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,
1930 Burnt Boat Drive, P.O. Box 7100 Bismarck, ND 58507-7100
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Web: www.nd.gov/rio

For the Fiscal Year Ended June 30, 2007

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Introductory

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, 2007

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

Dear Board Members:

With pleasure we present you with the June 30, 2007, 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, and a letter of transmittal; the Financial Section, which contains the report of the Independent Auditors, a narrative introduction and overview in the Management's Discussion and Analysis, 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.

Generally accepted accounting principals (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. RIO's MD&A can be found immediately following the report of the independent auditors in the Financial Section.

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 9,600 teachers from 244 employer groups and pays benefits to more than 6,000 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 $5.6 billion in assets for five pension funds and 17 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 as of June 30, 2007:

Pension Investment Pool Participants	Insurance Investment Pool Participants
Teachers' Fund for Retirement	Workforce Safety & Insurance (WSI) Fund
Public Employees Retirement Fund	State Fire and Tornado Fund
City of Bismarck Employees Pension Fund	State Bonding Fund
City of Bismarck Police Pension Fund	Insurance Regulatory Trust Fund
Job Service of North Dakota Pension Fund	Petroleum Tank Release Compensation Fund
	ND Health Care Trust Fund
	State Risk Management Fund
Individual Investment Account	State Risk Management Workers Compensation Fund
	Cultural Endowment Fund
PERS Retiree Health Insurance Credit Fund	Veterans Cemetery Trust Fund
	Budget Stabilization Fund
	ND Association of Counties Fund
	ND Association of Counties Program Savings Fund
	City of Bismarck Deferred Sick Leave Fund
	NDPERS Group Insurance Account
	City of Fargo FargoDome Permanent 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 the WSI, Fire and Tornado, Bonding, Insurance Regulatory, and Petroleum Tank Release funds.

Other additions to this pool have occurred as follows:

- The Risk Management Fund was added in October 1996.
- The Veterans Cemetery Trust was added during the fiscal year ended June 30, 1998, in August 1997.
- The two North Dakota Association of Counties funds were added during fiscal year 1999, in January and March, respectively.
- The City of Bismarck Deferred Sick Leave and PERS Group Insurance funds were both added in July 1999.
- The ND Health Care Trust fund was added in July 2001 by legislative mandate.
- The City of Fargo FargoDome Permanent Fund was added in October 2002.
- The Risk Management Workers Compensation Fund was added in October 2003.
- The Cultural Endowment Fund was added by the 2005 legislature and funded in July 2005.
- The Budget Stabilization Fund joined the pool in September 2005 upon reaching statutorily designated levels.

Three funds have left the insurance investment pool after having been included in it at some point during its existance - the Veterans' Home Improvement Fund was added in July 1996 and removed in August 1997, the National Guard Tuition Waiver Fund was added in June 1996 and removed in June 1999, and the Veterans Post War Trust Fund was added in December 1997 and left the pool in September 2005.

MAJOR INITIATIVES

- Retirement Program

  TFFR Funding Improvement Legislation - The 2007 Legislature approved changes to improve TFFR's long-term financial condition. Funding information and details can be found in the Actuarial Section. Changes include:

Effective 7/1/07, employer contributions of 7.75% required on salaries of re-employed retired members.

Effective 7/1/08, employer contributions increase from 7.75% to 8.25% on salaries of active and re-employed retired members until TFFR reaches 90% funded level on an actuarial basis. Also, a second tier of reduced member benefits is created for new TFFR members. Tier 2 member benefit provisions include Rule of 90, 5 year vesting, and 5 year final average salary calculation.

Other Legislation - Allowed employees of the State Board of Career and Technical Education to transfer from TFFR to PERS.

TFFR Member and Employer Online Services - As part of the ongoing effort to expand service to TFFR members and employers, plans are underway to offer web-based member and employer services.

- Investment Program

The investment markets remained strong during fiscal year 2007. All of the pension funds exceeded their actuarial return assumptions for the year. The insurance funds' returns were highly reflective of their individual asset class exposures and in all cases exceeded their respective total fund benchmarks. Investment details by trust fund can be found in the Investment Section.

Initiatives completed by the SIB during the year included:

Within the Pension Investment Pool

- ✓ Further diversified the real estate asset class by committing assets to Greater Europe and China real estate funds.
- ✓ Committed funds to two energy-based limited partnership funds within the alternative assets space.
- ✓ Funded a "market neutral" strategy within the domestic large cap equity asset class.
- ✓ Committed funds to an infrastructure partnership within the domestic fixed income asset class.
- ✓ Replaced existing convertible bond manager.
- ✓ Committed funds to an alternative assets manager specializing in the financial sector.
- ✓ Committed additional funds to an existing distressed debt manager within the alternative assets allocation.
- ✓ Added a large cap absolute return strategy portfolio.
- ✓ Committed additional funds to an existing private equity manager.
- ✓ Added a mezzanine debt fund to the high yield bonds asset class.
- ✓ Added an "alpha capture" portfolio to the large cap domestic equity asset class.
- ✓ Adjusted the mandate of an existing enhanced index manager to allow a 130/30 long/short strategy.
- ✓ Consolidated the management of all timber investments under one manager.

Within the Insurance Investment Pool

- ✓ Added a "Core-Plus" fixed income product.
- ✓ Retained an enhanced mortgage-backed securities manager within the fixed income asset class.
- ✓ Added a second manager in the small cap equity asset class.
- ✓ Adjusted mandate of existing TIPS manager to a "TIPS Plus" mandate.
- ✓ Hired an enhanced fixed income manager.

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, 2006. This was the ninth 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.

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, 2007.

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

Pension Trust Fund (TFFR)	June 30, 2007	June 30, 2006 (Restated)	Incr/(Decr) $	Incr/(Decr) %
Additions	$ 413,128,085	$ 286,281,482	$ 126,846,603	44.3%
Deductions	104,658,896	96,136,023	8,522,873	8.9%
Net Increase	$ 308,469,189	$ 190,145,459	$ 118,323,730	62.2%

In the pension trust fund, additions increased due to an increase 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.

Investment Trust Funds	June 30, 2007	June 30, 2006 (Restated)	Incr/(Decr) $	Incr/(Decr) %
Additions	$ 485,544,925	$ 238,135,862	$ 247,409,063	103.9%
Deductions	300,296	271,516	$ 28,780	10.6%
Net Change in Units	(63,899,794)	71,594,763	$ (135,494,557)	-189.3%
Net Increase	$ 421,344,835	$ 309,459,109	$ 111,885,726	36.2%

In the investment trust funds, additions also increased due to an increase in net investment income. Deductions increased due to an increase in administrative expenses allocated to the pool participants during the year.

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%, although the employer contribution rate will increase to 8.25% effective July 1, 2008. The rates are intended to be sufficient to pay TFFR's normal cost and to amortize TFFR's unfunded actuarial accrued liability (UAAL) over a period of 30 years from the valuation date. A thirty-year period is the maximum amortization period allowed by GASB 25 in computing the Annual Required Contribution (ARC). The thirty-year period is in common use for public-sector plans and is considered reasonable by the actuary.

In order to determine the adequacy of the 7.75% statutory contribution rate, it is compared to the GASB 25 ARC. The ARC is equal to the sum of (a) the employer normal cost, and (b) the level percentage of pay required to amortize the UAAL over a 30-year period. For this calculation, payroll is assumed to increase 2.00% per annum. As of July 1, 2007, the ARC is 10.15%, decreased from 12.29% last year. This is greater than the 7.75% rate currently required by law. The shortfall (the negative margin) between the rate mandated by law and the rate necessary to fund the UAAL in 30 years is -2.40%.

However, the plan has asset gains of $280 million which have not yet been recognized in the actuarial value of assets, because of the five-year smoothing. Long-term projections show that this, coupled with the contribution increase and benefit changes enacted by the 2007 legislature, should greatly improve funding over the next ten years, assuming an 8.00% annual market return net of expenses, no actuarial gains or losses, and no other changes in plan provisions.

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) increased from last year. The funded ratio at July 1, 2006, was 75.4%, while it is 79.2% as of July 1, 2007. Based on market values rather than actuarial values of assets, the funded ratio improved to 91.9% from 83.0% last year.

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, 2007 (in millions)	July 1, 2006 (in millions)
Actuarial value of assets	$ 1,750.1	$ 1,564.0
Unfunded actuarial accrued liability	459.2	509.9
Funded ratio	79.2%	75.4%

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 based upon market values 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.

Respectfully yours,

Fay Kopp

Connie L. Flanagan

STEVE COCHRANE, CFA
Executive Director/CIO

FAY KOPP
Deputy Executive Director

CONNIE L. FLANAGAN
Fiscal & Investment Officer

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
Retirement Services

Les Mason
Internal Audit

Bonnie Heit
Administrative Services

Gary Vetter
Information Services

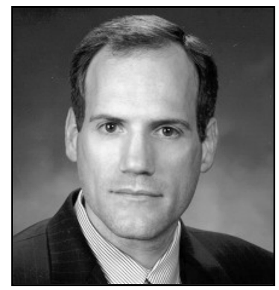
NORTH DAKOTA STATE INVESTMENT BOARD
Board Members as of June 30, 2007

Jack Dalrymple
Chair
Lt. Governor

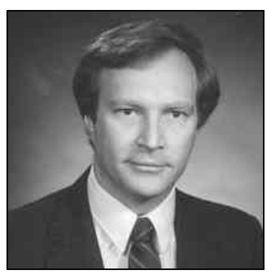
Howard Sage
Vice Chair
PERS Trustee

Kelly Schmidt
State Treasurer

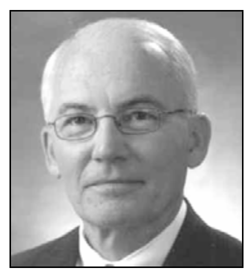
Jim Poolman
State Insurance Commissioner



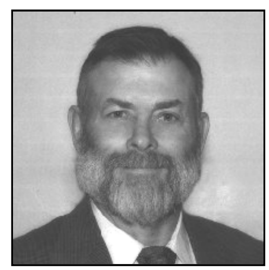
Sandy Blunt
Executive Director Workforce Safety & Insurance



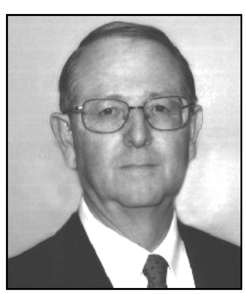
Gary Preszler
University and School Land Commissioner



Mark Sanford
TFFR Trustee



Mike Gessner
TFFR Trustee



Clarence Corneil
TFFR Trustee

Ron Leingang
PERS Trustee

Rosey Sand
PERS Trustee

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

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
Board of Trustees as of June 30, 2007

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

Investment and Funding Goals:

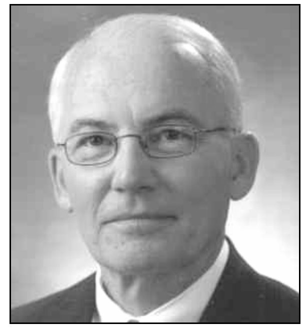
- Prudently invest assets in a well diversified portfolio to optimize long term returns while controlling risk to the fund.
- Accumulate sufficient funds to pay all current and future benefit and expense obligations when due.
- Improve and maintain adequate funding of all promised benefits to ensure the financial integrity of the system.
- Build a funding cushion to provide for future benefit improvements.

Benefit Goals:

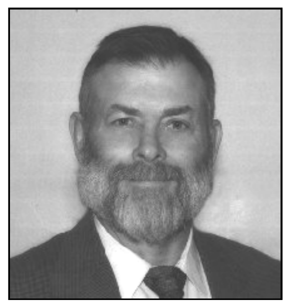
- Provide 2.0% benefit formula for all current and future retirees.
- Provide ad hoc retiree benefit adjustments (fixed formula and percent based) for all current and future retirees to maintain purchasing power of retirement benefits and assist with rising health care costs. Benefit adjustments may be considered when the Board believes it is prudent based upon actuarial funding measurements including:
    a. Positive contribution margin
    b. Amortization of UAAL within GASB 30-year funding period
    c. Funded ratio of 90% or greater

Service Goals:

- Administer accurate, prompt, and efficient pension benefits program.
- Deliver high quality, friendly service to members and employers.
- Provide educational outreach programs including pre-retirement seminars and individual counseling sessions.



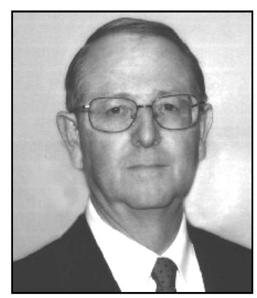
Mark Sanford
President
(active administrator)



Mike Gessner
Vice President
(active teacher)

Kim Franz
Trustee
(active teacher)

Lowell Latimer
Trustee
(retired member)



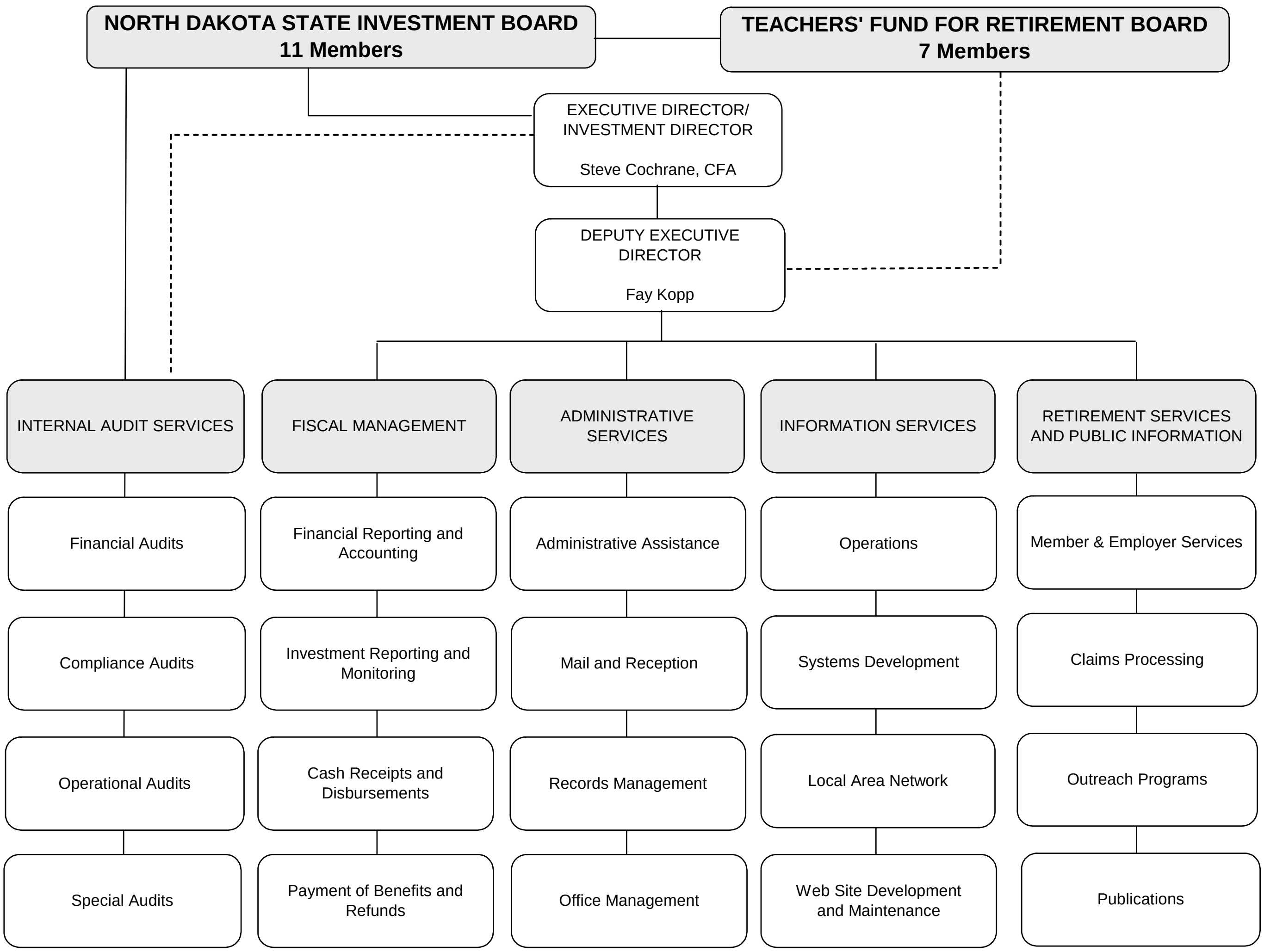
Clarence Corneil
Trustee
(retired member)

Kelly Schmidt
State Treasurer

Wayne Sanstead
State Superintendent of Public Instruction

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

ADMINISTRATIVE ORGANIZATION
JUNE 30, 2007



Note: See page 60 in the Investment Section for a summary of fees paid to investment professionals and pages 140-142 in the Statistical Section for a detailed list of the investment professionals who provide services to the State Investment Board and their corresponding fees.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

CONSULTING AND PROFESSIONAL SERVICES
AS OF JUNE 30, 2007

Actuary
Gabriel, Roeder, Smith & Co.
Dallas, Texas

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

Legal Counsel
North Dakota Attorney General's Office
Bismarck, North Dakota

Information Technology
CPAS Systems Inc.
Toronto, Ontario

Master Custodian
The Northern Trust Company
Chicago, Illinois

Investment Consultant and Performance Measurement
Callan Associates Inc.
San Francisco, California

Investment Managers
Adams Street Partners, LLC
Chicago, Illinois

Bank of Ireland Asset Mgmt
Chicago, Illinois

Bank of North Dakota
Bismarck, North Dakota

Brandywine Asset Management
Wilmington, Delaware

Calamos Advisors LLC
Naperville, Illinois

Callan Associates
San Francisco, California

Capital Guardian Trust Company
Los Angeles, California

Clifton Group
Minneapolis, MN

Corsair Capital
New York, New York

Coral Partners, Inc.
Minneapolis, Minnesota

Investment Managers (cont.)
Dimensional Fund Advisors
Chicago, Illinois

Franklin Porfolio Associates, LLC
Boston, Massachusetts

Goldman Sachs Asset Mgmt
New York, New York

Hearthstone Homebuilding Investors, LLC
Encino, California

Hyperion Brookfield Asset Management Inc.
New York, New York

INVESCO Realty Advisors
Dallas, Texas

InvestAmerica L&C, LLC
Cedar Rapids, Iowa

J.P. Morgan Invest. Mgmt, Inc.
New York, New York

Lazard Asset Management
New York, New York

Loomis Sayles & Company
Boston, Massachusetts

Los Angeles Capital Management
Los Angeles, California

LSV Asset Management
Chicago, Illinois

Matlin Patterson Global Advisers LLC
New York, New York

Northern Trust Global Investments
Chicago, Illinois

PanAgora Asset Management, Inc.
Boston, Massachusetts

Prudential Investment Management
Newark, New Jersey

Quantum Energy Partners
Houston, Texas

Quantum Resources Mgmt, LLC
Denver, Colorado

SEI Investments Management Co.
Oaks, Pennsylvania

State Street Global Advisors
Boston, Massachusetts

Investment Managers (cont.)
Timberland Investment Resources, LLC
Atlanta, Georgia

UBS Global Asset Management
Chicago, Illinois

The Vanguard Group
Valley Forge, Pennsylvania

Wellington Trust Company, NA
Boston, Massachusetts

Wells Capital Management, Inc.
Menomonee Falls, Wisconsin and Minneapolis, Minnesota

Western Asset Management Co.
Pasadena, California

WestLB Asset Management, LLC
Chicago, Illinois

Westridge Capital Mgmt, Inc.
Santa Barbara, 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, 2006

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.

