TFFR. This caused an overpayment of salary and contributions. The amount was immaterial (less than \$300.00) and appeared to be an isolated error. IA does not recommend any correction to the account. IA has attached details of the corrections on the salary reconciliation and Primary Test.

Bowbells (07-014) Model 1

The employer did not report eligible school improvement salary to TFFR. This caused a shortage of salary and contributions. RS's should request the master payroll file to ensure that the error was not a systemic issue affecting other members, or contact the business manager to verify that the errors are not systemic. IA recommends correcting the account and has attached details of the corrections on the salary reconciliation and Primary Test.

Center-Stanton (33-001) Model 2 All

The employer reported salary and contributions that exceeded the eligible amount. IA could not tie the overpayment to a single salary code. The member was paid cash in lieu of a health benefit, but the amount overpaid was not the same as the cash in lieu amount paid. RS should request the master payroll file to ensure that the error was not a systemic issue affecting other members, or contact the business manager to verify that the error did not affect other members. IA recommends correcting the account and has attached details of the corrections on the salary reconciliations and Primary Test.

Devil's Lake (36-001) Model 2 All - 2 sample members

The following two errors were noted. The travel time paid for moving between schools is eligible salary that was not reported to TFFR for one member. As part of the member's teaching position, the member travels between multiple schools throughout the days of the week. This caused a shortage of salary and contributions to be reported. For the second error, extra-curricular hockey supervision was not reported (immaterial amount). For errors' one and two, RS's should request the master payroll file or contact the business manager to ensure the

error did not affect other members. IA recommends correcting the account for error one and has attached details of the corrections on the salary reconciliation and Primary Test. The second error was an immaterial amount that IA does not recommend correcting.

Drayton (34-019) Model 1

The employer reported student council salary in the wrong fiscal year. The salary must be reported in the fiscal year in which it was earned, regardless of when it is paid. The salary should be moved to the correct fiscal year. RS's should contact the business manager to ensure that the error is not a systemic issue affecting other members. IA recommends correcting the account and has attached details of the corrections on the salary reconciliation and Primary Test.

Dunseith (10-001) Model 2 All

The employer reported an incorrect amount of contract salary. The error caused an overpayment of salary and contributions. RS's should contact the business manager to ensure that the error is not a systemic issue affecting other members. IA recommends correcting the account and has attached details of the corrections on the salary reconciliation and Primary Test.

Elgin (19-049) Model 2 Partial

The employer reported 2017-18 sixth period salary in the wrong fiscal year. The salary must be reported in the fiscal year in which it was earned, regardless of when it is paid. The salary should be moved to the correct fiscal year. IA recommends correcting the account and has attached details of the corrections on the salary reconciliations and Primary Test.

Glenburn (38-026) Model 2 All

The employer reported ineligible bus driving salary and a leave payout amount. This caused an overpayment of salary and contributions. RS should request the master payroll file or contact the business manager to ensure these errors did not affect other members. IA recommends correcting the account and has attached details of the corrections on the salary reconciliation and Primary Test.

Halliday (13-019) Model 1 and Model 2 Partial

The employer did not report eligible IT Coordinator and contract salary that resulted in a shortage of contributions for one member. The error also caused the wrong number of service hours to be reported (part-time position). RS's should contact the business manager to ensure that these errors did not affect any other members. IA recommends correcting the account and has attached details of the corrections on the salary reconciliations, Schedule 5- Service hours' correction, and Primary Test.

Hettinger (01-013) Model 2 All

The employer did not report eligible extra-curricular salary to TFFR: playground supervision and pool assistant salary (swimming lessons). The error caused a shortage in contributions. RS's should request the master payroll file or contact the business manager to ensure that these errors are not systemic issues affecting other members. IA recommends correcting the account and has attached details of the corrections on the salary reconciliations and Primary Test.

James River Multi-District Special Education Unit (09-001) Model 1

The employer programming of deductions caused an error in reporting salary to TFFR. The error caused a shortage in contributions. RS should request the master payroll file or contact the business manager to ensure that this deduction is not a systemic issue affecting other members. IA recommends correcting the account and has attached details of the corrections on the salary reconciliations and Primary Test.

