North Dakota
Retirement and Investment Office

An Agency of the State of North Dakota

Comprehensive Annual Financial Report

Prepared by the ND Retirement and Investment Office Staff
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For the Fiscal Year Ended June 30, 2001

All printed materials can be made available in alternate formats. Contact the administrative office should this be necessary.

On the cover: *Retired RIO Executive Director Scott Engmann enjoying retirement with his grandson, Jake Kisow.*

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ND Retirement and Investment Office

Teachers' Fund for Retirement
State Investment Board

Steve Cochrane, CFA
Executive Director

Fay Kopp
Deputy Executive Director

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November 15, 2001

Members of the
North Dakota State Investment Board
North Dakota Teachers' Fund for Retirement Board

Dear Board Members:

With pleasure I present you with the June 30, 2001, Comprehensive Annual Financial Report (CAFR) for the North Dakota Retirement and Investment Office (RIO). The report is a complete review of the financial, investment, and actuarial conditions of the two programs for which you are responsible. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of RIO.

This CAFR is divided into five sections: the Introductory Section, which contains the administrative organization, the Certificate of Achievement for Excellence in Financial Reporting, the Public Pension Coordinating Council Achievement Award, and a letter of transmittal; the Financial Section, which contains the report of the Independent Auditors, the financial statements of the agency, and certain required supplementary information; the Investment Section, which contains a report on investment activity, investment policies, investment results, and various investment schedules; the Actuarial Section, which contains the Actuary's Certification Letter and the results of the annual actuarial valuation; and the Statistical Section, which includes significant data pertaining to RIO.

RIO is an agency of the State of North Dakota. The agency was created by the 1989 Legislative Assembly to capture administrative and investment cost savings in the management of two important long-standing state programs – the retirement program of the Teachers' Fund for Retirement (TFFR) and the investment program of the State Investment Board (SIB).

Established in 1913, TFFR is one of the oldest retirement plans in the nation. TFFR is a qualified defined benefit public pension plan covered under Section 401(a) of the Internal Revenue Code. North Dakota Century Code Chapter 15-39.1 contains the actual language governing the fund. The plan covers North Dakota public school teachers and administrators. The TFFR plan is funded on an actuarial reserve basis. Benefit funding comes from member and employer contributions and investment earnings. TFFR serves over 10,000 teachers from 284 employer groups and pays benefits to more than 4,700 retirees and beneficiaries. High quality member services and outreach programs are offered to members and employers as part of the continuing effort to keep them informed about the retirement program.

The SIB is responsible for setting policies and procedures guiding the investment of over $3.5 billion in assets for five pension funds and 13 other insurance-type funds. Their investments are divided into two investment trust funds and one individual investment account. The following table details the participants in each trust fund:

Pension Investment Pool Participants

Teachers' Fund for Retirement
Public Employees Retirement Fund
City of Bismarck Employees Pension Fund
City of Bismarck Police Pension Fund
Job Service of North Dakota Pension Fund

Individual Investment Account

PERS Retiree Health Insurance Credit Fund

Insurance Investment Pool Participants

Workers Compensation Fund
State Fire & Tornado Fund
State Bonding Fund
Insurance Regulatory Trust Fund
Petroleum Tank Release Compensation Fund
State Risk Management Fund
Veterans Post War Trust Fund
Veterans Cemetery Trust Fund
ND Association of Counties Fund
ND Association of Counties Program Savings
City of Bismarck Deferred Sick Leave Fund
PERS Group Insurance Fund

The pension investment pool is made up of only qualified pension funds whose monies must be invested exclusively for the benefit of their participants. The insurance investment pool is made up of mainly insurance-type funds, but also includes other funds that do not qualify as pension funds and would like to benefit from the cost savings of being pooled with other funds' assets. All of these funds are invested in accordance with the "Prudent Investor Rule."

The pension investment pool was created in July 1989 with the pooling of selected investments of TFFR and the Public Employees Retirement System (PERS). Assets from the City of Bismarck Employees and Police pension funds were added later that same fiscal year. In April 1994, Job Service of North Dakota made their initial contribution to the pool. No changes in participation have occurred in the pension investment pool since that time.

The insurance investment pool began in December 1993 with the pooling of the assets of Workers Compensation, Fire and Tornado, Bonding, Insurance Regulatory, and Petroleum Tank Release funds. The Risk Management Fund was added in October 1996. Both the Veterans Cemetery Trust and the Veterans Post War Trust funds were added during the fiscal year ended June 30, 1998, in August and December, respectively. The two North Dakota Association of Counties funds were added during fiscal year 1999, in January 1999 and March 1999, respectively. The City of Bismarck Deferred Sick Leave and PERS Group Insurance funds were both added in July 1999. There have only been two deletions from this pool - the Veterans' Home Improvement Fund, which was added in July 1996 and removed in August 1997, and the National Guard Tuition Waiver Fund, which was added in June 1996 and removed in June 1999.

MAJOR INITIATIVES

- Retirement Program

  Major benefit legislation was signed into law in 2001. HB 1102 provided significant benefit improvements for both active and retired members. These changes will become effective during the 2001-02 fiscal year. Specifically:

  - ✓ Benefit multiplier increases from 1.88% to 2.00% for all future retirees effective July 1, 2001.
  - ✓ Ad hoc benefit adjustment for all retirees and beneficiaries equal to $2.00 per month for each year of service plus $1.00 per month for each year since the member's retirement effective July 1, 2001.
  - ✓ Conditional annual benefit adjustment (CABA) of 0.75% of the retiree's current monthly benefit payable on July 1, 2001 and July 1, 2002.

During the 2001 legislative session, legislation was also enacted to allow retired TFFR members to return to work, under certain limitations, without loss of retirement benefits in order to help alleviate teacher shortages. Other legislation clarified retirement definitions and allowed limited disclosure of certain retirement information.

Governor Schafer re-appointed Mark Sanford to the TFFR Board for a five-year term beginning July 1, 2000 to represent school administrators. Dr. Sanford was once again elected as President of the Board.

On January 29, 2001, TFFR received a favorable determination letter from the IRS regarding its qualified status. This is an added measure of assurance that TFFR plan provisions conform to IRS requirements.

TFFR continues to make progress in completing several ongoing projects. Most of these efforts focus on improving methods for members and employers to obtain and report retirement plan information.

- Investment Program

While the various pension plans fell short of meeting their actuarial assumed returns for the year, in most cases relative returns were superior to their respective total fund benchmarks. The insurance funds' returns were highly reflective of their individual asset class exposures. Investment details by trust fund can be found in the Investment Section.

During the year, the SIB completed the following initiatives:

- ✓ Terminated two domestic small cap equity manager relationships in the pension and insurance investment pools and hired a "manager of managers" for that asset class.
- ✓ Added a timberland manager to the domestic fixed income allocation in the pension investment pool.
- ✓ After conducting an exhaustive study of enhanced equity indexation strategies, concepts and applications in the previous fiscal year, added four new enhanced index manager relationships and terminated one active manager relationship within the large cap equity allocation of the pension investment pool.

No new funds were added to either the pension or insurance investment pool during the fiscal year.

ACHIEVEMENT AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to RIO for its comprehensive annual financial report for the fiscal year ended June 30, 2000. This was the third consecutive year that RIO has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

TFFR also received the Public Pension Principles 2000 Achievement Award. This program, administered by the Public Pension Coordinating Council (PPCC), covers a two-year period. The purpose of the PPCC Achievement Award is to promote high professional standards for public employee retirement systems. The award is based on compliance with 19 specific principles that underlie retirement system achievements in the areas of benefits, actuarial valuations, financial reporting, investments, and disclosure to members.

FINANCIAL INFORMATION

RIO is subject to very strict operational controls. Well-established internal controls are in place, segregation of duties is maintained, and an internal audit program is in effect. In addition, an annual external audit is performed and the results are reported to the Legislative Audit and Fiscal Review Committee.

Brady Martz & Associates conducted the external audit under the direction of the North Dakota State Auditor. The auditor's opinion was unqualified for the agency for the year ended June 30, 2001.

The tables below summarize RIO's revenues and expenses for the current and prior fiscal years:

Pension Trust Fund (TFFR)	June 30, 2001	June 30, 2000	Incr/(Decr) $	Incr/(Decr) %
Additions	$ (52,616,214)	$200,049,203	$(252,665,417)	(126.3)%
Deductions	61,968,086	57,386,839	4,581,247	8.0 %
Net Income	$(114,584,300)	$142,662,364	$(257,246,664)	(180.3)%

Additions decreased due to a decrease in net investment income. Deductions increased because the average benefit increased from the previous year, as did the number of retirees receiving benefits throughout the year.

Internal Service Fund	June 30, 2001	June 30, 2000	Incr/(Decr) $	Incr/(Decr) %
Operating revenues	$1,292,467	$1,174,413	$118,054	10.1 %
Operating expenses	1,291,953	1,182,847	109,106	9.2 %
Non-operating revenues	4,674	4,751	(77)	(1.6)%
Net revenues (expenses)	$ 5,188	$ (3,683)	$ 8,871	(240.9)%

Operating revenues increased slightly due to an increase in overall expenses being allocated to the programs. Operating expenses increased because of an increase in salaries upon becoming fully staffed and increased general office expenses.

FUNDING STATUS

The overall objective of a pension fund is to accumulate sufficient funds to meet all expected future obligations to participants. The member and employer contribution rates are established by statute, and both are currently set at 7.75%. The rates are intended to be sufficient to pay TFFR's normal cost and to amortize TFFR's unfunded actuarial accrued liability (UAAL) in level payments over a period of 20 years from the valuation date. The funding period is set by the TFFR Board, and is considered reasonable by the actuary.

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As of July 1, 2001, the employer contribution rate needed in order to meet these goals is 3.99%. This is less than the 7.75% rate currently required by law, so the current contribution rate is adequate. The margin between the rate mandated by law and the rate necessary to fund the UAAL in 20 years is 3.76%. This margin decreased from 6.28% last year, mainly because of the new legislation adopted in 2001.

The contribution rate for both employers and employees is 7.75%. This rate allows the funding level to continue to increase while still allowing for periodic benefit increases to current retirees and their beneficiaries. If the 7.75% contribution rate remains in place, and all actuarial assumptions are exactly realized, then the UAAL will be completely amortized in 3.2 years from July 1, 2001.

The following table summarizes the actuarial valuation of the TFFR plan. A detailed discussion of funding is provided in the Actuarial Section of this report.

	July 1, 2001 (in millions)	**July 1, 2000 (in millions)**
Actuarial value of assets	$ 1,414.7	$ 1,308.5
Actuarial accrued liability	53.0	(20.6)
Funded ratio	96.4%	101.6%

INVESTMENT ACTIVITIES

The investment policies and strategies for each of the funds under the SIB can be found in the Investment Section of this report. Each policy is created by the individual fund and presented to the SIB for acceptance. Once accepted, the policy is used as a guide to determine participation in the applicable pools. The policies are designed to provide safeguards on assets while optimizing return based on each fund's risk parameters.

The return information presented in the Investment Section is calculated with the assistance of our consultant, Callan Associates, based on data supplied by our custodian, The Northern Trust Company, and the individual investment managers. The investment return calculations were prepared using a monthly time-weighted rate of return methodology in accordance with AIMR's Performance Presentation Standards, and are subject to independent audit.

PROFESSIONAL SERVICES

Professional consultants are selected by the TFFR Board and the SIB to perform professional services that are essential to the effective and efficient operation of the retirement and investment programs. An opinion from the certified public accountant and the actuary are included in this report. The consultants chosen by the boards are listed in the Introductory Section of this report.

ACKNOWLEDGEMENTS

Many individuals both within and outside our office are responsible for this report. I want to personally thank them all. Their efforts are greatly appreciated.

Respectfully yours,

STEVE COCHRANE, CFA
Executive Director/CIO

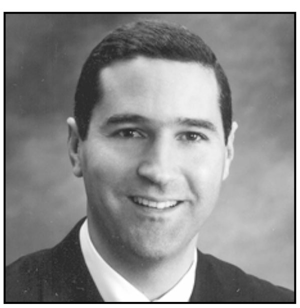
NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Mission

The North Dakota Retirement and Investment Office exists in order that:

- SIB clients receive cost-effective investment services directed at meeting their written financial goals under the Prudent Investor Rule.
- SIB clients receive investment returns consistent with their written investment policies and market variables.
- Potential SIB clients have access to information regarding the investment services provided by the SIB.
- TFFR benefit recipients receive their retirement benefits in a cost effective and timely manner.
- TFFR members have access to information which will allow them to become knowledgeable about the issues and process of retirement.
- SIB clients and TFFR benefit recipients receive satisfactory services from the boards and staff of the office.

Administrative Staff



Steve Cochrane, CFA
Executive Director/CIO

Fay Kopp
Deputy Executive Director

Supervisory Staff

Connie L. Flanagan
Fiscal Management

Shelly Schumacher
Member Services

Les Mason
Internal Audit

Bonnie Heit
Administrative Services

Gary Vetter
Information Services

NORTH DAKOTA STATE INVESTMENT BOARD

Investment Program

Investment Process

The ND State Investment Board believes that an investment program must be built and managed like any good business, with a clear statement of mission, overall objectives, roles and responsibilities, and policies and guidelines. Major issues include:

Asset allocation targets:

- Setting appropriate benchmarks.
- Finding the right managers.
- Monitoring the program.
- Searching for appropriate new opportunities.

To ensure rigorous attention to all aspects of the investment program, the SIB follows an established investment process. This process involves three phases:

- Investment policy development/modification
- Implementation/monitoring
- Evaluation

Board Members

Mark Sanford
Chair
TFFR Trustee

Howard Sage
Vice Chair
PERS Trustee

Jack Dalrymple
Lt. Governor

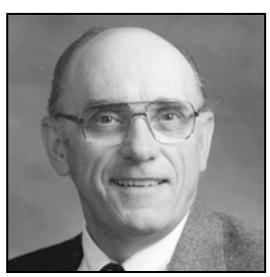
Kathi Gilmore
State Treasurer

Jim Poolman
State Insurance Commissioner

Rick Larson
Acting University and School Land Commissioner

Paul Kramer
Executive Director Workers Comp.

Paul Lofthus
TFFR Trustee



Weldee Baetsch
PERS Trustee

David Gunkel
PERS Trustee

Norman Stuhlmiller
TFFR Trustee

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

Retirement Program

Mission

The mission of the Teachers' Fund for Retirement, a trust fund, is to advocate for, develop, and administer a comprehensive retirement program for all trust fund members within the resources available.

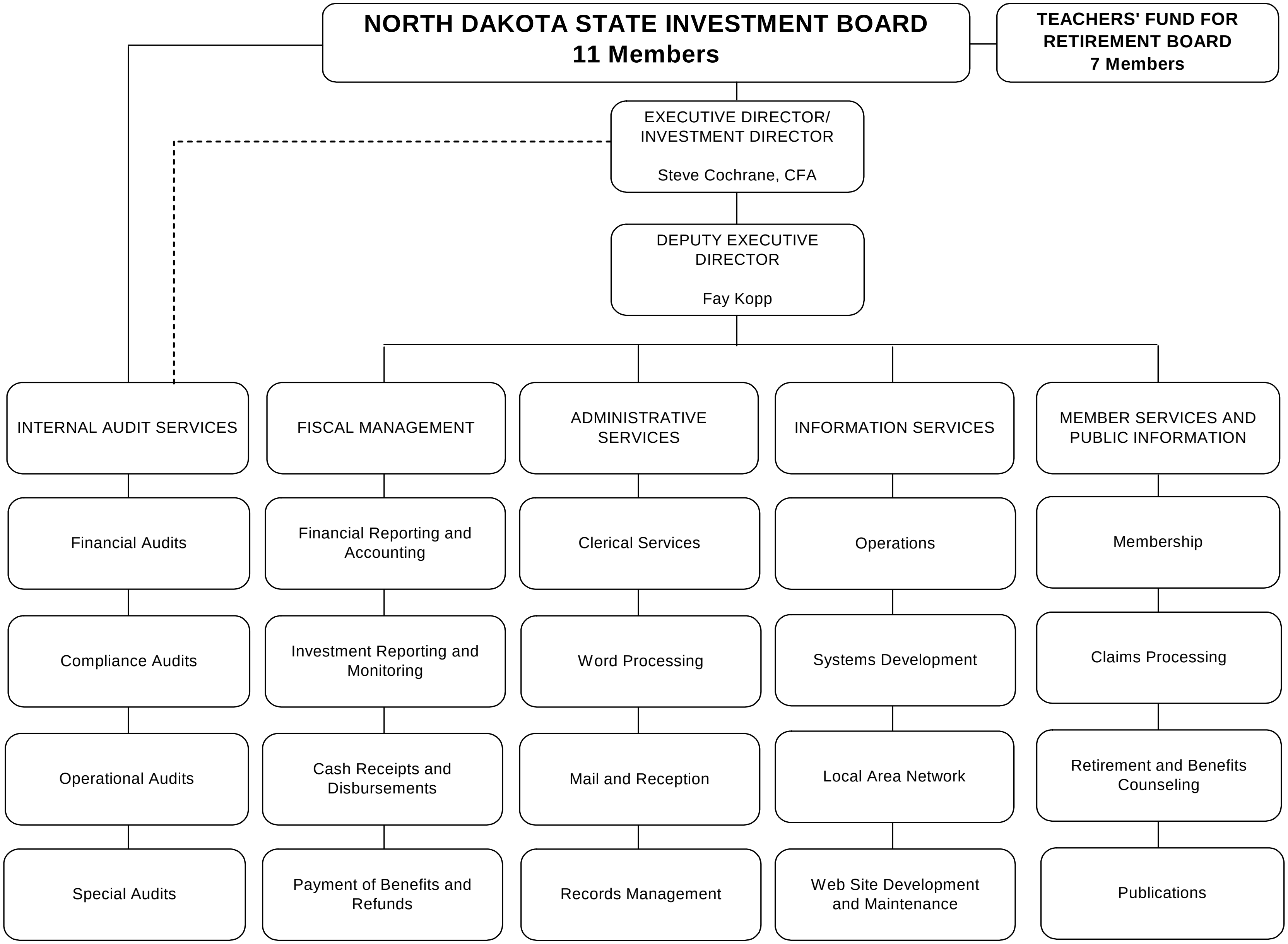
Goals

- To provide a replacement income equal to 60 percent of the final average salary of a career employee who has 30 or more years of credited service.
- To provide ad hoc biennial benefit increases and 2% annual benefit increases to retired members and beneficiaries to provide income protection and assist retirees in accessing affordable health insurance.
- To continue providing statewide pre-retirement planning services and benefits counseling to members.

Board of Trustees

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

ADMINISTRATIVE ORGANIZATION
JUNE 30, 2001



NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

CONSULTING AND PROFESSIONAL SERVICES
AS OF JUNE 30, 2001

Actuary

Buck Consultants, Inc.
Chicago, Illinois

Watson Wyatt Worldwide
(Gabriel, Roeder, Smith & Co. as of 8/31/01)
Dallas, Texas

Auditor

Brady, Martz & Associates, P.C.
Bismarck, North Dakota

Legal Counsel

Calhoun Law Group, P.C.
Washington, DC

North Dakota Attorney General's Office
Bismarck, North Dakota

Master Custodian

The Northern Trust Company
Chicago, Illinois

Investment Consultant and Performance Measurement

Callan Associates Inc.
San Francisco, California

Investment Managers

Alliance Capital Management
Chicago, Illinois

Bank of North Dakota
Bismarck, North Dakota

Brinson Partners, Inc.
Chicago, Illinois

Capital Guardian Trust Company
Los Angeles, California

CB Richard Ellis Investors, L.L.C.
Los Angeles, California

Coral Partners, Inc.
Minneapolis, Minnesota

Investment Managers cont.

Criterion Investment Management Co.
Houston, Texas

Hearthstone Homebuilding Investors, LLC
Encino, California

Heitman/JMB Advisory Corp.
Chicago, Illinois

INVESCO Realty Advisors
Dallas, Texas

J.P. Morgan Investment Management, Inc.
New York, New York

LSV Asset Management
Chicago, Illinois

Northern Trust Global Investments
Chicago, Illinois

SEI Investments Management Co.
Oaks, Pennsylvania

State Street Global Advisors
Boston, Massachusetts

Strong Capital Management, Inc.
Menomonee Falls, Wisconsin

Trust Company of the West
Los Angeles, California

Wachovia Corporation
Winston-Salem, North Carolina

Western Asset Management Company
Pasadena, California

Westridge Capital Management, Inc.
Santa Barbara, California

Wilshire Associates, Inc.
Los Angeles, California

Certificate of Achievement for Excellence in Financial Reporting

Presented to

North Dakota Retirement and Investment Office

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Government Finance Officers Association of the United States and Canada Corporation Seal Chicago

President

Executive Director

Public Pension Coordinating Council

Public Pension Principles

2000 Achievement Award

Presented to

North Dakota Retirement & Investment Office

In recognition of instituting professional standards for public employee retirement systems as established by the Public Pension Principles.

Presented by the Public Pension Coordinating Council, a confederation of
Government Finance Officers Association (GFOA)
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Michael L. Mory
Chairman

FINANCIAL SECTION

BRADY MARTZ

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Governor of North Dakota,
The Legislative Assembly, and the
State Investment Board

We have audited the accompanying financial statements and the combining and individual fund financial statements of the North Dakota Retirement and Investment Office (RIO) (an agency of the State of North Dakota) as of and for the year ended June 30, 2001. These financial statements and required supplementary information and supporting schedules referred to below are the responsibility of RIO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RIO as of June 30, 2001, and the results of its operations and the cash flows of its internal service fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of RIO as of June 30, 2001, and the results of operations of such funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 10 to the general purpose financial statements, RIO changed its policy on capitalization of fixed assets in 2001.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole and on the combining and individual fund financial statements. The financial information listed as required supplementary information in the table of contents is not a required part of the general purpose financial statements but is supplementary information required by the Governmental Accounting Standards Board. The financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The required supplementary information and supporting schedules have been subjected to the auditing procedures applied in our audit of the combined, combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose, combining and individual fund financial statements taken as a whole.

We did not audit the data included in the introductory, actuarial, investment and statistical sections of this report, and accordingly, we do not express an opinion thereon.

A report in accordance with Government Auditing Standards, on the RIO's internal control over financial reporting and its compliance with certain provisions of laws, regulations, contracts and grants is issued under separate cover.

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.

September 11, 2001

BRADY, MARTZ & ASSOCIATES, P.C.
207 East Broadway, Suite 200 P.O. Box 1297
Bismarck, ND 58502-1297 (701) 223-1717 Fax (701) 222-0894

OTHER OFFICES: Minot and Grand Forks, ND
Thief River Falls, MN

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
Combined Balance Sheets
All Fund Types
As of June 30, 2001
(With Comparative Totals for June 30, 2000)

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)	
	Internal Service	Trust	June 30, 2001	June 30, 2000
ASSETS:				
Cash and cash equivalents	$ 130,347	$ 6,057,326	$ 6,187,673	$ 6,417,166
Investments	-	3,516,475,781	3,516,475,781	3,672,012,329
Invested securities lending collateral	-	308,015,463	308,015,463	455,209,095
Investment income receivable	-	20,263,974	20,263,974	19,948,398
Assessments & contributions receivable	-	6,616,070	6,616,070	6,168,802
Administrative fees receivable	2,166	-	2,166	1,714
Due from other funds	53,684	1,037	54,721	41,321
Fixed assets, net of accumulated depreciation	8,684	-	8,684	55,021
Total assets	$ 194,881	$ 3,857,429,651	$ 3,857,624,532	$ 4,159,853,846
LIABILITIES AND FUND EQUITY:				
Liabilities:				
Accounts payable	$ 69,496	$ 20,538	$ 90,034	$ 80,580
Investment expenses payable	-	2,568,352	2,568,352	3,134,810
Securities lending collateral	-	308,015,463	308,015,463	455,209,095
Accrued expenses	105,390	134,634	240,024	226,123
Due to other funds	1,037	53,684	54,721	41,321
Due to other state agencies	15,401	-	15,401	19,144
Total liabilities	191,324	310,792,671	310,983,995	458,711,073
Fund equity:				
Retained earnings, unreserved	$ 3,557	$ -	$ 3,557	$ 49,167
Fund balance:				
Reserved for pension benefits	-	1,290,662,140	1,290,662,140	1,405,246,440
Reserved for external investment pool participants:				
Pension pool	-	1,266,554,203	1,266,554,203	1,328,934,555
Insurance pool	-	965,129,850	965,129,850	941,073,397
Reserved for individual investment account	-	24,290,787	24,290,787	25,839,214
Total fund equity	3,557	3,546,636,980	3,546,640,537	3,701,142,773
Total liabilities and fund equity	$ 194,881	$ 3,857,429,651	$ 3,857,624,532	$ 4,159,853,846

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

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
Statements of Revenues, Expenses and Changes
in Fund Equity – Proprietary Fund Type
For the Years Ended June 30, 2001 and 2000

	Internal Service Fund 2001	Internal Service Fund 2000
Revenues:		
Charges for services	$ 1,275,831	$ 1,161,387
Miscellaneous	16,636	13,026
Total revenues	1,292,467	1,174,413
Expenses:		
Salaries and wages	709,002	672,269
Operating expenses	579,532	486,541
Depreciation	3,419	24,037
Total expenses	1,291,953	1,182,847
Operating income (loss)	514	(8,434)
Nonoperating revenue:		
Investment income	4,674	4,751
Net income (loss)	5,188	(3,683)
Fund equity - beginning of year, as previously stated	49,167	52,850
Cumulative effect of change in accounting principle	(50,798)	-
Fund equity - beginning of year, as restated	(1,631)	52,850
Fund equity - end of year	$ 3,557	$ 49,167

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

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Combining Statements of Net Assets
Pension and Investment Trust Funds
As of June 30, 2001 and 2000

			External Investment Pools				Individual			
	Pension Trust		Pension Pools		Insurance Pools		Investment Account		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Assets:										
Investments										
Equities	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,640,003	$ 15,580,492	$ 15,640,003	$ 15,580,492
Equity pool	809,650,401	786,964,157	645,444,807	704,072,421	351,858,590	361,863,220	-	-	1,806,953,798	1,852,899,798
Fixed income	-	-	-	-	-	-	8,646,630	10,271,748	8,646,630	10,271,748
Fixed income pool	241,785,523	388,362,325	503,245,219	530,309,588	574,541,456	537,070,596	-	-	1,319,572,198	1,455,742,509
Real estate pool	139,409,884	141,679,262	69,317,181	62,145,882	-	-	-	-	208,727,065	203,825,144
Private equity	56,875,159	43,099,955	41,509,847	26,956,680	-	-	-	-	98,385,006	70,056,635
Cash and cash pool	23,529,222	27,586,864	3,360,152	1,364,910	31,661,707	34,684,229	-	-	58,551,081	63,636,003
Total investments	1,271,250,189	1,387,692,563	1,262,877,206	1,324,849,481	958,061,753	933,618,045	24,286,633	25,852,240	3,516,475,781	3,672,012,329
Invested securities lending collateral	53,013,503	104,357,294	88,172,879	126,666,200	166,829,081	224,185,601	-	-	308,015,463	455,209,095
Receivables:										
Investment income	7,926,311	6,601,965	4,628,281	5,118,318	7,693,362	8,228,072	16,020	43	20,263,974	19,948,398
Assessments & contributions	6,616,070	6,168,802	-	-	-	-	-	-	6,616,070	6,168,802
Total receivables	14,542,381	12,770,767	4,628,281	5,118,318	7,693,362	8,228,072	16,020	43	26,880,044	26,117,200
Due from other funds	-	-	-	-	1,037	47	-	-	1,037	47
Cash and cash equivalents	6,057,326	6,297,658	-	-	-	-	-	-	6,057,326	6,297,658
Total assets	1,344,863,399	1,511,118,282	1,355,678,366	1,456,633,999	1,132,585,233	1,166,031,765	24,302,653	25,852,283	3,857,429,651	4,159,636,329
Liabilities:										
Accounts payable	20,538	31,175	-	-	-	-	-	-	20,538	31,175
Investment expenses payable	994,017	1,321,437	942,555	1,030,026	620,810	770,912	10,970	12,435	2,568,352	3,134,810
Securities lending collateral	53,013,503	104,357,294	88,172,879	126,666,200	166,829,081	224,185,601	-	-	308,015,463	455,209,095
Accrued expenses	134,634	126,369	-	-	-	-	-	-	134,634	126,369
Due to other funds	38,567	35,567	8,729	3,218	5,492	1,855	896	634	53,684	41,274
Total liabilities	54,201,259	105,871,842	89,124,163	127,699,444	167,455,383	224,958,368	11,866	13,069	310,792,671	458,542,723
Net assets:										
Held in trust for pension benefits (see Schedule of Funding Progress on page 37)	1,290,662,140	1,405,246,440	-	-					1,290,662,140	1,405,246,440
Held for external investment pool participants:										
Pension pool	-	-	1,266,554,203	1,328,934,555	-	-	-	-	1,266,554,203	1,328,934,555
Insurance pool	-	-	-	-	965,129,850	941,073,397	-	-	965,129,850	941,073,397
Held for individual investment account	-	-	-	-	-	-	24,290,787	25,839,214	24,290,787	25,839,214
Total net assets	$ 1,290,662,140	$ 1,405,246,440	$ 1,266,554,203	$ 1,328,934,555	$ 965,129,850	$ 941,073,397	$ 24,290,787	$ 25,839,214	$ 3,546,636,980	$ 3,701,093,606
Each participant unit is valued at $1.00										
Participant units outstanding			1,266,554,203	1,328,934,555	965,129,850	941,073,397	24,290,787	25,839,214	2,255,974,840	2,295,847,166