President

Executive Director

Financial

BRADY MARTZ

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Governor John Hoeven
The Legislative Assembly
Steve Cochrane, Executive Director
State Investment Board
Teachers' Fund for Retirement Board
North Dakota Retirement and Investment Office

We have audited the accompanying financial statements of the fiduciary funds of the North Dakota Retirement and Investment Office (RIO), a department of the State of North Dakota, which collectively comprise RIO's basic financial statements, and the combining and individual fund financial statements, as listed in the table of contents, as of and for the year ended June 30, 2007. These financial statements 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.

As discussed in Note 1, the financial statements of RIO are intended to present the financial position, the changes in financial position and plan net assets of only that portion of the fiduciary funds of the State of North Dakota that is attributable to the transactions of RIO. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2007, and the changes in its financial position and plan net assets, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The actuary for the North Dakota Teachers' Fund for Retirement has determined the Fund's unfunded actuarial accrued liability is approximately $459 million at June 30, 2007. The funding for the actuarial accrued liabilities is predicated on employer and employee funding rates mandated by North Dakota statutes. The actuary has determined that the current statutory contribution rates are insufficient to amortize the unfunded actuarial accrued liability over any period of time, based on the current actuarial assumptions, unless there are sufficient actuarial gains in the future to offset the recent investment losses.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary funds of RIO as of June 30, 2007, and the respective changes in financial position, plan net assets where applicable, thereof 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, 2007, 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.

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

RSM McGladrey Network
An Independently Owned Member

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplementary information shown on pages 40 and 41 are presented for purposes of additional analysis and are not a required part of the financial statements. The required supplementary information and supporting schedules are the responsibility of RIO's management. The Schedules of Funding Progress and Employer Contributions and related notes and the supporting schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis (MD&A) on pages 16 through 20 are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the financial statements that collectively comprise RIO's basic financial statements and on the combining and individual fund financial statements. The Supplementary Information shown on pages 46 through 49 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in our audit of the basic, combining and individual fund financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic, combining and individual fund financial statements taken as a whole.

We did not audit the data included in the introductory, investment, actuarial 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.

October 15, 2007

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Management's Discussion and Analysis

June 30, 2007

Our discussion and analysis of the ND Retirement and Investment Office's (RIO) financial performance provides an overview of RIO's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the basic financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

Under the recommendation of the Government Finance Officers Association (GFOA) Comprehensive Annual Financial Report (CAFR) review committee, RIO has discontinued the use of an internal service fund in our financial reporting. This change resulted in our needing to restate the previous fiscal year for comparative purposes. The most substantial change was the addition of fixed assets within the pension trust fund. Other less material changes were made to properly reflect the administrative expenses within the fiduciary funds. All comparisons are based on the restated fiscal year 2006 totals.

Total net assets increased in the fiduciary fund by nearly $730 million or 14.8% due to net gains in the investment markets.

Additions in the fiduciary fund for the year were $899 million, which is comprised of contributions of $66 million and investment income of $832 million.

Deductions in the fiduciary fund increased over the prior year by $8.6 million or 8.9%. This increase represented a rise in the total number of retirees drawing retirement benefits from the pension fund as well as an increase in the retirement salaries of new retirees.

The ND Teachers' Fund for Retirement's (TFFR) funding objective is to meet long-term benefit obligations through contributions and investment income. As of July 1, 2007, the funded ratio was approximately 79.2%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Management's Discussion and Analysis

June 30, 2007

Fund Financial Statements

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

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

FINANCIAL ANALYSIS

RIO's fiduciary fund total assets as of June 30, 2007, were $6.2 billion and were comprised mainly of investments and invested securities lending collateral. Total assets increased over $688 million or 12.4% from the prior year primarily due to gains in the financial markets during the fiscal year.

Total liabilities as of June 30, 2007 were $593 million and were comprised mostly of securities lending collateral. Total liabilities decreased $40 million or 6.4% from the prior year primarily due to a decrease in securities lending collateral at year-end.

RIO's fiduciary fund total net assets were $5.7 billion at the close of fiscal year 2007.

ND Retirement and Investment Office
Net Assets – Fiduciary Funds
(In Millions)

	2007	**2006**	**Total % Change**
Assets			
Investments	$ 5,620	$ 4,886	15.0%
Sec Lending Collateral	585	629	-7.0%
Receivables	32	32	0.3%
Cash & Other	11	11	-0.4%
Total Assets	6,247	5,558	12.4%
Liabilities			
Accounts Payable	8	5	70.7%
Sec Lending Collateral	585	629	-7.0%
Total Liabilities	593	634	-6.4%
Total Net Assets	$ 5,654	$ 4,924	14.8%

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Management's Discussion and Analysis

June 30, 2007

ND Retirement and Investment Office
Changes in Net Assets – Fiduciary Funds
(In Millions)

	2007	2006	Total % Change
Additions:			
Contributions	$ 66	$ 66	1.2%
Investment Income	832	459	81.4%
Total Additions	899	524	71.4%
Deductions	105	96	8.9%
Net inc(dec) from unit transactions	(64)	72	-189.3%
Total increase in net assets	$ 730	$ 500	46.1%

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Management's Discussion and Analysis

June 30, 2007

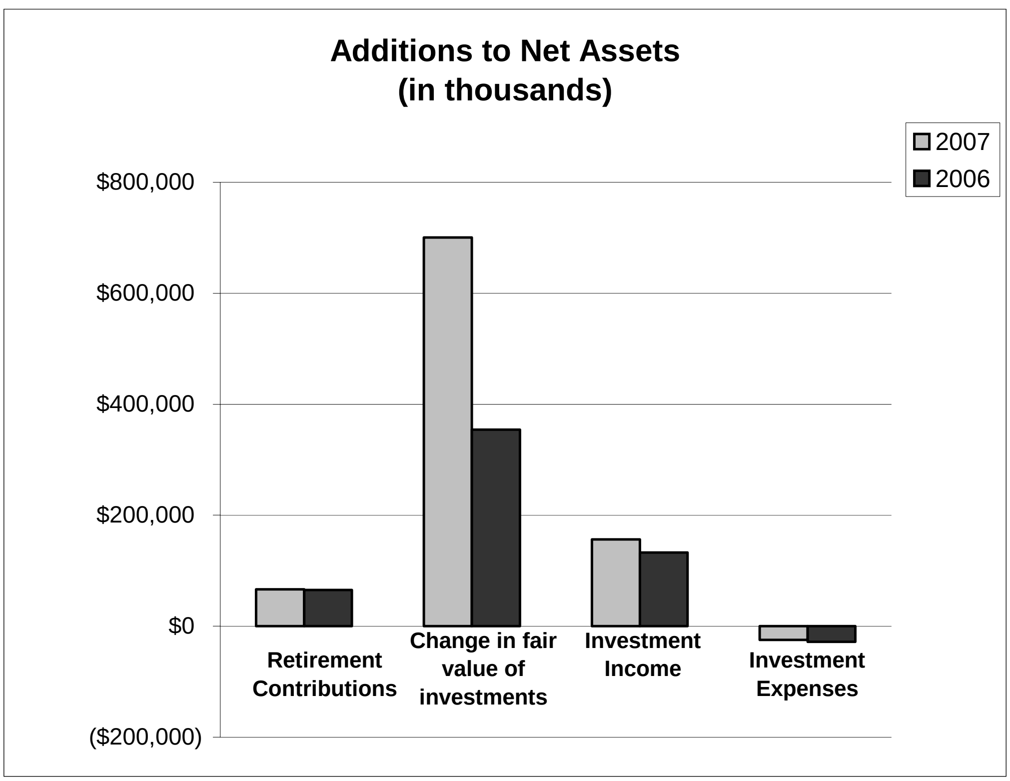
Statement of Changes in Net Assets – Additions

Contributions to the pension trust fund increased by $0.8 million or 1.2% over the previous fiscal year. The net change in fair value of investments in the fiduciary funds increased by $230.2 million from fiscal year 2006 following a decrease of $13.7 million the previous year.

Investment income, including net income from securities lending activities, increased by $373.5 million from last year due to stronger global markets. Investment expenses decreased by $3.4 million or 12.1% mainly due to the timing of incentive-based fees related to certain timber investments. This fee will fluctuate over the life of the investment based on the continued performance of the manager.

Refunds increased by $632,000 in fiscal year 2007.

Administrative expenses remained stable in fiscal year 2007, in comparison to fiscal year 2006.



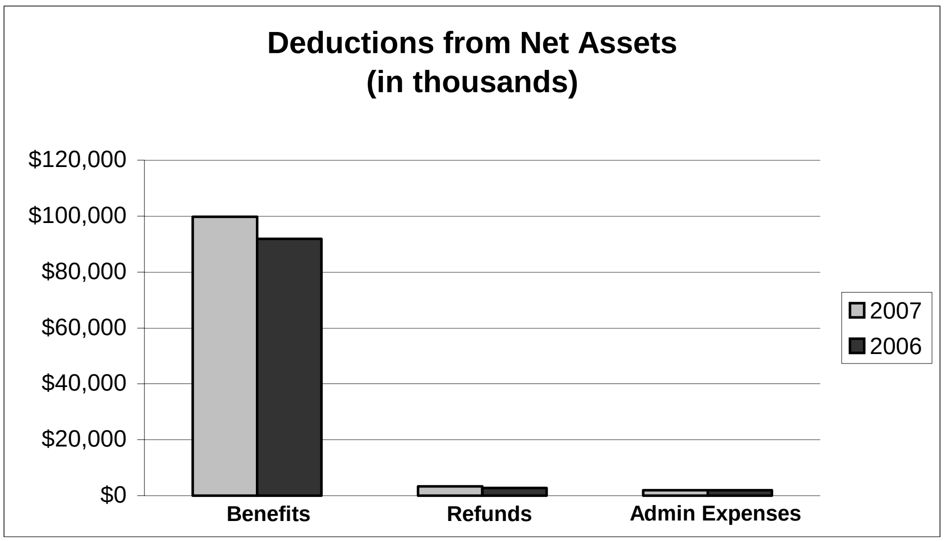
NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Management's Discussion and Analysis

June 30, 2007

Statement of Changes in Net Assets – Deductions

Benefits paid to TFFR plan participants, including partial lump-sum distributions, increased by $7.9 million or 8.6% during the fiscal year ended June 30, 2007. This was due to an increase in the total number of retirees in the plan as well as an increased retirement salary which the benefits are based upon.



CONCLUSION

Fiscal Year 2007 saw continued strength in the global markets which benefited RIO's combined net assets.

To improve TFFR's funding level, the TFFR Board proposed legislation to the 2007 Legislative Assembly to enhance revenues and control future liabilities. Legislative changes were approved to increase employer contributions and reduce benefits for new employees. These changes, along with future positive investment returns, are expected to improve TFFR's long term financial health without impairing legally protected contractual pension benefits.

Within the SIB's investment program, the investment trust funds are invested within their policy guidelines and adding additional investment return to their expected benchmark return objectives. The SIB will continue to explore and implement investment strategies that offer the potential to improve expected return while maintaining controls on risk exposure.

CONTACTING RIO FINANCIAL MANAGEMENT

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

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Statements of Net Assets
Fiduciary Funds
As of June 30, 2007 and 2006

	Pension Trust		Investment Trust	
	2007	2006	2007	2006
Assets:		(Restated)		(Restated)
Investments, at fair value				
Equities	$ -	$ -	$ 29,149,500	$ 24,654,171
Equity pool	1,260,494,121	1,031,762,012	1,501,115,243	1,240,971,758
Fixed income	-	-	15,383,953	28,165,727
Fixed income pool	429,624,787	396,725,853	1,707,756,245	1,578,124,421
Real estate pool	212,437,075	182,884,803	205,201,801	178,872,189
Alternative Investments	87,610,571	69,410,721	85,898,100	68,512,810
Cash and cash pool	16,588,981	15,969,730	68,344,985	70,359,513
Total investments	2,006,755,535	1,696,753,119	3,612,849,827	3,189,660,589
Invested securities lending collateral	143,933,101	127,302,330	441,048,728	501,599,342
Receivables:				
Investment income	8,366,495	8,616,986	15,301,708	15,285,863
Contributions	8,058,323	7,715,230	-	-
Miscellaneous	3,064	3,338	4,011	3,556
Total receivables	16,427,882	16,335,554	15,305,719	15,289,419
Due from other state agency	112	33	23	7
Cash and cash equivalents	9,950,883	9,754,527	81,972	72,737
Equipment & Software (net of depr)	789,382	1,035,729	-	-
Total assets	2,177,856,895	1,851,181,292	4,069,286,269	3,706,622,094
Liabilities:				
Accounts payable	48,835	57,282	16,676	14,435
Investment expenses payable	3,603,855	2,041,720	4,109,302	2,244,857
Securities lending collateral	143,933,101	127,302,330	441,048,728	501,599,342
Accrued expenses	483,601	458,452	36,231	34,192
Capital lease payable	1,210	5,662	-	-
Miscellaneous payable	-	-	6,341	5,575
Due to other state agencies	8,881	7,623	1,258	795
Total liabilities	148,079,483	129,873,069	445,218,536	503,899,196
Net assets:				
Held in trust for pension benefits (see Schedule of Funding Progress on page 40)	2,029,777,412	1,721,308,223	-	-
Held in trust for external investment pool participants:				
Pension pool	-	-	2,104,537,811	1,783,638,903
Insurance pool	-	-	1,474,613,291	1,381,519,259
Held in trust for individual investment account	-	-	44,916,631	37,564,736
Total net assets	$ 2,029,777,412	$ 1,721,308,223	$ 3,624,067,733	$ 3,202,722,898
Each participant unit is valued at $1.00				
Participant units outstanding			3,624,067,733	3,202,722,898

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

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Statements of Changes in Net Assets
Fiduciary Funds
For the Years Ended June 30, 2007 and 2006

	Pension Trust		Investment Trust	
	2007	2006	2007	2006
Additions:		(Restated)		(Restated)
Contributions:				
Employer contributions	$ 31,865,466	$ 31,170,851	$ -	$ -
Member contributions	31,865,772	31,171,156	-	-
Purchased service credit	2,629,006	3,225,589	-	-
Interest and penalties	1,855	10,232	-	-
Total contributions	66,362,099	65,577,828	-	-
Investment income:				
Net increase in fair value of investments	308,580,419	189,138,608	391,832,839	165,145,793
Interest, dividends and other income	48,309,521	41,960,609	107,039,898	89,520,143
	356,889,940	231,099,217	498,872,737	254,665,936
Less investment expenses	10,547,809	10,713,108	14,080,766	17,292,014
Net investment income	346,342,131	220,386,109	484,791,971	237,373,922
Securities lending activity:				
Securities lending income	7,254,776	4,864,938	24,706,273	18,467,438
Less securities lending expenses	6,830,921	4,547,393	23,953,319	17,705,498
Net securities lending income	423,855	317,545	752,954	761,940
Total additions	413,128,085	286,281,482	485,544,925	238,135,862
Deductions:				
Benefits paid to participants	98,784,161	91,397,868	-	-
Partial lump-sum distributions	953,744	420,224	-	-
Refunds	3,328,931	2,697,308	-	-
Administrative charges	1,592,060	1,620,623	300,296	271,516
Total deductions	104,658,896	96,136,023	300,296	271,516
Net increase (decrease) in net assets resulting from operations	308,469,189	190,145,459	485,244,629	237,864,346
Unit transactions at net asset value of $1.00 per unit:				
Purchase of units	-	-	140,877,109	247,149,734
Redemption of units	-	-	(204,776,903)	(175,554,971)
Net increase (decrease) in assets and units resulting from unit transactions	-	-	(63,899,794)	71,594,763
Total increase in net assets	308,469,189	190,145,459	421,344,835	309,459,109
Net assets:				
Beginning of year, as restated	1,721,308,223	1,531,162,764	3,202,722,898	2,893,263,789
End of Year	$ 2,029,777,412	$ 1,721,308,223	$ 3,624,067,733	$ 3,202,722,898

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

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements

June 30, 2007

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

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

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

B) Fund Financial Statement

All activities of RIO are pension and investment trust funds and are shown in the fiduciary fund financial statements.

C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fiduciary Fund

A pension trust fund and investment trust funds have been established to account for the assets held by RIO in a trustee capacity for TFFR and as an agent for other governmental units or funds which have placed certain investment assets under the management of SIB. The SIB manages two external investment pools and 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 Workforce Safety and Insurance, State Fire and Tornado, State Bonding, Petroleum Tank Release Compensation Fund, Insurance Regulatory Trust, Health Care Trust, Veterans Cemetery, North Dakota Association of Counties Fund, North Dakota Association of Counties Program Savings Fund, Risk Management, Risk Management Workers Comp, PERS Group Insurance, City of Bismarck Deferred Sick Leave, City of Fargo FargoDome Permanent Fund, Cultural Endowment Fund, and Budget Stabilization Fund 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, Workforce Safety and Insurance, State Fire and Tornado, State Bonding, Petroleum Tank Release Compensation Fund, Insurance Regulatory Trust, Health Care Trust, Veterans Cemetery, Risk Management, Risk Management Workers Comp, Cultural Endowment Fund and Budget Stabilization Fund.

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

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

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D) Use of Estimates

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

E) 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 NDCC section 54-44.1-11.

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

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F) Capital Assets and Depreciation

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

	Years
Office equipment	5
Furniture and fixtures	5

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.

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.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

The State Investment Board has authorized the use of securities lending transactionsloans 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 at June 30, 2007 was 105 days.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements – Continued

June 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Securities Lending - Continued

Cash open collateral is invested in a short term investment pool, the Core USA Collateral Section, which had an interest sensitivity of 39 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.

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.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 $92,753 at June 30, 2007. The current portion of accrued leave amounted to $71,839 at June 30, 2007, and is included in accrued expenses of the Fiduciary Funds in the statement of net assets. Changes in accrued leave for the year ended June 30, 2007 consisted of the following:

Balance July 1, 2006	$99,005
Additions	72,201
Deductions	(78,453)
Balance June 30, 2007	$92,753

NOTE 2 RESTATEMENT

The June 30, 2006 beginning net assets of the Pension Trust and Investment Trust was restated by $968,337 and $(13,126), respectively. RIO changed its policy in accounting for the administration of the Trusts. As a result, RIO eliminated their Internal Service Fund and restated July 1, 2005 net assets. In addition, the activities and balances of the Internal Service Fund for fiscal year 2006 were eliminated and restated to the respective Pension and Investment Trust funds.

NOTE 3 CASH AND CASH EQUIVALENTS

Custodial Credit Risk

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

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2007

NOTE 3 CASH AND CASH EQUIVALENTS - Continued

Pension Trust Fund

Cash and cash equivalents held by the Pension Trust Fund at June 30, 2007 were deposited in the Bank of North Dakota. At June 30, 2007, the carrying amount of TFFR's deposits was $9,950,883, and the bank balance was $9,969,709. The difference results from checks outstanding or deposits not yet processed by the bank. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, these deposits at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

Investment Trust Funds

Certificates of deposit and an insurance trust cash pool are recorded as investments and have a cost and carrying value of $154,086,565 at June 30, 2007. In addition, these funds carry cash and cash equivalents totaling $81,972 at June 30, 2007. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, these deposits held at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

NOTE 4 INVESTMENTS

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

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2007

Interest Rate Risk

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

At June 30, 2007 the following table shows the investments by investment type and maturity (expressed in thousands).