Maple Valley (09-004) Model 2 All

The employer did not report eligible subbing salary. The employer sent the 2017-18 and 2018-19 salary records. The error was isolated: subbing was reported one year and not the next year. Since the amount of salary not reported was immaterial (less than \$300.00), IA is not recommending a correction to the member's account. RS's should ask the business manager to ensure that error is not a systemic issue affecting other members. IA has attached details of the corrections on the salary reconciliation and Primary Test.

Nesson (53-002) Model 1

The employer corrected a deduction error and reported the ineligible adjustment to TFFR. The error caused an overpayment of contributions. IA recommends correcting the account and has attached details of the corrections on the salary reconciliations and Primary Test.

Sheyenne Valley Special Education (02-001) Model 2 Partial

The employer submitted payroll records that did not meet Model 2 Partial reporting compliance. The amount of the TFFR contribution deducted from the member's salary did not meet the 2.0 percent required by the employer payment plan submitted to TFFR. RS's should request the master payroll file to ensure that the error is not a systemic issue affecting other members, or contact the business manager to verify that the error does not affect other members. IA has attached details of the corrections on the salary reconciliations and Primary Test.

Wahpeton (39-037) Model 2 All

The employer did not report eligible extra-curricular salary (thespians) to TFFR. There was also an error with the programming of deductions. These errors caused a shortage of contributions. The error with the thespian salary had already occurred with another member (correction was found in the Employer's FileNet account). RS's should request the master payroll file or contact the business manager to ensure that these errors do not affect other members. IA recommends correcting the account for fiscal years 2017-18 and 2018-19 and has attached details of the corrections on the salary reconciliations and Primary Test.

TFFR 2018-19 Salary Verification Review

Internal Audit (IA) Report issued: May 11, 2021
Retirement Services (RS) Response issued: June 30, 2021
Retirement Services (RS) Amended Response: November 8, 2021

Audit Recommendation for Apple Creek (08-039) – Model 2 Partial

The following errors were noted: (1) A portion of the eligible after-school salary paid was not reported to TFFR; (2) the employer submitted payroll records that did not meet Model 2 Partial reporting compliance. RS's should request the master payroll file to ensure that the errors were not systemic issues affecting other members, or contact the business manager to verify that the errors are not systemic. IA recommends correcting the account.

Retirement Services Response:

Retirement Services will:

- *Correct the salary and contributions for the missing after-school salary.*
- *Contact the business manager to determine if this member or other members were impacted by errors 1 in PFY20 and CFY21.*
- *Request the Master Payroll file to ensure the errors were not systemic affecting others.*

Audit Recommendation for Belcourt (40-027) – Model 2 All – two sample members

The following two errors were noted: (1) the employer reported grant salary in the wrong fiscal year to TFFR; (2) comp- time was issued to a member for eligible administrative duties. At fiscal year-end, salary was paid for comp-time not taken. IA recommends that the grant salary be moved to the correct year and also correct the member account for the shortage of salary not reported.

Retirement Services Response:

Retirement Services will:

- *Move the salary and contributions to the correct year for the first noted Belcourt TFFR member.*
- *Correct the salary not reported for the administrative duties by adding that salary to the member's account.*
- *Contact the business manager to determine if this member or other members were impacted by errors 1 and 2 in PFY20 and CFY21.*

Bottineau (05-001) - Model 2 All

The employer had an error in reporting leave to TFFR. This caused an overpayment of salary and contributions. The amount was immaterial (less than \$300.00) and appeared to be an isolated error. IA does not recommend any correction to the account.

Retirement Services Response:

No Audit recommendation.

Audit Recommendation for Bowbells (07-014) - Model 1

The employer did not report eligible school improvement salary to TFFR. This caused a shortage of salary and contributions. RS's should request the master payroll file to ensure that the error was not a systemic issue affecting other members, or contact the business manager to verify that the errors are not systemic. IA recommends correcting the account.