The accompanying notes are an integral part of this financial statement.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Combining Statements of Changes in Net Assets
Pension and Investment Trust Funds
For the Years Ended June 30, 2001 and 2000

			External Investment Pools				Individual			
	Pension Trust		Pension Pools		Insurance Pools		Investment Account		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
Additions:										
Contributions:										
Employer contributions	$ 26,289,206	$ 25,527,734	$ -	$ -	$ -	$ -	$ -	$ -	$ 26,289,206	$ 25,527,734
Member contributions	26,289,672	25,528,245	-	-	-	-	-	-	26,289,672	25,528,245
Purchased service credit	1,942,467	2,509,576	-	-	-	-	-	-	1,942,467	2,509,576
Interest and penalties	1,162	6,222	-	-	-	-	-	-	1,162	6,222
Total contributions	54,522,507	53,571,777	-	-	-	-	-	-	54,522,507	53,571,777
Investment income:										
Net increase (decrease) in fair value of investments	(142,367,325)	111,269,923	(102,366,890)	75,158,391	(29,505,842)	62,100,571	(2,759,737)	1,291,045	(276,999,794)	249,819,930
Interest, dividends and other income	39,860,797	39,834,547	48,506,145	42,428,693	45,399,622	39,834,088	665,353	853,552	134,431,917	122,950,880
	(102,506,528)	151,104,470	(53,860,745)	117,587,084	15,893,780	101,934,659	(2,094,384)	2,144,597	(142,567,877)	372,770,810
Less investment expenses	4,901,760	4,947,423	4,437,260	4,111,958	2,679,778	2,613,077	53,043	51,548	12,071,841	11,724,006
Net investment income	(107,408,288)	146,157,047	(58,298,005)	113,475,126	13,214,002	99,321,582	(2,147,427)	2,093,049	(154,639,718)	361,046,804
Securities lending activity:										
Securities lending income	4,390,645	5,199,726	6,815,608	6,368,461	11,902,752	10,528,343	-	-	23,109,005	22,096,530
Less securities lending expenses	4,121,078	4,879,347	6,483,955	5,994,814	11,345,532	9,953,494	-	-	21,950,565	20,827,655
Net securities lending income	269,567	320,379	331,653	373,647	557,220	574,849	-	-	1,158,440	1,268,875
Total additions	(52,616,214)	200,049,203	(57,966,352)	113,848,773	13,771,222	99,896,431	(2,147,427)	2,093,049	(98,958,771)	415,887,456
Deductions:										
Benefits paid to participants	57,740,914	53,583,271	-	-	-	-	-	-	57,740,914	53,583,271
Refunds	3,127,841	2,788,019	-	-	-	-	-	-	3,127,841	2,788,019
Administrative charges	1,099,331	1,015,549	-	-	-	-	-	-	1,099,331	1,015,549
Total deductions	61,968,086	57,386,839	-	-	-	-	-	-	61,968,086	57,386,839
Net increase (decrease) in net assets resulting from operations	(114,584,300)	142,662,364	(57,966,352)	113,848,773	13,771,222	99,896,431	(2,147,427)	2,093,049	(160,926,857)	358,500,617
Unit transactions at net asset value of $1.00 per unit:										
Purchase of units	-	-	4,313,000	4,550,000	122,110,531	105,012,752	599,000	601,000	127,022,531	110,163,752
Redemption of units	-	-	(8,727,000)	(15,667,000)	(111,825,300)	(79,200,877)	-	-	(120,552,300)	(94,867,877)
Net increase (decrease) in assets and units resulting from unit transactions	-	-	(4,414,000)	(11,117,000)	10,285,231	25,811,875	599,000	601,000	6,470,231	15,295,875
Total increase (decrease) in net assets	(114,584,300)	142,662,364	(62,380,352)	102,731,773	24,056,453	125,708,306	(1,548,427)	2,694,049	(154,456,626)	373,796,492
Net assets:										
Beginning of year	1,405,246,440	1,262,584,076	1,328,934,555	1,226,202,782	941,073,397	815,365,091	25,839,214	23,145,165	3,701,093,606	3,327,297,114
End of Year	$ 1,290,662,140	$ 1,405,246,440	$ 1,266,554,203	$ 1,328,934,555	$ 965,129,850	$ 941,073,397	$ 24,290,787	$ 25,839,214	$ 3,546,636,980	$ 3,701,093,606

The accompanying notes are an integral part of this financial statement.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Statements of Cash Flows – Internal Service Fund

For the Years Ended June 30, 2001 and 2000

	2001	2000
Operating activities:		
Operating income (loss)	$ 514	$ (8,434)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	3,419	24,037
Change in assets and liabilities:		
Administrative fees receivable	(452)	(47)
Due from other funds	(12,410)	50,994
Accounts payable	20,091	(13,111)
Accrued expenses	5,636	(9,789)
Due to other funds	990	(293)
Due to other state agencies	(3,743)	(5,953)
Net cash provided by operating activities	14,045	37,404
Capital-related financing activities:		
Purchase of equipment	(7,880)	(33,954)
Sale of equipment	-	2,345
Net cash used by financing activities	(7,880)	(31,609)
Investing activities:		
Investment income	4,674	4,751
Net increase in cash and cash equivalents	10,839	10,546
Cash and equivalents - beginning of year	119,508	108,962
Cash and equivalents - end of year	$ 130,347	$ 119,508

The accompanying notes are an integral part of these statements.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Statement of Appropriations – Budget Basis

Internal Service Fund

July 1, 1999 to June 30, 2001 Biennium

	Approved 2001-2003 Appropriation	1999-2001 Appropriation Adjustment	Adjusted 1999-2001 Appropriation	Fiscal 2000 Expenses	Fiscal 2001 Expenses	Unexpended Appropriations
All Fund Types:						
Salaries and wages	$ 1,447,708	$ 24,954	$ 1,472,662	$ 660,997	$ 708,191	$ 103,474
Operating expenses	943,021	-	943,021	417,862	488,708	36,451
Contingency	82,000	-	82,000	-	-	82,000
Total administrative expenses	2,472,729	24,954	2,497,683	1,078,859	1,196,899	221,925
Equipment	49,200	-	49,200	33,954	15,118	128
Total	$ 2,521,929	$ 24,954	$ 2,546,883	$ 1,112,813	$ 1,212,017	$ 222,053

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

Reconciliation of Administrative Expenses to Appropriated Expenditures

	2001	2000
Administrative expenses as reflected in the financial statements	$1,291,953	$1,182,847
Plus:		
Capitalized equipment purchases - appropriated	7,880	33,954
Less:		
Professional fees - not including legal fees which are appropriated	(83,586)	(68,680)
Depreciation expense	(3,419)	(24,037)
Changes in annual leave and FICA payments	(811)	(11,271)
Total appropriated expenses	$1,212,017	$1,112,813

The accompanying notes are an integral part of this statement.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements

June 30, 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Reporting Entity

The North Dakota Retirement and Investment Office (RIO) is charged with providing and coordinating the administrative activities of the Teachers' Fund for Retirement (TFFR) and the North Dakota State Investment Board (SIB).

RIO is an agency of the State of North Dakota 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.

B) Basis of Presentation

RIO's financial activities are recorded in two fund types classified as follows:

Proprietary Fund Type

An internal service fund is used to account for services provided by RIO to TFFR and SIB on a cost-reimbursement basis. RIO allocates those administrative expenses to each governmental unit or fund whose investments are managed by SIB.

Fiduciary Fund Type

A pension trust fund and investment trust funds have been established to account for the assets held by RIO in a trustee capacity for TFFR and as an agent for other governmental units or funds which have placed certain investment assets under the management of SIB. The SIB manages two external investment pools and one individual investment account. The two external investment pools consist of a pension pool and insurance pool. SIB manages the investments of the North Dakota Public Employees Retirement System, Job Service of North Dakota, and Bismarck City Employees and Police pension plans in the pension pool. The investments of Workers Compensation, State Fire & Tornado, State Bonding, Petroleum Tank Release Compensation Fund, Insurance Regulatory Trust, Veterans Post War, Veterans Cemetery, North Dakota Association of Counties Fund, North Dakota Association of Counties Program Savings Fund, Risk Management, PERS Group Insurance, and City of Bismarck Deferred Sick Leave are managed in the insurance pool. PERS Retiree Health investments are managed by SIB in an individual investment account. 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. Those pool participants that are required to participate according to statute are: Public Employees Retirement System, Workers Compensation, State Fire and Tornado, State Bonding, Petroleum Tank Release Compensation Fund, Insurance Regulatory Trust, Veterans Cemetery, and Risk Management.

Continued

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements – Continued

June 30, 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Ultimate results could differ from those estimates.

D) 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 an 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. Unexpended appropriations lapse at the end of each biennium, except certain capital expenditures covered under the North Dakota Century Code (NDCC) section 54-44.1-11.

There were no supplemental appropriations during the fiscal year ending June 30, 2001.

During the fiscal year ended June 30, 2000 there was a supplemental appropriation for a market/equity salary adjustment provided by the legislature.

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

E) Basis of Accounting

RIO follows the pronouncements of the Governmental Accounting Standards Board

Continued

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E) Basis of Accounting - Continued

(GASB), which is the nationally accepted standard setting body for establishing generally accepted accounting principles for governmental entities. In accordance with GASB Statement No. 20, the Board follows all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with GASB pronouncements.

Internal Service Funds are accounted for on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the liability is incurred, regardless of the timing of related cash flows.

Pension and Investment Trust Funds are accounted for using the accrual basis of accounting. Member contributions are recognized when 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.

F) Fixed Assets and Depreciation

Fixed asset expenditures greater than $750 ($5,000 effective March 21, 2001) are capitalized at cost in accordance with Section 54-27-21 of the NDCC. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

	Years
Office equipment	5
Furniture and fixtures	5

G) 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 Bismarck City Employee Pension Plan, the Bismarck City Police Pension Plan, Job Service of North Dakota, 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.

Continued

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G) Investments - Continued

Pooled Investments

Several agencies 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 recorded at fair value determined by reference to published market data for publicly traded securities and through the use of independent valuation services and appraisals for other investments. The net increase 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 increase or decrease is 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.

Securities Lending

GASB Statement No. 28, *"Accounting and Financial Reporting for Securities Lending Transactions,"* establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their balance sheets. Cash received as collateral and investments made with that cash must also be reported as assets. The statement also requires the costs of the securities lending transactions to be reported as expenses separately from income received. In addition, the statement requires disclosures about the transactions and collateral related to them.

Continued

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements – Continued

June 30, 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G) Investments - Continued

Securities Lending - Continued

The State Investment Board has authorized the use of securities lending transactions – 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. Securities are loaned versus collateral that may include cash, U.S. government securities and irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest.

Non-cash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the lender or the borrower, although the average term of overall loans is 36 days.

Cash open collateral is invested in a short term investment pool, the Core Collateral Section, which had an average weighted maturity of 34 days as of this statement date. Cash collateral may also be invested separately in *"term loans"*, in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower.

There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses known to the securities lending agent.

There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending. Northern Trust indemnifies RIO if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay income distributions on them.

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

Continued

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2001

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G) Investments - Continued

Derivative Securities

SIB's investment policy allows investment managers to use derivative securities. Managers are specifically permitted to use Treasury futures and options, S & P 500 index futures and options, and currency forwards and futures to hedge portfolio risk, but not to speculate or to leverage the portfolio. Managers may use their discretion to use other derivatives to enhance returns, reduce risk, or facilitate the management of index funds. SIB's policy with respect to these derivatives is that their use may not increase the credit, market or legal risk level associated with a fully invested portfolio of common stocks or fixed income obligations, depending on the manager's designated role.

H) Accumulated Leave

Annual leave is a part of permanent employees' compensation as set forth in Section 54-06-14 of the NDCC. Employees earn leave based on tenure of employment. Sick leave is also part of permanent employees' compensation as set forth in Section 54-52-04 of the NDCC. Accrued leave amounted to $44,141 at June 30, 2001, and is included in accrued expenses of the Internal Service Fund in the accompanying combined balance sheet.

NOTE 2 CASH AND CASH EQUIVALENTS

Internal Service Fund

Cash and cash equivalents are short-term, highly liquid investments having original maturities of three months or less. Cash and cash equivalents of the Internal Service Fund at June 30, 2001 include $104,293 of deposits at the Bank of North Dakota of interest-bearing internal service fund operating cash under the control of the State Treasurer's Office as required by law and $26,054 in a money market account. Cash is categorized to give an indication of credit risk in accordance with GASB Statement No. 3, as previously discussed. Category (a) includes deposits which are insured or collateralized with securities held by SIB or its agent in SIB's name. Category (b) includes deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the SIB's name. Category (c) includes deposits which are uncollateralized. The above deposits are a Category (c) risk as defined by GASB Statement No. 3. The deposits at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10. Due to the nature of RIO's accounts, there were no checks outstanding or deposits not yet processed; thus, the carrying amounts are equal to the bank balance.

Continued

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2001

NOTE 2 CASH AND CASH EQUIVALENTS - Continued

Pension Trust Fund

Cash and cash equivalents held by the Pension Trust Fund at June 30, 2001, were deposited in the Bank of North Dakota. At June 30, 2001, the carrying amount of TFFR's deposits was $6,057,326 and the bank balance was $6,075,199. The difference results from checks outstanding or deposits not yet processed by the bank. These deposits are held at the Bank of North Dakota, are uncollateralized, a Category (c) risk as defined by GASB Statement No. 3, but are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

Investment Trust Funds

Certificates of deposit and an insurance trust cash pool are recorded as investments and have a cost and carrying value of $74,061,703 at June 30, 2001. These deposits are held at the Bank of North Dakota, are uncollateralized, a Category (c) risk as defined by GASB Statement No.3, but are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

NOTE 3 INVESTMENTS

Risk Categories

Governmental Accounting Standards Board (GASB) statement No. 3 entitled *"Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements"* requires certain financial statement disclosure of deposits and investments such as the disclosure of carrying amounts by type of investment and classification into one of three categories based upon credit risk. Category (a) includes investments insured or registered or securities held by SIB or its agent in the SIB's name. Category (b) includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in SIB's name. Category (c) includes investments uninsured and unregistered with securities held by the counterparty, or by its trust department or agent, but not in SIB's name. RIO's investments in real estate, venture capital, short-term investment funds and other nonclassified investments are not assigned a credit risk classification as they do not meet the definition of a security provided by GASB Statement No. 3. All other investments of RIO are Category (a) investments except certain certificates of deposit which were issued by the Bank of North Dakota and are Category (c) deposits as defined in Note 3 to the combined financial statements.

Continued

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2001

NOTE 3 INVESTMENTS - Continued

The fair value and credit risk categories of all investment types at June 30, 2001 are as follows:

	Fair Value	Credit Risk Category (a)	(b)	(c)
Equity Securities:				
Not on securities loan	$ 829,691,177	$ 829,691,177	$-	$-
On securities loan for non-cash collateral	4,209,884	4,209,884	-	-
US Government & agency issues:				
Not on securities loan	511,950,956	511,950,956	-	-
On securities loan for non-cash collateral	54,555,115	54,555,115	-	-
Bonds and notes:				
Not on securities loan	775,853,512	775,853,512	-	-
On securities loan for non-cash collateral	-	-	-	-
		$ 2,176,260,644	$-	$-
Real estate	209,152,037			
Private equity	97,228,177			
Mutual funds	660,754,817			
Investments held by broker-dealers under securities loans with cash collateral:				
Equity securities	68,386,993			
US Government & agency issues	150,125,371			
Bonds and notes	80,506,036			
Securities lending short-term collateral investment pool	308,015,463			
	$ 3,750,429,538			

NOTE 4 FIXED ASSETS

The following is a summary of Internal Service Fund fixed assets:

	6/30/2000	Additions	Capitalization Policy Change	6/30/2001
Office equipment	$139,167	$7,880	($118,651)	$28,396
Furniture and fixtures	33,551	-	(33,551)	-
	172,718	$7,880	($152,202)	28,396
Less accumulated depreciation	(117,697)	($3,419)	$101,404	(19,712)
	$55,021			$8,684

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2001

NOTE 5 INTERFUND AND STATE AGENCY TRANSACTIONS

Due To / Due From Other Funds

Amounts due to and due from other funds are as follows as of June 30, 2001:

	Due to Internal Service Fund	Due from Internal Service Fund
Investment Trust Funds:		
PERS	$6,402	$ -
Workers Compensation	4,955	-
State Fire and Tornado	31	-
State Bonding	-	283
Petroleum Tank Release Compensation Fund	-	213
Insurance Regulatory Trust	-	264
Veterans Post War	250	-
Veterans Cemetery	6	-
Risk Management	-	277
PERS Group Insurance	250	-
PERS Retiree Health	896	-
Job Service of North Dakota	2,327	-
Total Investment Trust	15,117	1,037
Pension Trust Fund:		
TFFR	38,567	-
Total due to / due from internal service fund	$53,684	$ 1,037

Due To Other State Agencies

Amounts due to other state agencies are as follows as of June 30, 2001:

Information Technology Department	$13,019
Attorney General's Office	494
Central Supply	782
Central Duplicating	766
State Historical Society	340

Total due to other state agencies	$15,401

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2001

NOTE 6 LEASES

RIO leases office space under an operating lease which expires on June 30, 2001. RIO also incurs rent expense at other locations on a temporary basis to sponsor retirement education for TFFR members. Rent expense totaled $67,323 for fiscal 2001. RIO entered into a new lease for office space effective July 1, 2001. Minimum payments under this lease for fiscal 2002 and 2003 are $67,942 per year.

NOTE 7 NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

General

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, survivor and disability benefits.

Membership

As of June 30, 2001 and 2000, the number of participating employer units was 284 and 287 consisting of the following:

	2001	2000
Public School Districts	228	230
County Superintendents	16	17
Special Education Units	19	19
Vocational Education Units	4	4
Other	17	17
Total	284	287

Continued

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2001

NOTE 7 NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT - Continued

Membership - Continued

TFFR's membership consisted of the following:

	2001	2000
Retirees and beneficiaries currently receiving benefits	4,777	4,827
Terminated employees - vested	1,183	1,130
Terminated employees - nonvested	213	209
Total	6,173	6,166
Current employees:		
Vested	8,772	8,587
Nonvested	1,467	1,438
Total	10,239	10,025

Investments

Current investment guidelines set by TFFR's board specify the percentage of assets to be invested in various types of investments (equities, fixed income securities, real estate, private equity, and cash). The overall long-term investment objective for TFFR is to match or exceed an expected rate of return of 9.29%, but at a minimum is not less than the actuarially determined percentage required to pay future benefits. Long-term performance goals are set and evaluated by the boards of SIB and TFFR for each type of investment.

Realized Gains and Losses

Realized gains and losses on sales of investments are components of net increase/decrease in fair value of investments and are computed as described in Note 1. For the year ended June 30, 2001, TFFR had net realized gains of $94,494,640.

Investment Expenses

Investment expenses consist of fees charged by RIO for investment managers and investment-related service fees from The Northern Trust Company, the Bank of North Dakota, and certain other investment advisors. All TFFR expenses are paid out of TFFR assets.

Continued

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2001

NOTE 7 NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT - Continued

Assessments and Contributions

Assessments and 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 7.75% 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 7.75% of the teacher's salary. Based on an annual actuarial valuation, TFFR is effectively providing for the normal cost of TFFR's participants plus amortizing the unfunded liability over approximately a 20-year period.

A vested member who terminates covered employment may elect a refund of assessments paid or defer payment until eligible for pension benefits. A nonvested member who terminates covered employment must claim a refund of assessments paid unless that member submits a valid waiver of this refund to the Board of Trustees of TFFR. 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

A member is entitled to receive full 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 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 1.88% (2.00% effective July 1, 2001) 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, five or ten-year term certain annuity, or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas. All members may be eligible for legislative increases in monthly benefits.

Continued

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2001

NOTE 7 NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT - Continued

Survivor and Disability Benefits

Survivor 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 one year 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 assuming the member has a minimum of 20 years of credited service. There is no actuarial reduction for reason of disability retirement.

NOTE 8 PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Permanent employees of RIO participate in PERS, which is also an agency of the State of North Dakota financial reporting entity and is included in the State of North Dakota's Comprehensive Annual Financial Report. PERS is a cost-sharing multiple-employer defined benefit public employee retirement system that provides retirement, disability and death benefits to eligible employees and beneficiaries. PERS is administered in accordance with NDCC Chapter 54-52. PERS issues a publicly available financial report that may be obtained by writing to North Dakota Public Employees Retirement System, 400 East Broadway, Suite 505, Bismarck, North Dakota 58501 or by calling 1-800-803-7377.

The financial statements of PERS are prepared using the accrual basis of accounting. Contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of PERS.

RIO is required to contribute to PERS at an actuarially determined rate for permanent employees. The current contribution rate is 8.12% of annual covered payroll as established by the NDCC. RIO's contributions to PERS for the years ended June 30, 2001, 2000, and 1999, were $49,294, $46,064, and $46,775, equal to the required contributions for each year plus a 1% contribution for retiree health benefits.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2001

NOTE 9 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 10 PRIOR PERIOD ADJUSTMENT

Effective March 1, 2001, RIO changed its capitalization policy in accordance with Section 54-27-21 of the NDCC. Previously all fixed assets with a cost of $750 or greater were capitalized. The new policy requires RIO to capitalize fixed assets with a cost of $5,000 or greater.

The cumulative effect of this accounting change for years prior to fiscal year 2001, which is shown separately in RIO's internal service fund statement of revenue, expenses and changes in fund equity for fiscal year 2001, resulted in a decrease of $50,798. This is comprised of fixed assets removed with an original cost basis of $152,202, and accumulated depreciation of $101,404.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Required Supplementary Information

June 30, 2001

Schedule of Funding Progress
North Dakota Teachers' Fund for Retirement
(Dollars in Millions)

Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (Funded Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funded Excess) as a Percentage of Annual Covered Payroll
1996	$ 733.3	$ 851.6	$118.3	86.1	$281.2	42.1
1997	823.4	977.1	153.6	84.3	294.1	52.2
1998	928.0	1,033.0	105.0	89.8	298.4	35.2
1999	1,053.1	1,188.4	135.3	88.6	314.6	43.0
2000	1,308.5	1,287.9	(20.6)	101.6	323.0	(6.4)
2001	1,414.7	1,467.7	53.0	96.4	342.2	15.5

Schedule of Employer Contributions
North Dakota Teachers' Fund for Retirement

Fiscal Year	Annual Required Contribution	Percentage Contributed
1996	$18,988,538	100%
1997	19,693,130	100%
1998	23,326,328	100%
1999	24,257,091	100%
2000	25,528,245	100%
2001	26,289,206	100%

See notes to required supplementary information.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Required Supplementary Information

June 30, 2001

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date:	July 1, 2001
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level payment, open
Remaining Amortization Period:	20 years (1)
Asset Valuation Method:	5 year smoothed market
Actuarial Assumptions:	
Investment Rate of Return (*)	8.00%
Projected Salary Increases (*)	4.00% to 13.00%
Cost-of-Living Adjustments	None

(*) Includes inflation at 3.00%.
(1) Statutory 7.75% employer contribution rate produces 3.2 years funding period.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Combining Statement of Net Assets – Investment Trust Funds
Pension Pool Participants
As of June 30, 2001
(With Comparative Totals for 2000)

	Public Employees Retirement System	Bismarck City Employee Pension Plan	Bismarck City Police Pension Plan	Job Service of North Dakota	Totals (Memorandum Only) 2001	Totals (Memorandum Only) 2000
Assets:						
Investments						
Equity pool	$ 594,232,192	$ 10,976,078	$ 5,851,071	$ 34,385,466	$ 645,444,807	$ 704,072,421
Fixed income pool	460,413,383	10,734,430	4,440,006	27,657,400	503,245,219	530,309,588
Real estate pool	67,827,059	821,487	668,635	-	69,317,181	62,145,882
Private equity	40,994,755	207,090	308,002	-	41,509,847	26,956,680
Cash and cash pool	2,975,702	261,052	32,331	91,067	3,360,152	1,364,910
Total investments	1,166,443,091	23,000,137	11,300,045	62,133,933	1,262,877,206	1,324,849,481
Invested securities lending collateral	79,537,494	1,939,324	768,086	5,927,975	88,172,879	126,666,200
Investment income receivable	4,536,242	23,843	13,929	54,267	4,628,281	5,118,318
Total assets	1,250,516,827	24,963,304	12,082,060	68,116,175	1,355,678,366	1,456,633,999
Liabilities:						
Investment expenses payable	793,087	17,283	9,282	122,903	942,555	1,030,026
Securities lending collateral	79,537,494	1,939,324	768,086	5,927,975	88,172,879	126,666,200
Due to other funds	6,402	-	-	2,327	8,729	3,218
Total liabilities	80,336,983	1,956,607	777,368	6,053,205	89,124,163	127,699,444
Net assets held for external investment pool participants	$ 1,170,179,844	$ 23,006,697	$ 11,304,692	$ 62,062,970	$ 1,266,554,203	$ 1,328,934,555
Each participant unit is valued at $1.00						
Participant units outstanding	1,170,179,844	23,006,697	11,304,692	62,062,970	1,266,554,203	1,328,934,555

The accompanying notes are an integral part of this financial statement.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Combining Statement of Changes in Net Assets – Investment Trust Funds
Pension Pool Participants
For the Year Ended June 30, 2001
(With Comparative Totals for 2000)

	Public Employees Retirement System	Bismarck City Employee Pension Plan	Bismarck City Police Pension Plan	Job Service of North Dakota	Totals (Memorandum Only) 2001	Totals (Memorandum Only) 2000
Investment income:						
Net increase/(decrease) in fair value of investments	$ (96,066,919)	$ (1,377,978)	$ (796,598)	$ (4,125,395)	$ (102,366,890)	$ 75,158,391
Interest, dividends and other income	44,862,313	937,911	438,908	2,267,013	48,506,145	42,428,693
	(51,204,606)	(440,067)	(357,690)	(1,858,382)	(53,860,745)	117,587,084
Less investment expenses	4,108,479	83,255	45,028	200,498	4,437,260	4,111,958
Net investment income	(55,313,085)	(523,322)	(402,718)	(2,058,880)	(58,298,005)	113,475,126
Securities lending activity:						
Securities lending income	6,186,128	146,590	60,075	422,815	6,815,608	6,368,461
Securities lending expenses	5,884,144	139,827	57,190	402,794	6,483,955	5,994,814
Net securities lending income	301,984	6,763	2,885	20,021	331,653	373,647
Net increase/(decrease) in net assets resulting from operations	(55,011,101)	(516,559)	(399,833)	(2,038,859)	(57,966,352)	113,848,773
Unit transactions at net asset value of $1 per unit:						
Purchase of units	-	-	-	4,313,000	4,313,000	4,550,000
Redemption of units	(7,700,000)	-	-	(1,027,000)	(8,727,000)	(15,667,000)
Net increase (decrease) in net assets and units resulting from unit transactions	(7,700,000)	-	-	3,286,000	(4,414,000)	(11,117,000)
Total increase (decrease) in net assets	(62,711,101)	(516,559)	(399,833)	1,247,141	(62,380,352)	102,731,773
Net assets:						
Beginning of year	$ 1,232,890,945	$ 23,523,256	$ 11,704,525	$ 60,815,829	$ 1,328,934,555	1,226,202,782
End of year	$ 1,170,179,844	$ 23,006,697	$ 11,304,692	$ 62,062,970	$ 1,266,554,203	$ 1,328,934,555

The accompanying notes are an integral part of this financial statement.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Combining Statement of Net Assets – Investment Trust Funds
Insurance Pool Participants
As of June 30, 2001
(With Comparative Totals for 2000)

	Workers Compensation	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund	Insurance Regulatory Trust Fund	Veterans Cemetery	Veterans Post War	Risk Management	ND Association of Counties Fund	ND Ass'n of Counties Program Savings Fund	PERS Group Insurance	City of Bismarck Deferred Sick Leave	Totals (Memorandum Only) 2001	Totals (Memorandum Only) 2000
Assets:														
Investments														
Equity pool	$ 335,801,530	$ 6,513,902	$ 2,009,429	$ 3,422,697	$ 814,017	$ -	$ 1,417,567	$ 1,389,305	$ 140,273	$ 147,199	$ -	$ 202,671	351,858,590	$ 361,863,220
Fixed income pool	556,897,359	8,324,111	2,389,301	3,893,287	717,097	-	-	1,741,712	117,987	125,654	-	334,948	574,541,456	537,070,596
Cash and cash pool	25,457,489	1,678,219	482,792	1,257,727	788,911	35,703	5,171	356,153	12,328	14,285	1,545,009	27,920	31,661,707	34,684,229
Total investments	918,156,378	16,516,232	4,881,522	8,573,711	2,320,025	35,703	1,422,738	3,487,170	270,588	287,138	1,545,009	565,539	958,061,753	933,618,045
Invested securities lending collateral	161,206,713	2,608,825	760,499	1,248,364	256,880	-	10,742	556,285	38,685	40,869	-	101,219	166,829,081	224,185,601
Investment income receivable	7,401,718	134,951	30,940	64,569	8,517	-	2,525	47,334	993	698	-	1,117	7,693,362	8,228,072
Due from other funds	-	-	283	213	264	-	-	277	-	-	-	-	1,037	47
Total assets	1,086,764,809	19,260,008	5,673,244	9,886,857	2,585,686	35,703	1,436,005	4,091,066	310,266	328,705	1,545,009	667,875	1,132,585,233	1,166,031,765
Liabilities:														
Investment expenses payable	595,911	10,482	3,139	5,713	1,135	-	624	2,258	444	454	26	624	620,810	770,912
Securities lending collateral	161,206,713	2,608,825	760,499	1,248,364	256,880	-	10,742	556,285	38,685	40,869	-	101,219	166,829,081	224,185,601
Due to other funds	4,955	31	-	-	-	6	250	-	-	-	250	-	5,492	1,855
Total liabilities	161,807,579	2,619,338	763,638	1,254,077	258,015	6	11,616	558,543	39,129	41,323	276	101,843	167,455,383	224,958,368
Net assets held for external investment pool participants	$ 924,957,230	$ 16,640,670	$ 4,909,606	$ 8,632,780	$ 2,327,671	$ 35,697	$ 1,424,389	$ 3,532,523	$ 271,137	$ 287,382	$ 1,544,733	$ 566,032	965,129,850	$ 941,073,397
Each participant unit is valued at $1.00														
Participant units outstanding	924,957,230	16,640,670	4,909,606	8,632,780	2,327,671	35,697	1,424,389	3,532,523	271,137	287,382	1,544,733	566,032	965,129,850	941,073,397