	Market Value	Less than 1 Year	1-6 Years	6-10 Years	10+ Years
Asset Backed Securities	$ 46,638	$ -	$ 237	$ 1,321	$ 45,080
Commercial Mortgage-Backed	18,611	-	239	-	18,372
Commercial Paper	1,053	1,053	-	-	-
Corporate Bonds	612,836	12,393	197,379	175,181	227,883
Corporate Convertible Bonds	47,989	217	18,317	394	29,061
Government Agencies	75,573	2,138	42,908	15,897	14,630
Government Bonds	219,422	17,156	111,517	34,160	56,589
Government Mortgage-Backed	111,676	-	1,770	1,743	108,163
Index Linked Government Bonds	145,983	-	47,177	45,120	53,686
Municipal/Provincial Bonds	13,349	1,145	2,480	6,353	3,371
Non-Government Backed CMOs	54,725	-	806	-	53,919
Short Term Bills and Notes	15,162	15,162	-	-	-
Pooled Investments	429,388	-	88,370	322,143	18,875
Total Debt Securities	$ 1,792,405	$ 49,264	$ 511,200	$ 602,312	$ 629,629

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

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

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2007

NOTE 4 INVESTMENTS – Continued

Interest Rate Risk – Continued

Interest-only (IO) and principal-only (PO) strips are transactions, which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors, which may result from a decline in interest rates. The SIB held IOs valued at $525,000, and POs valued at $2,811,000 at fiscal year end. The SIB has no policy regarding IO or PO strips.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Investment Board maintains a highly diversified portfolio of debt securities encompassing a wide range of credit ratings. Each debt securities manager is given a specific set of guidelines to invest within based on the mandate for which it was hired. The guidelines specify in which range of credit the manager may invest. These ranges include investment grade and high yield categories. The following table presents the SIB's ratings as of June 30, 2007 (expressed in thousands).

		Credit Rating*							
	Total Market Value	AAA	AA	A	BBB	BB	B	CCC	Not Rated
Asset Backed Securities	$ 46,638	$ 13,123	$ 1,502	$ 1,873	$ 2,344	$ 457	$ 2,344	$ 120	$ 24,875
Commercial Mortgage Backed	18,611	17,768	605	238	-	-	-	-	-
Commercial Paper	524	-	-	524	-	-	-	-	-
Corporate Bonds	612,753	9,789	28,793	96,871	249,030	91,101	88,865	19,358	28,946
Corporate Convertible Bonds	47,989	-	1,619	12,620	7,397	8,324	7,330	4,249	6,450
Gov't Agencies	53,761	52,032	-	1,515	-	214	-	-	-
Gov't Bonds	218,903	176,526	163	24,881	5,594	10,719	959	-	61
Gov't Mortgage Backed	500	500	-	-	-	-	-	-	
Index Linked Gov't Bonds	120,741	120,741	-	-	-	-	-	-	-
Municipal/Provincial Bonds	13,349	4,128	2,218	-	5,858	1,145	-	-	-
Non-Gov't Backed CMOs	54,318	24,516	13,371	14,907	1,237	189	98	-	-
Short Term Bills and Notes	340	-	340	-	-	-	-	-	-
Pooled Investments	429,388	230,381	103,898	-	85,618	3,305	6,186	-	-
Total Credit Risk of Debt Securities	1,617,815	$649,504	$152,509	$ 153,429	$ 357,078	$ 115,454	$ 105,782	$ 23,727	$ 60,332
US Gov't & Agencies	174,590								
Total Debt Securities	$ 1,792,405								

* Majority of debt securities rated by S&P, however, some were determined by Moody's, Fitch or the manager.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2007

NOTE 4 INVESTMENTS – Continued

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Although the SIB does not have a formal investment policy governing foreign currency risk, the SIB does manage its exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios to limit foreign currency and security risk. The SIB's exposure to foreign currency risk is presented in the following table as of June 30, 2007 (expressed in thousands).

Currency	Short-Term	Debt	Equity	Total
Australian dollar	$ (5,476)	$ 10,061	$ 22,243	$ 26,828
Brazilian real	-	7,020	-	7,020
British pound sterling	(41,390)	6,903	100,949	66,462
Canadian dollar	(17,664)	5,616	20,008	7,960
Colombian peso	-	716	-	716
Danish krone	(991)	-	3,329	2,338
Euro	(79,468)	10,887	195,544	126,963
Hong Kong dollar	(5,581)	-	12,706	7,125
Hungarian forint	(330)	385	-	55
Iceland krona	-	1,017	-	1,017
Indonesian Rupiah	-	4,765	-	4,765
Japanese yen	(43,841)	164	122,529	78,852
Malaysian Ringgit	-	4,484	-	4,484
Mexican peso	(278)	8,504	-	8,226
New Zealand dollar	(129)	3,613	-	3,484
Norwegian krone	(1,309)	162	5,435	4,288
Polish zloty	(284)	6,992	-	6,708
Singapore dollar	(1,166)	9,979	5,531	14,344
South African rand	(1)	4,491	115	4,605
South Korean won	10	1,071	2,357	3,438
Swedish krona	(1,066)	4,717	10,601	14,252
Swiss franc	(17,707)	-	36,597	18,890
Thai baht	(2)	-	-	(2)
International commingled funds (various currencies)	-	88,139	364,280	452,419
Total international investment securities	$ (216,673)	$ 179,686	$ 902,224	$ 865,237

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2007

NOTE 5 SECURITIES LENDING

The following represents the balances relating to the securities lending transactions at June 30, 2007 (expressed in thousands).

Securities Lent	Underlying Securities	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for cash collateral:			
US agency securities	$ 22,098	$ -	$ 22,500
US government securities	250,091	-	254,991
US corporate fixed income securities	97,417	-	99,754
Global government fixed income securities	12,947	-	13,565
US equities	92,427	-	94,526
Global equities	94,963	-	99,645
Lent for non-cash collateral:			
US agency securities	1,088	1,111	-
US government securities	34,224	34,950	-
US corporate fixed income securities	8,724	8,880	-
US equities	4,930	5,065	-
Global equities	3,141	3,299	-
Total	$ 622,050	$ 53,305	$ 584,981

NOTE 6 CAPITAL ASSETS

	7/1/2006	Additions	Retirements	6/30/2007
Office equipment	$ 27,996	$ -	$ -	$ 27,996
Software	1,213,500	-	-	1,213,500
Less accumulated depreciation	(205,767)	(246,348)	-	(452,114)
	$ 1,035,729			$ 789,382

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2007

NOTE 7 STATE AGENCY TRANSACTIONS

Due To / Due From Other State Agencies

Amounts due to and due from other state agencies are as follows as of June 30, 2007:

Due To:	
Information Technology Department	$ 5,424
Attorney General's Office	1,578
Office of Management and Budget	3,137
Total due to other state agencies	$10,139
Due From:	
Bank of North Dakota	$ 135

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

NOTE 8 OPERATING LEASES

RIO leases office space under an operating lease, which expires on June 30, 2007. RIO also incurs rent expense at other locations on a temporary basis to sponsor retirement education for TFFR members. Rent expense totaled $72,548 for fiscal 2007. RIO entered into a new lease for office space effective July 1, 2007. Minimum payments under this lease for fiscal 2008 and 2009 are $72,397 per year.

NOTE 9 CAPITAL LEASES

RIO is obligated under a lease accounted for as a capital lease in its pension trust fund. The liability is reduced by payments of principal, with a portion of the payment allocated to interest expense.

The schedule below lists the future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, 2007:

June 30,	Amount
2008	1,238
Total minimum lease payments	$ 1,238
Less: Amount Representing Interest	(28)
Present value of future minumum lease payments	$ 1,210

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2007

NOTE 10 CHANGES IN NONCURRENT LIABILITIES

Changes in noncurrent liabilities for the year ended June 30, 2007 is summarized as follows:

	Beginning Balance 7/1/2006	Additions	Reductions	Ending Balance 6/30/2007	Amounts Due Within One Year
Capital Leases Payable	$ 5,662	$ -	$ (4,452)	$ 1,210	$ 1,210
Accrued Annual Leave	99,005	72,201	(78,453)	92,753	71,839
	$ 104,667	$ 72,201	$ (82,905)	$ 93,963	$ 73,049

The Pension Trust Fund generally liquidates the capital lease. Pension and Investment Trust Funds liquidate the accrued annual leave.

NOTE 11 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. The costs to administer the TFFR plan are financed out of TFFR assets.

Membership

As of June 30, 2007 and 2006, the number of participating employer units was 244 and 246 consisting of the following:

	2007	2006
Public School Districts	196	200
County Superintendents	13	13
Special Education Units	18	17
Vocational Education Units	3	3
Other	14	13
Total	244	246

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2007

NOTE 11 NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT – Continued

Membership - Continued

TFFR's membership consisted of the following:

	2007	2006
Retirees and beneficiaries currently receiving benefits	6,077	5,893
Terminated employees - vested	1,439	1,409
Terminated employees - nonvested	142	143
Total	7,658	7,445
Current employees:		
Vested	8,355	8,373
Nonvested	1,244	1,212
Total	9,599	9,585

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 8.93%, 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 appreciation in fair value of investments and are computed as described in Note 1. For the year ended June 30, 2007, TFFR had net realized gains of $121,686,471.

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.

Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 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.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2007

NOTE 11 NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT - Continued

Member and Employer Contributions - Continued

A vested member who terminates covered employment may elect a refund of member contributions paid or defer payment until eligible for pension benefits. A nonvested member who terminates covered employment must claim a refund of member contributions 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 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas. All members may be eligible for legislative increases in monthly benefits.

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.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Combined Financial Statements - Continued

June 30, 2007

NOTE 12 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, 2007, 2006, and 2005, were $68,366, $64,818, and $62,397, equal to the required contributions for each year plus a 1% contribution for retiree health benefits.

NOTE 13 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 14 COMMITMENTS

The State Investment Board has at June 30, 2007, committed to fund certain alternative private equity partnerships for an amount of $554.6 million. Funding of $329.0 million has been provided, leaving an unfunded commitment of $225.6 million.

NOTE 15 NEW PRONOUNCEMENTS

GASB Statement No. 50, *"Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27"*, was issued in May 2007. This statement modifies the financial reporting requirements for pensions and enhances information disclosed in the notes to the financial statements or presented as required supplementary information.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Required Supplementary Information

June 30, 2007

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
2002	$1,443.5	$1,575.8	$132.3	91.6%	$348.1	38.0%
2003	1,438.4	1,690.3	251.9	85.1	367.9	68.5
2004	1,445.6	1,800.4	354.8	80.3	376.5	94.2
2005	1,469.7	1,965.2	495.5	74.8	386.6	128.2
2006	1,564.0	2,073.9	509.9	75.4	390.1	130.7
2007	1,750.1	2,209.3	459.2	79.2	401.3	114.4

Schedule of Employer Contributions
North Dakota Teachers' Fund for Retirement

Fiscal Year	Annual Required Contribution	Percentage Contributed
2002	$ 27,243,542	100.0%
2003	28,850,725	100.0%
2004	34,186,080	86.7%
2005	44,471,740	68.3%
2006	48,747,189	63.9%
2007	50,532,462	63.1%

See notes to required supplementary information.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Notes to Required Supplementary Information

June 30, 2007

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, 2007
Actuarial Cost Method:	Entry age normal
Amortization Method:	Level percentage of payroll
Amortization Period for GASB 25 ARC*:	30-year open period
Asset Valuation Method:	5 year smoothed market
Actuarial Assumptions:	
Investment Rate of Return (**)	8.00%
Projected Salary Increases (**)	4.50% to 14.00%
Cost-of-Living Adjustments	None

(*) The GASB Annual Required Contribution (ARC) for this plan is defined as the larger of (a) the sum of (i) the employer normal costs, and (ii) an amount necessary to amortize the UAAL as a level percentage of payroll over an open 30-year amortization period, and (b) the 7.75% statutory employer contribution rate. Payroll is assumed to increase at 2.00% per annum.

(**) Includes inflation at 3.00%.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
Combining Statement of Net Assets – Investment Trust Funds
Fiduciary Funds
As of June 30, 2007
(With Comparative Totals for 2006)

	Pension Pool Participants				Insurance Pool Participants					
	Public Employees Retirement System	Bismarck City Employee Pension Plan	Bismarck City Police Pension Plan	Job Service of North Dakota	Workforce Safety & Insurance	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund	Insurance Regulatory Trust Fund	Health Care Trust Fund
Assets:										
Investments										
Equities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Equity pool	1,106,441,078	24,370,875	12,597,989	38,820,490	292,537,865	10,242,377	1,005,725	3,585,437	1,186,864	-
Fixed income	-	-	-	-	-	-	-	-	-	-
Fixed income pool	607,352,057	21,461,867	8,683,576	55,378,242	911,430,811	15,417,951	1,426,826	4,872,866	1,384,721	-
Real estate pool	114,219,432	5,033,894	2,106,988	-	83,827,121	-	-	-	-	-
Alternative Investments	85,207,940	293,616	396,544	-	-	-	-	-	-	-
Cash and cash pool	19,621,766	357,180	260,157	319,234	4,030,856	2,704,550	270,294	1,511,390	1,405,192	2,209,944
Total investments	1,932,842,273	51,517,432	24,045,254	94,517,966	1,291,826,653	28,364,878	2,702,845	9,969,693	3,976,777	2,209,944
Invested sec lending collateral	160,208,231	4,876,679	2,130,576	12,773,349	252,579,982	3,712,159	351,653	1,207,200	362,606	-
Investment income receivable	4,507,616	107,449	53,879	301,077	8,772,683	122,150	28,993	59,147	7,507	-
Operating Cash	51,851	-	-	-	26,046	869	(69)	379	95	304
Miscellaneous receivable	2,247	-	-	-	1,569	35	3	12	3	10
Due from other state agency	13	-	-	-	9	-	-	-	-	-
Total assets	2,097,612,231	56,501,560	26,229,709	107,592,392	1,553,206,942	32,200,091	3,083,425	11,236,431	4,346,988	2,210,258
Liabilities:										
Investment expenses payable	3,139,743	78,118	37,961	119,314	648,030	20,419	1,966	6,894	2,119	-
Securities lending collateral	160,208,231	4,876,679	2,130,576	12,773,349	252,579,982	3,712,159	351,653	1,207,200	362,606	-
Accounts payable	9,342	-	-	-	6,523	144	14	50	12	42
Accrued expenses	20,042	-	-	-	14,310	308	31	111	22	164
Miscellaneous payable	-	1,208	562	2,251	-	-	-	-	-	-
Due to other state agencies	705	-	-	-	492	11	1	4	1	3
Total liabilities	163,378,063	4,956,005	2,169,099	12,894,914	253,249,337	3,733,041	353,665	1,214,259	364,760	209
Net assets held in trust for external investment pool participants	$ 1,934,234,168	$ 51,545,555	$ 24,060,610	$ 94,697,478	$ 1,299,957,605	$ 28,467,050	$ 2,729,760	$ 10,022,172	$ 3,982,228	$ 2,210,049
Each participant unit is valued at $1.00										
Participant units outstanding	1,934,234,168	51,545,555	24,060,610	94,697,478	1,299,957,605	28,467,050	2,729,760	10,022,172	3,982,228	2,210,049

			Insurance Pool Participants							Individual Investment Acct.		
Veterans Cemetery	Cultural Endowment Fund	Risk Mgmt	Risk Mgmt Work Comp	ND Ass'n. of Counties Fund	ND Ass'n of Counties Program Savings	PERS Group Insurance	Budget Stabilization Fund	City of Bismarck Deferred Sick Leave	City of Fargo FargoDome Fund	PERS Retiree Health Credit Fund	Totals 2007	Totals 2006 (Restated)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 29,149,500	$ 29,149,500	$ 24,654,171
-	153,027	1,099,925	1,598,025	679,016	389,660	-	-	255,461	6,151,429	-	1,501,115,243	1,240,971,758
-	-	-	-	-	-	-	-	-	-	15,383,953	15,383,953	28,165,727
-	99,246	2,364,722	2,492,774	477,335	419,158	-	68,136,288	529,818	5,827,987	-	1,707,756,245	1,578,124,421
-	14,366	-	-	-	-	-	-	-	-	-	205,201,801	178,872,189
-	-	-	-	-	-	-	-	-	-	-	85,898,100	68,512,810
122,285	8,134	185,019	127,114	60,947	43,033	4,057,137	30,885,108	40,584	125,061	-	68,344,985	70,359,513
122,285	274,773	3,649,666	4,217,913	1,217,298	851,851	4,057,137	99,021,396	825,863	12,104,477	44,533,453	3,612,849,827	3,189,660,589
-	29,587	500,061	543,408	107,468	141,155	-	-	119,873	1,404,741	-	441,048,728	501,599,342
-	90	48,522	6,615	874	598	-	854,102	1,196	8,286	420,924	15,301,708	15,285,863
(33)	(66)	167	355	-	-	-	2,074	-	-	-	81,972	72,737
-	-	5	5	-	-	-	122	-	-	-	4,011	3,556
-	-	-	-	-	-	-	1	-	-	-	23	7
122,252	304,384	4,198,421	4,768,296	1,325,640	993,604	4,057,137	99,877,695	946,932	13,517,504	44,954,377	4,069,286,269	3,706,622,094
-	225	2,497	3,092	1,040	673	-	-	584	9,937	36,690	4,109,302	2,244,857
-	29,587	500,061	543,408	107,468	141,155	-	-	119,873	1,404,741	-	441,048,728	501,599,342
1	1	21	21	-	-	-	505	-	-	-	16,676	14,435
1	3	45	45	-	-	-	1,149	-	-	-	36,231	34,192
-	-	-	-	250	250	250	-	250	264	1,056	6,341	5,575
-	-	1	2	-	-	-	38	-	-	-	1,258	795
2	29,816	502,625	546,568	108,758	142,078	250	1,692	120,707	1,414,942	37,746	445,218,536	503,899,196
$ 122,250	$ 274,568	$ 3,695,796	$ 4,221,728	$ 1,216,882	$ 851,526	$ 4,056,887	$ 99,876,003	$ 826,225	$ 12,102,562	$ 44,916,631	$ 3,624,067,733	$ 3,202,722,898
122,250	274,568	3,695,796	4,221,728	1,216,882	851,526	4,056,887	99,876,003	826,225	12,102,562	44,916,631	3,624,067,733	3,202,722,898

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
Fiduciary Funds
For the Year Ended June 30, 2007
(With Comparative Totals for 2006)