Retirement Services Response:

Retirement Services will:

- *Correct the salary and contributions for the missing school improvement duties.*
- *Contact the business manager to determine if this member or other members were impacted by this error in PFY20 and CFY21.*

Audit Recommendation for Center-Stanton (33-001) - Model 2 All

The employer reported salary and contributions that exceeded the eligible amount. IA could not tie the overpayment to a single salary code. The member was paid cash in lieu of a health benefit, but the amount overpaid was not the same as the cash in lieu amount paid. RS should request the master payroll file to ensure that the error was not a systemic issue affecting other members, or contact the business manager to verify that the error did not affect other members. IA recommends correcting the account.

Retirement Services Response:

Retirement Services will:

- *Correct the salary and contributions for the ineligible conversion of health insurance.*
- *Contact the business manager to determine if this member or other members were impacted by this error in PFY20 and CFY21.*

Audit Recommendation for Devil's Lake (36-001) - Model 2 All - 2 sample members

Two errors were noted. 1) Travel time paid for moving between schools is eligible salary that was not reported to TFFR for one member. As part of the member's teaching position, the member travels between multiple schools throughout the days of the week. This caused a shortage of salary and contributions to be reported. 2) Extra-curricular hockey supervision was not reported (immaterial amount). For errors' one and two, RS's should request the master payroll file or contact the business manager to ensure the error did not affect other members. IA recommends correcting the account for error one but not the second error.

Retirement Services Response:

Retirement Services will:

- *Correct the salary and contributions for the missing travel time paid for moving between schools (first error).*
- *Contact the business manager to determine if this member or other members were impacted by errors 1 and 2 in PFY20 and CFY21.*

Audit Recommendation for Drayton (34-019) - Model 1

The employer reported student council salary in the wrong fiscal year. The salary must be reported in the fiscal year in which it was earned, regardless of when it is paid. The salary should be moved to the correct fiscal year. RS's should contact the business manager to ensure that the error is not a systemic issue affecting other members. IA recommends correcting the account.

Retirement Services Response:

Retirement Services will:

- *Move the salary and contributions for the student council duties to the correct fiscal year.*
- *Contact the business manager to determine if this member or other members were impacted by this error in PFY20 and CFY21.*

Audit Recommendation for Dunseith (10-001) - Model 2 All

The employer reported an incorrect amount of contract salary. The error caused an overpayment of salary and contributions. RS's should contact the business manager to ensure that the error is not a systemic issue affecting other members. IA recommends correcting the account.

Retirement Services Response:

Retirement Services will:

- *Correct the salary and contributions for the overpayment.*
- *Contact the business manager to determine if this member or other members were impacted by this error PFY20 and CFY21.*

Audit Recommendation for Elgin (19-049) - Model 2 Partial

The employer reported 2017-18 sixth period salary in the wrong fiscal year. The salary must be reported in the fiscal year in which it was earned, regardless of when it is paid. The salary should be moved to the correct fiscal year. IA recommends correcting the account.

Retirement Services Response:

Retirement Services will:

- *Move the salary and contributions for the six period to the correct fiscal year.*
- *Contact the business manager to determine if this member or other members were impacted by this error in PFY20 and CFY21.*

Audit Recommendation for Glenburn (38-026) - Model 2 All

The employer reported ineligible bus driving salary and a leave payout amount. This caused an overpayment of salary and contributions. RS should request the master payroll file or contact the business manager to ensure these errors did not affect other members. IA recommends correcting the account.

Retirement Services Response:

Retirement Services will:

- *Correct the salary and contributions for the payment of bus driving duties.*
- *Correct the salary and contributions for the leave payout amount.*
- *Contact the business manager to determine if this member or other members were impacted by errors 1 and 2 in PFY20 and CFY21.*

Audit Recommendation for Halliday (13-019) - Model 1 and Model 2 Partial

The employer did not report eligible IT Coordinator and contract salary that resulted in a shortage of contributions for one member. The error also caused the wrong number of service hours to be reported (part-time position). RS's should contact the business manager to ensure that these errors did not affect any other members. IA recommends correcting the account.