The accompanying notes are an integral part of this financial statement.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Combining Statement of Changes in Net Assets – Investment Trust Funds
Insurance Pool Participants
For the Year Ended June 30, 2001
(With Comparative Totals for 2000)

	Workers Compensation	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund	Insurance Regulatory Trust Fund	Veterans Cemetery	Veterans Post War	Risk Management	ND Ass'n of Counties Fund	ND Ass'n of Counties Program Savings Fund	PERS Group Insurance	City of Bismarck Deferred Sick Leave	Totals (Memorandum Only) 2001	Totals (Memorandum Only) 2000
Investment income:														
Net increase (decrease) in fair value of investments	$ (27,760,213)	$ (746,935)	$ (201,129)	$ (342,226)	$ (53,790)	$ -	$ (175,012)	$ (177,198)	$ (16,410)	$ (15,308)	$ -	$ (17,621)	(29,505,842)	$ 62,100,571
Interest, dividends and other income	43,475,209	777,494	221,523	389,458	78,012	1,618	20,381	190,789	14,042	12,713	191,229	27,154	45,399,622	39,834,088
	15,714,996	30,559	20,394	47,232	24,222	1,618	(154,631)	13,591	(2,368)	(2,595)	191,229	9,533	15,893,780	101,934,659
Less investment expenses	2,566,986	46,420	13,867	25,890	4,421	2	3,677	11,172	1,891	1,857	1,066	2,529	2,679,778	2,613,077
Net investment income	13,148,010	(15,861)	6,527	21,342	19,801	1,616	(158,308)	2,419	(4,259)	(4,452)	190,163	7,004	13,214,002	99,321,582
Securities lending activity:														
Securities lending income	11,484,922	191,765	55,129	93,655	12,567	-	1,312	48,992	3,977	3,163	-	7,270	11,902,752	10,528,343
Securities lending expenses	10,948,087	182,483	52,444	89,020	11,885	-	1,259	46,636	3,787	3,007	-	6,924	11,345,532	9,953,494
Net securities lending income	536,835	9,282	2,685	4,635	682	-	53	2,356	190	156	-	346	557,220	574,849
Net increase (decrease) in net assets resulting from operations	13,684,845	(6,579)	9,212	25,977	20,483	1,616	(158,255)	4,775	(4,069)	(4,296)	190,163	7,350	13,771,222	99,896,431
Unit transactions at net asset value of $1 per unit:														
Purchase of units	36,000,000	3,125,000	-	250,000	1,640,000	10,083	200,000	-	-	-	80,885,448	-	122,110,531	105,012,752
Redemption of units	(24,200,000)	(2,400,000)	-	(350,000)	(2,050,000)	-	-	(1,800,000)	(264,275)	(1,111,025)	(79,650,000)	-	(111,825,300)	(79,200,877)
Net increase (decrease) in net assets and units resulting from unit transactions	11,800,000	725,000	-	(100,000)	(410,000)	10,083	200,000	(1,800,000)	(264,275)	(1,111,025)	1,235,448	-	10,285,231	25,811,875
Total increase (decrease) in net assets	25,484,845	718,421	9,212	(74,023)	(389,517)	11,699	41,745	(1,795,225)	(268,344)	(1,115,321)	1,425,611	7,350	24,056,453	125,708,306
Net assets:														
Beginning of year	$ 899,472,385	$ 15,922,249	$ 4,900,394	$ 8,706,803	$ 2,717,188	$ 23,998	$ 1,382,644	$ 5,327,748	$ 539,481	$ 1,402,703	$ 119,122	$ 558,682	$ 941,073,397	$ 815,365,091
End of year	$ 924,957,230	$ 16,640,670	$ 4,909,606	$ 8,632,780	$ 2,327,671	$ 35,697	$ 1,424,389	$ 3,532,523	$ 271,137	$ 287,382	$ 1,544,733	$ 566,032	$ 965,129,850	$ 941,073,397

The accompanying notes are an integral part of this financial statement.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Internal Service Fund – Schedule of Administrative Expenses

For the Years Ended June 30, 2001 and 2000

	2001	2000
Salaries and wages:		
Salaries and wages	$ 552,477	$515,969
Fringe benefits	156,525	156,300
Total salaries and wages	709,002	672,269
Operating expenses:		
Information services	174,172	177,577
Intergovernmental services	7,341	6,709
Professional services	83,586	68,680
Rent of building space	67,323	67,173
Mailing services and postage	45,247	41,111
Travel and lodging	42,492	26,475
Printing	32,989	26,616
Office supplies	15,554	8,328
Professional development	22,939	12,509
Outside services	30,477	31,871
Small office equipment expense	24,319	5,196
Miscellaneous fees	3,961	6,792
Resource and reference materials	3,983	1,706
Service contracts - office equipment	5,737	3,731
Repairs - office equipment	11,890	1,784
Insurance	284	283
Non-capitalized equipment purchases - appropriated	7,238	-
Total operating expenses	579,532	486,541
Depreciation	3,419	24,037
Capitalized equipment purchases - appropriated	7,880	33,954
Less - nonappropriated items:		
Professional fees	83,586	68,680
Depreciation	3,419	24,037
Accrual adjustments to employee benefits	811	11,271
Total nonappropriated items	87,816	103,988
Total appropriated administrative expenditures	$ 1,212,017	$ 1,112,813

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Pension Trust Fund – Schedule of Administrative Expenses

For the Years Ended June 30, 2001 and 2000

	2001	2000
Salaries and wages:		
Salaries and wages	$ 391,554	$346,100
Fringe benefits	113,374	98,461
Total salaries and wages	504,928	444,561
Operating expenses:		
Information services	167,809	174,356
Intergovernmental services	5,506	5,150
Professional services	174,349	199,744
Rent of building space	50,841	47,565
Mailing services and postage	43,214	38,322
Travel and lodging	28,813	14,644
Printing	29,851	23,616
Office supplies	11,594	6,434
Professional development	15,788	8,482
Outside services	15,948	9,535
Small office equipment expense	18,554	4,011
Miscellaneous fees	3,531	4,701
Resource and reference materials	3,258	1,173
Service contracts - office equipment	4,310	2,632
Repairs - office equipment	8,712	1,261
Insurance	213	199
Non-capitalized equipment purchases	5,687	-
Total operating expenses	587,979	541,825
Capitalized equipment purchases	7,880	30,439
Less: charges for services reduced by income	(1,456)	(1,276)
Total administrative expenditures	$ 1,099,331	$ 1,015,549

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Pension Trust Fund - Schedule of Investment Expenses

For the Years Ended June 30, 2001 and 2000

	2001	2000
Investment managers' fees:		
Domestic large cap equity managers	$ 780,522	$ 522,252
Domestic small cap equity managers	1,110,160	1,218,250
International equity managers	805,232	745,434
Emerging markets equity managers	368,045	539,701
Domestic fixed income managers	168,984	529,008
High yield fixed income managers	172,727	125,549
International fixed income managers	254,018	252,381
Real estate managers	1,243,499	1,092,489
Private equity managers	1,656,719	1,379,339
Cash & equivalents managers	33,205	47,791
Total investment managers' fees	6,593,111	6,452,194
Other investment service fees:		
Custodian fees	264,545	235,944
Investment consultant fees	91,966	67,943
Securities lending fees	4,121,078	4,879,347
State Investment Board admin fees	131,254	152,174
Total investment service fees	4,608,843	5,335,408
Total investment expenses	$ 11,201,954	$ 11,787,602

Note: Totals will not tie to financial statements as certain commingled investment account managers net the investment management fees with income when reporting to the custodian bank. These amounts are not broken out on the financial statements.

Pension Trust Fund - Schedule of Consultant Expenses

For the Years Ended June 30, 2001 and 2000

	2001	2000
Actuary fees:		
Buck Consultants	$ 16,522	$ 20,000
Watson Wyatt Worldwide (Gabriel, Roeder, Smith & Co. as of 8/31/01)	143,436	161,226
Total actuary fees	159,958	181,226
Disability consulting fees:		
Dr. G.M. Lunn	475	450
Legal fees:		
ND Attorney General	6,528	15,655
Calhoun Law Group, P.C.	7,388	2,413
Total legal fees	13,916	18,068
Total consultant expenses	$174,349	$199,744

INVESTMENT SECTION

ND Retirement and Investment Office

Teachers' Fund for Retirement
State Investment Board

Steve Cochrane, CFA
Executive Director

Fay Kopp
Deputy Executive Director

1930 Burnt Boat Drive
P.O. Box 7100
Bismarck, ND 58507-7100
Telephone 701-328-9885
ND Toll Free 800-952-2970
Relay ND 800-366-6888
Fax 701-328-9897
www.discovernd.com/rio

November 15, 2001

Members of the
North Dakota State Investment Board
North Dakota Teachers' Fund for Retirement Board

Dear Board Members:

It is a pleasure to provide the following summary of the North Dakota Pension and Insurance pools' investment portfolios and market environment for the fiscal year ended June 30, 2001.

Introduction

For the fiscal year ended June 30, 2001, the $2,546,681,987 North Dakota Pension investment pool portfolio experienced a total return of -5.56%. The Teachers' Fund for Retirement, a participant in the Pension pool, declined by 7.30% for the year. The Insurance investment pool, valued at $965,755,115 on June 30, 2001, returned 1.51% during the same time frame. The investment return calculations were prepared using a monthly time-weighted rate of return methodology in accordance with AIMR's Performance Presentation Standards.

In what was a difficult year for investors, total returns for the participating funds were negative in domestic equity, international equity, and international fixed income; domestic fixed income, real estate, and private equity generated positive returns.

The Pension and Insurance investment pools are pooled investment funds. The Pension pool was created in 1989 in an effort to realize cost savings through pooling of pension assets. The Insurance pool was created in 1993 for similar reasons. A list of the participants and their ownership in each pool is provided in this section of the report. The pooled funds' strategies are a proportional reflection of the investment objectives of each of the participating funds. The returns experienced by the individual funds were consistent with their respective investment policies and related asset allocations. Investment program details for the participating plans, including investment objectives and a listing of their 21 external investment managers are presented in the Investment Section.

Our investment program's cost effectiveness as measured by expense ratio is 45 basis points and includes investment office administrative expenses, consultant fees, money manager fees and master custodian fees. Allocation of monthly income and expenses to the participants in the pools is based on a time-weighted beginning balance. A "time factor" and "time-weighted amount" are calculated for each plan based on individual plan related activities. The time-weighted amounts are added up for all plan-related activities to compose the time-weighted beginning balance used to allocate the activity of the pool. Five-year annualized risk for the period ended June 30, 2001 as measured by standard deviation has been 10.5% for the Pension Trust and 7.9% for the Insurance Trust. Risk exposure for each participating fund is also limited in accordance with the guidelines presented in the Investment Section.

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Economic Overview

The fiscal year began amidst signs of a slowing economy. After growing 5.6% in the second quarter of 2000, the economy's real growth rate fell to 2.2% the following quarter (the first of the fiscal year). Unfortunately, this marked a trend and not a one-time dip; each quarter's growth rate proceeded to be lower than the prior quarter's rate. For the year ending June 30, 2001, the economy grew at a real rate of only 1.2%. The Federal Reserve was slow in its response to the deteriorating economic environment. After raising short-term interest rates in May of 2000, Alan Greenspan and the Federal Reserve Board did not begin cutting rates until January of 2001. From January until June of 2001, however, the Fed cut the federal funds target rate by 275 basis points, from 6.5% to 3.75%. As the economy worsened, so did many economic statistics; unemployment increased, manufacturing capacity fell, consumer confidence dropped, and productivity decreased. Inflation, as measured by the Consumer Price Index, rose 3.2% for the fiscal year. A tremendous boom in investment spending helped fuel the dynamic growth in the U.S. economy during the second half of the 1990s, but since the start of 2000 investment spending has trailed off dramatically. Ultimately, this decline in business capital expenditures, especially technology equipment, was too much for the economy to withstand without weakening.

Domestic Equity Overview

The fall in domestic equities that began in the second calendar quarter of 2000 continued for the first nine months of the fiscal year. A strong performance in the second calendar quarter of 2001, however, did not prevent the broad market from posting negative double-digit returns for the year ended June 30, 2001. Because technology-oriented, fast-growing companies were hit hardest by the slowing economy, their stocks were the worst performers for the fiscal year. In a reversal of previous years, growth stocks severely under-performed value stocks. Small cap stocks tended to out-perform large cap stocks, but size was less of an issue than style during the year. Overall, the Russell 3000 returned -13.93% for the year with the S&P 500 returning -14.83%. Small cap stocks, as measured by the Russell 2000 Index, returned 0.57%. The median large cap value manager gained 9.25% while the median large cap growth manager lost 27.32% for the fiscal year.

International Equity Overview

The solid performance delivered by international equities in the prior fiscal year did not carry over into the year ended June 30, 2001. International equities were harmed by the slowdown in the U.S. economy and the continued strength of the dollar during the fiscal year. As in the U.S., growth stocks in the technology, media and telecommunication sectors were particularly hard hit. For the year, the market declines were consistent across all regions—Europe, Pacific, and Emerging Markets. Overall, the Morgan Stanley Capital International Europe, Australia, Far East Index (MSCI EAFE), which includes 21 developed non-U.S. countries, was down 23.60% in dollar terms for the year ending June 30, 2001. Within EAFE, the MSCI Europe Index was down 21.75% for the fiscal year ending June 30, 2001 while the MSCI Pacific Index fell 27.41%. The world's emerging markets again under-performed developed markets as the MSCI Emerging Markets Free Index lost 25.83% for the fiscal year.

Domestic Fixed-Income Overview

Unlike equities, the domestic bond market benefited from the U.S. economic slowdown in the fiscal year. Due to the lack of a serious inflation threat, Federal Reserve interest rate cuts, and poor performance in the equity markets, the domestic fixed income market generated double-digit returns for the year ended June 30, 2001. Broad market returns were positive in all four quarters of the fiscal year. With the economy hurting many U.S. companies, investors preferred high quality, investment-grade issues to high yielding bonds. Within the investment-grade class, corporate bonds out-performed government bonds, including Treasuries. For the year ending June 30, 2001, the Lehman Brothers Government/Credit Bond Index returned 11.13% for the year, and the broader Lehman Brothers Aggregate Index gained 11.22%. The

Lehman Aggregate is the combination of the Government/Corporate Index and the Mortgage Backed Securities Index. The Lehman Brothers Mortgage-Backed Securities Index was up 11.29% for the fiscal year. As for the high yield sector, the Lehman Brothers High Yield Index lost 0.96% for the year.

International Fixed-Income Overview

Despite a favorable economic backdrop for international fixed income markets, the continued strength of the dollar led to negative market returns for the fiscal year. The broad market gained 5.6% in local terms during the second half of calendar year 2000, yet declined 2.6% in dollar terms. The trend continued in the first half of calendar year 2001, as returns were positive in local currencies, but negative when converted to dollars. On a positive note, Emerging Markets behaved differently from developed markets and produced strong returns for the year. Overall, the Salomon Non-US Government Bond Index declined 7.43% for the year while the Salomon World Government Bond Index fell 3.07% (the latter index includes U.S. Treasury bonds). The J.P. Morgan Emerging Markets Bond Index was up 12.91% for the year.

Real Estate Overview

The benefits of diversification were on display during the fiscal year as real estate investments surged. REITs (Real Estate Investment Trust) out-performed virtually all asset classes for the year ended June 30, 2001, and private real estate markets produced positive gains as well. Performance was stronger in the second half of calendar year 2000 compared with the first half of 2001 as the real estate market began to feel the effects of a slowing economy. Overall, the NAREIT (National Association of Real Estate Investment Trusts) index for REIT funds was up 25.36% for the fiscal year. In the private markets, the median manager of direct real estate investments in the Callan database gained 7.99% for the fiscal year ended June 30, 2001.

Private Equity Overview

The Private Equity markets reflected the turbulence of the public markets during the fiscal year. This market, as measured by the Post Venture Capital Index, experienced a -48.23% return for the fiscal year.

Summary

Fiscal year 2001 rewarded investors who were exposed to asset classes that had been poor performers in recent years; this phenomenon highlights the need for disciplined rebalancing of asset classes back to their target allocations. The Pension Trust's high exposure to equities and poor relative performance in the fixed income area led to a negative total return for the year. Fortunately, the Insurance Trust's sizable fixed income allocation enabled it to produce a positive return in a difficult year for investors.

Sincerely,

STEVE COCHRANE, CFA
Executive Director/CIO

INVESTMENT PERFORMANCE SUMMARY
JUNE 30, 2001

			Rates of Return						
	Market Value	% Of Pool	For Fiscal Year Ended 6/30					Annualized	
PENSION POOL PARTICIPANTS			2001	2000	1999	1998	1997	3 Years	5 Years
Teachers' Fund for Retirement	$1,279,176,500	50.2%	-7.30%	11.63%	11.06%	14.04%	19.29%	4.75%	9.36%
Public Employees Retirement System	1,170,979,333	46.0%	-4.12%	9.34%	10.63%	16.08%	19.71%	5.07%	10.01%
Bismarck City Employee Pension Fund	23,023,980	0.9%	-2.14%	8.04%	9.38%	17.35%	18.25%	4.97%	9.92%
Bismarck City Police Pension Fund	11,313,974	0.4%	-3.41%	8.74%	8.89%	17.30%	18.24%	4.57%	9.66%
Job Service of North Dakota	62,188,200	2.4%	-3.19%	6.85%	9.45%	22.36%	27.89%	4.22%	12.02%
Subtotal Pension Pool Participants	2,546,681,987	100.0%							
INSURANCE POOL PARTICIPANTS									
Workers Compensation Fund	925,558,096	95.8%	1.38%	12.22%	7.42%	15.81%	16.53%	6.91%	10.48%
State Fire and Tornado Fund	16,651,183	1.7%	0.38%	11.65%	8.46%	14.39%	9.35%	6.72%	8.81%
State Bonding Fund	4,912,462	0.5%	0.43%	11.60%	8.49%	14.32%	9.12%	6.73%	8.77%
Petroleum Tank Release Fund	8,638,280	0.9%	-0.81%	13.13%	7.88%	13.27%	12.57%	6.58%	9.10%
Insurance Regulatory Trust Fund	2,328,542	0.2%	0.60%	11.71%	7.79%	11.62%	10.89%	6.60%	8.50%
State Risk Management Fund	3,534,504	0.4%	0.33%	2.58%	4.18%	12.39%	*	2.35%	*
Veterans Cemetery Trust Fund	35,703	0.0%	5.85%	6.05%	4.96%	*	*	5.50%	*
Veterans Post War Trust Fund	1,425,263	0.1%	-9.82%	2.94%	18.34%	*	*	3.18%	*
ND Assoc. of Counties (NDACo) Fund	271,581	0.0%	-2.37%	12.79%	*	*	*	*	*
NDACo Program Savings Fund	287,836	0.0%	-1.97%	12.36%	*	*	*	*	*
City of Bismarck Deferred Sick Leave	566,656	0.1%	1.85%	*	*	*	*	*	*
PERS Group Insurance	1,545,009	0.2%	5.85%	*	*	*	*	*	*
Subtotal Insurance Pool Participants	965,755,115	100.0%							
INDIVIDUAL INVESTMENT ACCOUNT									
Retiree Health Insurance Credit Fund	24,302,653	100.0%	-7.65%	9.16%	12.40%	18.21%	20.00%	4.26%	9.96%
TOTAL	$3,536,739,755								
<u>BENCHMARKS</u>									
S&P 500			-14.83%	7.24%	22.76%	30.27%	34.66%	3.89%	14.48%
Lehman Brothers Aggregate			11.22%	4.57%	3.15%	10.54%	8.15%	6.25%	7.48%
90 Day T-Bills			5.88%	5.53%	4.87%	5.31%	5.30%	5.44%	5.38%
Callan Public Plan Sponsors Database (Median)			-3.54%	9.48%	10.26%	17.96%	18.78%	5.56%	10.37%

* These funds do not have the specified years of history under SIB management.

Note: Asset allocation largely drives investment performance. Each fund has a unique allocation that takes into consideration return objectives, risk tolerance, liquidity constraints, and unique circumstances. Such considerations must be taken into account when comparing investment results.

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
PENSION POOL PARTICIPANTS
FOR PERIODS ENDED JUNE 30, 2001

	Style	Date Initiated	Market Value	Annualized Rates of Return 1 Year	3 Years	5 Years
DOMESTIC LARGE CAP EQUITY:						
Alliance Capital Management	Structured Growth	06/1998	$ 55,269,214	-27.80%	2.58%	*
LSV Asset Management	Structured Value	06/1998	68,727,166	29.38%	6.90%	*
Northern Trust Global Investments	Enhanced S&P 500	08/2000	108,546,146	*	*	*
State Street Global Advisors	S&P 500 Index	06/1987	183,449,749	-14.73%	3.93%	14.50%
Strong Capital Management, Inc.	Enhanced S&P 500	08/2000	108,262,287	*	*	*
Westridge Capital Management, Inc.	Enhanced S&P 500	08/2000	124,012,345	*	*	*
Wilshire Associates, Inc.	Enhanced Russell 1000	08/2000	109,447,289	*	*	*
TOTAL DOMESTIC LARGE CAP EQUITY			757,714,196	-11.35%	2.37%	12.57%
Standard & Poor's 500 Index				-14.83%	3.89%	14.48%
DOMESTIC SMALL CAP EQUITY:						
SEI Investments Management Co.	Manager of Managers	06/2001	258,591,561	*	*	*
TOTAL DOMESTIC SMALL CAP EQUITY			258,591,561	2.40%	3.82%	*
Russell 2000 Index				0.57%	5.28%	*
INTERNATIONAL EQUITY:						
Capital Guardian Trust Company	Core	03/1992	161,985,956	-19.26%	10.64%	14.13%
State Street Global Advisors	Core	03/1987	160,920,692	-17.58%	0.93%	*
TOTAL INTERNATIONAL EQUITY			322,906,648	-18.43%	5.90%	9.76%
MSCI EAFE 50% Hedged Index **				-17.95%	2.15%	6.09%
EMERGING MARKETS EQUITY:						
Capital Guardian Trust Company	Core	08/1996	117,926,023	-28.86%	2.95%	*
MSCI Emerging Markets Free Index				-25.93%	1.44%	*
DOMESTIC FIXED INCOME:						
Bank of North Dakota	LB G/C Index	01/1988	90,225,938	11.10%	5.73%	7.24%
Bank of North Dakota - CDs	Cert. of Deposit	02/1994	27,225,366	5.87%	5.85%	5.96%
Criterion Investment Management	Active Duration	02/1986	91,070,196	12.62%	6.38%	7.75%
Strong Capital Management, Inc.	Baa Bonds	11/1998	92,156,405	13.72%	*	*
Trust Company of the West	Convertibles	06/1999	86,266,918	-13.18%	*	*
Wachovia Corporation	Timberland	06/2001	496,137	*	*	*
Western Asset Management Co.	Core Bonds	02/1986	92,667,006	13.64%	7.15%	8.53%
TOTAL DOMESTIC FIXED INCOME			480,107,966	7.10%	7.35%	8.20%
Lehman Brothers Aggregate Index				11.22%	6.25%	7.48%
HIGH YIELD FIXED INCOME:						
Western Asset Management Co.	High Yield	11/1996	149,826,593	-4.22%	3.05%	*
Lehman Brothers High Yield Index				-0.96%	-0.79%	*
INTERNATIONAL FIXED INCOME:						
Brinson Partners, Inc.	Core Non-U.S.	03/1989	125,377,935	-7.22%	-0.79%	0.80%
Salomon Brothers Non-US Gov't Bond Index				-7.43%	-0.19%	0.49%

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
PENSION POOL PARTICIPANTS (CONTINUED)
FOR PERIODS ENDED JUNE 30, 2001

	Style	Date Initiated	Market Value	Annualized Rates of Return 1 Year	3 Years	5 Years
REAL ESTATE:						
Heitman/JMB Institutional Advisory Corp.	Core Commingled	12/1987	2,422,868	1.93%	7.54%	9.67%
INVESCO Realty Advisors	Direct Equity	08/1997	109,636,895	14.40%	9.56%	*
J. P. Morgan Investment Mgmt. Inc.	Core Commingled	10/1987	96,656,987	10.26%	13.18%	12.92%
CB Richard Ellis Investors, L.L.C.	Core Commingled	12/1987	10,314	25.25%	17.50%	14.33%
TOTAL REAL ESTATE			208,727,064	12.37%	11.45%	10.94%
NCREIF Classic Index				11.15%	11.85%	12.74%
PRIVATE EQUITY:						
Brinson Partners, Inc. (I.V.C.F. II)	Diversified	03/1989	550,899	-30.95%	36.78%	33.11%
Brinson Partners, Inc. (I.V.C.F. III)	Diversified	01/1993	3,414,942	-17.00%	88.52%	64.44%
Brinson Partners, Inc. (1998 Fund)	Diversified	01/1998	5,853,449	-2.65%	16.67%	*
Brinson Partners, Inc. (1999 Fund)	Diversified	01/1999	7,335,358	-3.81%	*	*
Brinson Partners, Inc. (2000 Fund)	Diversified	10/1999	9,012,211	2.74%	*	*
Brinson Partners, Inc. (2001 Fund)	Diversified	12/2000	1,191,454	*	*	*
Brinson Partners, Inc. (1999 Non-U.S. Fund)	Diversified	01/1999	2,363,027	4.98%	*	*
Brinson Partners, Inc. (2000 Non-U.S. Fund)	Diversified	01/2000	1,560,548	-4.47%	*	*
Brinson Partners, Inc. (2001 Non-U.S. Fund)	Diversified	02/2001	733,038	*	*	*
Brinson Partners, Inc. (B.V.C.F. IV)	Diversified	05/1999	14,502,997	-10.85%	*	*
Coral Partners, Inc. (V.P. II)	Direct	06/1990	654,195	-48.84%	-4.19%	10.16%
Coral Partners, Inc. (Fund V)	Direct	03/1998	44,202,166	20.33%	13.91%	*
Hearthstone	Home Building	10/1999	7,229,610	8.17%	*	*
TOTAL PRIVATE EQUITY			98,603,894	3.88%	18.53%	20.56%
Post Venture Cap Index				-48.23%	2.65%	6.98%
CASH EQUIVALENTS:						
The Northern Trust Company	STIF/STEP	07/1994	26,900,107	6.12%	5.89%	5.81%
90 Day T-Bills				5.88%	5.44%	5.38%
TOTAL PENSION POOL			$ 2,546,681,987	-5.56%	5.27%	9.99%
Policy Target						

* This manager/category has less than the indicated years under management due to addition of asset class or replacement of investment managers during this time period.

** Prior to February 1997, the benchmark for international equity was the MSCI EAFE Index (unhedged).

The investment return calculations were prepared using a monthly time-weighted rate of return methodology in accordance with AIMR's Performance Presentation Standards. Returns are shown before the effect of investment management fees.