	Pension Pool Participants				Insurance Pool Participants					
	Public Employees Retirement System	City of Bismarck Employee Pension Plan	City of Bismarck Police Pension Plan	Job Service of North Dakota	Workforce Safety & Insurance	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund	Insurance Regulatory Trust Fund	Health Care Trust Fund
Additions:										
Investment income:										
Net increase/(decrease) in fair value of investments	$ 285,031,437	$ 6,407,926	$ 3,189,234	$ 11,691,612	$ 75,378,694	$ 2,215,277	$ 225,746	$ 775,170	$ 145,567	$ -
Interest, dividends and other income	43,845,522	1,381,274	599,580	2,325,117	49,231,820	1,075,299	107,480	376,839	101,231	506,858
	328,876,959	7,789,200	3,788,814	14,016,729	124,610,514	3,290,576	333,226	1,152,009	246,798	506,858
Less investment expenses	9,300,130	256,348	118,932	416,599	3,695,924	69,949	6,898	23,457	4,640	-
Net investment income	319,576,829	7,532,852	3,669,882	13,600,130	120,914,590	3,220,627	326,328	1,128,552	242,158	506,858
Securities lending activity:										
Securities lending income	8,237,008	253,234	109,393	679,120	14,913,431	235,390	23,798	77,211	14,277	-
Less Securities lending expenses	7,907,265	243,483	104,992	660,454	14,539,360	227,566	23,012	74,601	13,738	-
Net securities lending income	329,743	9,751	4,401	18,666	374,071	7,824	786	2,610	539	-
Total Additions	319,906,572	7,542,603	3,674,283	13,618,796	121,288,661	3,228,451	327,114	1,131,162	242,697	506,858
Deductions:										
Administrative Expenses	171,629	-	-	-	110,676	2,422	1,000	1,000	1,000	1,179
Net increase in net assets resulting from operations	319,734,943	7,542,603	3,674,283	13,618,796	121,177,985	3,226,029	326,114	1,130,162	241,697	505,679
Unit transactions at net asset value of $1 per unit:										
Purchase of units	-	-	-	-	4,500,000	2,400,000	-	100,000	2,600,000	-
Redemption of units	(20,410,000)	-	-	(3,261,717)	(26,500,000)	(1,725,000)	(300,000)	(500,000)	(2,550,000)	(17,826,397)
Net increase (decrease) in net assets and units resulting from unit transactions	(20,410,000)	-	-	(3,261,717)	(22,000,000)	675,000	(300,000)	(400,000)	50,000	(17,826,397)
Total increase in net assets	299,324,943	7,542,603	3,674,283	10,357,079	99,177,985	3,901,029	26,114	730,162	291,697	(17,320,718)
Net assets:										
Beginning of year	1,634,909,225	44,002,952	20,386,327	84,340,399	1,200,779,620	24,566,021	2,703,646	9,292,010	3,690,531	19,530,767
End of year	$ 1,934,234,168	$ 51,545,555	$ 24,060,610	$ 94,697,478	$ 1,299,957,605	$ 28,467,050	$ 2,729,760	$ 10,022,172	$ 3,982,228	$ 2,210,049

Insurance Pool Participants										Individual Investment Acct.	Totals	
Veterans Cemetery	Cultural Endowment Fund	Risk Mgmt	Risk Mgmt Work Comp	ND Ass'n of Counties Fund	ND Ass'n of Counties Program Savings	PERS Group Insurance	Budget Stabilization Fund	City of Bismarck Deferred Sick Leave	City of Fargo FargoDome Fund	PERS Retiree Health Credit Fund	2007	2006
												(Restated)
$ -	$ 27,678	$ 243,237	$ 319,237	$ 100,031	$ 55,757	$ -	$ -	$ 56,893	$ 1,043,035	$ 4,926,308	$ 391,832,839	$ 165,145,793
5,954	8,158	148,090	146,847	29,240	21,745	444,207	4,989,847	31,863	339,243	1,323,684	107,039,898	89,520,143
5,954	35,836	391,327	466,084	129,271	77,502	444,207	4,989,847	88,756	1,382,278	6,249,992	498,872,737	254,665,936
-	889	8,593	9,851	3,908	2,710	1,000	-	3,014	29,827	128,097	14,080,766	17,292,014
5,954	34,947	382,734	456,233	125,363	74,792	443,207	4,989,847	85,742	1,352,451	6,121,895	484,791,971	237,373,922
-	1,632	32,833	33,420	6,646	4,935	-	-	7,590	76,355	-	24,706,273	18,467,438
-	1,571	31,970	32,538	6,384	4,761	-	-	7,346	74,278	-	23,953,319	17,705,498
-	61	863	882	262	174	-	-	244	2,077	-	752,954	761,940
5,954	35,008	383,597	457,115	125,625	74,966	443,207	4,989,847	85,986	1,354,528	6,121,895	485,544,925	238,135,862
168	362	1,000	1,000	-	-	-	8,860	-	-	-	300,296	271,516
5,786	34,646	382,597	456,115	125,625	74,966	443,207	4,980,987	85,986	1,354,528	6,121,895	485,244,629	237,864,346
18,686	38,659	1,000,000	-	300,000	250,000	127,439,764	-	-	1,000,000	1,230,000	140,877,109	247,149,734
(5,000)	(17,289)	(950,000)	-	-	-	(125,750,000)	(4,981,500)	-	-	-	(204,776,903)	(175,554,971)
13,686	21,370	50,000	-	300,000	250,000	1,689,764	(4,981,500)	-	1,000,000	1,230,000	(63,899,794)	71,594,763
19,472	56,016	432,597	456,115	425,625	324,966	2,132,971	(513)	85,986	2,354,528	7,351,895	421,344,835	309,459,109
102,778	218,552	3,263,199	3,765,613	791,257	526,560	1,923,916	99,876,516	740,239	9,748,034	37,564,736	3,202,722,898	2,893,263,789
$122,250	$ 274,568	$ 3,695,796	$ 4,221,728	$1,216,882	$ 851,526	$ 4,056,887	$ 99,876,003	$ 826,225	$12,102,562	$ 44,916,631	$ 3,624,067,733	$ 3,202,722,898

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

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Pension and Investment Trust Funds – Schedule of Administrative Expenses

For the Years Ended June 30, 2007 and 2006

	Pension Trust		Investment Trust	
	2007	(Restated) 2006	2007	(Restated) 2006
Salaries and wages:				
Salaries and wages	$489,246	$493,230	$268,569	227,479
Fringe benefits	145,156	171,412	66,958	65,369
Total salaries and wages	634,402	664,642	335,527	292,848
Operating expenses:				
Information services	59,907	115,567	9,936	9,441
Intergovernmental services	6,008	7,489	2,003	2,496
Professional services	203,481	157,608	21,878	25,950
Rent of building space	51,221	51,057	21,327	21,326
Lease/rent of office equipment	(1,290)	(1,644)	3,025	2,139
Mailing services and postage	41,700	38,584	16,677	16,357
Travel and lodging	28,582	20,926	12,839	8,764
Printing	26,566	10,432	5,844	4,641
Office supplies	7,608	3,859	1,407	900
Professional development	14,798	10,243	1,065	570
Outside services	9,884	8,263	5,686	2,504
Small office equipment expense	12,224	14,390	3,172	2,093
Miscellaneous fees	2,533	4,626	2,159	2,187
Resource and reference materials	833	746	946	708
Service contracts - office equipment	112	113	38	37
IT contractual services	102,129	204,235	181	202
Repairs - office equipment	169	311	12	109
Insurance	1,064	1,114	355	371
Total operating expenses	567,529	647,919	108,550	100,795
Pension trust portion of investment program expenses	143,782	122,127	(143,782)	(122,127)
Depreciation	246,348	185,935	-	-
Total administrative expenses	1,592,061	1,620,623	300,295	271,516
Capital assets	-	208,500	-	-
Capital lease payments - principal	4,451	3,888	-	-
Less - nonappropriated items:				
Professional fees	203,481	157,608	21,878	25,950
Other operating fees paid under continuing appropriation	13,964	11,036	25,094	19,729
Depreciation	246,348	185,935	-	-
Accrual adjustments to employee benefits	(5,435)	13,535	(817)	3,512
Total nonappropriated items	458,358	368,114	46,155	49,191
Total appropriated expenditures	$ 1,138,154	$ 1,464,897	$ 254,140	$ 222,325

The accompanying notes are an integral part of these statements.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Schedule of Appropriations – Budget Basis

Fiduciary Funds

July 1, 2005 to June 30, 2007 Biennium

	Approved 2005-2007 Appropriation	Adjusted 2005-2007 Appropriation	Fiscal 2006 Expenses	Fiscal 2007 Expenses	Unexpended Appropriations
All Fund Types:					
Salaries and wages	$ 1,978,420	$ 1,978,420	$ 940,443	$ 976,181	$ 61,796
Operating expenses	914,608	914,608	294,261	415,601	204,746
Contracted services	-	513,699	452,518	512	60,669
Contingency	82,000	82,000	-	-	82,000
Total	$ 2,975,028	$ 3,488,727	$ 1,687,222	$ 1,392,294	$ 409,211

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

Reconciliation of Administrative Expenses
to Appropriated Expenditures

	2007	(Restated) 2006
Administrative expenses as reflected in the financial statements	$1,892,356	$1,892,139
Plus:		
Capital assets	-	208,500
Capital lease payments - principal	4,451	3,888
Less:		
Professional fees	(225,359)	(183,558)
Other operating fees paid under continuing appropriations	(39,058)	(30,765)
Depreciation expense	(246,348)	(185,935)
Changes in annual leave and FICA payments	6,252	(17,047)
Total appropriated expenses	$1,392,294	$1,687,222

The accompanying notes are an integral part of these statements.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Pension Trust Fund - Schedule of Investment Expenses

For the Years Ended June 30, 2007 and 2006

	2007	(Restated) 2006
Investment managers' fees:		
Domestic large cap equity managers	$ 2,766,305	$ 981,571
Domestic small cap equity managers	1,144,929	1,327,983
International equity managers	1,998,428	1,797,846
Emerging markets equity managers	754,438	619,604
Domestic fixed income managers	813,102	4,059,305
High yield fixed income managers	967,072	580,241
International fixed income managers	307,349	292,708
Real estate managers	1,815,867	1,419,013
Private equity managers	3,129,870	4,573,051
Cash & equivalents managers	21,891	55,982
Total investment managers' fees	13,719,251	15,707,304
Custodian fees	375,019	368,435
Investment consultant fees	86,066	88,519
Total investment expenses	$ 14,180,336	$ 16,164,258
Securities lending fees	$ 6,830,921	$ 4,547,393

Reconciliation of Investment Expenses to Financial Statements

	2007	(Restated) 2006
Investment expenses as reflected in the financial statements	$ 10,547,809	$ 10,713,108
Plus investment management fees included in investment income		
Domestic large cap equity	-	1,847
Domestic small cap equity	560,592	873,071
International equity	-	3,424
Emerging markets equity	141,833	264,209
High Yield	63,816	-
Private equity	2,844,395	4,252,617
Cash equivalents	21,891	55,982
Investment expenses per schedule	$ 14,180,336	$ 16,164,258

The accompanying notes are an integral part of these statements.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Pension Trust Fund - Schedule of Consultant Expenses

For the Years Ended June 30, 2007 and 2006

	2007	(Restated) 2006
Actuary fees:		
Gabriel, Roeder, Smith & Co.	$ 118,261	$ 104,532
Consulting fees:		
Brady Martz & Associates, P.C.	33,641	34,385
Buck Consultants	43,000	-
CPAS Systems Inc.	-	342,571
Enterprise Solutions Inc.	480	16,320
MSI Systems Integrators	-	40,945
Total consulting fees:	77,121	434,221
Disability consulting fees:		
Dr. G.M. Lunn	275	500
Legal fees:		
ND Attorney General	8,304	18,192
Total consultant expenses	$ 203,961	$ 557,445

Reconciliation of Consultant Expenses to Schedule of Administrative Expenses

	2007	(Restated) 2006
Total professional services on schedule	$ 203,481	$ 157,608
Plus capitalized expenses paid to CPAS	-	208,500
Plus IT contractual services from CPAS	-	134,072
Plus IT contractual services from ESI	480	16,320
Plus IT contractual services from MSI	-	40,945
Total consultant expenses	$ 203,961	$ 557,445

The accompanying notes are an integral part of these statements.

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Investment


FEDERAL RESERVE NOTE
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UNITED STATES FEDERAL RESERVE SYSTEM
THIS NOTE IS LEGAL TENDER FOR ALL DEBTS, PUBLIC AND PRIVATE
Treasurer of the United States
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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, 2007

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, 2007.

Introduction

For the fiscal year ended June 30, 2007, the $4.1 billion North Dakota Pension investment pool portfolio experienced a net total return of 19.38%. The Teachers' Fund for Retirement, a participant in the Pension pool, grew by a net 20.05% for the year. The Insurance investment pool, valued at $1.4 billion on June 30, 2007, returned 10.30% net, during the same time frame. The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon market values and are subject to independent audit.

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 38 external investment managers are presented in the Investment Section.

Our investment program's cost effectiveness as measured by expense ratio is 61.1 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, 2007, as measured by standard deviation has been 9.47% for the Pension Trust and 5.00% for the Insurance Trust. Risk exposure for each participating fund is also limited in accordance with the guidelines presented in the Investment Section.

Economic Overview

The Federal Funds target rate stayed consistent at 5.25% over the last fiscal year. The nation's Gross Domestic Product ("GDP") fluctuated throughout the last four quarters reaching a high of 3.4% in the most recent quarter and a low of 1.3% in the March quarter. The Consumer Price Index ("CPI") fluctuated between 2.1% in the September quarter to 2.8% in the March quarter. The CPI was at 2.7% at the end of fiscal year 2007, which is above the Federal Reserve's comfort level of 2%. The fluctuation in GDP is largely due to negative factors affecting the economy. Increased stock market volatility, delinquencies and growing concerns in the subprime mortgage market, and high consumer debt levels pushed GDP down during the last fiscal year. The deflating housing bubble slowed construction activity, real estate, retail, and mortgage services. Consensus thinking focused on the possibility that the housing market would continue to worsen before improving with fears that tightening credit conditions might pose a potential threat to future economic growth. The economy rebounded in the June quarter pushed by non-residential construction, business investment spending, and exports. Optimism found a basis in continued job creation, low unemployment rate and hourly earnings growth.

Domestic Equity Overview

The last fiscal year showed positive results in the broad equity market. The S&P 1500 Index, a broad market indicator, finished the fiscal year with a return of 20.22% up from 9.22% the year before. The December quarter was the strongest with the S&P 1500 returning 6.77%. The index produced positive returns for all four quarters of the fiscal year. Large cap stocks finally turned around and outpaced small cap stocks. The S&P 500, a large cap index, outpaced the S&P 600, a small cap index, 20.59% to 16.04%, over the fiscal year ended June 30. Value stocks continued to beat growth stocks by a slim margin in all capitalization ranges in fiscal year 2007.

International Equity Overview

International equities, as represented by the MSCI EAFE Index, produced strong results in fiscal year 2007. The index gained 27.00%, which was superior to the 23.05% local return for EAFE reflecting a weaker dollar. Japan and the Pacific Basin posted relatively weak numbers for the fiscal year with returns of 15.84% and 19.31%, respectively. In the June quarter, Japan was the only developed country with a negative US dollar-based return. Troubles in financials, telecom, and utilities all contributed to Japan's weak performance. Europe's MSCI Index rose 32.44% in the last four quarters and led developed regions with an 8.3% return in the most recent fiscal quarter. The Emerging Markets Free Index gained 45.45% in the fiscal year.

Domestic Fixed-Income Overview

The investment grade bond market, as measured by the Lehman Aggregate Bond Index, had a 6.12% return for the fiscal year. The 10-Year Treasury ended the fiscal year with a total return of 4.99%, significantly higher then the -5.77% total return from the year before. Longer-term bond investors were rewarded by the 6.99% gain of the Lehman Government/Credit Long Index over the fiscal year; this index excludes mortgages. Corporate bonds were also up as the Lehman Credit Index rose 6.71% over the same time period. The increase was due to solid fundamentals, strong earnings, and good economic data. June was the first month when credit spreads were affected by stresses in the subprime market.

High yield investors showed positive returns despite the Lehman High Yield Index falling 1.76% in June. During the fiscal year ended June 30, 2007 the High Yield Index gained 11.55%, far ahead of the 4.80% return for the prior fiscal year.

International Fixed-Income Overview

The international bond market showed a small positive return in fiscal year 2007 as the Citigroup Non-US World Government Bond Index rose 2.20%, despite falling 1.84% in the June quarter. Non-US dollar bonds benefited from the US dollar's decline during the fiscal year. The dollar weakened against most major currencies in fiscal year 2007, which diminished yield advantages offered by higher U.S. interest rates. The JPMorgan Emerging Markets Bond Index ("EMBI") ended the fiscal year with a gain of 11.94%.

Real Estate Overview

Institutional real estate is typically benchmarked against the NCREIF Total Index. This benchmark gained 12.57% during the fiscal year despite high volatility in the real estate market. The September and December quarters produced positive returns of 9.27% and 9.47%, respectively. The second half of the fiscal year was not as favorable with the index returning 3.46% in the March quarter followed by a negative return of -9.04% in the June quarter. Self Storage (-17.32%) and Retail (-14.55%) were the major detractors in this period.

Alternative Investments Overview

Alternative investments continued to surge in both commitments and the number of new funds established. After a record-breaking calendar year 2006 with commitments of $215.4 billion and 322 new funds, the second half of fiscal year 2007 continued the upsurge with $137 billion in commitments and 199 new funds. Some analysts expected the pace of investments to decelerate because of the slowdown in the debt markets. Due to the nature of alternative investment performance measurement, relative comparisons of fund performance with benchmarks are inherently ambiguous. Instead of recognizing any particular index as representative of the opportunity for the fiscal year ended June 30, 2007, it is worth noting that the Pension Trust's alternative investment allocation of Total Fund assets was only 4.2%. The market value of the alternative investment allocation, including investment returns and net new investment, gained 17.10% over the prior fiscal year.

Summary

The investment markets continued to treat institutional investors kindly during fiscal year 2007. Our Pension and Insurance pools participated in the positive contributions of many asset classes. Sourcing return from a variety of factors has rewarded us in the form of good investment returns, while controlling risk as measured by volatility. The State Investment Board will continue to seek opportunities to complement our diversified portfolios.