Retirement Services Response:

Retirement Services will:

- *Correct the salary and contributions for the missing eligible IT Coordinator duties.*
- *Correct the number of service hours for the missing hours.*
- *Contact the business manager to determine if this member or other members were impacted by errors 1 and 2 in PFY20 and CFY21.*

Audit Recommendation for Hettinger (01-013) - Model 2 All

The employer did not report eligible extra-curricular salary to TFFR: 1) playground supervision and, 2) pool assistant salary (swimming lessons). The error caused a shortage in contributions. RS's should request the master payroll file or contact the business manager to ensure that these errors are not systemic issues affecting other members. IA recommends correcting the account.

Retirement Services Response:

Retirement Services will:

- *Correct the salary and contributions for the missing playground supervision duties.*
- *Correct the salary and contributions for the missing pool assistant (swimming lesson) duties.*
- *Contact the business manager to determine if this member or other members were impacted by errors 1 and 2 in PFY20 and CFY21.*

Audit Recommendation for James River Multi-District Spec Edu Unit (09-001) - Model 1

The employer programming of deductions caused an error in reporting salary to TFFR. The error caused a shortage in contributions. RS should request the master payroll file or contact the business manager to ensure that this deduction is not a systemic issue affecting other members. IA recommends correcting the account.

Retirement Services Response:

Retirement Services will:

- *Correct the salary and contributions for the deduction(s).*
- *Contact the business manager to determine if this member or other members were impacted by this error in PFY20 and CFY21.*

Audit Recommendation for Maple Valley (09-004) - Model 2 All

The employer did not report eligible subbing salary. The employer sent the 2017-18 and 2018-19 salary records. The error was isolated: subbing was reported one year and not the next year. Since the amount of salary not reported was immaterial (less than \$300.00), IA is not recommending a correction to the member's account. RS's should ask the business manager to ensure that error is not a systemic issue affecting other members.

Retirement Services Response:

Retirement Services will:

- *Contact the Business Manager to determine if this member or other members were impacted by this error in PFY20 and CFY21.*

Audit Recommendation for Nesson (53-002) - Model 1

The employer corrected a deduction error and reported the ineligible adjustment to TFFR. The error caused an overpayment of contributions. IA recommends correcting the account.

Retirement Services Response:

Retirement Services will:

- *Correct the salary and contributions for the deduction(s) error.*

Sheyenne Valley Special Education (02-001) - Model 2 Partial

The employer submitted payroll records that did not meet Model 2 Partial reporting compliance. The amount of the TFFR contribution deducted from the member's salary did not meet the 2.0 percent required by the employer payment plan submitted to TFFR. RS's should request the master payroll file to ensure that the error is not a systemic issue affecting other members, or contact the business manager to verify that the error does not affect other members.

Retirement Services Response:

Retirement Services will:

- *TFFR's Contact the Business Manager to determine if this member or other members were impacted by this error in PFY20 and CFY21.*

Audit Recommendation for Wahpeton (39-037) - Model 2 All

The employer did not report eligible extra-curricular salary (thespian) to TFFR. There was also an error with the programming of deductions. These errors caused a shortage of contributions. The error with the thespian salary had already occurred with another member (correction was found in the Employer's FileNet account). RS's should request the master payroll file or contact the business manager to ensure that these errors do not affect other members. IA recommends correcting the account for fiscal years 2017-18 and 2018-19.

Retirement Services Response:

Retirement Services will:

- *Correct the salary and contributions for the missing extra-curricular duties.*
- *Correct the salary and contributions for the deductions.*
- *Contact the business manager to determine if this member or other members were impacted by errors 1 and 2 in PFY20 and CFY21.*

Conclusion – It is imperative for TFFR to have the correct contributions paid by the Employers. As a result of this Audit finding two employers not in model compliance, TFFR staff will send a survey to all employers on an annual basis requesting: 1) their Employer Payment Plan (Model); 2) amount of the employer pickup if their plan is a Model 2; and 3) a copy of an employee's paystub to ensure accuracy of the TFFR deduction.