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
INSURANCE POOL PARTICIPANTS
FOR PERIODS ENDED JUNE 30, 2001

	Style	Date Initiated	Market Value	Annualized Rates of Return 1 Year	3 Years	5 Years
DOMESTIC LARGE CAP EQUITY:						
Alliance Capital Management	Structured Growth	06/1998	$ 20,785,811	-29.94%	1.78%	*
LSV Asset Management	Structured Value	06/1998	18,763,017	29.29%	6.73%	*
State Street Global Advisors	S&P 500 Index	10/1996	75,798,669	-14.82%	3.90%	*
TOTAL DOMESTIC LARGE CAP EQUITY			115,347,497	-9.63%	3.45%	13.58%
Standard & Poor's 500 Index				-14.83%	3.89%	14.48%
DOMESTIC SMALL CAP EQUITY:						
SEI Investments Management Co.	Manager of Managers	06/2001	56,377,484	*	*	*
TOTAL DOMESTIC SMALL CAP EQUITY			56,377,484	-3.51%	5.67%	*
Russell 2000 Index				0.57%	5.28%	*
INTERNATIONAL EQUITY:						
Capital Guardian Trust Company	Core	04/1997	70,530,133	-24.02%	8.80%	*
MSCI EAFE 50% Hedged Index **				-20.41%	0.11%	*
CONVERTIBLE BONDS:						
Trust Company of the West	Sector Rotation	07/1990	110,818,032	-15.21%	11.77%	14.69%
First Boston Convertible Index				-11.87%	8.57%	10.92%
DOMESTIC FIXED INCOME:						
Bank of North Dakota - CDs	Cert. of Deposit	12/1996	15,537,125	5.98%	5.59%	*
Bank of North Dakota	LB G/C Index	07/1989	243,704,998	11.09%	5.86%	7.42%
Western Asset Management Co.	Core Bond	07/1990	321,778,139	12.87%	6.76%	8.09%
TOTAL DOMESTIC FIXED INCOME			581,020,262	11.95%	6.35%	7.74%
Lehman Brothers Government/Credit Index				11.13%	5.98%	7.38%
CASH EQUIVALENTS:						
Bank of North Dakota	Enhanced MMDA	07/1989	31,661,707	5.85%	5.62%	5.76%
90 Day T-Bills				5.88%	5.44%	5.38%
TOTAL INSURANCE POOL			$ 965,755,115	1.51%	7.10%	10.43%
Policy Target				1.66%	6.16%	9.82%

* This manager/category has less than the indicated years under management due to addition of asset class or replacement of investment managers during this time period.

** Prior to September 2000, the benchmark for international equity was the MSCI EAFE Index (unhedged).

The investment return calculations were prepared using a monthly time-weighted rate of return methodology in accordance with AIMR's Performance Presentation Standards. Returns are shown before the effect of investment management fees.

LARGEST HOLDINGS (By Market Value) AT JUNE 30, 2001

PENSION POOL PARTICIPANTS

Shares	Stocks	Market Value
71,266	Citigroup Incorporated	$ 3,765,695
77,100	General Electric Company	3,758,625
74,737	Pfizer Inc.	2,993,217
47,900	AOL Time Warner Incorporated	2,538,700
34,000	Microsoft Corporation	2,482,000
43,300	Tyco International LTD	2,359,850
33,200	Kohls Corporation	2,082,636
24,025	American International Group, Inc.	2,066,150
112,800	Reorg AT&T Corp/Liberty Media Corp	1,972,872
28,100	Bank America Corporation	1,686,843

Par	Bonds	Market Value
14,840,000	FNMA 7.50% 30 Years Security #3319444	$ 15,142,142
6,750,000	U.S. Treasury Bond 8.00% Due 11-15-2021	8,407,193
5,436,000	GNMA TBA Pool 6.50%	5,376,530
4,380,000	U.S. Treasury Inflation Indexed Note 3.875% Due 04-15-2029	5,032,986
4,900,000	FNMA 6.00% TBA Pool 30 Year July	4,702,971
3,625,000	FNMA 30 Year Pass-throughs 6.50%	3,567,218
3,200,000	U.S. Treasury Note 7.875% Due 11-15-2004	3,504,384
3,030,000	U.S. Treasury Bond 6.125% Due 11-15-2027	3,123,263
3,000,000	U.S. Treasury Note 6.25% Due 08-31-2002	3,075,780
2,900,000	U.S. Treasury Note 5.75% Due 10-31-2002	2,962,611

INSURANCE POOL PARTICIPANTS

Shares	Stocks	Market Value
54,827	Clear Channel Communications Inc.	$ 3,437,653
943,863	Vodafone Group	2,090,659
29,000	General Electric Company	1,413,750
61,000	Nokia	1,382,385
77	NTT Docomo Inc	1,339,721
20,240	Sanofi-Synthelabo	1,327,893
25,100	Citigroup Incorporated	1,326,284
15,817	Samsung Electronics	1,234,991
25,400	Astrazeneca	1,183,447
28,100	Pfizer Inc.	1,125,405

Par	Bonds	Market Value
48,950,000	GNMA TBA pool 6.50%	$ 48,414,487
36,910,000	FNMA 7.50% 30 Years Security #3319444	37,661,488
19,320,000	FNMA 6.00% TBA Pool 30 Year	18,543,143
10,650,000	U.S. Treasury Inflation Indexed 3.625% Note Due 04-15-2028	11,896,205
11,730,000	U.S. Treasury Bond 5.25% Due 11-15-2028	10,733,419
9,650,000	FNMA TBA Pool 8.00% Due 07-01-2030	9,966,616
9,770,000	GNMA TBA pool 6.00% 30 Year	9,455,504
6,900,000	U.S. Treasury Bond 8.00% Due 11-15-2021	8,594,019
8,130,000	GNMA TBA pool 7.50% 30 Year	8,335,770
5,800,000	U.S. Treasury Bond 9.00% Due 11-15-2018	7,757,152

The individual investment account, PERS Retiree Health Credit Fund, is invested in various commingled funds, and so has no individual stock or bond holdings. A complete list of all holdings is available upon request.

SCHEDULE OF INVESTMENT FEES & COMMISSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Assets under management	Fees	Basis points
Investment managers' fees:			
Domestic large cap equity managers	$ 873,061,693	$ 1,904,521	22
Domestic small cap equity managers	314,969,045	2,379,370	76
International equity managers	393,436,781	1,596,383	41
Emerging markets equity managers	117,926,023	674,300	57
Convertibles managers	110,818,032	478,858	43
Domestic fixed income managers	1,061,128,228	1,890,535	18
High yield fixed income managers	149,826,593	296,678	20
International fixed income managers	125,377,935	501,752	40
Real estate managers	208,727,064	1,877,678	90
Private equity managers	98,603,894	2,868,256	291
Cash & equivalents managers	58,561,814	54,463	9
Balanced account managers	24,302,653	53,036	22
Total investment managers' fees	$ 3,536,739,755	$ 14,575,830	41
Other investment service fees:			
Custodian fees		$ 859,837	2
Investment consultant fees		382,404	1
Securities lending fees		21,950,566	62
Administrative fees		363,403	1
Total investment service fees		$ 23,556,210	67

Note: Totals will not tie to financial statements as certain commingled investment account managers net the investment management fees with income when reporting to the custodian bank. These amounts are not broken out on the financial statements.

Brokers	Number of shares traded	Total commissions	Commissions per share
Jefferies & Company	6,893,105	$ 169,782	$ 0.025
Smith Barney Inc.	4,745,778	120,537	0.025
DB Clearing Services	4,651,500	1,237	0.000
Investment Technology Group Inc.	4,465,975	104,327	0.023
State Street Brokerage Services	2,695,975	41,216	0.015
J.P. Morgan Securities Inc.	2,477,787	67,325	0.027
Instinet	2,406,600	75,754	0.031
Merrill Lynch Pierce Fenner & Smith	2,056,458	64,118	0.031
Goldman Sachs & Company	1,887,096	45,260	0.024
First Boston Corporation	1,674,146	65,675	0.039
Other 212 Brokers *	33,520,380	799,482	0.024
Gross commissions	67,474,065	1,554,713	$ 0.028
Less commissions recaptured		(97,633)	
Net commissions paid		$ 1,457,080	$ 0.026

* A complete listing of investment brokers utilized is available upon request.

TEACHERS' FUND FOR RETIREMENT

■ Teachers' Fund for Retirement Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

The North Dakota Teachers' Fund for Retirement (TFFR) is a pension benefit plan that was established in 1913 to provide retirement income to all public and certain college, state, and nonpublic teachers and education administrators in the state of North Dakota. The plan is administered by a seven-member Board of Trustees comprised of five members appointed by the Governor of North Dakota and two elected officials, the State Treasurer and the State Superintendent of Public Instruction.

The plan is a multi-employer defined benefit pension plan that provides retirement benefits, disability retirement benefits, and survivor benefits, as the case may be, in accordance with Chapter 15-39.1 of the North Dakota Century Code (NDCC). Monthly retirement benefits are based on the formula: Number of Years of Service X 1.88% X One-thirty-sixth of the Sum of Three Highest Annual Salaries. Adjustments to the basic formula are made depending on the retirement option selected.

Funding is provided by monthly employee contributions of 7.75% of payroll and matching employer contributions. On an annual basis, benefit payouts exceed contributions by a narrow amount. The asset/liability study completed in June 2000 indicates that a 2% cash equivalents allocation is expected to provide sufficient liquidity for at least the next ten years.

The TFFR Board has an actuarial valuation performed annually. The current actuarial assumed rate of return on assets is 8.0%. Key plan and financial statistics as of the most recent valuation are recorded in the Asset/Liability Model presented in June 2000 by Watson Wyatt Worldwide and on file at the ND Retirement and Investment Office.

Responsibilities and Discretion of the State Investment Board (SIB)

The SIB is charged by law under NDCC 21-10 with the responsibility of establishing investment guidelines and investing the assets of the Fund. The assets are to be invested in the manner provided in NDCC 21-10-07, the prudent institutional investor rule. 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 Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing criteria, procedures, and making decisions with respect to hiring, keeping, and terminating money managers. SIB investment responsibility also includes selecting performance measurement services, consultants, report formats, and frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

Investment Objectives

The investment objectives of the plan have been established by the TFFR board upon consideration of the board's strategic objectives and a comprehensive review of current and projected financial requirements.

Objective #1: Accumulate sufficient wealth through a diversified portfolio of investments and employer and employee contributions to pay all benefit and expense obligations when due.

Objective #2: Build a funding cushion to provide for future benefit increases (target 2.0% multiplier by Year 2001) by emphasizing higher return/higher risk assets in the fund's asset allocation.

Objective #3: To provide ad hoc and/or automatic benefit increases for retired members and beneficiaries to provide income protection and assist retirees in accessing affordable health insurance.

Objective #4: Improve, or at least maintain, the funded ratio without requiring future increases in employee or employer contribution rate.

Standards of Investment Performance

The plan's investment objectives and characteristics give rise to an asset allocation that is considered to have greater than a 50% probability of achieving the results desired. For evaluation purposes, the following performance targets will apply:

a. The Fund should produce a rate of return that at least matches that of the policy portfolio, which is comprised of 30% S&P 500 Stock Index, 10% Russell 2000, 20% MSCI EAFE, 5% MSCI Emerging Markets Free Index, 5% Brinson Venture Capital Performance Indicator, 7% Lehman Aggregate Bond Index, 7% Lehman Brothers High Yield Bond Index, 5% Salomon Brothers World Government Non-US Bond Index, 2% 90-day T-bills, 9% NCREIF Index.

b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.

c. Over ten year and longer time periods the Fund should match or exceed the expected 9.29% rate of return assumed in the asset/liability study. Expected risk for the period, measured by standard deviation, is 11.17%.

Policy and Guidelines

The asset allocation of the TFFR fund is established by the TFFR Board, with input from consultants and RIO staff. Asset allocation is based upon the asset/liability study completed by Watson Wyatt Worldwide and Wyatt Investment Consulting in June 2000. That study provided an appraisal of current cash flow projections and estimates of the investment returns likely to be achieved by the various asset classes over the next 20 years.

In recognition of the plan's objectives, projected financial status, and capital market expectations, the following asset allocation was deemed appropriate for the Fund:

Domestic Equities – Large Cap	30%
Domestic Equities – Small Cap	10%
International Equities	20%
Emerging Markets Equities	5%
Domestic Fixed Income	7%
International Fixed Income	5%
High Yield Bonds	7%
Real Estate	9%
Venture Capital/Alt. Invsts.	5%
Cash Equivalents	2%

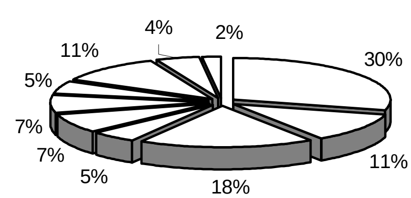
Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.
c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.

Teachers' Fund for Retirement
Actual Asset Allocation – June 30, 2001

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 373,711,992	30%	
Domestic Small Cap Equity	146,531,582	11%	
International Equity	229,090,400	18%	
Emerging Markets Equity	61,384,386	5%	
Domestic Fixed Income	94,029,091	7%	
High Yield Fixed Income	89,042,975	7%	
International Fixed Income	65,436,260	5%	
Real Estate	139,409,920	11%	
Private Equity	56,999,993	4%	
Cash Equivalents	23,539,901	2%	
TOTAL FUND	$ 1,279,176,500	100%	-7.30%



PUBLIC EMPLOYEES RETIREMENT SYSTEM

Public Employees Retirement System Investment Objectives and Policy Guidelines

Investment Goals

The investment goals of the Fund have been established by the Public Employees Retirement Board based upon consideration of the Board's strategic objectives and a comprehensive review of the current and projected financial requirements. These goals are to be viewed over the long term and have been established after full consideration of all factors set out in the Statement of Investment Goals, Objectives and Policies.

Goal #1: Accumulate sufficient wealth through a diversified portfolio of investments which must enable the State of North Dakota to pay all current and future retirement benefits and expense obligations of the Fund.

Goal #2: Obtain investment returns in excess of that needed to allow for future retirement benefit increases to provide career employees with a retirement income, which when augmented by Social Security, must approximate 90% of final average salary.

Goal #3: To obtain investment returns in excess of that needed to allow for the disability retirement benefit increase which will approximate 35-45% of final average salary.

Goal #4: To obtain investment returns in excess of that needed to allow for increases in a retiree's annuity to maintain the purchasing power of their benefit.

Delegation of Authority

Management responsibility for the investment program not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, who must establish written policies for the operation of the investment program, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1)(a).
2. Investment diversification, investment quality, qualification of advisory services, and amounts to be invested by advisory services pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:
   a. Futures and options may be used to hedge, but not for speculation.
   b. Derivatives use will be monitored to ensure that risks are not taken by the money managers.
   c. All assets must be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
3. Guidelines for the selection and redemption of investments pursuant to NDCC 21-10-02.1(1)(d).
4. Criteria for making decisions with respect to hiring, keeping, and terminating money managers. This also includes selecting performance measurements, consultants, report formats, and frequency of meetings with money managers.

No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the SIB. All participants in the investment process must seek to act responsibly as custodians of the public trust.

Investment Objective

Investments of the North Dakota Public Employees Retirement System (NDPERS) must seek to generate sufficient return to meet the goals outlined in this policy so that the State of North Dakota is not obligated to increase the current statutory contribution rate. The objectives established in this section are in accordance with the fiduciary requirement as set forth in federal and state law.

It is in the best interest of NDPERS and its beneficiaries that objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Statement of Investment Goals, Objectives and Policies.

A. The long-term investment objective of the Fund is to achieve a minimum total real rate of return of 5.4% in excess of the annual rate of inflation. However the absolute total rate of return must be no less than 9.9% net of fees.

B. The portfolio mix must be in accordance with the asset allocation adopted and as specified herein.

Asset Allocation

In recognition of the plan's objectives, benefit projections, and capital market expectations, the following is the asset allocation for NDPERS:

Domestic Equities-Large Cap	30%
Domestic Equities-Small Cap	8%
International Equities	8%
Emerging Markets Equities	5%
Private Equity	5%
Domestic Fixed Income	28%
High Yield Fixed Income	5%
International Fixed Income	5%
Cash Equivalents	1%
Real Estate	5%
Expected Return	9.9%
Standard Deviation of Returns	10.0%

Restrictions

A. Futures and options may be used to hedge, but not for speculation.
B. No transaction shall be made which threatens the tax-exempt status of the Fund.
C. No letter stock shall be purchased.
D. No short sales or margin purchases shall be made.
E. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar horizon and similar risk.

   For the purpose of this document, Social Investing is defined as "The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

F. Economically Targeted Investing is prohibited unless the investment meets the Exclusive Benefit Rule.

   For the purpose of this document, Economically Targeted Investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

   Also for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

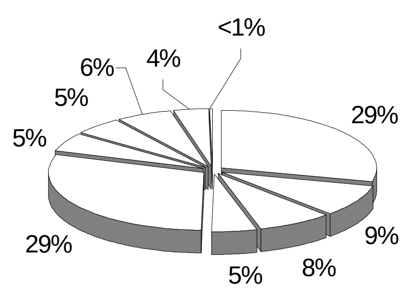
   1. The cost does not exceed the fair market value at the time of investment.
   2. The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
   3. Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
   4. The safeguards and diversity that a prudent investor would adhere to are present.

G. REITs may not be used in the Real Estate asset allocation.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

■ Public Employees Retirement System Actual Asset Allocation – June 30, 2001

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 347,948,718	29%	
Domestic Small Cap Equity	101,687,414	9%	
International Equity	89,509,747	8%	
Emerging Markets Equity	55,992,912	5%	
Domestic Fixed Income	345,392,289	29%	
High Yield Fixed Income	59,524,527	5%	
International Fixed Income	59,033,593	5%	
Real Estate	67,827,022	6%	
Private Equity	41,087,582	4%	
Cash Equivalents	2,975,529	0%	
TOTAL FUND	$ 1,170,979,333	100%	-4.12%



BISMARCK CITY EMPLOYEE PENSION PLAN

■ Bismarck City Employee Pension Plan Investment Objectives and Policy Guidelines

Introduction

The Bismarck, North Dakota City Employee Pension Plan (BCEPP) administrates the pension benefit plan established for the city of Bismarck public employees. The plan is administered by the BCEPP Board of Trustees. The plan is a defined benefit pension plan maintained to provide retirement benefits, disability benefits, and/or death benefits as may be the case, to the participants in accordance with Chapter 9-07 of the city of Bismarck Code of Ordinance (1986 revised). The plan is administered in accordance with IRS and Treasury Regulations.

The plan and benefits provided are funded by contributions from the members and members' employer. The plan was established to provide benefits to members eligible to receive them in accordance with the provisions of the plan.

Investment Goal

The goal of the BCEPP is to provide income through various investments and members and members' employer contributions, sufficient to pay benefits accrued and to provide for future benefit enhancements.

Purpose of This Statement

The purpose of this statement is to set forth the investment goals and objectives for the BCEPP. The goals and objectives are to be used by the BCEPP Board of Trustees, North Dakota State Investment Board (SIB), and money managers for the investment of the BCEPP's assets.

Prudent Investor Rule and Exclusive Benefit Provision

The BCEPP's assets must be invested in compliance with the prudent investor rule. 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 BCEPP must be invested exclusively for the benefit of their members and beneficiaries in accordance with the Fund's investment goals and objectives.

Responsibility of the Bismarck City Employee Pension Plan Board of Trustees

- The BCEPP Board of Trustees has the responsibility for establishing the investment goals and objectives which are the guide to the investment of BCEPP's assets. The BCEPP Board of Trustees determines the investment policies by considering the implications of a wide range of financial assumptions and investment risk.
- The BCEPP Board of Trustees shall review these investment goals, objectives and policies at least annually.
- The BCEPP Board of Trustees has the responsibility to approve exemptions to these investment goals and objectives.
- The BCEPP Board of Trustees has the responsibility for the development of an Asset Allocation Plan.
- The BCEPP board of Trustees shall receive and review reports from the SIB's Director of Investments quarterly.

Responsibilities of the North Dakota State Investment Board

- Final authority for hiring, retaining and releasing the money managers, as recommended by the Director of Investments, shall rest with the SIB.
- The SIB is responsible to the BCEPP Board of Trustees for carrying out the BCEPP Board of Trustees' investment goals, objectives and policies.
- The SIB is responsible to the BCEPP Board of Trustees for carrying out the BCEPP Board of Trustees' Asset Allocation Plan.
- The SIB must maintain a separate accounting for the BCEPP funds under their authority.
- The SIB will provide the BCEPP Board of Trustees with quarterly investment reports.

Statement of Total Fund Investment Philosophy/Objectives

The following investment objectives are established as of the date adopted and are in keeping with the fiduciary requirements as set forth in federal and state law and as expected by the members. It is in the best interest of BCEPP and beneficiaries that objectives be established for the total fund and performance standards set for each money manager. It is clearly understood these objectives and standards are to be viewed over the long term and have been established after full consideration of all factors set out in the Statement of Investment Goals, Objectives and Policies. These performance objectives are as follows:

- Total Fund Objectives

1. The long-term objective of the Fund is to achieve a minimum rate of return of 4.5% in excess of the annual rate of inflation. However, the return shall be no less than the 7.25% return the actuary has determined is required to pay future benefits.

2. Achieve a long-term performance, consistent within acceptable risk parameters, which ranks above the thirty-fifth (35th) percentile of a database composed of other managed funds as measured by the SIB's investment measurement consultant.

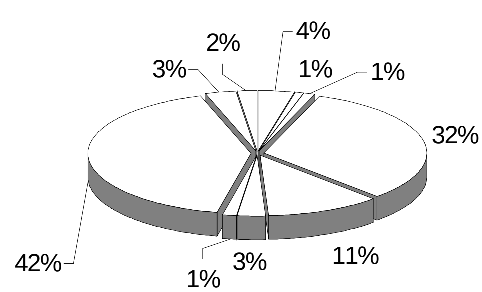
- The portfolio mix shall be in accordance with the asset allocation adopted and periodically revised by the NDSIB as approved by the BCEPP Board of Trustees.

Asset Allocation

Domestic Large Cap Equity	34.3%
Domestic Small Cap Equity	10.7%
International Equity	3.0%
Emerging Markets Equity	1.5%
Domestic Fixed Income	40.0%
High Yield Fixed Income	3.5%
International Fixed Income	2.0%
Real Estate	3.0%
Venture Capital	1.0%
Cash Equivalents	1.0%

■ Bismarck City Employee Pension Plan Actual Asset Allocation – June 30, 2001

Asset Allocation		Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	7,401,111	32%	
Domestic Small Cap Equity		2,628,249	11%	
International Equity		626,495	3%	
Emerging Markets Equity		331,973	1%	
Domestic Fixed Income		9,583,838	42%	
High Yield Fixed Income		736,716	3%	
International Fixed Income		427,262	2%	
Real Estate		821,486	4%	
Private Equity		207,579	1%	
Cash Equivalents		259,271	1%	
TOTAL FUND	$	23,023,980	100%	-2.14%



BISMARCK CITY POLICE PENSION PLAN

Bismarck City Police Pension Plan Investment Objectives and Policy Guidelines

Introduction

The Bismarck, North Dakota City Police Pension Plan (BCPPP) administrates the pension benefit plan established for the city of Bismarck police. The plan is administered by the BCPPP Board of Trustees. The plan is a defined benefit pension plan maintained to provide retirement benefits, disability benefits, and/or death benefits as may be the case, to the participants in accordance with Chapter 9-08 of the city of Bismarck Code of Ordinance (1986 revised). The plan is administered in accordance with IRS and Treasury Regulations.

The plan and benefits provided are funded by contributions from the members and members' employer. The plan was established to provide benefits to members eligible to receive them in accordance with the provisions of the plan.

Investment Goal

The goal of the BCPPP is to provide income through various investments and members and members' employer contributions, sufficient to pay benefits accrued and to provide for future benefit enhancements.

Purpose of This Statement

The purpose of this statement is to set forth the investment goals and objectives for the BCPPP. The goals and objectives are to be used by the BCPPP Board of Trustees, North Dakota State Investment Board (SIB), and money managers for the investment of the BCPPP's assets.

Prudent Investor Rule and Exclusive Benefit Provision

The BCPPP's assets must be invested in compliance with the prudent investor rule. 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 BCPPP must be invested exclusively for the benefit of their members and beneficiaries in accordance with the Fund's investment goals and objectives.

Responsibility of the Bismarck City Police Pension Plan Board of Trustees

- The BCPPP Board of Trustees has the responsibility for establishing the investment goals and objectives which are the guide to the investment of BCPPP's assets. The BCPPP Board of Trustees determines the investment policies by considering the implications of a wide range of financial assumptions and investment risk.
- The BCPPP Board of Trustees shall review these investment goals, objectives and policies at least annually.
- The BCPPP Board of Trustees has the responsibility to approve exemptions to these investment goals and objectives.
- The BCPPP Board of Trustees has the responsibility for the development of an Asset Allocation Plan.
- The BCPPP board of Trustees shall receive and review reports from the SIB's Director of Investments quarterly.

Responsibilities of the North Dakota State Investment Board

- Final authority for hiring, retaining and releasing the money managers, as recommended by the Director of Investments, shall rest with the SIB.
- The SIB is responsible to the BCPPP Board of Trustees for carrying out the BCPPP Board of Trustees' investment goals, objectives and policies.
- The SIB is responsible to the BCPPP Board of Trustees for carrying out the BCPPP Board of Trustees' Asset Allocation Plan.
- The SIB must maintain a separate accounting for the BCPPP funds under their authority.
- The SIB will provide the BCPPP Board of Trustees with quarterly investment reports.

Statement of Total Fund Investment Philosophy/Objectives

The following investment objectives are established as of the date adopted and are in keeping with the fiduciary requirements as set forth in federal and state law and as expected by the members. It is in the best interest of BCPPP and beneficiaries that objectives be established for the total fund and performance standards set for each money manager. It is clearly understood these objectives and standards are to be viewed over the long term and have been established after full consideration of all factors set out in the Statement of Investment Goals, Objectives and

Policies. These performance objectives are as follows:

- Total Fund Objectives

1. The long-term objective of the Fund is to achieve a minimum rate of return of 4.5% in excess of the annual rate of inflation. However, the return shall be no less than the 7.25% return the actuary has determined is required to pay future benefits.

2. Achieve a long-term performance, consistent within acceptable risk parameters, which ranks above the thirty-fifth (35th) percentile of a database composed of other managed funds as measured by the SIB's investment measurement consultant.

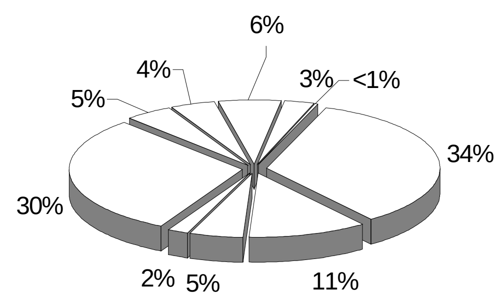
- The portfolio mix shall be in accordance with the asset allocation adopted and periodically revised by the NDSIB as approved by the BCPPP Board of Trustees.

Asset Allocation

Domestic Large Cap Equity	34.3%
Domestic Small Cap Equity	10.7%
International Equity	5.5%
Emerging Markets Equity	2.0%
Domestic Fixed Income	30.0%
High Yield Fixed Income	5.0%
International Fixed Income	4.5%
Real Estate	5.0%
Venture Capital	3.0%

Bismarck City Police Pension Plan
Actual Asset Allocation – June 30, 2001

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 3,786,136	34%	
Domestic Small Cap Equity	1,284,371	11%	
International Equity	569,471	5%	
Emerging Markets Equity	216,752	2%	
Domestic Fixed Income	3,445,401	30%	
High Yield Fixed Income	522,374	5%	
International Fixed Income	480,820	4%	
Real Estate	668,634	6%	
Private Equity	308,731	3%	
Cash Equivalents	31,284	0%	
TOTAL FUND	$ 11,313,974	100%	-3.41%



JOB SERVICE OF NORTH DAKOTA

■ Job Service of North Dakota Investment Objectives and Policy Guidelines

Introduction

It is the intention of Job Service of North Dakota (the Employer) to allow its investment manager discretion within the scope of these investment guidelines. The manager shall review these guidelines with the Employer at least annually to assure that they remain valid and relevant. Any recommendation from the investment manager as to proposed changes should be submitted to the Employer in writing. Any changes adopted by the employer will be conveyed in writing to the investment manager.

This statement has been prepared so that:

1. There is a clear statement by the Employer of the investment policies and objectives adopted for this Plan;
2. The investment manager is given guidance as to what is expected of it;
3. The Employer will have a basis for evaluating the investment performance of the manager selected.

The following principles shall be adhered to:

1. Investments shall be made solely in the interest of the participants and beneficiaries and for the exclusive purpose of providing their benefits and defraying the reasonable expenses of administering the Plan.

2. The assets shall be invested with the care, skill, prudence, and diligence under the circumstances prevailing from time-to-time that a prudent person acting in a like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.

3. Investments shall be diversified so as to minimize the risk to large losses, unless under particular circumstances it is clearly prudent not to be so diversified, or diversification is impossible or impractical. It is appropriate to seek capital appreciation from equity investments as a partial hedge against inflation. The Employer recognizes that there is a possibility of investment losses from time-to-time on such investments and will not regard them as evidence of a failure to comply with the guidelines as long as investment results are satisfactory over appropriate time periods.

4. All investments should be managed with the focus on total investment return. No distinction need or should be made between realized and unrealized capital gains or losses. The portfolio, taken as a whole, should produce significant interest income each year, and over the long term, increase the purchasing power of the principal. Safety shall be evaluated on an overall basis.

Limitations and Requirements

1. The investment manager shall enter into a written investment management agreement with the Employer, acknowledging that it is a fiduciary with respect to the Plan and shall agree to discharge its duties in accordance with the fiduciary responsibility provisions of applicable law. While the Employee Retirement Income Security Act of 1974 (ERISA) and its supporting regulations are not applicable to this Plan, it is expected that the investment manager will conduct itself in a manner not inconsistent with ERISA.

2. The target asset allocation for the investment manager's use is presented below, recognizing that full implementation of the target allocations will be limited by the terms of the agreement for withdrawal of assets from The Travelers Insurance Company contract. Until such time as the total assets have been paid down by The Travelers in 2002, the actual allocation of the portfolio managed by the investment manager will deviate from the target asset allocation presented below.