Sincerely,

STEVE COCHRANE, CFA
Executive Director/CIO

INVESTMENT PERFORMANCE SUMMARY
JUNE 30, 2007

			Rates of Return (net of fees)						
	Market Value	% Of Pool	For Fiscal Year Ended 6/30					Annualized	
PENSION POOL PARTICIPANTS			2007	2006	2005	2004	2003	3 Years	5 Years
Teachers' Fund for Retirement	$2,015,122,030	48.9%	20.04%	14.79%	13.36%	19.30%	2.28%	16.03%	13.77%
Public Employees Retirement System	1,937,349,889	47.0%	18.96%	12.00%	14.07%	16.66%	5.46%	14.97%	13.33%
Bismarck City Employee Pension Fund	51,624,881	1.3%	16.79%	9.13%	13.81%	14.85%	6.14%	13.20%	12.07%
Bismarck City Police Pension Fund	24,099,133	0.6%	17.58%	10.18%	13.45%	15.99%	5.32%	13.70%	12.42%
Job Service of North Dakota	94,819,043	2.3%	15.90%	7.09%	14.72%	12.57%	5.70%	12.50%	11.12%
Subtotal Pension Pool Participants	4,123,014,976	100.0%							
INSURANCE POOL PARTICIPANTS									
Workforce Safety & Insurance Fund	1,300,599,336	88.2%	10.33%	3.45%	7.29%	9.62%	8.96%	6.99%	7.90%
State Fire and Tornado Fund	28,487,028	1.9%	12.43%	5.27%	6.66%	9.98%	7.25%	8.08%	8.29%
State Bonding Fund	2,731,838	0.2%	12.41%	5.28%	6.62%	9.88%	7.52%	8.06%	8.31%
Petroleum Tank Release Fund	10,028,840	0.7%	12.37%	5.58%	6.51%	10.41%	7.05%	8.11%	8.35%
Insurance Regulatory Trust Fund	3,984,284	0.3%	11.10%	5.75%	5.41%	9.62%	6.74%	7.39%	7.70%
Health Care Trust Fund	2,209,944	0.1%	5.01%	5.11%	4.34%	2.91%	-0.95%	4.82%	3.26%
State Risk Management Fund	3,698,188	0.3%	11.20%	2.38%	5.98%	8.09%	8.86%	6.46%	7.26%
State Risk Management Workers Comp	4,224,528	0.3%	12.17%	3.25%	5.88%	*	*	7.04%	*
Cultural Endowment Fund	274,863	0.0%	15.68%	6.32%	*	*	*	*	*
Budget Stabilization Fund	99,875,498	6.8%	5.12%	*	*	*	*	*	*
Veterans Cemetery Trust Fund	122,285	0.0%	5.38%	4.50%	2.46%	1.20%	1.57%	4.11%	3.01%
ND Assoc. of Counties (NDACo) Fund	1,218,172	0.1%	15.46%	6.38%	7.19%	12.43%	6.76%	9.60%	9.58%
NDACo Program Savings Fund	852,449	0.1%	13.91%	6.25%	7.18%	12.42%	6.75%	9.06%	9.26%
City of Bismarck Deferred Sick Leave	827,059	0.1%	11.81%	4.30%	6.75%	8.91%	8.77%	7.57%	8.08%
PERS Group Insurance	4,057,137	0.3%	5.38%	4.50%	2.46%	1.20%	1.57%	4.11%	3.01%
City of Fargo FargoDome Permanent Fund	12,112,763	0.8%	14.00%	5.44%	7.21%	12.38%	*	8.82%	*
Subtotal Insurance Pool Participants	1,475,304,212	100.0%							
INDIVIDUAL INVESTMENT ACCOUNT									
Retiree Health Insurance Credit Fund	44,954,377	100.0%	16.65%	8.47%	8.74%	15.24%	3.39%	11.22%	10.39%
TOTAL	$5,643,273,565								
BENCHMARKS									
S&P 500			20.59%	8.63%	6.32%	19.11%	0.24%	11.68%	10.71%
Lehman Brothers Aggregate			6.12%	-0.81%	6.80%	0.32%	10.39%	3.98%	4.48%
90 Day T-Bills			5.21%	4.00%	2.15%	0.98%	1.52%	3.78%	2.76%
Callan Public Plan Sponsors Database (Median)			17.17%	10.42%	9.29%	15.10%	4.17%	12.24%	11.14%

* 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, 2007

	Style	Date Initiated	Market Value	Annualized Rates of Return 1 Year	3 Years	5 Years
DOMESTIC LARGE CAP EQUITY:						
Franklin Portfolio Associates	Market Neutral	09/2006	$ 113,081,906	*	*	*
Los Angeles Capital Management	Structured Growth	08/2003	181,403,160	22.01%	14.03%	*
Los Angeles Capital Management	Enhanced Russell 1000	08/2000	166,569,592	20.67%	13.54%	12.00%
LSV Asset Management	Structured Value	06/1998	181,419,451	23.74%	19.57%	16.91%
Northern Trust Global Investments	Enhanced S&P 500	08/2000	162,816,651	19.61%	11.63%	10.77%
State Street Global Advisors	130/30 Long/Short	06/1987	78,689,172	22.80%	12.71%	11.34%
Wells Capital Management Co.	Alpha Capture	04/2006	127,845,154	33.11%	*	*
Westridge Capital Management, Inc.	Enhanced S&P 500	08/2000	194,907,405	21.42%	12.31%	11.34%
TOTAL DOMESTIC LARGE CAP EQUITY			1,206,732,491	22.27%	13.97%	12.47%
Standard & Poor's 500 Index				20.59%	11.68%	10.71%
DOMESTIC SMALL CAP EQUITY:						
Callan Associates, Inc.	Mgr of Managers	05/2006	121,552,055	21.11%	*	*
SEI Investments Management Co.	Mgr of Managers	06/2001	296,419,549	17.98%	14.15%	15.15%
TOTAL DOMESTIC SMALL CAP EQUITY			417,971,604	18.54%	14.28%	15.23%
Russell 2000 Index				16.43%	13.45%	13.88%
INTERNATIONAL EQUITY:						
Bank of Ireland Asset Management	Concentrated Core	03/2002	59,380,030	26.12%	20.49%	14.50%
Capital Guardian Trust Company	Core	03/1992	179,852,427	26.59%	22.03%	15.30%
Lazard Asset Management	Small Cap Value	03/2002	58,202,284	25.05%	23.84%	22.08%
LSV Asset Management	Core	11/2004	180,952,667	30.57%	*	*
State Street Global Advisors	Enhanced EAFE Index	03/1987	57,073,099	28.65%	21.27%	15.52%
Wellington Trust Company, NA	Small Cap Growth	03/2002	58,385,210	27.72%	21.52%	22.39%
TOTAL INTERNATIONAL EQUITY			593,845,717	27.88%	22.76%	17.23%
MSCI EAFE 50% Hedged Index				26.95%	23.68%	16.12%
EMERGING MARKETS EQUITY:						
Dimensional Fund Advisors	Small Cap	10/2005	43,241,832	69.35%	*	*
J.P. Morgan Investment Management, Inc.	Core	11/2005	39,593,401	47.28%	*	*
PanAgora Asset Management, Inc.	Core	02/2006	38,151,513	47.30%	*	*
UBS Global Asset Management	Core	07/2005	67,115,415	43.20%	*	*
WestLB Asset Management, LLC	Core	03/2006	38,270,139	42.95%	*	*
TOTAL EMERGING MARKETS EQUITY			226,372,300	49.32%	39.74%	30.50%
MSCI Emerging Markets Index				45.45%	38.67%	30.66%
DOMESTIC FIXED INCOME:						
Bank of North Dakota	LB G/C Index	01/1988	151,516,583	5.75%	3.84%	4.55%
Calamos	Convertibles	10/2006	89,329,919	*	*	*
J.P. Morgan Investment Management, Inc.	Infrastructure	05/2007	7,007,033	*	*	*
Prudential	Private Debt	06/2005	85,617,491	7.42%	*	*
Timberland Investment Resources - Teredo	Timberland	06/2001	74,387,211	27.82%	13.62%	13.09%
Timberland Investment Resources - Springbank	Timberland	09/2004	145,717,234	27.26%	*	*
Wells Capital Management, Inc.	Baa Average	11/1998	84,889,317	9.35%	6.20%	6.96%
Western Asset Management Co.	Core Bonds	02/1986	85,142,392	7.22%	4.51%	5.80%
TOTAL DOMESTIC FIXED INCOME			723,607,180	13.61%	12.02%	10.65%
Lehman Brothers Aggregate Index				6.12%	3.98%	4.48%
HIGH YIELD FIXED INCOME:						
Goldman Sachs	Mezzanine Debt	04/2006	2,814,289	9.24%	*	*
Loomis Sayles	High Yield	04/2004	114,060,688	13.94%	11.80%	*
Wells Capital Management, Inc.	High Yield	04/2004	110,549,281	10.36%	8.56%	*
TOTAL HIGH YIELD FIXED INCOME			227,424,258	12.15%	10.18%	11.67%
Lehman Brothers High Yield Corp 2% Issuer Cap				11.22%	8.70%	11.60%

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
PENSION POOL PARTICIPANTS (CONTINUED)
FOR PERIODS ENDED JUNE 30, 2007

	Style	Date Initiated	Market Value	Annualized Rates of Return 1 Year	3 Years	5 Years
INTERNATIONAL FIXED INCOME:						
UBS Global Asset Management	Core Non-U.S.	03/1989	88,138,876	0.50%	3.04%	7.04%
Brandywine Asset Management	Core Non-U.S.	05/2003	92,843,981	7.06%	7.83%	*
TOTAL INTERNATIONAL FIXED INCOME			180,982,857	3.77%	5.43%	8.64%
Citigroup Non-US Gov't Bond Index				2.20%	3.26%	6.91%
REAL ESTATE:						
INVESCO Realty Advisors	Core Commingled	08/1997	147,820,133	14.44%	19.81%	14.70%
J. P. Morgan Investment Mgmt. Inc.	Core Commingled	10/1987	151,839,883	19.71%	20.09%	15.72%
J. P. Morgan Investment Mgmt. Inc.	Alternative	01/2006	35,682,576	6.70%	*	*
TOTAL REAL ESTATE			335,342,592	15.47%	19.41%	14.89%
NCREIF Total Index				17.24%	17.98%	14.39%
PRIVATE EQUITY						
Adams Street Partners (I.V.C.F. II)	Diversified	03/1989	79,860	31.73%	17.70%	10.32%
Adams Street Partners (I.V.C.F. III)	Diversified	01/1993	455,311	110.66%	60.82%	34.82%
Adams Street Partners (1998 Fund)	Diversified	01/1998	1,997,866	31.01%	21.39%	10.79%
Adams Street Partners (1999 Fund)	Diversified	01/1999	3,980,024	19.96%	14.75%	7.71%
Adams Street Partners (2000 Fund)	Diversified	10/1999	12,930,980	13.51%	18.72%	9.86%
Adams Street Partners (2001 Fund)	Diversified	12/2000	9,111,964	15.81%	13.04%	7.57%
Adams Street Partners (2002 Fund)	Diversified	03/2002	5,123,619	11.10%	12.11%	11.95%
Adams Street Partners (2003 Fund)	Diversified	04/2003	1,725,862	34.37%	19.93%	*
Adams Street Partners (1999 Non-U.S. Fund)	Diversified	01/1999	2,113,820	111.27%	60.28%	41.33%
Adams Street Partners (2000 Non-U.S. Fund)	Diversified	01/2000	4,133,236	55.09%	34.26%	25.04%
Adams Street Partners (2001 Non-U.S. Fund)	Diversified	02/2001	4,249,890	7.82%	13.17%	10.98%
Adams Street Partners (2002 Non-U.S. Fund)	Diversified	05/2002	6,365,924	88.97%	43.71%	*
Adams Street Partners (2003 Non-U.S. Fund)	Diversified	04/2003	5,595,637	76.58%	33.38%	*
Adams Street Partners (2004 Non-U.S. Fund)	Diversified	04/2004	2,109,161	23.98%	15.75%	*
Adams Street Partners (B.V.C.F. IV)	Diversified	05/1999	16,097,534	-3.23%	9.12%	6.09%
Adams Street Partners (Direct Co-Investment)	Direct	09/2006	9,430,906	*	*	*
Coral Partners, Inc. (V.P. II)	Direct	06/1990	99,841	-0.23%	1.53%	5.72%
Coral Partners, Inc. (Fund V)	Direct	03/1998	6,820,835	-1.79%	-4.71%	-14.30%
Coral Partners, Inc. (Supplemental Fund V)	Direct	08/2001	866,334	8.48%	3.75%	0.86%
Coral Partners, Inc. (Momentum Fund)	Direct	07/2002	15,945,497	-16.26%	-8.10%	*
Corsair Capital (Fund III)	Direct - Financial Svcs	02/2006	3,984,465	*	*	*
Hearthstone Homebuilding Investors (MSII)	Home Building	10/1999	147,298	-95.85%	-99.90%	-98.23%
Hearthstone Homebuilding Investors (MSIII)	Home Building	09/2003	2,942,805	208.66%	79.05%	*
Invest America (Lewis and Clark)	Direct	02/2002	5,473,852	13.96%	-2.58%	-5.68%
Matlin Patterson Global Opportunities Fund I	Distressed Debt	07/2002	14,585,621	10.94%	26.85%	*
Matlin Patterson Global Opportunities Fund II	Distressed Debt	10/2004	31,548,826	37.09%	*	*
Matlin Patterson Global Opportunities Fund III	Distressed Debt	06/2007	800,000	*	*	*
Quantum Energy Partners	Direct - Energy	01/2007	908,519	*	*	*
Quantum Resources	Direct - Energy	10/2006	3,949,941	*	*	*
TOTAL PRIVATE EQUITY			173,575,428	17.10%	16.26%	7.81%
CASH EQUIVALENTS:						
The Northern Trust Company	STIF/STEP	07/1994	37,160,549	5.24%	3.95%	3.06%
90 Day T-Bills				5.21%	3.77%	2.76%
TOTAL PENSION POOL			$ 4,123,014,976	19.90%	15.80%	13.88%
Policy Target				17.47%	12.57%	11.49%

* 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.

The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon market values and are subject to independent audit. Returns are shown before the effect of investment management fees, except for real estate and alternative investments, which are shown net of fees.

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
INSURANCE POOL PARTICIPANTS
FOR PERIODS ENDED JUNE 30, 2007

	Style	Date Initiated	Market Value	Annualized Rates of Return 1 Year	3 Years	5 Years
DOMESTIC LARGE CAP EQUITY:						
Los Angeles Capital Management	Structured Growth	08/2003	$ 22,285,661	22.10%	13.58%	*
Los Angeles Capital Management	Enhanced Russell 1000	04/2004	44,429,935	21.51%	13.70%	*
LSV Asset Management	Structured Value	06/1998	22,001,690	24.21%	19.46%	17.00%
State Street Global Advisors	S&P 500 Index	10/1996	13,706,282	22.78%	12.69%	11.31%
Westridge Capital Management, Inc.	Enhanced S&P 500	04/2004	47,417,885	21.47%	12.30%	*
TOTAL DOMESTIC LARGE CAP EQUITY			149,841,453	22.24%	14.07%	12.47%
Standard & Poor's 500 Index				20.59%	11.68%	10.71%
DOMESTIC SMALL CAP EQUITY:						
SEI Investments Management Co.	Mgr of Managers	06/2001	50,364,814	19.32%	14.58%	15.22%
TOTAL DOMESTIC SMALL CAP EQUITY			50,364,814	19.32%	14.58%	15.22%
Russell 2000 Index				16.43%	13.45%	13.88%
INTERNATIONAL EQUITY:						
Capital Guardian Trust Company	Core	04/1997	49,488,087	26.70%	21.84%	15.56%
Lazard Asset Management	Small Cap Value	11/2002	11,488,018	21.93%	21.95%	*
LSV Asset Management	Core	11/2004	47,006,758	31.88%	*	*
The Vanguard Group	Small Cap Growth	06/2003	10,962,132	31.54%	28.76%	*
TOTAL INTERNATIONAL EQUITY			118,944,995	28.71%	24.08%	17.77%
MSCI EAFE 50% Hedged Index				26.95%	23.68%	16.12%
DOMESTIC FIXED INCOME:						
Bank of North Dakota (BND)	LB G/C Index	07/1989	94,869,642	5.51%	2.98%	4.39%
Clifton Group	Enhanced Fixed Income	07/2006	53,149,174	*	*	*
Hyperion Brookfield	Mortgage Backed	01/2007	54,434,423	*	*	*
Prudential	Core-Plus	08/2006	53,062,584	*	*	*
Wells Capital	Baa Average Quality	04/2002	191,026,449	8.17%	5.11%	6.84%
Western Asset Management Co.	Core Bond	07/1990	192,914,900	7.51%	4.66%	5.85%
TOTAL DOMESTIC FIXED INCOME			639,457,172	7.26%	4.12%	5.50%
Lehman Brothers Aggregate Index				6.12%	3.98%	4.48%
TREASURY INFLATION PROTECTED (TIPS):						
Northern Trust Global Investments	Index	05/2004	139,781,162	3.97%	3.83%	*
Western Asset Management Co.	Core	05/2004	137,859,508	3.46%	3.43%	*
TOTAL TIPS			277,640,670	3.72%	3.63%	*
Lehman Brothers US TIPS Index				3.99%	3.80%	*
REAL ESTATE:						
J. P. Morgan Investment Mgmt. Inc.	Core Commingled	11/2005	84,968,543	16.00%	*	*
TOTAL REAL ESTATE			84,968,543	16.33%	*	*
NCREIF Total Index				17.24%	17.98%	*
CASH EQUIVALENTS:						
Bank of North Dakota	Enhanced MMDA	07/1989	47,786,647	5.37%	4.10%	3.01%
90 Day T-Bills				5.21%	3.77%	2.76%
TOTAL INSURANCE POOL			$ 1,369,004,294	10.50%	7.20%	7.98%
Policy Target				9.57%	7.10%	7.44%
NON-POOLED INVESTMENTS						
Bank of North Dakota CD's						
Held by Workforce Safety & Insurance	Certificates of Deposit		37,309,526	5.33%	*	*
Held by Budget Stabilization Fund	Certificates of Deposit		68,990,392	5.01%	*	*

* 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.

The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon market values and are subject to independent audit. Returns are shown before the effect of investment management fees, except for real estate, which is shown net of fees.