MEMORANDUM

TO: State Investment Board (SIB) Audit Committee

FROM: Sara Sauter, Supervisor of Internal Audit

DATE: November 16, 2021

SUBJECT: Update on Current Internal Audit Activities

Internal Audit (IA) typically has multiple audits going on at the same time in different stages. The following is the status of current audits in progress:

Phase 1 – Planning and Notification
 Phase 2 – Fieldwork
 Phase 3 – Communication with Staff
 Phase 4 – Writing Report
 Phase 5 – Final Report and Management Response

Internal Audit Activities In-Progress

- Cash Management and Rebalancing Audit - Phase 2
- Internal Control Assessment – Phase 2
- RIO Policy Manual update complete with the exception of IT Policies
- PAS –Pension Administration Software – Stage 2
- Salary Verification Audit – Phase 5
- TFFR File Maintenance – Phase 2
- Succession Planning – Phase 3

The Supervisor of IA presented a draft report on Board Governance to the SIB Audit Committee at a special meeting held October 14, 2021. The SIB Audit Committee approved the draft report that developed a comprehensive on-boarding process for new SIB members, a plan for annual Board education, and established a standing Governance and Policy Committee for the SIB. The draft report was presented by Dr. Lech to the SIB at the meeting held October 22, 2021. The IA Supervisor will be working with the Interim Executive Director on the next steps.

The IA Supervisor continued to attend the Executive Search Committee meetings in the search for a Chief Investment Officer. A special SIB meeting has been scheduled on December 17, 2021 to interview applicants.

The IA Supervisor has continued to attend meetings on the negotiations in process for the PAS system.

The IA Supervisor also attended a Securities Litigation meeting.

RIO is scheduled to move to our new office located at the Workforce Safety and Insurance Building at 1600 East Century Avenue, Suite 3, Bismarck. RIO staff will be packing their offices and the general areas during the month of November. RIO is scheduled to move the week of November 22nd. RIO staff will move their personal belongings and IT equipment to the new office. The movers are scheduled to move the furniture on November 23rd. Management will be on location at the old and new office to facilitate the move. The rest of the RIO staff will be working remotely.

IA staff attended the virtual Public Pension Financial Forum Annual Conference (P2F2) for education and training starting Oct. 19th and ending Oct. 29th. P2F2 included members from the Association of Public Pension Fund Auditors (APPFA) to attend their annual conference. Sessions were held daily with up to 35 CPES available to earn. The Pension 101 and 201 tracks were also scheduled two days prior to the general conference to provide foundational basis to attendees.

Sessions were classified as General Session, Pension 101, Pension 201, General Accounting, Investment Accounting, Audit, and Employer Reporting/Personal Development: General session classes included some of the following topics: annual fiscal year-end report, actuarial-funding/monitoring, accounting best practices, audits - continuous/actuarial/annual, business continuity - plans and audits, the cloud, the role of custodians currently and in the future, cyber threats, the death match process, the economy, ethics, fraud, GASB 68 and 75, investment due diligence, investment technology and trends, IRS regulations, Nonverbal Communication for the virtual environment, pension obligation bonds, PAS projects learn from a peer, Employer reporting – project management, Stress and Time Management Skills, sustainability of funds, and third-party risk.

IA staff also attended quarterly NDIT training and agency wide color training. The color training will help IA to communicate better with RIO staff.

Internal Audit is proposing the following scopes for the upcoming audit:

Executive Limitations

On an annual basis, a review of the Executive Director/CIO's compliance with the State Investment Board (SIB) Governance Manual Executive Limitation Policies A-1 through A-11. The audit will review calendar year 2021.

***During calendar year 2021 the Executive Director/CIO position was separated following Dave Hunter's resignation from RIO. The Executive Limitations has not been updated to reflect this change.