Asset Category	Target
Common Stocks – Dom. Large Cap	39%
Common Stocks – Dom. Small Cap	9%
Common Stocks - International	5%
Fixed Income – Domestic	47%
Cash Equivalent	0%

3. Domestic equity managers shall be limited to investing in equity securities listed on the principal U.S. exchanges or traded on the NASDAQ or OTC exchanges. Equity investments in any one company shall be limited at purchase to 5% of the total value of common stocks under management and/or 5% of the company's outstanding equity.

4. Adequate diversification across economic sectors, industries, and individual holdings shall be maintained by the investment managers across all asset classes.

5. Investments in non-U.S. equity securities traded on foreign exchanges are to be limited to 5% of the total portfolio at market within the range permitted above. Investments shall consist of sufficiently liquid securities and shall be well diversified by country and economic sector.

6. The investment manager may enter into foreign exchange contracts on currency provided that the use of such contracts is limited to hedging currency exposure existing in the portfolio.

7. Fixed income investments (other than assets held under the above referenced Travelers Insurance Company contract) shall be limited to:

   a. obligations issued by the U.S. Government or any agency or instrumentality thereof,
   b. obligations issued or guaranteed by local, city and state governments and agencies,
   c. mortgage-backed and asset-backed securities,
   d. obligations of domestic corporations such as mortgage bonds, convertible and non-convertible notes and debentures, preferred stocks, commercial paper, certificates of deposit, and bankers acceptances issued by industrial, utility, finance, commercial banking or bank holding company organizations.
   e. U.S. dollar denominated obligations of international agencies, supranational entities, foreign governments (or their subdivisions or agencies) and foreign corporations (Yankee Bonds),
   f. Securities defined under Rule 144A of the Securities Act of 1933.

8. In no event should the debt securities of any single private corporation exceed 5% of total Plan assets.

9. Fixed income investments shall consist primarily of securities rated BBB or above by one or more nationally recognized credit rating agencies. Investment in securities rated below BBB is permitted; however, the total fixed income portfolio shall maintain a weighted average credit quality of not less than AA.

10. Futures and options contracts will be limited to liquid instruments actively traded on major exchanges, or if over-the-counter options, executed with major dealers. Short (sold) options will always be hedged with current portfolio holdings, other options, or futures positions.

11. Uninvested cash balances should be kept to a minimum through the prompt investment of available funds in short-term or more permanent security holdings. To that purpose, investments in commercial paper shall be made only if such paper is rated at least P-1 by Moody's, A-1 by S&P or Duff-1 by Duff and Phelps.

12. Certificates of Deposit may be purchased from any national bank or a bank operating in accordance with the laws of the State of North Dakota which has a minimum asset base of $1 billion. The maximum deposit allowed for investment with any single institution shall be $100,000, or such other amount as is fully insured by the Federal Government of the United States.

13. In placing portfolio transaction orders on behalf of the Fund (or any pooled fund in which this Fund is participating) the investment manager shall use its best efforts to obtain the execution of orders through responsible brokerage firms at the most favorable prices and at reasonable competitive commission rates.

Investment Objectives

1. Overall results will be evaluated by the Employer over market cycles. The investment return objectives shall be:

   a. To achieve a rate of return which exceeds the rate of inflation, as measured by the Consumer Price Index (CPI) by 2.5% per year;
   b. To meet or exceed the Plan's actuarial rate of return of 8% annually;
   c. To avoid, where possible, excessive volatility and to produce a rate of return that at least matches the following yardstick; a portfolio invested as follows:

   Yardstick

   50% in the S&P 500 Stock Index; 50% in the Lehman Government/Corporate Bond Index;

2. The manager's investment performance will be reviewed on an annual basis. Results for the total portfolio and for each major category of assets will be evaluated in comparison with appropriate market indices, the yardstick portfolio, and the Consumer Price Index.

Communications and Reporting

1. The investment manager shall issue periodic reports, at least annually, reviewing the progress, investment strategy and actions taken on behalf of the Fund. In addition, the report shall show any management fees and commissions paid. The

investment manager is expected to exercise voting rights on stock holdings in the portfolios in the best interest of the Plan's participants, and shall maintain voting records for review by the Employer.

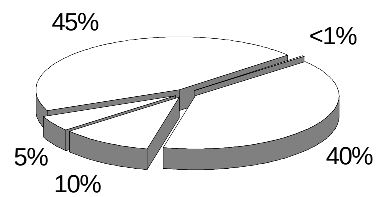
2. The investment manager is expected to meet with the Employer in Bismarck to review the portfolio and to discuss investment results in the context of these goals and policies at least twice a year. At all times, however, the investment manager is encouraged to have open communication with the Employer regarding all significant matters pertaining to investment policies and the management of the assets under its supervision.

3. Whenever the investment manager believes that any particular guideline or objective should be changed or deleted, it is the responsibility of the manager to initiate immediate written communication with the Employer.

4. The investment manager is specifically prohibited from taking instructions from anyone except as specifically indicated in writing by the Employer or as may otherwise be provided in the investment management agreement.

- **Job Service of North Dakota**
  Actual Asset Allocation – June 30, 2001

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 24,866,201	40%	
Domestic Small Cap Equity	6,459,945	10%	
International Equity	3,110,584	5%	
Domestic Fixed Income	27,657,348	45%	
Cash Equivalents	94,122	0%	
TOTAL FUND	$ 62,188,200	100%	-3.19%



WORKERS COMPENSATION FUND

■ Workers Compensation Fund Investment Objectives and Policy Guidelines

Introduction

The North Dakota Workers Compensation Bureau (NDWCB) is an exclusive state workers' compensation fund, which exists for the mutual benefit of North Dakota employers and employees. The assets of the Bureau are utilized to pay benefits to injured workers or their survivors.

Section 65-04-01 of the North Dakota Century Code requires the NDWCB to establish premium rates for funding sufficiently high to provide for:

1. The payment of the expenses of administration of the Bureau,
2. The payment of compensation according to the provisions and schedules contained in this title, and
3. The maintenance by the Fund of adequate reserves and surplus to the end that it may be kept at all times in an entirely solvent condition.

Purpose of This Statement

The purpose of this statement is to set forth the investment goals and objectives for the NCWCB. The goals and objectives are to be used by the North Dakota State Investment Board (SIB) for the investment of the NDWCB assets.

Delegation of Responsibilities

Responsibilities of the NDWCB and its Board of Directors:

- The NDWCB has the responsibility for establishing the investment goals and objectives which are the guide to the investment of NDWCB's assets.
- The NDWCB shall review these investment goals and objectives at least annually.
- The NDWCB shall develop the asset allocation plan for NDWCB's assets.
- The NDWCB shall utilize the assistance of experienced independent investment professionals in developing the asset allocation plan.

Responsibilities of the North Dakota State Investment (SIB)

- Final authority for hiring, retaining, and releasing the investment managers shall rest with the SIB.
- The SIB is responsible to the NDWCB for carrying out the NDWCB's Investment Goals and Objectives.
- The SIB must maintain a separate accounting for the NDWCB under its authority.

Asset Allocation Policy

The asset allocation policy developed herein is based on an evaluation of the NDWCB's ability and willingness to assume investment risk in light of NDWCB's financial goals and objectives. In recognition of these goals and objectives, coupled with a liability-sensitive asset allocation study conducted by Callan Associates in November 1998, the following asset allocation is deemed appropriate for the NDWCB. The portfolio mix shall be in accordance with the following asset allocation and periodically reviewed by the NDWCB.

Asset Class	Target Allocation
Domestic Equity	
Large Cap Equity	12%
Small Cap Equity	6%
Convertibles	12%
International Equity	8%
Fixed Income	59%
Cash Equivalents	3%
Total	100%

The operating and liquidity needs of the Bureau are generally to be met by the cash equivalents allocation.

Funds in excess of those required for operating and liquidity needs will be invested in large capitalization equity, small capitalization equity, international equity, convertible and fixed income securities. The objective of these assets is to obtain the maximum total return on investments consistent with safety of principal on funds in excess of those required for operating and liquidity needs.

Total Fund Investment Goals and Objectives

The investment goal of the NDWCB is to supplement premiums, through various investments, to accomplish its statutory obligations. It is expected that the assets earn at least a 4.0% real rate of return during periods longer than one market cycle.

The following investment objectives are established as of the date adopted and are in keeping with the fiduciary requirements as set forth in federal and state law and as expected by the members. The NDWCB expects to receive results from the SIB that are consistent with the policies included herein. These objectives and guidelines will provide a basis for evaluating the effectiveness of the investment program over time. It is clearly understood these objectives and standards are to be viewed over the long term and have been established after full consideration of all factors set out in the Statement of Investment Policy.

Restricted Transactions

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understand that:

a. No derivative instruments or strategies which make use of derivatives which would cause the portfolio to be in any way leveraged will be used.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
d. No transaction shall be made which threatens the tax exempt status of the Fund.
e. No funds shall be borrowed.
f. No short sales or margin purchases shall be made.
g. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

   For the purpose of this document, social investing is defined as "The investment or commitment of insurance trust money for the purpose of obtaining an effect other than a maximized return consistent with Fund objectives."

h. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

   For the purpose of this document, economically targeted investment is defined as "an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy."

   Also for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

a. The cost does not exceed the fair market value at the time of investment.
b. The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
c. Sufficient liquidity is maintained in the Fund to permit distributions as required.
d. The safeguards and diversity that a prudent investor would adhere to are present.

Exemptions to Restrictions

The SIB may request exemptions from the investment guidelines, in writing, to the NDWCB for its consideration for specific transactions.

Total Fund Performance Objectives

The performance objectives for the Total Fund are as follows:

- For time horizons of less than one market cycle (approx. 1-3 years) and one market cycle (approx. 3-5 years), rank in upper half of a broad universe of managers, and exceed the return of the reference index benchmark, net of fees.

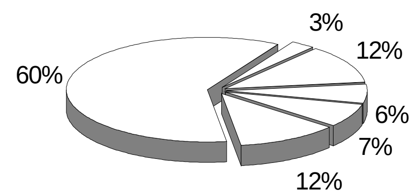
  A broad universe of managers is measured by a universe of managers composed of 12% large cap equity; 6% small cap equity; 12% convertible; 8% international equity; 59% fixed income; and 3% cash equivalents.

  The reference index benchmark is composed of 12% S&P 500; 6% Russell 2000; 12% First Boston Convertible; 8% MSCI EAFE; 59% Lehman Aggregate; 3% 90-day Treasury bills.

- For time horizons of over one market cycle (over 5 years), provide a 4.0% premium over the rate of inflation (as measured by the Consumer Price Index), annualized.

■ Workers Compensation Fund
Actual Asset Allocation – June 30, 2001

Asset Allocation		Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	108,905,532	12%	
Domestic Small Cap Equity		53,881,325	6%	
International Equity		67,030,009	7%	
Convertible Bonds		107,159,016	12%	
Fixed Income		563,124,725	60%	
Cash Equivalents		25,457,489	3%	
TOTAL FUND	$	925,558,096	100%	1.38%



STATE FIRE AND TORNADO FUND

■ State Fire and Tornado Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The State Fire and Tornado Fund (the Fund) was established in 1919 to insure the various state industries and political subdivisions against direct physical loss to public buildings, fixtures, and permanent contents due to the perils named in 26.1-22-02 of the North Dakota Century Code (NDCC). All state buildings and universities must be covered by the Fund. School districts and counties may participate, at their option.

Funding is primarily provided by annual premiums charged to policyholders in accordance with NDCC 26.1-22. Premiums are expected to total approximately $2.5 million annually, with the bulk of these premiums received at the beginning of each fiscal year.

Effective August 1993, the state's boiler inspection program was placed under the direction of the Insurance Department. The costs of this program are appropriated from the Fund. Fees collected for boiler inspections and licensing will be the primary source of funding for the program. The 1995 Legislature added anhydrous ammonia storage facilities to the Fund's inspection responsibilities.

A minimum balance of $12.0 million must be maintained at all times. If reserves drop below this statutory minimum, additional premiums, as specified under NDCC 26.1-22, would be assessed. This situation must be avoided.

The Fund retains liability for the first $1 million on each and every loss. Any loss over this amount, up to a maximum of $100 million, is covered by reinsurance through a commercial reinsurance carrier. Reinsurance coverage is re-bid by the Insurance Department every two years. The Fund has never had to collect from a reinsurance company.

Claims paid from the Fund are highly unpredictable. Weather damage accounts for the majority of claims. Fires generally result in the most extensive damage.

Generally, there is a 30-day lead time to prepare for a claim payment. Large claim payments have a longer lead time and are spread out in multiple payments whenever possible.

Operating expenses are paid from the Fund as incurred. These include Fund administration, boiler inspection program, State Fire Marshall's Office, and State Firemen's Association.

Responsibilities and Discretion of the State Investment Board (SIB)

The SIB is charged by law under NDCC 21-10 with the responsibility of establishing investment policy and investing the assets of the Fund. The assets are to be invested in the manner provided in NDCC 21-10-07, the prudent investor rule.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers.

Investment Objectives

The investment objectives of the Fund reflect the long-term nature of the Fund, but also the low risk tolerance and shorter-term liquidity needs. Operating and statutory considerations shape the Fund's policies and priorities as outlined below:

Objective #1: Investment income is needed to provide stability for insurance reserves. This will be achieved through a diversified portfolio of high quality fixed income and equity assets.

Objective #2: Growth of capital is needed to provide an inflationary hedge and add to the growth of surplus. Capital growth is sought through investment in equities and/or equity substitutes.

Objective #3: Sufficient liquidity will be maintained to meet known or anticipated financial obligations and preserve the value of the surplus. Cash equivalent investments shall be used to achieve this objective.

Objective #4: Minimize the risk of violating the statutory minimum balance requirement of $12,000,000. This will be achieved by an asset allocation consistent with this objective.

Standards of Investment Performance

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as 15% S&P 500 domestic stock index, 5% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 10% First Boston convertible securities index, 50% Lehman Government/Corporate domestic bond index, and 10% 90-day Treasury bills.

b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.

Policy and Guidelines

The asset allocation of the State Fire and Tornado Fund is established by the SIB, with input from the Insurance Department. Asset allocation is based upon the appraisal of projected liquidity and income needs, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the fund:

Large Cap Domestic Equity	15%
Small Cap Domestic Equity	5%
Convertible Bonds	10%
International Equity	10%
Fixed Income	50%
Cash Equivalents	10%

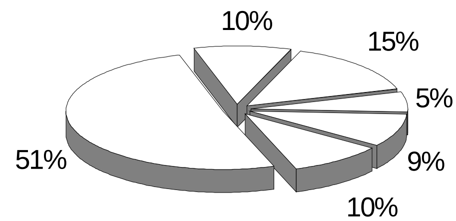
Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. No derivative instruments or strategies which make use of derivates which would cause the portfolio to be in any way leveraged will be used.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
d. No funds shall be borrowed.
e. No short sales or margin purchases shall be made.

■ State Fire and Tornado Fund
Actual Asset Allocation – June 30, 2001

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 2,471,700	15%	
Domestic Small Cap Equity	892,453	5%	
International Equity	1,544,404	9%	
Convertible Bonds	1,624,912	10%	
Fixed Income	8,439,495	51%	
Cash Equivalents	1,678,219	10%	
TOTAL FUND	$ 16,651,183	100%	0.38%



STATE BONDING FUND

■ State Bonding Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The State Bonding Fund (the Fund) was established for bonding public employees and public officials in accordance with Chapter 26.1-21 of the North Dakota Century Code (NDCC). Some fees to the Fund are collected annually in the form of claims repayments. However, the primary funding source for the Fund is investment return.

A minimum balance of $2.5 million must be maintained at all times. If reserves drop below this statuary minimum, premiums will be assessed against all bond holders in accordance with NDCC 26.1-21-09. Such premiums will continue to be charged until the Fund balance reaches $3.0 million. This situation must be avoided.

Claims paid from the Fund are on an as-needed basis and are highly unpredictable. A judgment against the guilty party is required prior to the Fund making a claim payment. Generally, there is a 60-90 day lead time to prepare for a claim payment.

Responsibilities and Discretion of the State Investment Board (SIB)

The SIB is charged by law under NDCC 21-10 with the responsibility of establishing investment policy and investing the assets of the Fund. The assets are to be invested in the manner provided in NDCC 21-10-07, the prudent investor rule.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish appropriate asset class pools designed to provide specific quality and diversification guidelines, restrictions, and performance objectives consistent with the goals of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers.

Investment Objectives

The investment objectives of the Fund reflect the long-term nature of the Fund, but also recognize the shorter-term liquidity needs. Operating and statutory considerations shape the policies and priorities outlined below.

Objective #1: Investment income is needed as a funding source. This will be achieved through a diversified portfolio of high quality fixed income and equity assets.

Objective #2: Growth of capital is needed to provide an inflationary hedge and add to the growth of surplus. Capital growth is sought through investment in equities and/or equity substitutes.

Objective #3: Sufficient liquidity will be maintained to meet known or anticipated financial obligations and preserve the value of the surplus. Cash equivalent investments shall be used to achieve this objective.

Objective #4: Minimize the risk of violating the statutory minimum balance requirement of $2,500,000. This will be achieved by an asset allocation consistent with this objective.

Standards of Investment Performance

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as 15% S&P 500 domestic stock index, 5% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 10% First Boston convertible securities index, 50% Lehman Government/Corporate domestic bond index, and 10% 90-day Treasury bills.

b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.

Policy and Guidelines

The asset allocation of the State Bonding Fund is established by the SIB, with input from the Insurance Department. Asset allocation is based upon the appraisal of projected liquidity and income needs, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the Fund:

Large Cap Domestic Equity	15%
Small Cap Domestic Equity	5%
Convertible Bonds	10%
International Equity	10%
Fixed Income	50%
Cash Equivalents	10%

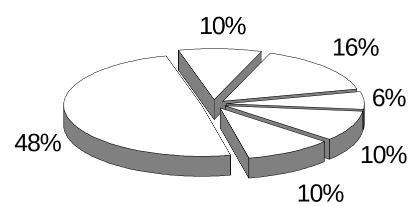
Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. No derivative instruments or strategies which make use of derivatives which would cause the portfolio to be in any way leveraged will be used.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
d. No funds shall be borrowed.
e. No short sales or margin purchases shall be made.

■ State Bonding Fund
Actual Asset Allocation – June 30, 2001

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 763,329	16%	
Domestic Small Cap Equity	272,516	6%	
International Equity	481,261	10%	
Convertible Bonds	498,045	10%	
Fixed Income	2,414,519	48%	
Cash Equivalents	482,792	10%	
TOTAL FUND	$ 4,912,462	100%	0.43%



PETROLEUM TANK RELEASE COMPENSATION FUND

■ Petroleum Tank Release Compensation Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The Petroleum Tank Release Compensation Fund (the Fund) was established in 1989 in response to the Environmental Protection Agency's (EPA) requirement that all underground storage tank owners have proof of financial responsibility. Operation of the Fund is in accordance with the 1991 Session Laws, Chapter 299. The Fund's "sunset clause" date of June 30, 1999, has been extended and the time horizon for this Fund is uncertain at this time.

Funding is provided by annual premiums collected for above and below ground petroleum storage tanks. Registration of tanks with the Fund is mandatory, although certain types of tanks are excluded.

A minimum balance of $2 million must be maintained in the Fund in order to assure EPA approval. In the event reserves drop below this minimum, EPA would evaluate the Fund's ability to pay claims and would in all likelihood disapprove the Fund as a financial responsibility mechanism for North Dakota petroleum tank owners.

The Fund provides up to $1 million of coverage for on-site cleanup and third party liability caused by petroleum contamination. There is a $5,000 deductible with a 90/10 owner copayment. The maximum payment from the Fund for a claim is $980,000. Operating expenses are paid from the Fund as incurred.

Responsibilities and Discretion of the State Investment Board (SIB)

The SIB is charged by Chapter 285 of the 1993 Session Laws with establishing investment policy and investing the assets of the Fund. The assets are to be invested in the manner provided in NDCC 21-10-07, the prudent investor rule.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish appropriate asset class pools designed to provide specific quality and diversification guidelines, restrictions, and performance objectives consistent with the goals of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers.

Investment Objectives

The investment objectives of the Fund reflect the need to augment premium income to provide for claim payments and stability of insurance reserves. Operating considerations shape the Fund's policies and priorities as follows:

Objective #1: Investment income is needed as a funding source. This will be achieved through a diversified portfolio of high quality fixed income and equity assets.

Objective #2: Growth of capital is needed to provide an inflationary hedge and add to the growth of surplus. Capital growth is sought through investment in equities and/or equity substitutes.

Objective #3: Sufficient liquidity will be maintained to meet known or anticipated financial obligations and preserve the value of the surplus. Cash equivalent investments shall be used to achieve this objective.

Objective #4: Minimize the risk of violating the EPA mandated minimum balance requirement of $2,000,000. This will be achieved by an asset allocation consistent with this objective.

Standards of Investment Performance

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as 10% S&P 500 domestic stock index, 10% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 10% First Boston convertible securities index, 45% Lehman Government/Corporate domestic bond index, and 15% 90-day Treasury bills.

b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.

Policy and Guidelines

The asset allocation of the Petroleum Tank Release Compensation Fund is established by the SIB, with input from the Insurance Department. Asset allocation is based upon the appraisal of projected liquidity and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the Fund:

Large Cap Domestic Equity	10%
Small Cap Domestic Equity	10%
Convertible Bonds	10%
International Equity	10%
Fixed Income	45%
Cash Equivalents	15%

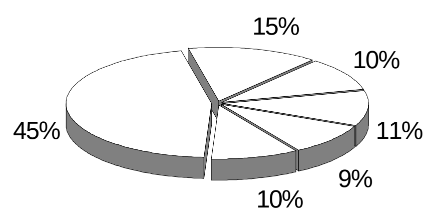
Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. No derivative instruments or strategies which make use of derivatives which would cause the portfolio to be in any way leveraged will be used.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
d. No funds shall be borrowed.
e. No short sales or margin purchases shall be made.

■ Petroleum Tank Release Compensation Fund Actual Asset Allocation – June 30, 2001

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 856,542	10%	
Domestic Small Cap Equity	928,422	11%	
International Equity	803,126	9%	
Convertible Bonds	843,978	10%	
Fixed Income	3,948,485	45%	
Cash Equivalents	1,257,727	15%	
TOTAL FUND	$ 8,638,280	100%	-0.81%



INSURANCE REGULATORY TRUST FUND

■ Insurance Regulatory Trust Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The Insurance Regulatory Trust Fund (the Fund) was established for use by the Insurance Department to defray the expenses incurred in discharging its duties as described in NDCC 26.1.

Funding is provided primarily through the collection of fees and fines as specified in NDCC 26.1-01-07.1. Earnings from investments are also considered a funding source. Fees and other collections are expected to total approximately $2.0 million annually, with the bulk of this income received in the second half of each fiscal year.

There is no statutory minimum balance for this Fund. However, the Insurance Department relies entirely on the Fund to meet all operating expenses. Therefore, sufficient liquidity and risk control must be maintained at all times to ensure the solvency of the Insurance Department.

In accordance with NDCC 26.1-01-07.1, any cash balance in the Fund after all current biennium expenditures are met must be carried forward for the succeeding biennium. However, when the balance at the end of the biennium exceeds $1.5 million, any excess will be transferred to the general fund in the state treasury. Such transfers are generally made at the end of September or during the first two weeks of October.

Operating expenses are paid from the Fund as incurred.

Responsibilities and Discretion of the State Investment Board (SIB)

The SIB is charged by law under NDCC 21-10 with the responsibility of establishing investment policy and investing the assets of the Fund. The assets are to be invested in the manner provided in NDCC 21-10-07, the prudent investor rule.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish appropriate asset class pools designed to provide specific quality and diversification guidelines, restrictions, and performance objectives consistent with the goals of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money mangers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers.

Investment Objectives

The investment objectives of the Fund reflect moderate risk tolerance and short-term liquidity needs. The increasing need to augment fee income as growth in expenses outpaces traditional funding sources is also recognized.

Objective #1: Investment income is needed as a funding source. This will be achieved through a diversified portfolio of high quality fixed income and equity assets.

Objective #2: Growth of capital is needed to provide an inflationary hedge and add to the growth of the Fund. Capital growth is sought through investment in equities and/or equity substitutes.

Objective #3: Sufficient liquidity will be maintained to meet known or anticipated financial obligations. Cash equivalent investments shall be used to achieve this objective.

Standards of Investment Performance

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as 10% S&P 500 domestic stock index, 5% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 10% First Boston convertible securities index, 30% Lehman Government/Corporate domestic bond index, and 35% 90-day Treasury bills.

b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.

Policy and Guidelines

The asset allocation of the Insurance Regulatory Trust Fund is established by the SIB, with input from the Insurance Department. Asset allocation is based upon the appraisal of projected liquidity and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the Fund:

Large Cap Domestic Equity	10%
Small Cap Domestic Equity	5%
Convertible Bonds	10%
International Equity	10%
Fixed Income	30%
Cash Equivalents	35%

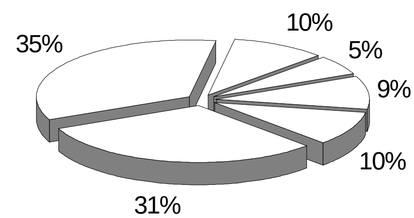
Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. No derivative instruments or strategies which make use of derivatives which would cause the portfolio to be in any way leveraged will be used.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
d. No funds shall be borrowed.
e. No short sales or margin purchases shall be made.

■ Insurance Regulatory Trust Fund
Actual Asset Allocation – June 30, 2001

Asset Allocation	**Market Value**	**Percent of Total**	**One Year Return**
Domestic Large Cap Equity	$ 235,814	10%	
Domestic Small Cap Equity	128,024	5%	
International Equity	221,177	9%	
Convertible Bonds	231,363	10%	
Fixed Income	723,253	31%	
Cash Equivalents	788,911	35%	
TOTAL FUND	$ 2,328,542	100%	0.60%



STATE RISK MANAGEMENT FUND

■ State Risk Management Fund Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

To address the State's loss of sovereign immunity, the 1995 North Dakota Legislature created a new chapter of the Century Code, NDCC 32-12.2. That Chapter established the Risk Management Fund (the Fund) to administer claims against the State and state employees for personal injury, death, or property damage caused by the State or a state employee acting within the scope of the employee's employment. The Fund is directed by the Office of Management and Budget.

Each entity of the State is required to participate in the Fund. Contributions to the Fund are determined by the Director of OMB based on an actuarial review of the financial status of the Fund. This results in a fluctuation of contributions made to the Fund from one biennium to another.

The amount of money damages the Fund may pay is limited for state court actions to a total of $250,000 per person and $1,000,000 per occurrence. These liability caps may not be recognized in Federal Court actions or in actions filed in other states. The Fund's excess carrier provides coverage up to $1,000,000 for those exposures not covered by the Tort Claims Act. The excess carrier also provides stopgap coverage for annual losses to the Fund in excess of $2,500,000. In addition to the excess coverage, the Fund purchases medical malpractice and foster parent liability coverage. The average cost of purchased coverages totals approximately $650,000 per year.

Significant claims paid from the Fund are usually somewhat predictable and take a period of time to resolve. A person bringing a claim or lawsuit against the State or a state employee must give notice to the OMB Director within 180 days after the alleged injury is discovered or reasonably should have been discovered. If the claim is one for death, the notice must be provided within one year after the alleged injury resulting in the death. Total claim and claim expense payments since the inception of the Fund (April 22, 1995) are $1,683,644, an average of $374,143 a year. That average is not indicative of Fund activity; however, as the number and cost of claims have increased on an annual basis as the Fund matures.

The Risk Management Division's operating expenses including loss control activities are paid from the Fund as incurred. Those expenses have averaged $213,137 per year since the Fund's inception.

The Fund's asset allocation will need to be reviewed at the end of the 1999-2001 biennium for appropriateness.

Responsibilities of the State Investment Board (SIB)

The SIB is charged by law under NDCC 21-10 with the responsibility of establishing investment policy and investing the assets of the Fund. The assets are to be invested in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. When a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants, and report formats and determining the frequency of meetings with managers.

Investment Objectives

The investment objectives of the Fund reflect the long-term nature of the Fund, but also the low risk tolerance and shorter-term liquidity needs. Operating and statutory considerations shape the Fund's policies and priorities as outlined below:

Objective #1: Investment income is needed to provide stability for insurance reserves. This will be achieved through a diversified portfolio of high quality fixed income and equity assets.

Objective #2: Growth of capital is needed to provide an inflationary hedge and add to the growth of surplus. Capital growth will be sought through investment in equities and/or equity substitutes.

Objective #3: Sufficient liquidity is to be maintained to meet known or anticipated financial obligations and preserve the value of the surplus. Cash equivalent investments will be used to achieve this objective.

Standards of Investment Performance

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as 15% Russell 1000 domestic stock index, 5% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 10% First Boston Convertible Securities index, 50% Lehman Government/corporate domestic bond index, and 10% 90-day Treasury bills.

b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.

Policy and Guidelines

The asset allocation of the North Dakota Risk Management Fund is established by the SIB, with input from the Office of Management and Budget. Asset allocation is based upon the appraisal of projected liquidity and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the Fund:

Large Cap Domestic Equity	15%
Small Cap Domestic Equity	5%
Convertible Bonds	10%
International Equity	10%
Domestic Fixed Income	50%
Cash Equivalents	10%

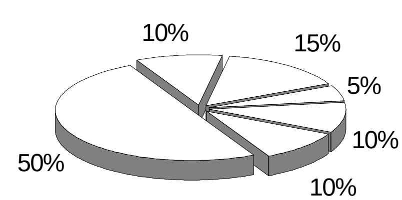
Rebalancing of the Fund to this allocation will be done in accordance with the SIB's rebalancing policy.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. No derivative instruments or strategies which make use of derivatives which would cause the portfolio to be in any way leveraged will be used.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
d. No funds shall be borrowed.
e. No short sales or margin purchases shall be made.