LARGEST HOLDINGS (By Market Value) AT JUNE 30, 2007

PENSION POOL PARTICIPANTS

Shares	Stocks	Market Value
235,373	Exxon Mobile Corporation	$ 19,743,087
550,079	Pfizer Incorporated	14,065,520
324,783	Verizon Communications	13,371,316
242,873	Bank of America Corporation	11,874,061
105,464	International Business Machines Corporation	11,100,086
129,793	Chevron Corporation	10,933,762
245,999	Dow Chemical Company	10,878,076
154,450	Johnson & Johnson	9,517,209
240,158	General Electric Company	9,193,248
189,168	JP Morgan Chase & Company	9,165,190

Par	Bonds	Market Value
25,000,000	Tiers Credit Backed TR 2006-14 Due 01-25-2019	$ 25,000,000
25,000,000	Tiers Credit Backed TR 2006-5 Due 07-25-2018	24,875,000
11,550,000	US Treasury Bonds 5.375% Due 02-15-2031	11,860,406
11,910,000	FNMA Single Family Mortgage 5% 30 Years (July)	11,158,181
10,060,000	US Treasury Notes 4.125% Due 8-15-2010	9,836,789
8,850,000	US Treasury Notes 3.5% Due 11-15-2009	8,574,818
18,150,000	Rep of Poland 5.75% Bonds 06-24-2008	6,566,883
5,500,000	US Treasury Notes Dated 02-15-2000 6.5% Due 02-15-2010	5,712,696
8,055,000	Federal Rep of Brazil 12.5% Bonds 05-01-2016	5,102,336
4,865,000	US Treasury Bonds 5.25% Due 02-15-2029	4,898,447

INSURANCE POOL PARTICIPANTS

Shares	Stocks	Market Value
30,687	Exxon Mobile Corporation	$ 2,574,026
45,796	Verizon Communications	1,885,421
44,143	Royal Dutch Shell	1,799,847
63,784	Electronic Data Systems Corporation	1,768,730
68,811	Pfizer Incorporated	1,759,497
33,894	Bank of America Corporation	1,657,078
10,100	Deutsche Bank AG	1,470,588
70,884	Sprint Nextel Corporation	1,468,008
17,417	Chevron Corporation	1,467,208
108,800	Royal Bank of Scotland Group	1,381,781

Par	Bonds	Market Value
8,720,000	US Treasury Bonds Inflation Index Linked 3.875% Due 4-15-2029	$ 13,230,798
9,650,000	US Treasury Notes Inflation Indexed 3.875% 01-15-2009	12,350,241
8,250,000	US Treasury Bonds Inflation Index Linked 3.625% Due 4-15-2028	12,208,505
10,965,000	US Treasury Notes Inflation Indexed 0.875% 04-15-2010	11,356,152
11,740,000	US Treasury Bonds Inflation Index Linked 2% Due 1-15-2026	11,068,901
8,420,000	US Treasury Bonds Inflation Indexed 1.875% Due 07-15-2013	9,085,071
8,175,000	US Treasury Bonds Inflation Indexed 2.375% Due 01-15-2025	8,615,560
5,960,000	US Treasury Notes Inflation Indexed 3% 07-15-2012	6,980,964
6,280,000	US Treasury Notes Inflation Indexed 2% 01-15-2014	6,747,996
5,375,000	US Treasury Notes Inflation Indexed 3.5% 01-15-2011	6,564,217

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, 2007

	Assets under management	Fees	Basis points
Investment managers' fees:			
Domestic large cap equity managers	$ 1,356,573,944	$ 6,324,011	47
Domestic small cap equity managers	468,336,418	2,727,530	58
International equity managers	712,790,712	3,763,626	53
Emerging markets equity managers	226,372,300	1,512,212	67
Domestic fixed income managers	1,469,364,270	3,860,347	26
TIPS managers	277,640,670	206,858	7
High yield fixed income managers	227,424,258	1,674,287	74
International fixed income managers	180,982,857	650,273	36
Real estate managers	420,311,135	3,941,622	94
Alternative investment managers	173,575,428	6,194,843	357
Cash & equivalents managers	84,947,196	51,177	6
Balanced account managers	44,954,377	130,161	29
Total investment managers' fees	$ 5,643,273,565	31,036,947	55
Custodian fees		915,996	2
Investment consultant fees		264,087	1
SIB Service Fees		21,810	0
Total investment expenses		$ 32,238,840	57
Securities lending fees		$ 30,784,240	55

Reconciliation of Investment Expenses to Financial Statements

Investment expenses as reflected in the financial statements	$ 24,628,575
Plus investment management fees included in investment income	
Domestic small cap equity	1,389,595
International equity	139,993
Emerging markets equity	284,295
High Yield	110,647
Private equity	5,628,346
Cash equivalents	51,177
Balanced fund	6,212
Investment expenses per schedule	$ 32,238,840

Brokers	Number of shares traded	Total commissions	Commissions per share
Investment Technology Group Inc.	7,754,733	$ 143,650	$0.019
Citigroup Global Markets/Smith Barney	6,079,046	124,288	0.020
UNX Company	3,232,655	76,960	0.024
Goldman Sachs & Company	3,027,121	58,313	0.019
Instinet	2,044,000	47,885	0.023
Bear Stearns	2,044,069	47,813	0.023
Fidelity Capital Markets	1,931,671	47,766	0.025
Jefferies & Company	1,726,172	43,358	0.025
Heflin & Company, LLC	1,863,964	41,612	0.022
Morgan Stanley & Company, Inc. NY	1,117,557	28,864	0.026
Other 166 Brokers *	59,023,749	457,588	0.008
Gross commissions	89,844,737	$ 1,118,097	$0.012
Less commissions recaptured		(4,810)	
Net commissions paid		$ 1,113,287	$0.012

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

TEACHERS' FUND FOR RETIREMENT

■ Teachers' Fund for Retirement Investment Objectives and Policy Guidelines

<u>Plan Characteristics and Fund Constraints</u>

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 school and certain state teachers and 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 2.0% 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. The asset/liability study completed in June 2005 indicates that a 1% cash equivalents allocation is expected to provide sufficient liquidity for 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 2005 by Gabriel, Roeder, Smith and Company (GRS) and on file at the North Dakota Retirement and Investment Office.

<u>Responsibilities and Discretion of the State Investment Board (SIB)</u>

The TFFR Board is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund 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.

Management responsibility for the investment program not assigned to the 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.

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.

<u>Investment Objectives</u>

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: Prudently invest assets in a well diversified portfolio to optimize long term returns while controlling risk to the fund.

Objective #2: Accumulate sufficient funds to pay all current and future benefit and expense obligations when due.

Objective #3: Improve and maintain adequate funding of all promised benefits to ensure the financial integrity of the system.

Objective #4: Build a funding cushion to provide for future benefit improvements.

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 28% S&P 500 Stock Index, 10% Russell 2000, 18% MSCI EAFE, 5% Emerging Markets (MSCI Emerging Markets Free Index), 5% Brinson Venture Capital Performance Indicator, 12% Lehman Aggregate Bond Index, 7% High Yield (Lehman Brothers High Yield Bond Index), 5% Citigroup Non-US Government Bond Index, 1% 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 10 year and longer time periods the Fund should match or exceed the expected 8.93% rate of return assumed in the asset/liability study. Expected risk for the period, measured by standard deviation, is 13.52%.

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 Gabriel, Roeder, Smith and Company in June 2005. 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 options were deemed appropriate for the Fund:

Domestic Equities – Large Cap	28%
Domestic Equities – Small Cap	10%
International Equities	18%
Emerging Markets Equities	5%
Venture Capital/Alt. Invsts.	5%
Domestic Fixed Income	12%
High Yield Bonds	7%
International Fixed Income	5%
Cash Equivalents	1%
Real Estate	9%

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. No transaction shall be made which threatens the tax exempt status of the Fund.
d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
e. No unhedged short sales or speculative margin purchases shall be made.
f. 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 public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

g. 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.

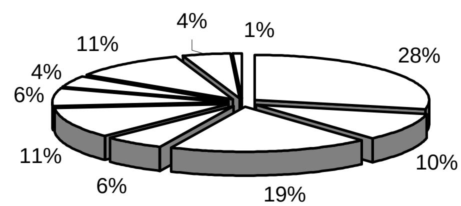
Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

Internal Controls

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

Teachers' Fund for Retirement
Actual Asset Allocation – June 30, 2007

Asset Allocation		Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	569,060,757	28%	
Domestic Small Cap Equity		202,039,715	10%	
International Equity		377,751,164	19%	
Emerging Markets Equity		112,957,648	6%	
Domestic Fixed Income		220,115,743	11%	
High Yield Fixed Income		130,019,051	6%	
International Fixed Income		85,516,682	4%	
Real Estate		213,421,431	11%	
Private Equity		87,644,179	4%	
Cash Equivalents		16,595,660	1%	
TOTAL FUND	$	2,015,122,030	100%	20.04%



PUBLIC EMPLOYEES RETIREMENT SYSTEM

■ Public Employees Retirement System (PERS) Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

The North Dakota Public Employees Retirement System (NDPERS) and the Highway Patrol Retirement System (HPRS) are pension benefit plans established to provide retirement income to state employees and employees of participating political subdivisions. The plans are administered by a seven member Board of Trustees (the Board). The Chair is appointed by the governor, three members are elected by the active members of the plans, one member is elected by the retired members, one is appointed by the Attorney General and the seventh member is the State Health Officer or their designee.

The NDPERS plan is a multi-employer hybrid benefit public pension plan that provides retirement benefits, disability retirement benefits, and survivor benefits, in accordance with Chapter 54-52 of the North Dakota Century Code (NDCC). Monthly retirement benefits for the Main, National Guard and Law Enforcement Plans are based on the formula: number of Years of Service times 2.0% times the final average salary. For the NDPERS Judges Plan the retirement formula is: for the first ten years of service the formula is final average salary times 3.5%, for the second ten years of service the formula is final average salary times 2.80% and for all remaining years of service the formula is final average salary times 1.25%.

The Highway Patrol plan is a single employer plan that provides retirement benefits, disability benefits, and survivor benefits in accordance with Chapter 39-03.1 of the North Dakota Century Code. Monthly retirement benefits are based upon the formula: first 25 years of credit service times 3.25% and all remaining years of service times 1.75%.

Funding for the NDPERS plan is provided by monthly employee contributions and employer contributions with the amount varying based upon which NDPERS plan the member participates in. For the Main NDPERS plan the employee contribution is 4% and the employer contribution is 4.12%, for the Judges Plan the employee contribution is 5% and employer contribution is 14.52%, for the National Guard Plan the employee contribution is 4% and employer contribution is 6.5%, for the Law Enforcement Plan with prior service the employee contribution is 4% and the employer contribution is 8.31% and for the Law Enforcement Plan without prior service the employee contribution rate is 4% and the employer rate is 6.43%.

Funding for the Highway Patrol plan is provided by a monthly employee contribution of 10.3% and an employer contribution of 16.7%

Each year the Board has an actuarial valuation performed. The current actuarial assumed rate of return on assets for all plans is 8%.

Responsibilities and Discretion of the State Investment Board (SIB)

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-01, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with the Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

Fund fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manger has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may, at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

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 or replicate underlying index exposure, but not for speculation.
   b. The use of derivatives 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. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurements, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

Investment Goals

The investment goals of the Fund have been established by the North Dakota 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: 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 retirement benefit.

Investment Performance Objective

The North Dakota Public Employees Retirement System (NDPERS) will seek to make investments that generate sufficient return to meet the goals outlined in this policy. 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 performance 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 funds rate of return, over the long term should equal, that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.

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

c. Over 10-year and longer periods the fund should match or exceed the expected rate of return projected in the asset/liability study without exceeding the expected risk for the period.

Asset Allocation

In recognition of the plan's performance objectives, benefit projections, and capital market expectations, the NDPERS Board has established the following asset allocation:

Date of last asset allocation study: NDPERS Board Approved December 2005 – SEI Corporation

Domestic Equities-Large Cap	30%
Domestic Equities-Small Cap	10%
International Equities	10%
Emerging Markets Equities	5%
Domestic Fixed Income	24%
High Yield Fixed Income	5%
International Fixed Income	5%
Real Estate	5%
Private Equity	5%
Cash	1%
Expected Return	9.3%
Standard Deviation of Returns	10.5%

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

Restrictions

A. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.

B. Use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.

C. No transaction may be made which threatens the tax exempt status of the Fund.

D. No unhedged short sales or speculative margin purchases may 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 time horizon and similar risk.

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.

Economically targeted investing 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.

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

H. Where timberland is used as part of the domestic fixed income portfolio, it may not make up more than 30% of the total asset class at the time of initial purchase. If timberland becomes 50% or more of the domestic fixed income portfolio through market appreciation, the SIB must review the situation with the goal of bringing the timberland portion of the domestic fixed income portfolio into line with this restriction and, considering market conditions at the time, take any action deemed prudent.

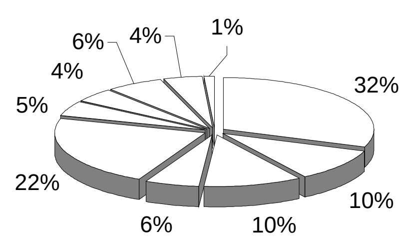
Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

Internal Controls

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

■ Public Employees Retirement Fund Actual Asset Allocation – June 30, 2007

Asset Allocation		Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	591,649,274	32%	
Domestic Small Cap Equity		201,580,986	10%	
International Equity		202,601,166	10%	
Emerging Markets Equity		111,457,975	6%	
Domestic Fixed Income		432,460,724	22%	
High Yield Fixed Income		93,324,075	5%	
International Fixed Income		84,663,696	4%	
Real Estate		114,749,377	6%	
Private Equity		85,240,762	4%	
Cash Equivalents		19,621,854	1%	
TOTAL FUND	$	1,937,349,889	100%	18.96%



BISMARCK CITY EMPLOYEE PENSION PLAN

■ Bismarck City Employee Pension Plan Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

The Bismarck, North Dakota City Employee Pension Plan (BCEPP) is the pension benefit plan (Fund) established for the city of Bismarck public employees. The Fund is administered by the Bismarck City Employee Pension Plan Board of Trustees. The Fund is a defined benefit pension plan maintained to provide retirement 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 Fund is administered in accordance with IRS and Treasury Regulations.

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

Responsibilities and Discretion of the State Investment Board (SIB)

The BCEPP Board has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The BCEPP Board is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund 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.

Standards of Investment Performance

Investments of the Fund must seek to generate sufficient return to meet the goals outlined in this policy. 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 the Fund 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.

a. The Fund should produce a rate of return, over any given time period, that matches or exceeds that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB and reflected in the monthly investment performance reports.

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

c. Over 10 year and longer time periods the Fund should match or exceed the expected 8.6% rate of return assumed in the asset/liability study. Expected risk for the period, measured by standard deviation, is 9.7%.

Policy and Guidelines

The asset allocation of the Fund is established by the BCEPP Board, with input from consultants and RIO staff. Asset allocation is based upon the asset/liability study completed by SEI in March 2006. 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 Fund's objectives, benefit projections, and capital market expectations, the following is the asset allocation for the Fund:

Domestic Large Cap Equity	20.0%
Domestic Small Cap Equity	12.0%
International Equity	11.0%
Emerging Markets Equity	2.0%
Domestic Fixed Income	29.0%
High Yield Fixed Income	6.0%
International Fixed Income	9.5%
Real Estate	9.5%
Alternative Investments	1.0%

Rebalancing of the Fund's investment portfolio to this target must be done as soon as feasible while ensuring the process is effectively coordinated and accomplished in a cost effective manner. Maintenance of allocations to this target must 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. 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. No transaction shall be made which threatens the tax exempt status of the Fund.
d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
e. No unhedged short sales or speculative margin purchases shall be made.
f. 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 public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

g. 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.

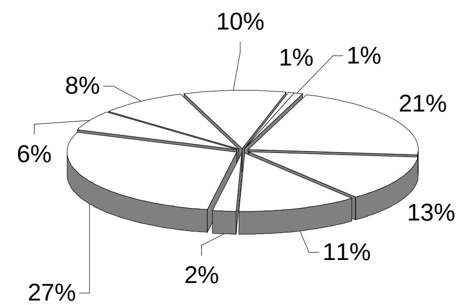
Where investment characteristics, including yield, risk, and liquidity are equivalent, the BCEPP Board's policy favors investments which will have a positive impact on the economy of North Dakota.

Internal Controls

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

■ Bismarck City Employee Pension Plan
Actual Asset Allocation – June 30, 2007

Asset Allocation		Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	10,748,989	21%	
Domestic Small Cap Equity		6,556,842	13%	
International Equity		5,923,665	11%	
Emerging Markets Equity		1,141,415	2%	
Domestic Fixed Income		14,332,404	27%	
High Yield Fixed Income		2,922,891	6%	
International Fixed Income		4,289,856	8%	
Real Estate		5,055,751	10%	
Private Equity		293,755	1%	
Cash Equivalents		359,313	1%	
TOTAL FUND	$	51,624,881	100%	16.79%



BISMARCK CITY POLICE PENSION PLAN

Bismarck City Police Pension Plan Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

The Bismarck, North Dakota City Police Pension Plan (BCPPP) is the pension benefit plan (Fund) established for the city of Bismarck police. The Fund is administered by the Bismarck City Police Pension Plan Board of Trustees. The Fund is a defined benefit pension plan maintained to provide retirement 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 Fund is administered in accordance with IRS and Treasury Regulations.

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

Responsibilities and Discretion of the State Investment Board (SIB)

The BCPPP Board has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The BCPPP Board is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund 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.

Standards of Investment Performance

Investments of the Fund must seek to generate sufficient return to meet the goals outlined in this policy. 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 the Fund 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.

a. The Fund should produce a rate of return, over any given time period, that matches or exceeds that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB and reflected in the monthly investment performance reports.

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

c. Over 10 year and longer time periods the Fund should match or exceed the expected 8.9% rate of return assumed in the asset/liability study. Expected risk for the period, measured by standard deviation, is 10.6%.

Policy and Guidelines

The asset allocation of the Fund is established by the BCPPP Board, with input from consultants and RIO staff. Asset allocation is based upon the asset/liability study completed by SEI in March 2006. 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 Fund's objectives, benefit projections, and capital market expectations, the following is the asset allocation for the Fund:

Domestic Large Cap Equity	24.0%
Domestic Small Cap Equity	12.0%
International Equity	11.0%
Emerging Markets Equity	3.0%
Domestic Fixed Income	24.5%
High Yield Fixed Income	5.0%
International Fixed Income	9.0%
Real Estate	8.5%
Venture Capital	3.0%

Rebalancing of the Fund's investment portfolio to this target must be done as soon as feasible while ensuring the process is effectively coordinated and accomplished in a cost effective manner. Maintenance of allocations to this target must 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. 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. No transaction shall be made which threatens the tax exempt status of the Fund.
d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
e. No unhedged short sales or speculative margin purchases shall be made.
f. 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 public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

g. 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.

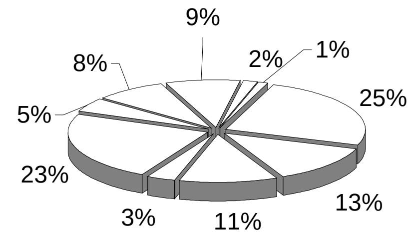
Where investment characteristics, including yield, risk, and liquidity are equivalent, the BCPPP Board's policy favors investments which will have a positive impact on the economy of North Dakota.

Internal Controls

A system of internal controls must be in place by the SIB to prevent losses of public funds arising from fraud or employee error. Such controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

■ Bismarck City Police Pension Plan
Actual Asset Allocation – June 30, 2007

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 5,986,008	25%	
Domestic Small Cap Equity	3,031,172	13%	
International Equity	2,767,119	11%	
Emerging Markets Equity	815,261	3%	
Domestic Fixed Income	5,619,485	23%	
High Yield Fixed Income	1,158,243	5%	
International Fixed Income	1,947,773	8%	
Real Estate	2,116,033	9%	
Private Equity	396,733	2%	
Cash Equivalents	261,306	1%	
TOTAL FUND	$ 24,099,133	100%	17.58%



RETIREMENT PLAN FOR EMPLOYEES OF JOB SERVICE NORTH DAKOTA

■ Job Service ND Investment Objectives and Policy Guidelines

The Retirement Plan for the Employees of Job Service North Dakota (Plan) is a defined benefit retirement plan for the eligible employees hired before October 1, 1980. There have been no new entrants to the plan since October 1, 1980. The plan provides retirement benefits, disability benefits and survivor benefits consistent with the written Plan document. Until October 1, 1993, annuities were purchased from the Travelers for retirees, since that date retiree benefits are paid from Plan assets. Annual cost of living adjustments for all Plan pensioners including annuitants with the Travelers are paid from Plan assets. The NDPERS Board (the Board) is the Plan Administrator and administers the Plan in accord with Chapter 52-11 of the North Dakota Century Code.

Job Service North Dakota as the employer contributes 4% of the active participant's salary as a contribution 'on behalf of the employee' and the active participants pay 3% of their salary into Plan assets.

Each year the Plan has an actuarial valuation performed. The current actuarial assumed rate of return on assets is 7.5%.

<u>Responsibilities and Discretion of the State Investment Board</u>

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-01, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with the Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

Fund fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manger has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets..