■ State Risk Management Fund
Actual Asset Allocation – June 30, 2001

Asset Allocation		Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	520,920	15%	
Domestic Small Cap Equity		181,733	5%	
International Equity		339,993	10%	
Convertible Bonds		346,751	10%	
Fixed Income		1,788,954	50%	
Cash Equivalents		356,153	10%	
TOTAL FUND	$	3,534,504	100%	0.33%



VETERANS CEMETERY TRUST FUND

■ Veterans Cemetery Trust Fund Investment Objectives and Policy Guidelines

On August 1, 1997, the State Investment Board (SIB) became responsible for the administrative oversight of the Veterans Cemetery Trust Fund, a newly established pool meant to benefit the resting ground of North Dakota veterans. The funding of the pool is derived through the sale of commemorative license plates and private donations. The SIB currently serves only to maintain a money market account for this Fund until it reaches a significant balance. The governing body of the Fund will establish diversified investment guidelines, which will be provided to the SIB when that balance has been reached.

■ Veterans Cemetery Trust Fund Actual Asset Allocation – June 30, 2001

Asset Allocation	Market Value	Percent of Total	One Year Return
Cash Equivalents	$35,703	100%	5.85%

VETERANS POST WAR TRUST FUND

■ Veterans Post War Trust Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The Veterans Post War Trust Fund (Fund) was established for the benefit of and service to veterans as defined in North Dakota Century Code (NDCC) 37-01-40 or their dependents as determined and appropriated by the Legislative Assembly. The funding source for the Fund is investment income.

A minimum balance of $4,104,848.55 must be maintained at all times. This amount is the principal that must be retained in the Fund. Expenditures from the Fund are met through investment income.

The North Dakota Legislature has periodically appropriated investment income to the North Dakota Veteran's Home and North Dakota Department of Veterans Affairs (state agencies). These special fund appropriations are used to offset State General Fund obligations.

The State Treasurer requires a detailed quarterly cash flow from each of the state agencies receiving funds during the 1999-01 biennium. A detailed annual cash flow analysis projecting monthly expenditures is necessary for the State Treasurer to maintain liquid funds to meet agency transfer requests. Deviation from this cash flow analysis may reduce investment income to the Fund.

Responsibilities and Discretion of the State Treasurer

The State Treasurer is charged by law under North Dakota Century Code 37-14-14 with the responsibility of investing the assets of the Fund. The assets are to be invested in the manner provided in North Dakota Century Code 15-03-04, the prudent investor rule.

The State Treasurer will invest assets in investment instruments that provide the best investment income return with minimal or no risk to the Fund. The maturity terms will be dependent on the agency's appropriation and cash flow analysis provided to the State Treasurer.

At the discretion of the State Treasurer, the Fund's assets may be invested with investment firms. The State Treasurer is responsible for establishing criteria and procedures in making decisions with respect to hiring, maintaining and terminating investment firms.

Investment Objectives

The investment objectives of the Fund reflect the long-term nature of the Fund, as well as recognize the shorter-term liquidity needs. Operating and statutory consideration shape the policies and priorities outlined below:

- Growth of income is needed due to lack of a funding source. This will be achieved through a diversified portfolio of high quality fixed income and money market assets.

- Liquidity and preservation of the principal are limiting elements in achieving a favorable return on invested assets. Sufficient cash equivalents will be maintained to meet known financial obligations mandated by the Legislature and/or Veterans Administrative Committee.
- Maximize investment interest to exceed the obligations of the Fund (with minimal or no risk to the Fund).

Standards of Investment Performance

The current investment policy addresses the unique liquidity needs of the Fund during the 1999-2001 biennium. In recognition of these needs, the Fund's investment performance must be carefully evaluated over the next 1 – 2 fiscal years.

The Fund's investment objectives and liquidity constraints require an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

- The Fund cannot expend investment income unless it has been earned from a previous or current period.
- The Fund must average investment income to exceed the legislative appropriation for a given biennium.

Policy and Guidelines

The asset allocation of the Trust Fund is established by the State Treasurer, with input from the Veterans Administrative Committee and the Retirement and Investment Office. Asset allocation is based upon the appraisal of current (biennium ending June 30, 2001) liquidity and income needs and estimates of the investment returns likely to be achieved by the various asset classes over the next 5 years.

In recognition of the Fund's objectives, needs, and market expectations, the following is deemed appropriate for the Fund:

- Fixed income (treasury notes, agency bonds, other bonds)
- Equity investments
- Certificates of Deposit
- Cash equivalents

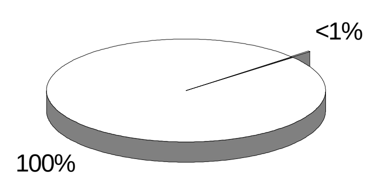
It is understood that:

- The prudent investor rule will apply.
- Investment rates will be secured net of any investment fees.
- The State Treasurer will seek investment instruments which provide minimal or no risk to the Fund or its principal.
- Monies in the Fund will be invested according to a detailed quarterly cash flow analysis prepared by the Veterans agencies receiving funds.
- Certificates of Deposit will not be purchased from savings and loan institutions on a local or national basis.
- Certificates of Deposit will not be purchased from financial institutions in which the capital to asset ratio is less than 6%.
- The State Treasurer may invest in long-term investment instruments in order to maximize return to the Fund and provide greater interest income.
- A maximum of 25% of the total Fund will be invested in large cap domestic equity securities with the State Investment Board.

Due to possible changes in biennial appropriations and/or changes in investment asset allocations, the Investment Policy will be reviewed by July 1 of odd-numbered years, with revisions being made when appropriate.

■ Veterans Post War Trust Fund
Actual Asset Allocation – June 30, 2001

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 1,420,092	100%	
Cash Equivalents	5,171	0%	
TOTAL FUND	$ 1,425,263	100%	-9.82%



NORTH DAKOTA ASSOCIATION OF COUNTIES

■ ND Association of Counties (NDACo) Fund and NDACo Program Savings Fund Investment Objectives and Policy Guidelines

Introduction

The North Dakota Association of Counties (NDACo) was established to aid in the administration of county government by providing a medium for exchange of information, ideas, and experience of county officials; promote training; facilitate cooperation with all levels of government; and be a legislative advocate for counties. NDACo and the benefits provided thereunder are funded by dues from member counties and special programs and projects of NDACo.

Responsibilities and Discretion of the State Investment Board (SIB)

The assets are to be invested in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

At the discretion of the SIB, the Funds' assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers.

Investment Objectives

Funds in excess of those required for operating and claims payment needs will be invested to obtain the maximum total return on investments consistent with safety of principal on funds in excess of those required for operating and claims payment needs. The investment fund(s) may be comprised of fixed income securities and equity securities. Individual investments may be either actively or passively managed.

Standards of Investment Performance

The Funds' investment objectives and liquidity constraints give rise to asset allocations that are considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

a. The Funds should produce rates of return that meet or exceed the portfolio policy index defined as 20% S&P 500 domestic stock index, 10% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 10% First Boston convertible securities index, 45% Lehman Brothers Government/Corporate domestic bond index, and 5% 90-day Treasury bills.
b. The annual standard deviation of total returns for the Funds should not exceed that of the policy portfolio.

Policy and Guidelines

The asset allocation is established by the SIB, with input from NDACo. Asset allocation is based upon the appraisal of projected liquidity and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the funds.

Large Cap Domestic Equity	20%
Small Cap Domestic Equity	10%
Convertible Bonds	10%
International Equity	10%
Fixed Income	45%
Cash Equivalents	5%

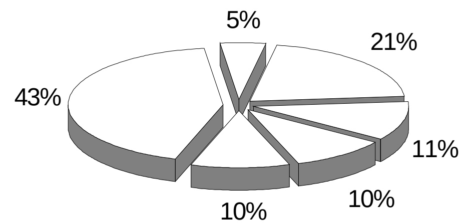
Rebalancing of the Funds to this target will be done in accordance with the SIB's rebalancing policy.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Funds' assets will be invested, it is understood that:

a. No derivative instruments or strategies which make use of derivatives which would cause the portfolios to be in any way leveraged will be used.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
d. No funds shall be borrowed.
e. No short sales or margin purchases shall be made.

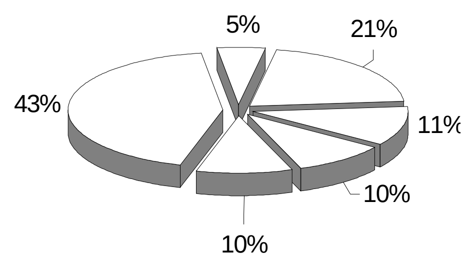
■ ND Association of Counties (NDACo) Fund
Actual Asset Allocation – June 30, 2001

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 56,163	21%	
Domestic Small Cap Equity	29,977	11%	
International Equity	26,761	10%	
Convertible Bonds	27,592	10%	
Fixed Income	118,760	43%	
Cash Equivalents	12,328	5%	
TOTAL FUND	$ 271,581	100%	-2.37%



■ NDACo Program Savings Fund
Actual Asset Allocation – June 30, 2001

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 59,024	21%	
Domestic Small Cap Equity	31,808	11%	
International Equity	27,747	10%	
Convertible Bonds	28,754	10%	
Fixed Income	126,218	43%	
Cash Equivalents	14,285	5%	
TOTAL FUND	$ 287,836	100%	-1.97%



CITY OF BISMARCK DEFERRED SICK LEAVE ACCOUNT

■ City of Bismarck Deferred Sick Leave Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The City of Bismarck Deferred Sick Leave Account ("Fund") represents money set aside to cover the City's unfunded liability of employees' accrued sick leave. People who terminate employment with the City shall be compensated for unused sick leave from this Fund. In time, it is expected that the Fund will become depleted.

Responsibilities and Discretion of the State Investment Board (SIB)

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish appropriate asset class pools designed to provide specific quality and diversification guidelines, restrictions, and performance objectives consistent with the goals of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers.

Investment Objectives

The investment objectives of the Fund reflect moderate risk tolerance and short-term liquidity needs. The self-liquidating feature of the Fund is also recognized.

Objective #1: Investment income is needed as a funding source. This will be achieved through a diversified portfolio of high quality fixed income and equity assets.

Objective #2: Growth of capital is needed to provide an inflationary hedge and add to the growth of the Fund. Capital growth is sought through investment in equities and/or equity substitutes.

Objective #3: Sufficient liquidity will be maintained to meet known or anticipated financial obligations. Cash equivalent investments shall be used to achieve this objective.

Standards of Investment Performance

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as 10% S&P 500 domestic stock index, 5% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 10% First Boston convertible securities index, 60% Lehman Government/Corporate domestic bond index, and 5% 90-day Treasury Bills.

b. The annual standard deviation of total returns for the Fund should be consistent with that of the policy portfolio.

Policy and Guidelines

The asset allocation of the City of Bismarck Deferred Sick Leave Account is established by the City of Bismarck. Asset allocation is based upon the appraisal of projected liquidity requirements and sick leave payment demand, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the Fund:

Large Cap Domestic Equity	10%
Small Cap Domestic Equity	5%
Convertible Bonds	10%
International Equity	10%
Fixed Income	60%
Cash Equivalents	5%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. No derivative instruments or strategies which make use of derivatives which would cause the portfolio to be in any way leveraged will be used.

b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.

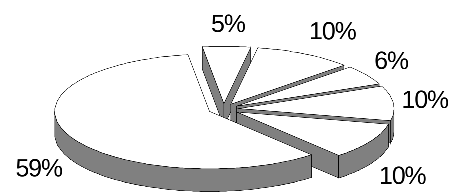
c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.

d. No funds shall be borrowed.

e. No short sales or margin purchases shall be made.

■ City of Bismarck Deferred Sick Leave Actual Asset Allocation – June 30, 2001

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 58,381	10%	
Domestic Small Cap Equity	31,228	6%	
International Equity	55,654	10%	
Convertible Bonds	57,619	10%	
Fixed Income	335,854	59%	
Cash Equivalents	27,920	5%	
TOTAL FUND	$ 566,656	100%	1.85%



NDPERS GROUP INSURANCE ACCOUNT

■ NDPERS Group Insurance Account Investment Objectives and Policy Guidelines

Introduction

The NDPERS Group Insurance Account (the Fund) was established to hold insurance premiums collected from employers until paid to the insurance carrier.

Responsibilities and Discretion of the State Investment Board (SIB)

The assets are to be invested in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers.

Investment Objectives

Premiums are collected throughout the month at PERS and will be forwarded to the Group Insurance investment account on the 1st and 15th of each month. The premiums transferred into the investment account will be transferred back to PERS on approximately the 22nd of each month so they may be remitted to the insurance carrier.

Standards of Investment Performance

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as the 90-day Treasury bill.

b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.

Policy and Guidelines

The asset allocation is established by NDPERS. Asset allocation is based upon the appraisal of projected liquidity. In recognition of this factor, the following allocation is deemed appropriate for the Fund:

Cash Equivalents	100%

This cash will be held in an enhanced money market account at the Bank of North Dakota.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

a. No derivative instruments or strategies which make use of derivatives which would cause the portfolio to be in any way leveraged will be used.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
d. No funds shall be borrowed.
e. No short sales or margin purchases shall be made.

■ NDPERS Group Insurance Account Actual Asset Allocation – June 30, 2001

Asset Allocation	Market Value	Percent of Total	One Year Return
Cash Equivalents	$1,545,009	100%	5.85%

RETIREE HEALTH INSURANCE CREDIT FUND

■ Retiree Health Insurance Credit Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The Retiree Health Insurance Credit Fund (the Plan) was established in 1989 for the purpose of prefunding and providing hospital benefits coverage and medical benefits coverage in accordance with Chapter 54-52.1 of the North Dakota Century Code.

The Plan is a defined benefit program that provides for a partial payment of a retiree's medical insurance premium. Eligible members are those Public Employees Retirement System (PERS), Judges, Air Guard, and Highway Patrol retirees who are participating in the Uniform Group Health Insurance program.

Funding is provided by a monthly employer contribution of 1% of payroll. On a monthly basis, benefit payments are netted out against contributions and the balance forwarded to the Trust's custodian for investment. Benefit payouts are expected to increase at the rate of 5% per year for the next 10 years, while contributions are expected to grow at 5%. Net positive cash flow into the Fund is expected for the next 20 years. The actuary assumes a 7.5% rate of return on assets.

Responsibilities and Discretion of the State Investment Board (SIB)

Under NDCC 21-10-06, the SIB may provide investment services for non-statutory funds on a contract basis. NDCC 21-10-07 requires that the assets of the Plan be invested in accordance with the prudent investor rule.

At the discretion of the SIB, the Plan's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, and performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selection of performance measurement services, consultants, report formats, and frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as it is prudent to do.

Investment Objectives

The investment objectives of the Plan reflect the long time horizon, funding constraint, small asset base, and need for capital growth. Operating considerations shape the Plan's policies and priorities as follows:

Objective #1: Obtain a favorable return on invested assets through a diversified portfolio of high quality fixed income and equity assets.

Objective #2: Provide for growth of capital by emphasizing equity exposure in the Plan's asset allocation.

Objective #3: Minimize investment costs and risk of under-performing the stock and bond markets through investment in index funds.

Objective #4: Maintain as closely as possible an asset allocation of 35% large cap domestic equities, 15% small cap domestic equities, 15% international equities and 35% domestic fixed income.

Standards of Investment Performance

The Plan's investment objectives and characteristics give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

a. The Plan should produce a rate of return that at least matches that of the policy portfolio, which is comprised of 35% S&P 500 Stock Index, 15% Russell Special Small Cap Index, 15% MSCI EAFE Index, and 35% Lehman Brothers Aggregate Bond Index.
b. The annual standard deviation of total returns for the Plan should not exceed that of the policy portfolio.

Policy and Guidelines

The asset allocation of the Plan is established by the PERS Board, with input from money managers and the RIO staff. Asset allocation is based upon the appraisal of current cash flow projections and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of the Plan's objectives, needs, and capital market expectations, the following asset allocation is deemed appropriate for the Plan:

Large Cap Domestic Equities	35%
Small Cap Domestic Equities	15%
International Equities	15%
Domestic Fixed Income	35%

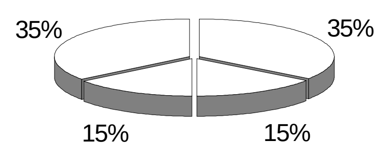
Rebalancing of the Plan to this target will be done in accordance with the SIB's rebalancing policy.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Plan's assets will be invested, it is understood that:

a. The prudent investor rule will apply.
b. Futures and options may be used to hedge, but not for speculation.
c. The investment performance target of the equity allocation is the S&P 500 Stock Index return.
d. The investment performance target of the fixed income allocation is the Lehman Aggregate Bond Index return.
e. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.

■ Retiree Health Insurance Credit Fund Actual Asset Allocation – June 30, 2001

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 8,466,803	35%	
Domestic Small Cap Equity	3,650,114	15%	
International Equity	3,526,864	15%	
Fixed Income	8,658,872	35%	
TOTAL FUND	$24,302,653	100%	-7.65%



ACTUARIAL SECTION

GABRIEL, ROEDER, SMITH & COMPANY
Consultants & Actuaries
2001 Ross Avenue • Suite 4200 • Dallas, Texas 75201-2989 • 214-530-4200 • fax 214-530-4250
(Temporary until 11/1/01)

October 5, 2001

Board of Trustees
North Dakota Teachers' Fund for Retirement
1930 Burnt Boat Rd.
P. O. Box 7100
Bismarck, ND 58507-7100

Dear Members of the Board:

Subject: Actuarial Valuation as of July 1, 2001

We certify that the information contained in this report is accurate and fairly presents the actuarial position of the North Dakota Teachers' Fund for Retirement (TFFR) as of July 1, 2001.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion the results presented also comply with the North Dakota Century Code, and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries. Both are Enrolled Actuaries and Members of the American Academy of Actuaries, and both are experienced in performing valuations for large public retirement systems.

Actuarial Valuation

The primary purposes of the valuation report are to determine the adequacy of the current employer contribution rate, to describe the current financial condition of TFFR, and to analyze changes in TFFR's condition. In addition, the report provides information required by TFFR in connection with Governmental Accounting Standards Board Statement No. 25 (GASB No. 25), and it provides various summaries of the data.

Valuations are prepared annually, as of July 1 of each year, the first day of TFFR's plan and fiscal year.

Financing Objectives

The member and employer contribution rates are established by statute, and both are currently set at 7.75%. The rates are intended to be sufficient to pay TFFR's normal cost and to amortize TFFR's unfunded actuarial accrued liability (UAAL) in level payments over a period of 20 years from the valuation date. The funding period is set by the Board of Trustees, and is considered reasonable by the actuary.

Board of Trustees
October 5, 2001
Page 2

Progress Toward Realization of Financing Objectives

As of July 1, 2001, the employer contribution rate needed in order to meet these goals is 3.99%. This is less than the 7.75% rate currently required by law, so the current contribution rate is adequate. The margin between the rate mandated by law and the rate necessary to fund the UAAL in 20 years is 3.76 percentage points. This margin decreased from 6.28 percentage points last year, mainly because of the new legislation adopted in 2001. See below for a discussion of the new benefit provisions.

If the 7.75% contribution rate remains in place, and all actuarial assumptions are exactly realized, then the UAAL will be completely amortized in 3.2 years from July 1, 2001.

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) decreased from last year. The funded ratio at July 1, 2000 was 101.6%, while it is 96.4% as of July 1, 2001. This decrease is also due to the adoption of the new benefit provisions.

Benefit Provisions

The actuarial valuation reflects the benefit and contribution provisions set forth in the North Dakota Century Code. There were three changes made to these provisions since the previous actuarial valuation.

- An ad hoc COLA was provided for all retirees and beneficiaries. This increase is equal to an additional $2.00 per month for each year of service plus $1.00 per month for each year since the member's retirement.
- A Conditional Annual Benefit Adjustment (CABA) of 0.75% to the retiree's current monthly benefit for this year and next year.
- The formula multiplier was increased from 1.88% to 2.00% effective July 1, 2001.

The two 0.75% increases are conditional. If the actuarial margin is a shortfall, i.e., is negative, by 60 basis points or more, or if the margin has been negative by 30 or more basis points for two years, the Board could elect to suspend the increase. The first increase is already in effect, and since the actuarial margin is positive this year, the July 1, 2002 increase can be paid as well. Note that, in determining whether or not an increase can be suspended, the Board must look to the margin in the preceding year's valuation report – or the two preceding years' reports – since the actuarial valuation for the current year would not be complete until after the increase had already gone into effect.

There are no ancillary benefits (such as cost-of-living increases to retirees) funded by a source independent of TFFR.

Assumptions and Methods

Actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the plan's actuary. These assumptions and methods were last changed in 2000, following an analysis of plan experience for the preceding five years. We believe the assumptions are internally consistent and are reasonably based on the actual experience of TFFR.

GABRIEL, ROEDER, SMITH & COMPANY

Board of Trustees
October 5, 2001
Page 3

Data

Member data for retired, active, and inactive participants was supplied as of July 1, 2001, by the staff of the Retirement and Investment Office (RIO). We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data. Asset information was also supplied by the RIO staff and by the plan's auditors.

We prepared the Schedule of Funding Progress and the Schedule of Employer Contributions found in the Financial Section, while the RIO staff prepared all of the other schedules and exhibits in this section. These other schedules and exhibits were generally based on information supplied in this and prior actuarial valuation reports. Our firm has prepared the annual actuarial valuations each year, beginning with the one prepared as of July 1, 1991. The previous actuary for TFFR prepared information related to prior actuarial valuations.

Sincerely,

J. Christian Conradi

J. Christian Conradi, ASA, MAAA, EA
Senior Consultant

W. Michael Carter

W. Michael Carter, FSA, MAAA, EA
Senior Consultant

GABRIEL, ROEDER, SMITH & COMPANY

SUMMARY OF ACTUARIAL VALUATION RESULTS

Item	2001	2000
Membership		
• Number of		
- Active Members	10,239	10,025
- Retirees and Beneficiaries	4,777	4,827
- Inactive, Vested	1,183	1,130
- Inactive, Nonvested	213	209
- Total	16,412	16,191
• Payroll	$342.2 million	$323.0 million
Statutory contribution rate		
• Employer	7.75%	7.75%
• Member	7.75%	7.75%
Assets		
• Market value	$1,290.7 million	$1,405.2 million
• Actuarial value	1,414.7 million	1,308.5 million
• Return on market value	(7.6)%	11.6%
• Return on actuarial value	8.6 %	13.3%
• Employer contributions	26.3 million	25.5 million
• External cash flow %	(0.6)%	(0.3)%
Actuarial Information		
• Normal cost %	10.29%	9.82%
• Unfunded actuarial accrued liability (UAAL)	$53.0 million	($20.6) million
• Funded ratio	96.4%	101.6%
• Funding period	3.2 years	0 years
Benchmark Contribution		
• 20-year funding rate	3.99%	1.47%
• Margin	3.76%	6.28%
Gains/(Losses)		
• Asset experience	$8.1 million	$55.6 million
• Liability experience	(11.4) million	(6.9) million
• Benefit changes	(93.9) million	N/A
• Assumption/method changes	N/A	96.1 million
• Total	$(97.2) million	$144.8 million

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

ASSET VALUATION METHOD

The actuarial value of assets is based on the market value of assets with a five-year phase-in of actual investment return in excess of (less than) expected investment income. Expected investment income is determined using the assumed investment return rate and the market value of assets (adjusted for receipts and disbursements during the year). The actual investment return for this purpose is determined net of all investment and administrative expenses.

ACTUARIAL COST METHOD

The funding period required to amortize the unfunded actuarial accrued liability (UAAL) is determined using the Entry Age Normal actuarial cost method. This method assigns the plan's total actuarial present value of future benefits to various periods. The actuarial accrued liability is assigned to years prior to the valuation, and the normal cost is assigned to the year following the valuation. The remaining costs are assigned to future years.

The normal cost is determined for a hypothetical group of new entrants, based on actual new entrants in the June 30, 1999 valuation. The actuarial accrued liability is the difference between the total present value of future benefits and the actuarial present value of future normal costs. The unfunded actuarial accrued liability (UAAL) is the excess of the actuarial accrued liability over the actuarial value of assets.

ACTUARIAL ASSUMPTIONS

1. Investment Return Rate — 8.00% per annum, compounded annually, composed of an assumed 3.00% inflation rate and a 5.00% real rate of return. (Adopted July 1, 1990; allocation between inflation and real rate of return modified July 1, 2000.)

2. Mortality Rates

   a. Non-Disabled—1994 Uninsured Pensioner Mortality Table set back two years for males and three years for females. (Adopted July 1, 2000.)

   b. Disabled—Pension Benefit Guaranty Corporation Disabled Life Mortality Tables Va and VIa. (Adopted July 1, 1990.)

	Deaths per 100 Lives			
	Male Participants		Female Participants	
Age	Non-Disabled	Disabled	Non-Disabled	Disabled
20	.0495	4.83	.0281	2.63
25	.0633	4.83	.0311	2.63
30	.0811	3.62	.0324	2.37
35	.0912	2.78	.0427	2.14
40	.1010	2.82	.0593	2.09
45	.1454	3.22	.0888	2.24
50	.2260	3.83	.1196	2.57
55	.3854	4.82	.1864	2.95
60	.6774	6.03	.3139	3.31
65	1.2335	6.78	.6271	3.70
70	2.1354	7.39	1.1574	4.11

Summary of Actuarial Methods and Assumptions (continued)

3. Retirement Rates — The following rates of retirement are assumed for members eligible to retire. (Adopted July 1, 2000.)

Retirements Per 100 Members

Age	Unreduced Retirement Ultimate Rate Male	Unreduced Retirement Ultimate Rate Female	Unreduced Retirement Initial Eligibility Male	Unreduced Retirement Initial Eligibility Female	Reduced Retirement Male	Reduced Retirement Female
50	17.0%	10.0%	40.0%	35.0%	0.0%	0.0%
51	17.5%	10.0%	40.0%	35.0%	0.0%	0.0%
52	18.0%	10.0%	40.0%	35.0%	0.0%	0.0%
53	18.5%	10.0%	40.0%	35.0%	0.0%	0.0%
54	19.0%	10.0%	40.0%	35.0%	0.0%	0.0%
55	19.5%	10.0%	50.0%	55.0%	2.0%	3.0%
56	20.0%	15.0%	50.0%	55.0%	2.0%	3.0%
57	20.5%	15.0%	50.0%	55.0%	2.0%	3.0%
58	21.0%	15.0%	50.0%	55.0%	2.0%	3.0%
59	21.5%	17.5%	50.0%	55.0%	2.0%	3.0%
60	25.0%	20.0%	75.0%	75.0%	4.0%	3.0%
61	50.0%	25.0%	50.0%	75.0%	16.0%	4.0%
62	75.0%	40.0%	75.0%	75.0%	30.0%	50.0%
63	60.0%	40.0%	60.0%	75.0%	16.0%	20.0%
64	60.0%	50.0%	60.0%	75.0%	16.0%	20.0%
65	60.0%	60.0%	60.0%	60.0%	- -	- -
66	40.0%	40.0%	40.0%	40.0%	- -	- -
67	40.0%	40.0%	40.0%	40.0%	- -	- -
68	40.0%	40.0%	40.0%	40.0%	- -	- -
69	40.0%	40.0%	40.0%	40.0%	- -	- -
70	100.0%	100.0%	100.0%	100.0%	- -	- -

4. Disability Rates — As shown below for selected ages. (Adopted July 1, 2000.)

Age	Disabilities Per 100 Members
20	0.016
25	0.016
30	0.016
35	0.016
40	0.048
45	0.080
50	0.128
55	0.224
60	0.432
65	0.000

Summary of Actuarial Methods and Assumptions (continued)

5. Termination Rates — The following withdrawal rates are used based on age and service. (For causes other than death, disability, or retirement)
(Adopted July 1, 1995.)

Males

	Years of Service										
Age	0	1	2	3	4	5	6	7	8	9	10+
25	0.1420	0.1379	0.1366	0.1339	0.1220	0.1067	0.0896	0.0878	0.0860	0.0842	0.0598
30	0.1416	0.1376	0.1363	0.1336	0.1210	0.1053	0.0907	0.0889	0.0871	0.0853	0.0470
35	0.1359	0.1321	0.1308	0.1282	0.1141	0.0988	0.0867	0.0849	0.0832	0.0815	0.0343
40	0.1317	0.1280	0.1267	0.1243	0.1074	0.0928	0.0824	0.0808	0.0791	0.0775	0.0252
45	0.1282	0.1246	0.1234	0.1210	0.1002	0.0868	0.0777	0.0761	0.0746	0.0730	0.0196
50	0.1246	0.1211	0.1199	0.1176	0.0916	0.0809	0.0725	0.0710	0.0696	0.0681	0.0188
55	0.1444	0.1403	0.1390	0.1362	0.0974	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
60	0.1588	0.1544	0.1529	0.1499	0.1071	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
65	0.1747	0.1698	0.1681	0.1648	0.1178	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Females

	Years of Service										
Age	0	1	2	3	4	5	6	7	8	9	10+
25	0.1654	0.1607	0.1592	0.1560	0.1307	0.1119	0.0952	0.0806	0.0790	0.0774	0.0352
30	0.1373	0.1334	0.1321	0.1295	0.1107	0.0964	0.0836	0.0738	0.0723	0.0708	0.0312
35	0.1143	0.1110	0.1100	0.1078	0.0926	0.0820	0.0732	0.0672	0.0658	0.0645	0.0275
40	0.0978	0.0951	0.0941	0.0923	0.0779	0.0695	0.0637	0.0607	0.0595	0.0583	0.0242
45	0.0910	0.0885	0.0876	0.0859	0.0686	0.0593	0.0553	0.0545	0.0535	0.0524	0.0220
50	0.0967	0.0940	0.0931	0.0912	0.0670	0.0519	0.0480	0.0484	0.0475	0.0465	0.0227
55	0.1455	0.1414	0.1400	0.1373	0.0742	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
60	0.1885	0.1831	0.1814	0.1778	0.0907	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
65	0.2498	0.2428	0.2404	0.2357	0.1167	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

Summary of Actuarial Methods and Assumptions (continued)

6. Salary Increase Rates — Inflation rate of 3.00% plus productivity rate of 1.00%, plus step-rate/promotional increase as shown below. (Adopted July 1, 2000.)