<u>Delegation of Authority</u>

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 or replicate underlying index exposure, 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. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also

includes selecting performance measurements, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

Investment Goals

The investment objectives of the Plan have been established by the Plan's Administrator upon consideration of its strategic objectives and a comprehensive review of current and projected financial requirements.

Objective #1: To maintain a level of surplus sufficient to eliminate the need for future contributions;

Objective #2: To achieve a rate of return which exceeds the rate of inflation, as measured by the Consumer Price Index (CPI), by 3.0 percent per year (based on current actuarial assumptions of 8% return and 5% inflation), over a complete market cycle; and

Objective #3: As a secondary objective, to maximize the Plan's surplus to increase future benefit payments.

Investment Performance Objectives

The NDPERS Board will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement in federal and state law.

It is in the best interest of NDPERS and its beneficiaries that performance 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 funds rate of return, over the long term should equal that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.

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

c. Over 10-year and longer periods the fund should match or exceed the expected rate of return projected in the most recent asset/liability study without exceeding the expected risk for the period as measured by standard deviation.

Asset Allocation

The NDPERS as plan Administrator establishes the asset allocation of the Fund, with input from consultants and SIB staff. The current asset allocation is based upon the asset/liability study completed by Buck Consultants in May 2002. 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 options were deemed appropriate for the Fund:

Domestic Large Cap Equity	30%
Domestic Small Cap Equity	5%
International Equity	5%
Domestic Fixed Income	55%
International Fixed Income	5%

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

Restrictions

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. 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.
d. 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 public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

e. 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 Plan 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 Plan to permit distributions in accordance with the terms of the plan.

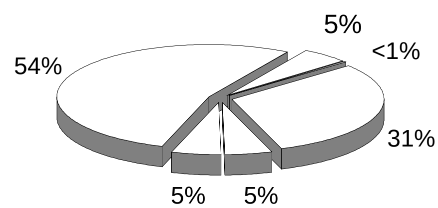
(4) The safeguards and diversity that a prudent investor would adhere to are present.

Internal Controls

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

■ Job Service ND
Actual Asset Allocation – June 30, 2007

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 29,287,462	31%	
Domestic Small Cap Equity	4,762,890	5%	
International Equity	4,802,603	5%	
Domestic Fixed Income	51,078,824	54%	
International Fixed Income	4,564,850	5%	
Cash Equivalents	322,414	<1%	
TOTAL FUND	$ 94,819,043	100%	15.90%



WORKFORCE SAFETY & INSURANCE FUND

■ Workforce Safety & Insurance Fund Investment Objectives and Policy Guidelines

Introduction

North Dakota Workforce Safety & Insurance (WSI) is an exclusive state workers' compensation fund, which exists for the mutual benefit of North Dakota employers and employees. The assets of WSI are utilized to pay benefits to injured workers or their survivors.

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

1. The payment of the expenses of administration of the organization,
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.

Responsibilities of the North Dakota State Investment Board (SIB)

The WSI Board is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07. The Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

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 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, 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 goal of WSI is to supplement premiums, through various investments, to accomplish its statutory obligations.

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. WSI 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.

The operating and liquidity needs of WSI 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 domestic equity, international equity, real estate 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.

Standards of Investment Performance

The Fund'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 9.75% S&P 500 domestic stock index, 3.25% Russell 2000 domestic stock, 8% MSCI EAFE international stock index, 50% Lehman Aggregate bond index, 22% Lehman Treasury Inflation Protected bond index, 6% NCREIF Total real estate index, and 1% 90-day T-bills.
b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.
c. Over 10 year and longer time periods the Fund should match or exceed the expected 5.75% rate of return assumed in the asset/liability study. Expected risk for the period, measured by standard deviation, is 5.65%.

Policy and Guidelines

The asset allocation policy developed herein is based on an evaluation of WSI's ability and willingness to assume investment risk in light of WSI'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 May, 2005, the following asset allocation is deemed appropriate for WSI. The portfolio mix shall be in accordance with the following asset allocation and periodically reviewed by WSI.

Asset Class	Target Allocation
Large Cap Equity	9.75%
Small Cap Equity	3.25%
International Equity	8.00%
Domestic Fixed Income	50.00%
TIPS	22.00%
Real Estate	6.00%
Cash Equivalents	1.00%
Total	100.00%

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. No transaction shall be made which threatens the tax exempt status of the Fund.
d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
e. No unhedged short sales or speculative margin purchases shall be made.
f. 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 public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

g. 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.

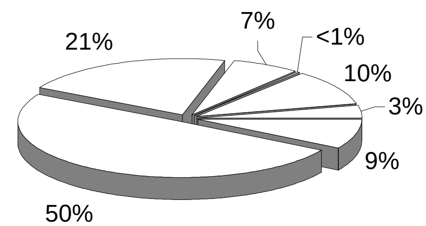
   (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.

   (4) The safeguards and diversity that a prudent investor would adhere to are present.

   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.

■ Workforce Safety & Insurance Fund
Actual Asset Allocation – June 30, 2007

Asset Allocation		Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	133,899,530	10%	
Domestic Small Cap Equity		44,960,475	3%	
International Equity		113,934,767	9%	
Fixed Income		641,179,038	50%	
TIPS		277,640,670	21%	
Real Estate		84,954,000	7%	
Cash Equivalents		4,030,856	<1%	
TOTAL FUND	$	1,300,599,336	100%	10.33%



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 $3.7 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 $2 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.

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. Total claim payments and transfers over the last four fiscal years have averaged $4.3 million annually.

Operating expenses are paid from the Fund as incurred. These include Fund administration, boiler inspection program, anhydrous ammonia storage facility inspections, State Fire Marshall's Office, and State Firemen's Association. For planning purposes over the 2005-2007 biennium, these appropriations were assumed to be $707,288 annually.

The Fund's asset allocation will need to be reviewed at the end of the 2005-2007 biennium for appropriateness.

Responsibilities and Discretion of the State Investment Board (SIB)

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund 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.

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

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 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: The risk of violating the statutory minimum balance requirement of $12,000,000 is to be minimized. 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 18.75% S&P 500 domestic stock index, 6.25% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 55% Lehman Aggregate 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.

c. Over 10 year and longer time periods the Fund should match or exceed the expected 6.14% rate of return based on 2005 market projections. Expected risk for the period, measured by standard deviation, is 7.00%.

Policy and Guidelines

The asset allocation of the 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	18.75%
Small Cap Domestic Equity	6.25%
International Equity	10.00%
Fixed Income	55.00%
Cash Equivalents	10.00%

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. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
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 unhedged short sales or speculative margin purchases shall be made.
f. 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 public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

g. 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:

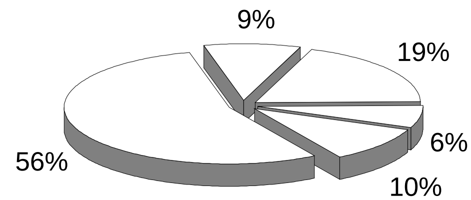
   (1) The cost does not exceed the fair market value at the time of investment.
   (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
   (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.

(4) The safeguards and diversity that a prudent investor would adhere to are present.

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

■ State Fire and Tornado Fund
Actual Asset Allocation – June 30, 2007

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 5,468,372	19%	
Domestic Small Cap Equity	1,845,769	6%	
International Equity	2,931,882	10%	
Fixed Income	15,536,455	56%	
Cash Equivalents	2,704,550	9%	
TOTAL FUND	$ 28,487,028	100%	12.43%



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. Claims have averaged $92,222 annually over the last four fiscal years.

Appropriations from the Fund are exclusively for administrative costs. For planning purposes during the 2005-2007 biennium, these appropriations are assumed to be $17,500 annually.

The Fund's asset allocation will need to be reviewed at the end of the 2005-2007 biennium for appropriateness.

Responsibilities and Discretion of the State Investment Board (SIB)

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund 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 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. 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.

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

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: The risk of violating the statutory minimum balance requirement of $2,500,000 is to be minimized. 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 18.75% S&P 500 domestic stock index, 6.25% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 55% 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.

c. Over 10 year and longer time periods the Fund should match or exceed the expected 6.14% rate of return based on Callan Associates' 2005

market projections. Expected risk for the period, measured by standard deviation, is 7.00%.

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 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	18.75%
Small Cap Domestic Equity	6.25%
International Equity	10.00%
Fixed Income	55.00%
Cash Equivalents	10.00%

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. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
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 unhedged short sales or speculative margin purchases shall be made.
f. 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 public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

g. 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.

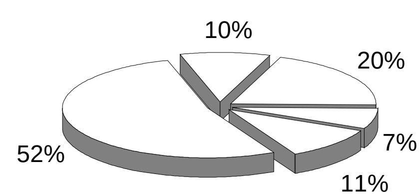
   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (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.

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

■ State Bonding Fund
Actual Asset Allocation – June 30, 2007

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 537,662	20%	
Domestic Small Cap Equity	181,405	7%	
International Equity	288,798	11%	
Fixed Income	1,453,679	52%	
Cash Equivalents	270,294	10%	
TOTAL FUND	$ 2,731,838	100%	12.41%



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 ground and subterranean petroleum storage tanks. Registration of tanks with the Fund is mandatory, although certain types of tanks are excluded. Premiums are estimated to total $321,000 annually during the current biennium.

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. Claims have averaged $300,601 annually over the last four fiscal years.

Operating expenses are paid from the Fund as incurred. The Fund's asset allocation will need to be reviewed at the end of the 2005-2007 biennium for appropriateness.

Responsibilities and Discretion of the State Investment Board (SIB)

The Fund is charged by law under Chapter 285 of the 1993 Session Laws with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund 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 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. 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.

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

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: The risk of violating the EPA mandated minimum balance requirement of $2,000,000 is to be minimized. 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 18.75% S&P 500 domestic stock index, 6.25% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 50% Lehman Aggregate 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.

c. Over 10 year and longer time periods the Fund should match or exceed the expected 6.06% rate of return based on Callan Associates' 2005 market projections. Expected risk for the period, measured by standard deviation, is 6.87%

Policy and Guidelines

The asset allocation of the 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	18.75%
Small Cap Domestic Equity	6.25%
International Equity	10.00%
Fixed Income	50.00%
Cash Equivalents	15.00%

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. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
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 unhedged short sales or speculative margin purchases shall be made.
f. 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 public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

g. 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.

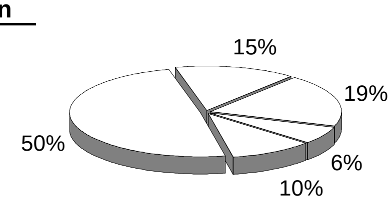
   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (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.

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

■ Petroleum Tank Release Compensation Fund Actual Asset Allocation – June 30, 2007

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 1,914,148	19%	
Domestic Small Cap Equity	646,352	6%	
International Equity	1,026,133	10%	
Fixed Income	4,930,817	50%	
Cash Equivalents	1,511,390	15%	
TOTAL FUND	$ 10,028,840	100%	12.37%



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. Fees and other collections are expected to total approximately $3.5 million annually, with the bulk of this income received in the second half of each fiscal year. Earnings from investments are also considered a funding source.

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 $1.0 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. For planning purposes over the 2005-2007 biennium, these appropriations were assumed to be $2.7 million annually.

The Fund's asset allocation will need to be reviewed at the end of the 2005-2007 biennium for appropriateness.

Responsibilities and Discretion of the State Investment Board (SIB)

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund 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 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. 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.

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

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 15% S&P 500 domestic stock index, 5% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 35% Lehman Aggregate 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.

c. Over 10 year and longer time periods the Fund should match or exceed the expected 5.55% rate of return based on Callan Associates' 2005

market projections. Expected risk for the period, measured by standard deviation, is 5.70%.

Policy and Guidelines

The asset allocation of the 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	15%
Small Cap Domestic Equity	5%
International Equity	10%
Fixed Income	35%
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. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
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 unhedged short sales or speculative margin purchases shall be made.
f. 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 public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

g. 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.

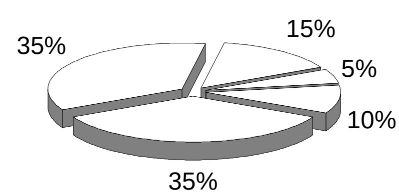
   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (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.

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

■ Insurance Regulatory Trust Fund
Actual Asset Allocation – June 30, 2007

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 589,987	15%	
Domestic Small Cap Equity	197,114	5%	
International Equity	399,230	10%	
Fixed Income	1,392,761	35%	
Cash Equivalents	1,405,192	35%	
TOTAL FUND	$ 3,984,284	100%	11.10%



NORTH DAKOTA HEALTH CARE TRUST FUND

■ North Dakota Health Care Trust Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

Through the passage of House Bill 1196, the 2001 North Dakota Legislature created a special fund, in the State Treasury, known as the North Dakota Health Care Trust Fund (the Fund). The Fund consists of revenue received from government nursing facilities for remittance to the Fund under Section 50-24.4-30. Section 13 of House Bill 1196 provides that the State Investment Board (SIB) shall invest moneys in the Fund in accordance with Chapter 21-10, and the income earned must be deposited in the Fund. All moneys deposited in the Fund are available to the Department of Human Services for payment as authorized by legislative appropriations and for transfer to the long-term care facility loan fund as authorized by legislative appropriation.

Responsibilities and Discretion of the SIB

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund 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.

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

Investment Objectives

The investment objectives are to obtain a reasonable rate of return on the Fund while maintaining sufficient liquidity to meet known or anticipated financial obligations. Operating and statutory considerations shape the Fund's policies and priorities as outlined below:

Objective #1: 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.

Objective #2: Investment income is needed to provide stability for the Fund. This will be achieved through investment in certificates of deposit and cash equivalents.

Policy and Guidelines

The asset allocation of the Fund is established by the SIB, with input from the North Dakota Department of Human Services. 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:

Cash Equivalents & CD's	100%

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. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
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 State Investment Board's master custodian or such other custodians as are acceptable to the State Investment Board.
d. No funds shall be borrowed.
e. No unhedged short sales or speculative margin purchases shall be made.
f. 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 public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

g. 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.

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

■ North Dakota Health Care Trust Fund
Actual Asset Allocation – June 30, 2007

Asset Allocation	Market Value	Percent of Total	One Year Return
Cash Equivalents & CD's	2,209,944	100%	
TOTAL FUND	$ 2,209,944	100%	5.01%

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 North Dakota 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 (OMB).

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 $10,000,000 for those exposures not covered by the Tort Claims Act. In addition to the excess coverage, the Fund purchases medical malpractice liability coverage.

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.

The Risk Management Division's operating expenses including loss control activities are paid from the Fund as incurred.

The Fund's asset allocation will need to be reviewed at the end of the 2005-2007 biennium for appropriateness.

Responsibilities of the State Investment Board (SIB)

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund 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.

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

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 22.5% S&P 500 domestic stock index, 7.5% Russell 2000 domestic small cap index, 65% Lehman Aggregate domestic bond index, and 5% 90-day Treasury bills.

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

c. Over 10 year and longer time periods the Fund should match or exceed the expected 5.98% rate of return based on Callan Associates' 2005 market projections. Expected risk for the period, measured by standard deviation, is 6.59%.

<u>Policy and Guidelines</u>

The asset allocation of the Fund is established by the SIB, with input from the OMB. 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	22.5%
Small Cap Domestic Equity	7.5%
Fixed Income	65.0%
Cash Equivalents	5.0%

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. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
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 unhedged short sales or speculative margin purchases shall be made.
f. 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 public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

g. 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.

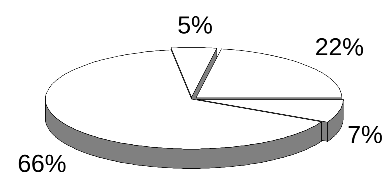
   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (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.

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

■ State Risk Management Fund
Actual Asset Allocation – June 30, 2007

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 823,329	22%	
Domestic Small Cap Equity	276,493	7%	
Fixed Income	2,413,347	66%	
Cash Equivalents	185,019	5%	
TOTAL FUND	$ 3,698,188	100%	11.20%



STATE RISK MANAGEMENT WORKERS COMPENSATION FUND

■ State Risk Management Workers Comp Fund Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

The 2001 North Dakota Legislature established a single workers' compensation account for state entities, N.D.C.C. § 65-04-03.1. N.D.C.C. § 65-04-03.1(2) directs that workers' compensation premiums from state entities must be deposited in the Risk Management Workers Compensation Fund (Fund) and the State Investment Board is directed to invest the Fund in accordance with chapter 21-10.

The Risk Management Division of the Office of Management and Budget is responsible for administering the Fund to include promulgating rules, collecting and dispersing funds, and establishing an internal workers' compensation return-to-work program. Each entity of the State is required to participate in the program unless exempted by the director of the Office of Management and Budget. Contributions to the Fund are determined by Workforce Safety & Insurance (WSI) based on an actuarial review of combined payroll, premium, and loss history of agencies to determine experience rates, assessments, and premiums.

The Risk Management Workers Compensation Program charges the entity the first $250 ($150 if a designated medical provider is used for treatment) of each accepted claim and pays disability and medical benefits of up to $100,000 dollars per claim. Dollar amounts for claims in excess of $100,000 are paid for by WSI. In turn the Program pays WSI approximately $1,720,000 per year in premiums.

The Fund's asset allocation will need to be reviewed at the end of the 2005-2007 biennium for appropriateness.

Responsibilities of the State Investment Board (SIB)

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund 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.

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

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 27.75% S&P 500 domestic stock index, 9.25% Russell 2000 domestic small cap index, 60% Lehman Aggregate domestic bond index, and 3% 90-day Treasury bills.

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

c. Over 10 year and longer time periods the Fund should match or exceed the expected 6.31% rate of return based on Callan Associates' 2005

market projections. Expected risk for the period, measured by standard deviation, is 7.57%.

Policy and Guidelines

The asset allocation of the Fund is established by the SIB, with input from the OMB. 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	27.75%
Small Cap Domestic Equity	9.25%
Fixed Income	60.00%
Cash Equivalents	3.00%

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. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
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 State Investment Board's master custodian or such other custodians as are acceptable to the State Investment Board.
d. No funds shall be borrowed.
e. No unhedged short sales or speculative margin purchases shall be made.
f. 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 public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

g. 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.

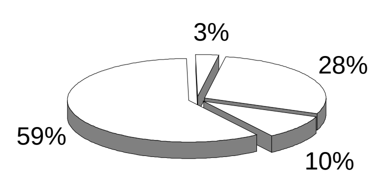
   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (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.

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

■ State Risk Management WC Fund
Actual Asset Allocation – June 30, 2007

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 1,195,435	28%	
Domestic Small Cap Equity	403,662	10%	
Fixed Income	2,498,317	59%	
Cash Equivalents	127,114	3%	
TOTAL FUND	$ 4,224,528	100%	12.17%



VETERANS CEMETERY TRUST FUND

■ Veterans Cemetery Trust Fund Investment Objectives and Policy Guidelines

Introduction

On August 1, 1997, the State Investment Board (SIB) became responsible for the administrative oversight of the Veterans Cemetery Trust Fund (the Fund), a 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.

Responsibilities of the State Investment Board (SIB)

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund 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 mangers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers.

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

Investment Objectives

Investment income is needed to provide for the payment of future expenses of the Veterans Cemetery while protecting the principal. This will be achieved through investment in cash equivalents.