Years of Service	Annual Step-Rate/ Promotional Component	Annual Total Salary Increase
0	9.00%	13.00%
1	4.00%	8.00%
2	3.50%	7.50%
3	3.00%	7.00%
4	2.75%	6.75%
5	2.50%	6.50%
6	2.25%	6.25%
7	2.25%	6.25%
8	2.00%	6.00%
9	1.75%	5.75%
10	1.50%	5.50%
11	1.25%	5.25%
12	1.00%	5.00%
13	0.75%	4.75%
14	0.50%	4.50%
15 or more	0.00%	4.00%

7. Percent Married — For valuation purposes, 75% of members are assumed to be married. Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses. (Adopted July 1, 1992.)

8. Percent Electing a Deferred Termination Benefit — Terminating members are assumed to elect the most valuable benefit at the time of termination. Termination benefits are assumed to commence at the first age at which unreduced benefits are available. (Adopted July 1, 1990.)

9. Provision for Expense — The assumed investment return rate represents the anticipated net rate of return after payment of all administrative expenses. (Adopted July 1, 1992.)

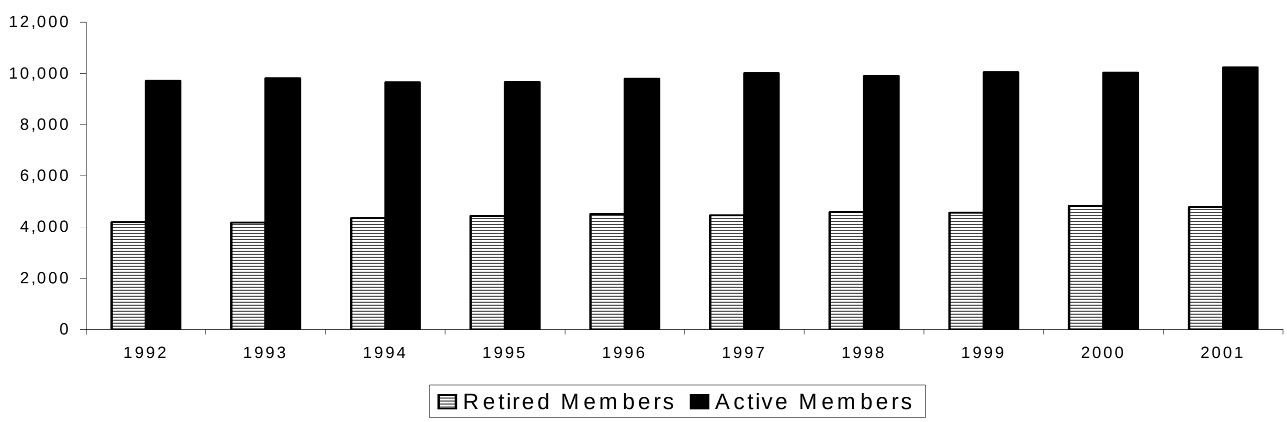
SCHEDULE OF ACTIVE MEMBERS

	Active Members		Covered Payroll		Average Salary			
Year Ending June 30	Number	Percent Increase	Amount in $ Millions	Percent Increase	Amount	Percent Increase	Average Age	Average Service
1992	9,707	1.2	250.9	6.7	25,850	5.5	41.7	12.8
1993	9,808	1.0	260.4	3.8	26,549	2.7	42.2	13.2
1994	9,653	(1.6)	262.4	0.8	27,187	2.4	42.4	13.3
1995	9,663	0.1	268.7	2.4	27,803	2.3	42.6	13.4
1996	9,797	1.4	281.2	4.7	28,708	3.3	42.9	13.6
1997	10,010	2.2	294.1	4.6	29,382	2.3	43.4	14.0
1998	9,896	(1.1)	298.4	1.5	30,156	2.6	43.5	14.0
1999	10,046	1.5	314.6	5.4	31,318	3.9	44.0	14.4
2000	10,025	(0.2)	323.0	2.7	32,223	2.9	43.9	14.1
2001	10,239	2.1	342.2	5.9	33,421	3.7	44.4	14.4

SCHEDULE OF RETIREES AND BENEFICIARIES

Year Ended June 30	Number Added During Year	Number Removed During Year	Number Receiving End of Year	Average Monthly Benefit	Annual Pension Benefits (in millions)	Percent Increase In Annual Benefits
1992	219	132	4,189	549	26.2	21.3
1993	141	151	4,179	547	27.7	5.7
1994	320	151	4,348	663	34.1	23.1
1995	253	168	4,433	690	36.1	5.6
1996	238	168	4,503	719	38.5	6.9
1997	138	179	4,462	729	39.5	2.6
1998	321	198	4,585	810	43.7	10.6
1999	170	187	4,568	833	46.1	5.5
2000	425	166	4,827	970	53.6	16.3
2001	162	212	4,777	995	57.7	7.6

ACTIVE MEMBERS VS RETIRED MEMBERS 10-YEAR SUMMARY



ANALYSIS OF CHANGE IN 20-YEAR FUNDING COST

	20-Year Funding Cost as a Percentage of Payroll	
	2001	2000
Prior valuation	1.47 %	6.09 %
Increases/(decreases) due to:		
Open amortization	0.02 %	(0.09)%
Growth in covered payroll	0.03 %	(0.11)%
Employer contributions received at 7.75% rather than 1.47%	(0.66)%	(0.23)%
Liability experience	0.31 %	0.20 %
Investment experience	(0.22)%	(1.61)%
Assumption changes	0.00 %	0.64 %
Change in asset method	0.00 %	(3.42)%
Legislative changes	3.04 %	0.00 %
Total	2.52 %	(4.62)%
Current valuation	3.99 %	1.47 %
Statutory employer contribution rate	7.75 %	7.75 %
Margin available	3.76 %	6.28 %

ANALYSIS OF CHANGE IN UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)

	Unfunded Actuarial Accrued Liability ($ in millions)	
	2001	2000
Prior valuation	$ (20.6)	$ 135.3
Increases/(decreases) due to:		
Amortization payments	$ (23.6)	$ (11.1)
Investment experience	(8.1)	(55.6)
Assumption changes	-	22.4
Liability experience	11.4	6.9
Change in asset method	-	(118.5)
Legislative changes		
Ad hoc COLA ($1/$2)	32.3	-
0.75% increase for two years	7.7	-
Benefit multiplier change (2.00%)	53.9	-
Total	$ 73.6	$ (155.9)
Current valuation	$ 53.0	$ (20.6)

SOLVENCY TEST

	Actuarial Accrued Liability (AAL) (in millions)				Portion of AAL Covered by Valuation Assets		
Valuation as of July 1	Active Member Contributions	Retirees and Beneficiaries	Active/Inactive Members (Employer Financed)	Actuarial Value of Assets	Active Member Contributions	Retirees and Beneficiaries	Active/Inactive Members (Employer Financed)
1992	202.9	226.6	186.4	519.8	100.0	100.0	48.4
1993	225.5	263.1	238.5	567.2	100.0	100.0	33.0
1994	237.4	296.6	230.2	606.8	100.0	100.0	31.6
1995	253.9	312.7	233.2	661.2	100.0	100.0	40.6
1996	280.0	332.6	239.0	733.3	100.0	100.0	50.5
1997	310.0	344.9	322.2	823.4	100.0	100.0	52.3
1998	324.7	387.2	321.1	928.0	100.0	100.0	67.3
1999	361.0	426.5	400.8	1,053.1	100.0	100.0	66.3
2000	372.3	504.2	411.3	1,308.5	100.0	100.0	100.0
2001	413.9	551.6	502.2	1,414.7	100.0	100.0	89.4

SUMMARY OF BENEFIT PROVISIONS

1. Effective Date: July 1, 1971.

2. Plan Year: Twelve-month period ending June 30th.

3. Administration: The Teachers' Fund for Retirement (TFFR) is administered by a Board of Trustees. A separate State Investment Board is responsible for the investment of the trust assets, although the TFFR Board establishes the asset allocation policy. The Retirement and Investment Office is the administrative agency for TFFR.

4. Type of Plan: TFFR is a qualified governmental defined benefit retirement plan. For Governmental Accounting Standards Board purposes, it is a cost-sharing multiple employer PERS.

5. Eligibility: All certified teachers of any public school in North Dakota participate in TFFR. This includes teachers, supervisors, principals, administrators, etc. Non-certified employees such as teacher's aides, janitors, secretaries, drivers, etc. are not allowed to participate in TFFR. Eligible employees become members at their date of employment.

6. Employee Assessments: All active members contribute 7.75% of their salary per year. The employer may "pick up" the member's assessments under the provisions of Internal Revenue Code Section 414(h).

7. Salary: The member's total earnings are used for salary purposes, including overtime, etc., and including nontaxable wages under a Section 125 plan, but excluding certain extraordinary compensation, such as fringe benefits or unused sick and vacation leave.

8. Employer Contributions: The district or other employer which employs a member contributes 7.75% of the member's salary.

9. Service: Employees receive credit for service while a member. A member may also purchase credit for certain periods, such as time spent teaching at a public school in another state, by paying the actuarially determined cost of the additional service. Special rules and limits govern the purchase of additional service.

10. Final Average Compensation (FAC): The average of the member's highest three plan year salaries. Monthly benefits are based on one-twelfth of this amount.

11. Normal Retirement

    a. Eligibility: A member may retire upon Normal Retirement on or after age 65 with credit for 3 years of service, or if earlier, when the sum of the member's age and service is at least 85.

    b. Monthly Benefit: 2.00% of FAC (monthly) times years of service.

    c. Payment Form: Benefits are paid as a monthly life annuity, with a guarantee that if the payments made do not exceed the member's assessments plus interest, determined as of the date of retirement, the balance will be paid in a lump-sum to the member's beneficiary. Optional forms of payment are available; see below.

Summary of Benefit Provisions (continued)

12. Early Retirement

    a. Eligibility: A member may retire early after reaching age 55 with credit for three years of service.

    b. Monthly Benefit: 2.00% of FAC (monthly) times years of service, multiplied by a factor which reduces the benefit 6% for each year from the earlier of (i) age 65, or (ii) the age at which current service plus age equals 85.

    c. Payment Form: Same as for Normal Retirement above.

13. Disability Retirement

    a. Eligibility: A member is eligible provided he/she has credit for at least one year of service.

    b. Monthly Benefit: 2.00% of FAC (monthly) times years of service with a minimum 20 years of service.

    c. Payment Form: The disability benefit commences immediately upon the member's retirement. Benefits cease upon recovery or reemployment. Disability benefits are payable as a monthly life annuity with a guarantee that, at the member's death, the sum of the member's assessments plus interest as of the date of retirement that is in excess of the sum of payments already received will be paid in a lump-sum to the member's beneficiary. All alternative forms of payment are also permitted in the case of disability retirement. Disability benefits are converted to normal retirement benefits when the member reaches normal retirement age or age 65, whichever is earlier.

14. Deferred Termination Benefit

    a. Eligibility: A member with at least three years of service who does not withdraw his/her contributions from the fund is eligible for a deferred termination benefit.

    b. Monthly Benefit: 2.00% of FAC (monthly) times years of service. Both FAC and service are determined at the time the member leaves active employment. Benefits may commence unreduced at age 65 or when the rule of 85 is met (age plus service equals 85). Reduced benefits may commence at or after age 55 if the member is not eligible for an unreduced benefit.

    c. Payment Form: The form of payment is the same as for Normal Retirement above.

    d. Death Benefit: A member who dies after leaving active service but before retiring is entitled to receive a benefit as described below in 16b.

15. Withdrawal (Refund) Benefit

    a. Eligibility: All members leaving covered employment with less than three years of service are eligible. Optionally, vested members (those with three or more years of service) may withdraw their assessments plus interest in lieu of the deferred benefits otherwise due.

    b. Benefit: The member who withdraws receives a lump-sum payment of his/her employee assessments, plus the interest credited on these contributions. Interest is credited at 6%.

Summary of Benefit Provisions (continued)

16. Death Benefit

    a. Eligibility: Death must have occurred while an active or an inactive, non-retired member.

    b. Benefit: Upon the death of a nonvested member, a refund of the member's assessments and interest is paid. Upon the death of a vested member, the beneficiary may elect (i) the refund benefit above, (ii) payment for 60 months of the normal retirement benefit, based on FAC and service determined at the date of death, or (iii) a life annuity of the normal retirement benefit, determined under Option One below, based on FAC and service as of the date of death, but without applying any reduction for the member's age at death. Members not eligible for normal retirement benefits under Option One use the Fund's disability reduction tables.

17. Optional Forms of Payment: There are optional forms of payment available on an actuarially equivalent basis, as follows:

    a. Option 1 - A life annuity payable while either the participant or his beneficiary is alive, "popping-up" to the original life annuity if the beneficiary predeceases the member.

    b. Option 2 - A life annuity payable to the member while both the member and beneficiary are alive, reducing to 50% of this amount if the member predeceases the beneficiary, and "popping-up" to the original life annuity if the beneficiary predeceases the member.

    c. Option 3 - A life annuity payable to the member, with a guarantee that, should the member die prior to receiving 60 payments (five years), the payments will be continued to a beneficiary for the balance of the five-year period.

    d. Option 4 - A life annuity payable to the member, with a guarantee that, should the member die prior to receiving 120 payments (10 years), the payments will be continued to a beneficiary for the balance of the ten-year period.

    e. Option 5 - A nonlevel annuity payable to the member, designed to provide a level total income when combined with the member's Social Security benefit.

    Actuarial equivalence is based on tables adopted by the Board of Trustees.

18. Cost-of-living Increase: From time to time, TFFR has been amended to grant certain post-retirement benefit increases. However, TFFR has no automatic cost-of-living increase features.

SUMMARY OF PLAN CHANGES

Effective July 1, 1991:

1. Benefit multiplier increased from 1.275% to 1.39% for all future retirees.

2. Provide a post-retirement benefit increase for all annuitants receiving a monthly benefit on June 30, 1991. The monthly increase is the greater of a 10% increase or a level increase based on years of service and retirement date:

   a. $3 per year of service for retirements before 1980.
   b. $2 per year of service for retirements between 1980 and 1983.
   c. $1 per year of service for retirements from 1984 through June 30, 1991.

   Minimum increase is $5 per month. Maximum increase is $75 per month.

Effective July 1, 1993:

1. Benefit multiplier increased from 1.39% to 1.55% for all future retirees.

2. Provide a post-retirement benefit increase for all annuitants receiving a monthly benefit on June 30, 1993. The monthly increase is the greater of a 10% increase or a level increase based on years of service and retirement date:

   a. $3 per year of service for retirements before 1980.
   b. $2.50 per year of service for retirements between 1980 and 1983.
   c. $1 per year of service for retirements from 1984 through June 30, 1993.

   Minimum increase is $5 per month. Maximum increase is $100 per month.

3. Minimum retirement benefit increased to $10 times years of service up to 25, plus $15 times years of service greater than 25. (Previously was $6 up to 25 years of service plus $7.50 over 25 years of service.)

4. Disability benefit changed to 1.55% of FAC times years of service using a minimum of 20 years of service.

Effective July 1, 1997:

1. Benefit multiplier increased from 1.55% to 1.75% for all future retirees.

2. Member assessment rate and employer contribution rate increased from 6.75% to 7.75%.

3. A $30.00/month benefit improvement was granted to all retirees and beneficiaries.

Summary of Plan Changes (continued)

Effective July 1, 1999:

1. Active members will now be fully vested after three years (rather than five years) of service.

2. Early retirement benefits will be reduced 6% per year from the earlier of (i) age 65, or (ii) the date as of which age plus service equals 85 (rather than from age 65 in all cases).

3. An ad hoc COLA was provided for all retirees and beneficiaries. This increase is equal to an additional $2 per month for each year of service plus $1 per month for each year since the member's retirement.

4. The formula multiplier was increased from 1.75% to 1.88% effective July 1, 1999.

Effective July 1, 2001:

1. An ad hoc COLA was provided for all retirees and beneficiaries. The ad hoc COLA increase is equal to an additional $2.00 per month for each year of service plus $1.00 per month for each year since the member's retirement. Retirees and beneficiaries will also receive two additional increases equal to 0.75% times the monthly benefit, payable July 1, 2001 and July 1, 2002. The two 0.75% increases are conditional. If the actuarial margin is a shortfall, i.e., is negative, by 60 basis points or more, or if the margin has been negative by 30 or more basis points for two years, the Board could elect to suspend the increase.

2. The formula multiplier was increased from 1.88% to 2.00% effective July 1, 2001.

STATISTICAL SECTION

SCHEDULE OF REVENUES BY SOURCE AND EXPENSES BY TYPE

Revenues by Source

Fiscal Year	Member Assessments	Employer Contributions	Employer Contributions as a Percentage of Annual Covered Payroll	Investment and Other Income	Purchased Service Credit	Total
1993	$17,527,595	$ 17,527,596	6.75%	$ 81,962,204	$ 418,153	$ 117,435,548
1994	17,813,117	17,812,491	6.75	7,927,009	480,452	44,033,069
1995	18,326,881	18,326,881	6.75	88,427,044	560,945	125,641,751
1996	18,988,538	18,988,538	6.75	114,825,104	575,800	153,377,980
1997	19,693,130	19,693,130	6.75	156,487,387	771,027	196,644,674
1998	23,326,328	23,326,328	7.75	132,187,852	759,105	179,599,613
1999	24,257,091	24,257,131	7.75	129,906,989	636,015	179,057,226
2000	25,528,245	25,527,734	7.75	146,483,648	2,509,576	200,049,203
2001	26,289,672	26,289,206	7.75	(107,137,559)	1,942,467	(52,616,214)

Expenses by Type

Fiscal Year	Benefits Paid to Participants	Refunds	Administrative Charges	Total
1993	$ 27,710,231	$ 2,614,160	$ 780,865	$ 31,105,256
1995	34,093,075	2,293,299	719,777	37,106,151
1995	36,001,717	2,186,791	788,743	38,977,251
1996	38,546,098	2,644,413	858,258	42,048,769
1997	39,522,935	2,590,766	832,223	42,945,924
1998	43,706,492	2,671,933	789,830	47,168,255
1999	46,120,317	2,877,423	944,654	49,942,394
2000	53,583,271	2,788,019	1,015,549	57,386,839
2001	57,740,914	3,127,841	1,099,331	61,968,086

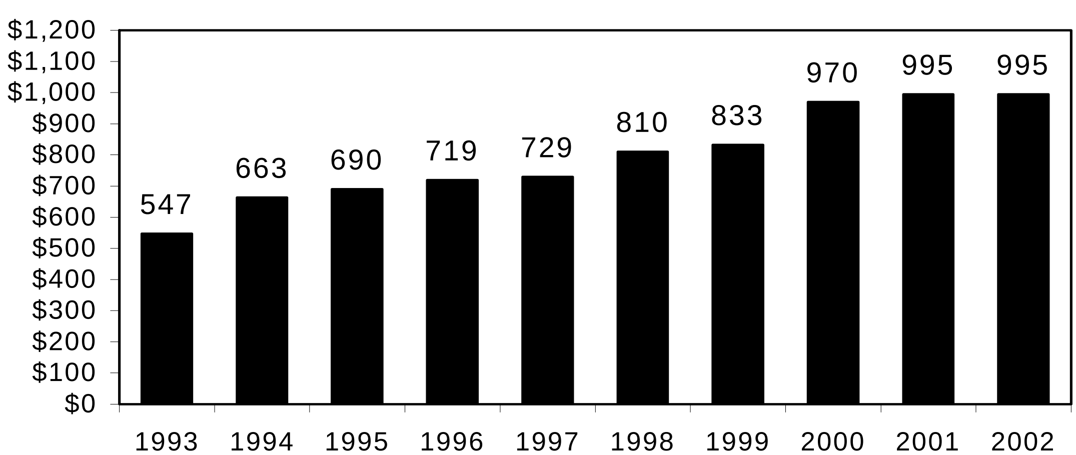
SCHEDULE OF BENEFIT EXPENSES BY TYPE

	Annuity Payments				Refunds *			
Year	Service Retirements	Disability Retirements	Beneficiaries	Total Annuity Payments	Separation	Death	Total Refunds	Total Benefit Expenses
1993	$25,591,231	$ 161,161	$ 1,957,839	$ 27,710,231			$ 2,614,160	$ 30,324,391
1994	31,544,019	177,974	2,371,082	34,093,075			2,293,299	36,386,374
1995	33,339,811	208,957	2,452,949	36,001,717			2,186,791	38,188,508
1996	35,638,025	296,857	2,611,216	38,546,098			2,644,413	41,190,511
1997	36,436,197	328,214	2,758,524	39,522,935	$ 2,581,545	$ 9,221	2,590,766	42,113,701
1998	40,428,510	427,861	2,850,121	43,706,492	2,581,489	90,444	2,671,933	46,378,425
1999	42,529,225	487,987	3,103,105	46,120,317	2,877,178	245	2,877,423	48,997,740
2000	49,624,550	559,211	3,399,510	53,583,271	2,605,340	182,679	2,788,019	56,371,290
2001	52,946,453	781,619	4,012,842	57,740,914	2,820,222	307,619	3,127,841	60,868,755

* Detail not available for refunds for 1993-1996.

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

Fiscal Year		Years of Service < 10	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	> 34	TOTAL
1993	Number of Retirees	56	380	424	471	937	866	1,045	4,179
	Average Monthly Benefit	173	202	260	366	478	699	859	547
	Average Years of Service	6	13	17	22	27	32	39	28
1994	Number of Retirees	61	390	429	487	971	922	1,088	4,348
	Average Monthly Benefit	195	234	318	456	567	850	1,011	663
	Average Years of Service	6	13	18	22	27	32	39	28
1995	Number of Retirees	77	393	435	502	980	955	1,091	4,433
	Average Monthly Benefit	188	206	322	473	605	895	1,046	690
	Average Years of Service	6	13	17	22	27	32	39	28
1996	Number of Retirees	85	393	437	516	991	982	1,099	4,503
	Average Monthly Benefit	197	208	328	498	627	933	1,094	719
	Average Years of Service	6	12	17	22	27	32	39	28
1997	Number of Retirees	99	391	436	511	984	976	1,065	4,462
	Average Monthly Benefit	223	209	332	505	645	954	1,113	729
	Average Years of Service	6	12	17	22	27	32	39	28
1998	Number of Retirees	108	397	429	518	1,002	1,046	1,085	4,585
	Average Monthly Benefit	190	258	375	559	722	1,075	1,207	810
	Average Years of Service	6	12	17	22	27	32	39	28
1999	Number of Retirees	124	396	423	528	973	1,056	1,068	4,568
	Average Monthly Benefit	199	252	385	585	747	1,108	1,235	833
	Average Years of Service	6	12	17	22	27	32	39	28
2000	Number of Retirees	137	403	438	554	1,030	1,156	1,109	4,827
	Average Monthly Benefit	223	325	455	683	897	1,279	1,417	970
	Average Years of Service	6	12	18	22	27	32	39	28
2001	Number of Retirees	146	404	416	545	1,012	1,174	1,080	4,777
	Average Monthly Benefit	235	401	455	696	942	1,311	1,442	995
	Average Years of Service	6	12	17	22	27	32	39	28
2002	Number of Retirees	146	404	416	545	1,012	1,174	1,080	4,777
	Average Monthly Benefit	235	401	455	696	942	1,311	1,442	995
	Average Years of Service	6	12	17	22	27	32	39	28



SCHEDULE OF RETIREES BY BENEFIT AMOUNT

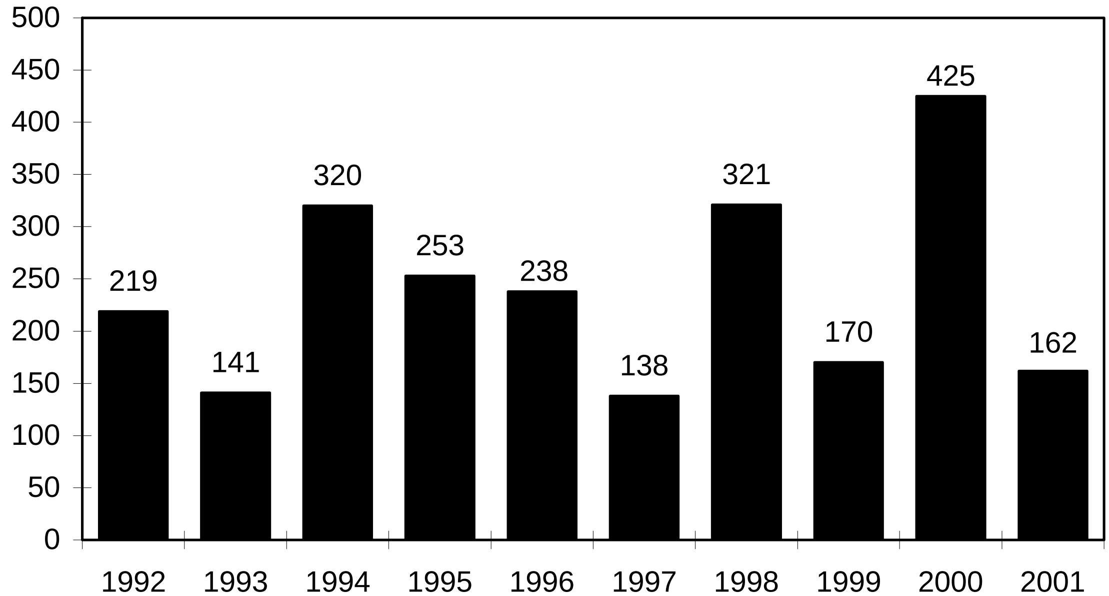
Monthly Benefit Amount	1993	1994	1995	1996	1997	1998	1999	2000	2001
Under $100	55	46	55	57	64	43	44	27	29
100 to 199	404	227	237	241	247	166	174	119	125
200 to 299	701	468	465	459	452	421	411	298	293
300 to 399	1,007	615	613	586	568	508	493	371	353
400 to 499	426	854	807	775	727	693	651	435	407
500 to 599	278	389	374	367	350	378	356	562	520
600 to 699	230	265	257	250	236	258	245	332	317
700 to 799	185	242	236	238	241	234	232	232	221
800 to 899	182	189	202	214	221	231	235	235	228
900 to 999	172	177	187	205	217	245	247	262	262
1,000 to 1,199	218	320	338	357	365	394	410	459	470
1,200 to 1,399	133	221	256	279	289	349	357	405	417
1,400 to 1,599	84	131	159	185	189	230	237	343	349
1,600 to 1,799	40	81	101	109	110	160	166	225	229
1,800 to 1,999	25	47	57	63	67	94	100	164	173
2,000 & Over	39	76	89	118	119	181	210	358	384
TOTAL	4,179	4,348	4,433	4,503	4,462	4,585	4,568	4,827	4,777

SCHEDULE OF RETIREES BY BENEFIT TYPE

Type of Benefit/ Form of Payment	1993	1994	1995	1996	1997	1998	1999	2000	2001
Service:									
Straight Life	2,910	2,938	2,897	2,858	2,787	2,760	2,661	2,674	2,566
100% J&S	431	494	548	591	591	675	719	862	872
50% J&S	229	250	259	268	270	286	281	303	301
5 Years C&L	24	24	26	28	30	31	31	33	31
10 Years C&L	88	105	116	119	122	129	130	141	140
Level	85	122	165	196	211	256	279	335	354
Subtotal	3,767	3,933	4,011	4,060	4,011	4,137	4,101	4,348	4,264
Disability:									
Straight Life	18	17	20	33	33	38	41	44	50
100% J&S	6	6	4	3	5	5	7	10	10
50% J&S	3	4	4	3	3	3	4	5	7
5 Years C&L	1	1	1	1	1	1	1	2	2
10 Years C&L	0	0	1	0	0	2	1	1	1
Subtotal	28	28	30	40	42	49	54	62	70
Beneficiaries:									
Straight Life	372	377	383	396	403	394	404	407	431
5 Years C&L	5	4	3	1	0	1	1	1	2
10 Years C&L	7	6	6	6	6	4	8	9	10
Subtotal	384	387	392	403	409	399	413	417	443
TOTAL	4,179	4,348	4,433	4,503	4,462	4,585	4,568	4,827	4,777

SCHEDULE OF NEW RETIREES BY TYPE

Year Ended June 30	Retirement	Disability	Beneficiary	Total
1992	196	4	19	219
1993	111	4	26	141
1994	286	5	29	320
1995	222	5	26	253
1996	191	16	31	238
1997	99	10	29	138
1998	291	9	21	321
1999	133	7	30	170
2000	391	11	23	425
2001	115	9	38	162



SCHEDULE OF RETIREES RESIDING IN NORTH DAKOTA BY COUNTY

County	Number	Average Benefit	County	Number	Average Benefit	County	Number	Average Benefit
Adams	18	$ 989	Griggs	30	$ 798	Richland	89	$ 905
Barnes	122	1,004	Hettinger	22	1,419	Rolette	41	923
Benson	26	910	Kidder	17	975	Sargent	33	954
Billings	2	1,454	LaMoure	46	959	Sheridan	15	842
Bottineau	69	1,011	Logan	19	894	Sioux	3	745
Bowman	30	1,045	McHenry	52	872	Slope	5	812
Burke	15	993	McIntosh	26	1,394	Stark	125	1,211
Burleigh	480	1,186	McKenzie	31	1,001	Steele	13	807
Cass	484	1,302	McLean	78	1,058	Stutsman	140	1,062
Cavalier	42	1,073	Mercer	41	1,049	Towner	22	922
Dickey	50	921	Morton	140	1,312	Traill	72	1,066
Divide	17	982	Mountrail	37	885	Walsh	86	1,092
Dunn	21	748	Nelson	44	981	Ward	323	1,097
Eddy	26	914	Oliver	10	1,226	Wells	45	971
Emmons	27	842	Pembina	53	939	Williams	131	1,195
Foster	24	1,092	Pierce	36	1,232	Out-of-State	939	851
Golden Valley	15	701	Ramsey	107	1,060			
Grand Forks	358	1,292	Ransom	40	925	GRAND TOTALS:	4,777	$ 995
Grant	20	840	Renville	20	849			

SCHEDULE OF PARTICIPATING EMPLOYERS AT JUNE 30, 2001

School Districts

Adams
Alexander
Anamoose
Apple Creek Elementary
Ashley
Bakker Elementary
Baldwin Elementary
Beach
Belcourt
Bell Elementary
Berthold
Beulah
Billings County School
Bisbee/Egland
Bismarck
Border Central
Bottineau
Bowbells
Bowdon
Bowline Butte Elementary
Bowman
Burke Central
Carrington
Cavalier
Center
Central Cass
Central Elementary
Central Valley
Dakota Prairie
Devils Lake
Dickinson
Divide
Dodge Elementary
Drake
Drayton
Driscoll
Dunseith
Earl Elementary
East Burleigh County Coop.
Edgeley
Edinburg
Edmore
Eight Mile
Elgin/New Leipzig
Ellendale
Elm Grove
Emerado Elementary
Enderlin
Eureka Elementary
Fairmount
Fargo
Fessenden
Finley-Sharon
Flasher
Fordville
Fort Ransom Elementary
Fort Totten
Fort Yates
Gackle-Streeter
Garrison
Glen Ullin
Glenburn
Golden Valley
Goodrich
Grafton
Grand Forks
Granville
Grenora
Griggs County Central
Halliday
Hankinson
Harvey
Hatton
Hazelton – Moffit
Hazen
Hebron
Hettinger
Hillsboro
Hope
Horse Creek Elementary
Jamestown
Kenmare
Kensal
Killdeer
Kindred
Kulm
Lakota
Lamoure
Langdon
Lankin Elementary
Lansford Elementary
Larimore
Leeds
Lidgerwood
Linton
Lisbon
Litchville
Little Heart Elementary
Lone Tree Elementary
Maddock
Mandan
Mandaree
Manning Elementary
Mantador Elementary
Manvel Elementary
Maple Valley
Mapleton Elementary
Marion
Marmarth Elementary
Max
Mayville – Portland CG
McClusky
McKenzie County School District
McKenzie Elementary
Medina
Menoken Elementary
Midkota
Midway
Milnor
Milton
Minnewauken
Minot
Minto
Mohall
Montefiore
Montpelier
Mott
Mt. Pleasant
Munich
Napoleon
Nash Elementary
Naughton Rural
Neche
Nedrose
Nesson
New Elementary
New England
New Rockford
New Salem
New Town
Newburg United
Newport
North Central of Barnes
North Central of Towner
North Sargent
North Shore
Northern Cass
Northwood
Oakes
Oberon Elementary
Oriska
Osnabrock Elementary
Page
Park River
Parshall

SCHEDULE OF PARTICIPATING EMPLOYERS (Continued)

School Districts (cont.)
Pembina
Pettibone
Pingree – Buchanan
Plaza
Pleasant Valley Elementary
Powers Lake
Regan Elementary
Regent
Rhame
Richardton
Richland
Robinson
Rolette
Roosevelt
Rugby
Salund Rural
Sargent Central
Sawyer
Scranton
Selfridge
Sheets Elementary
Sheldon
Sherwood
Sheyenne
Sims Elementary
Solen – Cannonball
South Heart
South Prairie Elementary
Southern
Spiritwood Elementary
St. John's School
St. Thomas
Stanley
Stanton
Starkweather
Steele – Dawson
Sterling Elementary
Strasburg
Surrey
Sweet Briar Elementary
Sykeston
Tappen
Taylor Elementary
Thompson
Tioga
Turtle Lake – Mercer
Tuttle
Twin Buttes Elementary
Underwood
Union Elementary
United
Upham
Valley
Valley City
Velva
Verona
Wahpeton
Walhalla
Warwick
Washburn
West Fargo
Westhope
White Shield
Wildrose
Williston
Willow City
Wimbledon – Courtenay
Wing
Wishek
Wolford
Wyndmere
Yellowstone
Zeeland
Total School Districts 228

County Superintendents
Billings County
Bottineau County
Bowman County
Grant County
Kidder County
Lamoure County
Logan County
McKenzie County
Morton County
Nelson County
Pierce County
Richland County
Rolette County
Slope County
Ward County
Williams County
Total County Supts. 16

Special Education Units
Burleigh County Special Ed.
Dickey Lamoure Special Ed.
East Central Special Ed.
GST Educational
Lake Region Special Ed.
Lonetree Special Ed.
Northern Plains Special Ed.
Oliver – Mercer Special Ed.
Peace Garden Special Ed.
Pembina Special Ed.
Rural Cass County Special Ed.
Sheyenne Valley Special Ed.
Souris Valley Special Ed.
South Central Prairie Special Ed.
South Valley Special Ed.
Southwest Special Ed.
Upper Valley Special Ed.
West River Special Ed.
Wil-Mac Special Ed.
Total Special Ed Units 19

Vocational Centers
North Valley Voc. Center
Richland County Voc. Center
Southeast Voc. Center
Valley City Voc. Center
Total Vocational Centers 4

State Agencies & Institutions
Dept. of Public Instruction
Division of Independent Study
ND School for the Blind
ND School for the Deaf
ND Youth Correctional Center
State Board of Voc. Ed.
Total State Institutions 6

Colleges/Universities
Bismarck State College
ND State College of Science
ND State University
University of ND – Lake Region
Valley City State University
Total Colleges/Univ. 5

Other
Fargo Catholic Schools Network
ND High School Activities Assn.
ND Council of Ed. Leaders
ND Education Assn.
New Horizons ITV
Valley City Teacher Center
Total Other 6

Total Employers 284

PAYMENTS TO INVESTMENT CONSULTANTS
PENSION POOL PARTICIPANTS
FOR FISCAL YEARS ENDED JUNE 30

	2001	2000	1999	1998	1997
INVESTMENT MANAGERS					
Domestic Large Cap Equity:					
Alliance Capital Management	$ 170,278	$ 432,146	$ 404,624	$ -	$ -
Ark Asset Management Company, Inc.	-	234,988	335,910	509,358	410,425
Chancellor Capital Management, Inc.	-	-	-	59,348	386,437
LSV Asset Management	324,269	353,562	304,279	15,798	-
Northern Capital Trust Company	-	-	-	14,221	52,950
Northern Trust Global Investments	262,719	-	-	-	-
State Street Global Advisors	45,034	58,184	51,926	68,811	44,958
Strong Capital Management Co.	364,056	-	-	-	-
Westridge Capital Management, Inc.	256,246	-	-	-	-
Wilshire Associates, Inc.	282,817	108,754	107,331	129,919	114,375
Total Domestic Large Cap Equity	1,705,419	1,187,634	1,204,070	797,455	1,009,145
Domestic Small Cap Equity:					
Brinson Partners, Inc.	1,408,427	1,531,712	1,399,649	1,348,123	356,604
Nicholas-Applegate Capital Management	553,613	634,058	495,864	495,898	392,620
SEI Investments Management Co.	-	-	-	-	-
Wilshire Associates, Inc.	-	-	-	28,657	183,711
Total Domestic Small Cap Equity	1,962,040	2,165,770	1,895,513	1,872,678	932,935
International Equity:					
Capital Guardian Trust Company	729,367	734,312	623,976	570,594	519,045
State Street Global Advisors	508,852	372,945	278,985	258,571	357,636
Total International Equity	1,238,219	1,107,257	902,961	829,165	876,681
Emerging Markets Equity:					
Capital Guardian Trust Company	674,300	825,655	621,534	522,571	368,913
Domestic Fixed Income:					
Bank of North Dakota	55,322	81,362	77,632	80,864	80,969
Criterion Capital Management	226,269	290,787	270,619	261,570	250,041
Investment Advisors, Inc.	-	-	267,905	278,776	274,531
Sanford C. Bernstein & Co.	-	-	99,916	284,570	278,685
Strong Capital Management, Inc.	265,279	315,735	201,369	-	-
Trust Company of the West	404,831	564,546	39,685	-	-
Wachovia Corporation	-	-	-	-	-
Western Asset Management Company	183,831	240,028	227,272	230,837	234,023
Total Domestic Fixed Income	1,135,532	1,492,458	1,184,398	1,136,617	1,118,249
High Yield Fixed Income:					
Western Asset Management Company	296,678	171,706	190,188	156,105	70,874
International Fixed Income:					
Brinson Partners, Inc.	501,752	431,538	403,577	385,081	240,470
Real Estate:					
Heitman/JMB Advisory Corp.	26,691	66,948	72,444	52,538	13,794
INVESCO Realty Advisors	757,962	560,459	378,060	227,283	-
J.P. Morgan Investment Management, Inc.	1,090,524	958,248	602,099	295,940	181,734
Westmark Realty Advisors L.L.C.	2,501	3,947	16,976	81,808	129,357
Total Real Estate	1,877,678	1,589,602	1,069,579	657,569	324,885

PAYMENTS TO INVESTMENT CONSULTANTS
PENSION POOL PARTICIPANTS (Continued)
FOR FISCAL YEARS ENDED JUNE 30

	2001	2000	1999	1998	1997
INVESTMENT MANAGERS (continued)					
Private Equity:					
Brinson Partners, Inc.	$1,325,000	$ 712,500	$ 593,750	$ 215,996	$ 112,500
Coral Partners, Inc.	959,047	915,598	82,551	85,679	85,679
Hearthstone	584,209	339,416	8,504	-	-
Total Private Equity	2,868,256	1,967,514	684,805	301,675	198,179
Cash Equivalents:					
The Northern Trust Company, Inc.	54,463	59,412	62,383	57,588	39,846
Total Investment Manager Fees	12,314,337	10,998,546	8,219,008	7,831,083	6,595,266
INVESTMENT CUSTODIAN					
The Northern Trust Company, Inc	535,136	435,770	367,464	367,724	358,737
INVESTMENT CONSULTANT					
Callan Associates	229,251	133,793	105,941	119,023	168,888
SIB ADMINISTRATIVE FEES	278,572	276,744	284,404	342,846	272,040
SECURITIES LENDING FEES					
Rebates	10,347,230	10,576,555	9,228,993	11,177,626	13,438,550
Bank Fees	257,804	297,605	317,982	332,032	351,394
Total Securities Lending Fees	10,605,034	10,874,160	9,546,975	11,509,658	13,789,944

PAYMENTS TO INVESTMENT CONSULTANTS
INDIVIDUAL INVESTMENT ACCOUNT
FOR FISCAL YEARS ENDED JUNE 30

	2001	2000	1999	1998	1997
INVESTMENT MANAGERS					
State Street Global Advisors	$ 53,036	$ 46,430	$ 40,695	$ 36,935	$ 31,907
INVESTMENT CUSTODIAN					
The Northern Trust Company, Inc	2,743	2,995	2,752	2,598	3,296
SIB ADMINISTRATIVE FEES	2,325	2,123	2,294	2,247	1,892

Note: Totals will not tie to financial statements as certain commingled investment account managers net the investment management fees with income when reporting to the custodian bank. These amounts are not broken out on the financial statements.

PAYMENTS TO INVESTMENT CONSULTANTS
INSURANCE POOL PARTICIPANTS
FOR FISCAL YEARS ENDED JUNE 30

	2001	2000	1999	1998	1997
INVESTMENT MANAGERS					
Domestic Large Cap Equity:					
Alliance Capital Management	$ 52,883	$ 57,859	$ 66,687	$ -	$ -
Chancellor Capital Management, Inc.	-	-	-	33,116	51,108
LSV Asset Management	108,130	145,556	143,905	9,367	-
Spare, Kaplan, Bischel & Associates	-	-	-	30,506	219,451
State Street Global Advisors	38,089	25,559	28,408	41,151	9,760
Total Domestic Large Cap Equity	199,102	228,974	239,000	114,140	280,319
Domestic Small Cap Equity:					
Brinson Partners, Inc.	253,112	267,304	78,615	-	-
Nicholas-Applegate Capital Management	164,218	188,539	335,385	465,238	-
SEI Investments Management	-	-	-	-	-
Total Domestic Small Cap Equity	417,330	455,843	414,000	465,238	-
International Equity:					
Capital Guardian Trust Company	358,164	380,196	352,362	327,633	77,414
Convertible Bonds:					
Trust Company of the West	478,858	506,269	364,223	291,302	303,275
Domestic Fixed Income:					
Bank of North Dakota	145,520	123,888	99,305	74,268	75,485
Western Asset Management Company	609,483	528,146	430,817	345,759	291,680
Total Domestic Fixed Income	755,003	652,034	530,122	420,027	367,165
Cash Equivalents:					
Bank of North Dakota	-	-	-	17,252	30,107
Total Investment Manager Fees	2,208,457	2,223,316	1,899,707	1,635,592	1,058,280
INVESTMENT CUSTODIAN					
The Northern Trust Company, Inc	321,958	248,237	216,136	201,184	160,405
INVESTMENT CONSULTANT					
Callan Associates	153,153	61,725	89,713	74,433	-
William Mercer	-	-	-	-	18,250
Total Investment Consultant Fees	153,153	61,725	89,713	74,433	18,250
SIB ADMINISTRATIVE FEES	82,506	84,600	85,328	83,497	66,168
SECURITIES LENDING FEES					
Rebates	11,106,470	9,707,091	7,169,009	6,770,367	5,144,307
Bank Fees	239,062	246,404	241,781	249,912	129,227
Total Securities Lending Fees	11,345,532	9,953,495	7,410,790	7,020,279	5,273,534

Note: Totals will not tie to financial statements as certain commingled investment account managers net the investment management fees with income when reporting to the custodian bank. These amounts are not broken out on the financial statements.

SUMMARY OF OPERATIONS
PENSION INVESTMENT POOL
FOR FISCAL YEARS ENDED JUNE 30

	2001	2000	1999	1998	1997
Public Employees Retirement System					
Net assets beginning of year	$ 1,232,890,945	$ 1,141,177,612	$ 1,031,396,659	$ 893,170,448	$ 744,228,480
Net increase/(decrease) in fair value of investments	(96,066,919)	70,477,207	80,332,335	109,670,932	124,261,122
Interest, dividends and other income	44,862,313	39,803,984	34,745,874	32,515,576	26,148,822
Investment expenses	4,108,479	3,813,626	3,317,452	2,793,722	2,497,098
Net securities lending income	301,984	346,768	270,196	244,425	241,122
Net incr/(decr) in net assets resulting from unit transactions	(7,700,000)	(15,101,000)	(2,250,000)	(1,411,000)	788,000
Net assets end of year	$ 1,170,179,844	$ 1,232,890,945	$ 1,141,177,612	$ 1,031,396,659	$ 893,170,448
City of Bismarck Employees Pension Plan					
Net assets beginning of year	$ 23,523,256	$ 21,557,727	$ 19,513,831	$ 16,347,117	$ 13,837,526
Net increase/(decrease) in fair value of investments	(1,377,978)	1,103,780	1,398,230	2,199,173	2,017,025
Interest, dividends and other income	937,911	781,496	689,484	633,691	529,486
Investment expenses	83,255	76,525	48,775	91,169	46,229
Net securities lending income	6,763	6,778	4,957	5,019	4,823
Net incr/(decr) in net assets resulting from unit transactions	-	150,000	-	420,000	4,486
Net assets end of year	$ 23,006,697	$ 23,523,256	$ 21,557,727	$ 19,513,831	$ 16,347,117
City of Bismarck Police Pension Plan					
Net assets beginning of year	$ 11,704,525	$ 10,543,678	$ 9,525,849	$ 7,893,398	$ 6,680,674
Net increase/(decrease) in fair value of investments	(796,598)	611,076	740,763	1,061,096	975,655
Interest, dividends and other income	438,908	366,210	320,418	302,159	253,308
Investment expenses	45,028	44,288	45,450	46,145	22,633
Net securities lending income	2,885	2,849	2,098	2,341	2,311
Net incr/(decr) in net assets resulting from unit transactions	-	225,000	-	313,000	4,083
Net assets end of year	$ 11,304,692	$ 11,704,525	$ 10,543,678	$ 9,525,849	$ 7,893,398
Job Service of North Dakota					
Net assets beginning of year	$ 60,815,829	$ 52,923,765	$ 42,803,391	$ 27,021,882	$ 15,998,310
Net increase/(decrease) in fair value of investments	(4,125,395)	2,966,328	3,997,738	6,540,998	5,806,415
Interest, dividends and other income	2,267,013	1,477,003	1,092,243	683,624	144,071
Investment expenses	200,498	177,519	145,756	125,213	66,682
Net securities lending income	20,021	17,252	11,149	7,100	2,768
Net incr/(decr) in net assets resulting from unit transactions	3,286,000	3,609,000	5,165,000	8,675,000	5,137,000
Net assets end of year	$ 62,062,970	$ 60,815,829	$ 52,923,765	$ 42,803,391	$ 27,021,882
TOTAL PENSION INVESTMENT POOL					
Net assets beginning of year	$ 1,328,934,555	$ 1,226,202,782	$ 1,103,239,730	$ 944,432,845	$ 780,744,990
Net increase/(decrease) in fair value of investments	(102,366,890)	75,158,391	86,469,066	119,472,199	133,060,217
Interest, dividends and other income	48,506,145	42,428,693	36,848,019	34,135,050	27,075,687
Investment expenses	4,437,260	4,111,958	3,557,433	3,056,249	2,632,642
Net securities lending income	331,653	373,647	288,400	258,885	251,024
Net incr/(decr) in net assets resulting from unit transactions	(4,414,000)	(11,117,000)	2,915,000	7,997,000	5,933,569
Net assets end of year	$ 1,266,554,203	$ 1,328,934,555	$ 1,226,202,782	$ 1,103,239,730	$ 944,432,845

SUMMARY OF OPERATIONS
INSURANCE INVESTMENT POOL
FOR FISCAL YEARS ENDED JUNE 30

	2001	2000	1999	1998	1997
Workers Compensation Fund					
Net assets beginning of year	$ 899,472,385	$ 775,385,306	$ 687,485,649	$ 550,433,369	$ 417,581,959
Net increase/(decrease) in fair value of investments	(27,760,213)	59,796,225	25,517,718	64,125,941	47,341,728
Interest, dividends and other income	43,475,209	37,936,151	29,315,285	25,333,960	26,006,741
Investment expenses	2,566,986	2,497,150	2,185,943	1,896,118	1,342,187
Net securities lending income	536,835	551,853	402,597	338,497	195,128
Net incr/(decr) in net assets resulting from unit transactions	11,800,000	28,300,000	34,850,000	49,150,000	60,650,000
Net assets end of year	$ 924,957,230	$ 899,472,385	$ 775,385,306	$ 687,485,649	$ 550,433,369
State Fire & Tornado					
Net assets beginning of year	$ 15,922,249	$ 16,585,982	$ 15,217,739	$ 14,730,120	$ 16,121,934
Net increase/(decrease) in fair value of investments	(746,935)	1,199,681	900,335	1,396,402	334,314
Interest, dividends and other income	777,494	722,556	706,054	727,114	1,000,097
Investment expenses	46,420	46,296	47,364	45,044	29,400
Net securities lending income	9,282	10,326	9,218	9,147	3,175
Net incr/(decr) in net assets resulting from unit transactions	725,000	(2,550,000)	(200,000)	(1,600,000)	(2,700,000)
Net assets end of year	$ 16,640,670	$ 15,922,249	$ 16,585,982	$ 15,217,739	$ 14,730,120
State Bonding					
Net assets beginning of year	$ 4,900,394	$ 4,550,096	$ 4,253,420	$ 3,913,936	$ 3,739,375
Net increase/(decrease) in fair value of investments	(201,129)	329,207	199,672	359,664	76,328
Interest, dividends and other income	221,523	207,121	182,365	189,613	229,742
Investment expenses	13,867	13,941	12,720	12,129	7,056
Net securities lending income	2,685	2,911	2,359	2,336	547
Net incr/(decr) in net assets resulting from unit transactions	-	(175,000)	(75,000)	(200,000)	(125,000)
Net assets end of year	$ 4,909,606	$ 4,900,394	$ 4,550,096	$ 4,253,420	$ 3,913,936
Petroleum Tank Release Compensation Fund					
Net assets beginning of year	$ 8,706,803	$ 7,920,716	$ 6,928,593	$ 5,860,322	$ 5,070,664
Net increase/(decrease) in fair value of investments	(342,226)	670,473	349,615	514,383	319,325
Interest, dividends and other income	389,458	361,724	311,438	296,001	331,238
Investment expenses	25,890	26,066	23,039	20,762	13,153
Net securities lending income	4,635	4,956	4,109	3,649	2,248
Net incr/(decr) in net assets resulting from unit transactions	(100,000)	(225,000)	350,000	275,000	150,000
Net assets end of year	$ 8,632,780	$ 8,706,803	$ 7,920,716	$ 6,928,593	$ 5,860,322
Insurance Regulatory Trust Fund					
Net assets beginning of year	$ 2,717,188	$ 2,569,789	$ 2,457,939	$ 2,825,410	$ 2,168,024
Net increase/(decrease) in fair value of investments	(53,790)	90,446	36,135	108,019	103,766
Interest, dividends and other income	78,012	86,655	79,987	100,203	107,440
Investment expenses	4,421	5,584	4,955	5,742	4,143
Net securities lending income	682	882	683	897	323
Net incr/(decr) in net assets resulting from unit transactions	(410,000)	(25,000)	-	(570,848)	450,000
Net assets end of year	$ 2,327,671	$ 2,717,188	$ 2,569,789	$ 2,457,939	$ 2,825,410

SUMMARY OF OPERATIONS
INSURANCE INVESTMENT POOL (continued)
FOR FISCAL YEARS ENDED JUNE 30

	2001	2000	1999	1998	1997
National Guard Tuition Waiver					
Net assets beginning of year	$ -	$ -	$ 49,770	$ 48,084	$ 344,025
Net increase/(decrease) in fair value of investments	-	-	-	(67)	(1,443)
Interest, dividends and other income	-	-	2,175	2,789	17,340
Investment expenses	-	-	918	1,036	277
Net securities lending income	-	-	-	-	-
Net incr/(decr) in net assets resulting from unit transactions	-	-	(51,027)	-	(311,561)
Net assets end of year	$ -	$ -	$ -	$ 49,770	$ 48,084
Veterans Home Improvement Fund					
Net assets beginning of year	$ -	$ -	$ -	$ 465,753	$ 442,042
Net increase/(decrease) in fair value of investments	-	-	-	(222)	(1,954)
Interest, dividends and other income	-	-	-	2,249	26,168
Investment expenses	-	-	-	83	488
Net securities lending income	-	-	-	-	-
Net incr/(decr) in net assets resulting from unit transactions	-	-	-	(467,697)	(15)
Net assets end of year	$ -	$ -	$ -	$ -	$ 465,753
Veterans Cemetery Fund					
Net assets beginning of year	$ 23,998	$ 10,279	$ 2,781	$ -	$ -
Net increase/(decrease) in fair value of investments	-	-	-	-	-
Interest, dividends and other income	1,618	968	318	37	-
Investment expenses	2	1	-	1	-
Net securities lending income	-	-	-	-	-
Net incr/(decr) in net assets resulting from unit transactions	10,083	12,752	7,180	2,745	-
Net assets end of year	$ 35,697	$ 23,998	$ 10,279	$ 2,781	$ -
Veterans Post War Trust Fund					
Net assets beginning of year	$ 1,382,644	$ 1,342,711	$ 1,147,114	$ -	$ -
Net increase/(decrease) in fair value of investments	(175,012)	26,007	182,178	138,154	-
Interest, dividends and other income	20,381	18,008	17,296	9,888	-
Investment expenses	3,677	4,184	3,971	928	-
Net securities lending income	53	102	94	-	-
Net incr/(decr) in net assets resulting from unit transactions	200,000	-	-	1,000,000	-
Net assets end of year	$ 1,424,389	$ 1,382,644	$ 1,342,711	$ 1,147,114	$ -
Risk Management Fund					
Net assets beginning of year	$ 5,327,748	$ 6,397,739	$ 5,782,083	$ 3,355,156	$ -
Net increase/(decrease) in fair value of investments	(177,198)	(105,028)	26,512	325,991	72,334
Interest, dividends and other income	190,789	293,754	346,568	307,751	159,389
Investment expenses	11,172	11,759	10,052	9,294	5,565
Net securities lending income	2,356	3,042	2,628	2,479	1,027
Net incr/(decr) in net assets resulting from unit transactions	(1,800,000)	(1,250,000)	250,000	1,800,000	3,127,971
Net assets end of year	$ 3,532,523	$ 5,327,748	$ 6,397,739	$ 5,782,083	$ 3,355,156

SUMMARY OF OPERATIONS
INSURANCE INVESTMENT POOL (continued)
FOR FISCAL YEARS ENDED JUNE 30

	2001	2000	1999	1998	1997
ND Association of Counties Fund					
Net assets beginning of year	$ 539,481	$ 341,846	$ -	$ -	$ -
Net increase/(decrease) in fair value of investments	(16,410)	33,039	13,815	-	-
Interest, dividends and other income	14,042	16,828	3,834	-	-
Investment expenses	1,891	2,485	864	-	-
Net securities lending income	190	253	61	-	-
Net incr/(decr) in net assets resulting from unit transactions	(264,275)	150,000	325,000	-	-
Net assets end of year	$ 271,137	$ 539,481	$ 341,846	$ -	$ -
ND Association of Counties Program Savings Fund					
Net assets beginning of year	$ 1,402,703	$ 260,627	$ -	$ -	$ -
Net increase/(decrease) in fair value of investments	(15,308)	23,645	7,006	-	-
Interest, dividends and other income	12,713	46,113	4,595	-	-
Investment expenses	1,857	1,973	1,056	-	-
Net securities lending income	156	168	82	-	-
Net incr/(decr) in net assets resulting from unit transactions	(1,111,025)	1,074,123	250,000	-	-
Net assets end of year	$ 287,382	$ 1,402,703	$ 260,627	$ -	$ -
PERS Group Insurance Fund					
Net assets beginning of year	$ 119,122	$ -	$ -	$ -	$ -
Net increase/(decrease) in fair value of investments	-	-	-	-	-
Interest, dividends and other income	191,229	120,041	-	-	-
Investment expenses	1,066	919	-	-	-
Net securities lending income	-	-	-	-	-
Net incr/(decr) in net assets resulting from unit transactions	1,235,448	-	-	-	-
Net assets end of year	$ 1,544,733	$ 119,122	$ -	$ -	$ -
City of Bismarck Deferred Sick Leave Fund					
Net assets beginning of year	$ 558,682	$ -	$ -	$ -	$ -
Net increase/(decrease) in fair value of investments	(17,621)	36,876	-	-	-
Interest, dividends and other income	27,154	24,169	-	-	-
Investment expenses	2,529	2,719	-	-	-
Net securities lending income	346	356	-	-	-
Net incr/(decr) in net assets resulting from unit transactions	-	500,000	-	-	-
Net assets end of year	$ 566,032	$ 558,682	$ -	$ -	$ -
TOTAL INSURANCE INVESTMENT POOL					
Net assets beginning of year	$ 941,073,397	$ 815,365,091	$ 723,325,088	$ 581,632,150	$ 445,468,023
Net increase/(decrease) in fair value of investments	(29,505,842)	62,100,571	27,232,986	66,968,265	48,244,398
Interest, dividends and other income	45,399,622	39,834,088	30,969,915	26,969,605	27,878,155
Investment expenses	2,679,778	2,613,077	2,290,882	1,991,137	1,402,269
Net securities lending income	557,220	574,849	421,831	357,005	202,448
Net incr/(decr) in net assets resulting from unit transactions	10,285,231	25,811,875	35,706,153	49,389,200	61,241,395
Net assets end of year	$ 965,129,850	$ 941,073,397	$ 815,365,091	$ 723,325,088	$ 581,632,150