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.
c. Over 10 year and longer time periods the Fund should match or exceed the expected 3.25% rate of return based on Callan Associates' 2005 market projections. Expected risk for the period, measured by standard deviation, is 0.80%.

Policy and Guidelines

The asset allocation is established by The ND Adjutant General's Office with input from the Retirement and Investment Office staff. 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 State Investment Board's master custodian or such other custodians as are acceptable to the State Investment Board.
d. No funds shall be borrowed.
e. No short sales or margin purchases shall be made. 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 public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

g. 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.

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

■ Veterans Cemetery Trust Fund
Actual Asset Allocation – June 30, 2007

Asset Allocation	Market Value	Percent of Total	One Year Return
Cash Equivalents	$122,285	100%	5.38%

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) (Funds) 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)

NDACo has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. It is the responsibility of NDACo to establish policies on investment goals and asset allocation of the Funds. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Funds 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.

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

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 26.25% S&P 500 domestic stock index, 8.75% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 50% Lehman Brothers Aggregate 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.
c. Over 10 year and longer time periods the Funds should match or exceed the expected 6.65% rate of return based on Callan Associates' 2005 market projections. Expected risk for the period, measured by standard deviation, is 8.50%.

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 allocations are deemed appropriate for the funds.

Asset Class	NDACo Fund	NDACo Program Savings
Dom Lg Cap Equity	29.7%	26.2%
Dom Sm Cap Equity	12.0%	8.8%
Int'l Equity	13.3%	10.0%
Dom Fixed Income	40.0%	50.0%
Cash Equivalents	5.0%	5.0%

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. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.

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 unhedged short sales or speculative margin purchases shall be made.
f. 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 public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

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

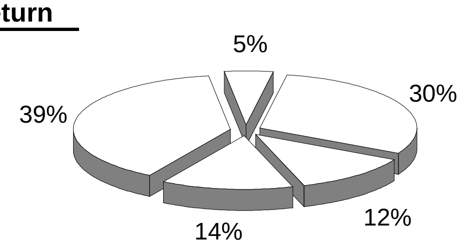
   For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

   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.

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

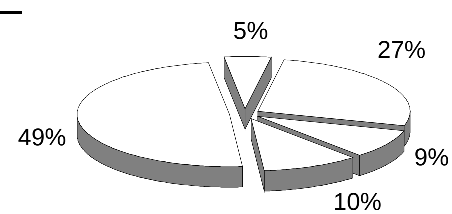
■ ND Association of Counties (NDACo) Fund
Actual Asset Allocation – June 30, 2007

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 364,626	30%	
Domestic Small Cap Equity	149,866	12%	
International Equity	164,492	14%	
Fixed Income	478,241	39%	
Cash Equivalents	60,947	5%	
TOTAL FUND	$ 1,218,172	100%	15.46%



■ NDACo Program Savings Fund
Actual Asset Allocation – June 30, 2007

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 226,463	27%	
Domestic Small Cap Equity	76,250	9%	
International Equity	86,866	10%	
Fixed Income	419,837	49%	
Cash Equivalents	43,033	5%	
TOTAL FUND	$ 852,449	100%	13.91%



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 (the 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)

The City of Bismarck (Client) has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. It is the responsibility of the Client to establish policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund 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 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.

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

Investment Objectives

The investment objectives are to obtain a reasonable rate of return on the Fund while maintaining sufficient liquidity to meet known or anticipated financial obligations. Operating considerations shape the Fund's policies and priorities as 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 the Fund. Capital growth is sought through investment in equities and/or equity substitutes.

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, 65% Lehman Aggregate 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.

c. Over 10 year and longer time periods the Fund should match or exceed the expected 6.00% rate of return based on Callan Associates' 2005 market projections. Expected risk for the period, measured by standard deviation, is 6.50%.

Policy and Guidelines

The asset allocation of the Fund 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	15%
Small Cap Domestic Equity	5%
International Equity	10%
Fixed Income	65%
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. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.

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 unhedged short sales or speculative margin purchases shall be made.
f. 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 public fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

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

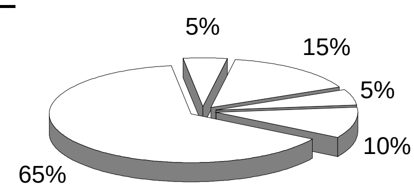
   For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

   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.

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

■ City of Bismarck Deferred Sick Leave Actual Asset Allocation – June 30, 2007

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 126,812	15%	
Domestic Small Cap Equity	43,679	5%	
International Equity	84,960	10%	
Fixed Income	531,024	65%	
Cash Equivalents	40,584	5%	
TOTAL FUND	$ 827,059	100%	11.81%



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 Fund 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, 2007

Asset Allocation	Market Value	Percent of Total	One Year Return
Cash Equivalents	$4,057,137	100%	5.38%

CITY OF FARGO FARGODOME PERMANENT FUND

■ City of Fargo FargoDome Permanent Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The City of Fargo has set aside excess sales tax collections intended for the administration of the FargoDome in the FargoDome Permanent Fund (Fund). The initial amount in the fund is approximately $2.8 million with additional deposits of $1 million per year until 2009. No withdrawals are expected to be made until after 2009 when the sales tax revenue is discontinued.

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 are to obtain a reasonable rate of return on the Fund while maintaining sufficient liquidity to meet known or anticipated financial obligations. Operating considerations shape the Fund's policies and priorities as 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 the Fund. Capital growth is sought through investment in equities and/or equity substitutes.

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 37.5% S&P 500 domestic stock index, 12.5% Russell 2000 domestic small cap index, 49% Lehman Aggregate domestic bond index, and 1% 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 Fund is established by the City of Fargo Finance Committee, with input from RIO staff. 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	37.5%
Small Cap Domestic Equity	12.5%
Fixed Income	49.0%
Cash Equivalents	1.0%

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. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.

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

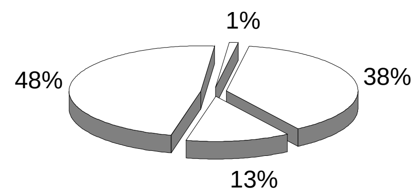
c. All assets will be held in custody by the State Investment Board's master custodian or such other custodians as are acceptable to the State Investment Board.

d. No funds shall be borrowed.

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

■ City of Fargo FargoDome Permanent Fund Actual Asset Allocation – June 30, 2007

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 4,601,513	38%	
Domestic Small Cap Equity	1,552,132	13%	
Fixed Income	5,834,057	48%	
Cash Equivalents	125,061	1%	
TOTAL FUND	$ 12,112,763	100%	14.00%



NORTH DAKOTA CULTURAL ENDOWMENT FUND

■ ND Cultural Endowment Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The North Dakota Cultural Endowment Fund (Fund) was created by the State Legislature in 1979 and is governed by NDCC 54-54-08.2.

The Fund was established "to improve the intrinsic quality of the lives of the state's citizens now and in the future through programs approved by the council on the arts." Such programs must:

1. Increase cultural awareness by the state's citizens through programs in arts, crafts, theater, ethnic and folk arts, literature, journalism, public media, historic preservation and interpretation, visual arts, and architecture.
2. Make the items named in #1 above more available to the state's citizens.
3. Encourage the development of talent in the areas named in #1 above within the state.
4. Preserve and increase understanding of North Dakota's heritage and future.

The goals of the Fund are:

- To create a vehicle through which the North Dakota Council on the Arts can secure private and public funds to enhance existing programs;
- And to provide a stable funding source for the Council.

Sources of funding for the Fund are private donations and periodic General Fund appropriations. The current principal balance that must be maintained in the Fund is $150,000. Disbursements from the Fund will amount to approximately $5,000 per year for fellowship grants.

Responsibilities and Discretion of the State Investment Board (SIB)

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund 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.

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

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 Funds policies and priorities as outlined below:

Objective #1: Investment income is needed to provide balance in investment return sources. 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. Capital growth will be sought through investment in equities.

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

Objective #4: The risk of violating the mandated minimum balance requirement of $150,000 is to be minimized. 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 33.75% S&P 500 domestic stock index, 11.25% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 37% Lehman Aggregate domestic bond index, 5% NCREIF Total real estate index, and 3% 90-day Treasury bills.

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

c. Over 10 year and longer time periods the Fund should match or exceed the expected

7.26% rate of return based on Callan Associates' 2005 market projections. Expected risk for the period, measured by standard deviation, is 10.44%.

Policy and Guidelines

The asset allocation of the Cultural Endowment Fund is established by the North Dakota Council on the Arts, with input from the SIB. 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 Equities	33.75%
Small Cap Domestic Equities	11.25%
International Equities	10.00%
Domestic Fixed Income	37.00%
Real Estate	5.00%
Cash Equivalents	3.00%

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. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
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 State Investment Board's master custodian or such other custodians as are acceptable to the State Investment Board.
d. No funds shall be borrowed.
e. No unhedged short sales or speculative margin purchases shall be made.
f. 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 public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

g. 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.

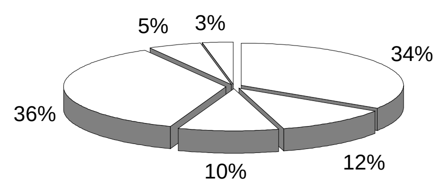
Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

(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.

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

■ ND Cultural Endowment Fund
Actual Asset Allocation – June 30, 2007

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 93,581	34%	
Domestic Small Cap Equity	31,616	12%	
International Equity	27,867	10%	
Fixed Income	99,122	36%	
Real Estate	14,543	5%	
Cash Equivalents	8,134	3%	
TOTAL FUND	$ 274,863	100%	15.68%



NORTH DAKOTA BUDGET STABILIZATION FUND

■ ND Budget Stabilization Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The Budget Stabilization Fund (Fund) is a special fund created in 1987 under Chapter 54-27.2 of the North Dakota Century Code used to deposit general fund moneys in excess of appropriations. Notwithstanding any other provision of law except section 54-27.2-01, any amount in the state general fund in excess of sixty-five million dollars at the end of any biennium must be transferred by the state treasurer to the budget stabilization fund. The state investment board shall supervise investment of the budget stabilization fund in accordance with chapter 21-10.

Any interest or other budget stabilization fund earnings must be deposited in the fund. Any amounts provided by law for deposit in the fund and any interest or earnings of the fund which would bring the balance in the fund to an amount greater than five percent of the current biennial state general fund budget, as finally approved by the most recently adjourned special or regular session of the legislative assembly, may not be deposited or retained in the fund but must be deposited instead in the state general fund.

If the director of the office of management and budget projects that general fund revenues for the biennium will be at least two and one-half percent less than estimated by the most recently adjourned special or regular session of the legislative assembly, and if the governor orders a transfer, the state treasurer shall transfer the appropriate funds from the budget stabilization fund to the state general fund to offset the decrease in general fund revenues. The amount transferred from the budget stabilization fund upon order of the governor may not exceed the difference between an amount two and one-half percent below the general fund revenue projections for the biennium and the general fund revenue projections for the biennium by the director of the office of management and budget.

Responsibilities and Discretion of the State Investment Board (SIB)

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund 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.

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

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 Funds policies and priorities as outlined below:

Objective: Sufficient liquidity is to be maintained to meet known or anticipated financial obligations. 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.

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 Budget Stabilization Fund is established by the Office of Management and Budget, with input from the SIB. 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:

Cash Equivalents & CDs	100.00%

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. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
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 State Investment Board's master custodian or such other custodians as are acceptable to the State Investment Board.
d. No funds shall be borrowed.
e. No unhedged short sales or speculative margin purchases shall be made.
f. 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 public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

g. 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.

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

■ ND Budget Stabilization Fund
Actual Asset Allocation – June 30, 2007

Asset Allocation	Market Value	Percent of Total	One Year Return
Cash Equivalents & CD's	$ 99,875,498	100%	5.12%

RETIREE HEALTH INSURANCE CREDIT FUND

■ Retiree Health Insurance Credit Fund Investment Objectives and Policy Guidelines

Plan Characteristics and Constraints

The North Dakota Public Employees Retirement System (NDPERS) Retiree Health Insurance Credit Fund was established in 1989 to provide for prefunding of premiums for medical coverage to state employees and employees of participating political subdivisions in accordance with Chapter 54-52.1 of the North Dakota Century Code. The plan is administered by a seven member Board of Trustees (the Board). The Chair is appointed by the governor, three members are elected by the active members of the plans, one member is elected by the retired members, one is appointed by the Attorney General and the seventh member is the State Health Officer or their designee.

The NDPERS plan is a defined benefit program that provides for a partial payment of a retiree's medical insurance premium based on the number of years of service.

Funding for the NDPERS plan is provided by a monthly employer contribution of one percent of payroll. On a monthly basis, benefit payments are netted out against contributions and the balance forwarded to the trust's custodian for investment.

Each year the NDPERS Board has an actuarial valuation performed. The current actuarial assumed rate of return on assets for the plan is 8.0%.

Responsibilities and Discretion of the State Investment Board (SIB)

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-02, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

Fund fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manger has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

Delegation of Authority

Management responsibility for NDPERS funds 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, which must establish written policies and procedures for the operation of the NDPERS funds, 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 money managers, and amounts to be invested by money managers 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 or replicate underlying index exposure, but not for speculation.
    b. The use of derivatives will be monitored to ensure that undue 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 selected by the SIB.
3. Guidelines for the selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).

4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

Investment Goals

The investment goals of the Fund have been established by the NDPERS 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.

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

Goal #2 To obtain an investment return in excess of that needed to allow for increases in a retiree's credit to maintain the purchasing power of their benefit.

Investment Performance Objective

The NDPERS Board will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement in federal and state law.

It is in the best interest of NDPERS and its beneficiaries that performance 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 funds rate of return, over the long term should equal that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.

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

c. Over 10-year and longer periods the fund should match or exceed the expected rate of return projected in the most recent asset/liability study without exceeding the expected risk for the period as measured by standard deviation.

Asset Allocation

In recognition of the plan's performance objectives, benefit projections, and capital market expectations, the NDPERS Board has established the following asset allocation:

Date of Last Asset Allocation Study: NDPERS Board Approved December 2005 – SEI Corporation

Large Cap Domestic Equities	35%
Small Cap Domestic Equities	15%
International Equities	15%
Domestic Fixed Income	35%
Expected Return	9.4%
Standard Deviation of Returns	10.6%

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

Restrictions

A. No transaction may be made which threatens the tax exempt status of the Fund.

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."

B. 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.

Economically targeted investing 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.

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

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.

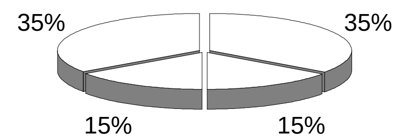
Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

Internal Controls

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

■ Retiree Health Insurance Credit Fund Actual Asset Allocation – June 30, 2007

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 15,735,832	35%	
Domestic Small Cap Equity	6,720,589	15%	
International Equity	6,864,324	15%	
Fixed Income	15,633,632	35%	
TOTAL FUND	$44,954,377	100%	16.65%



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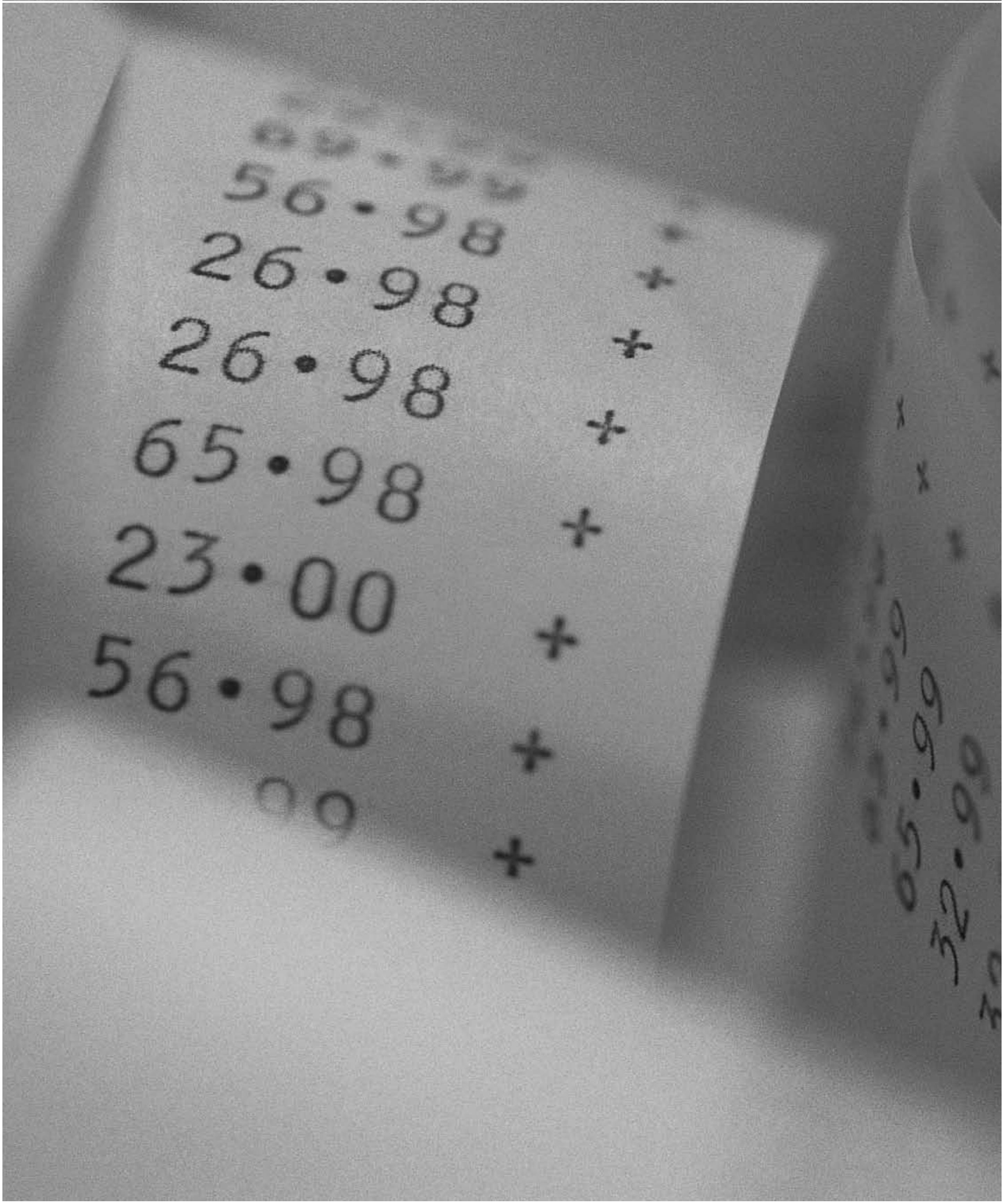
Actuarial



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October 5, 2007

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

SUBJECT: ACTUARIAL VALUATION AS OF JULY 1, 2007

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, 2007.

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 are experienced in performing valuations for large public retirement systems. Both meet the Qualification Standards of the American Academy of Actuaries.

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 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%, although the employer contribution rate will increase to 8.25% effective July 1, 2008. The rates are intended to be sufficient to pay TFFR's normal cost and to amortize TFFR's unfunded actuarial accrued liability (UAAL) over a period of 30 years from the valuation date. A thirty-year period is the maximum amortization period allowed by GASB 25 in computing the Annual Required Contribution (ARC). The thirty-year period is in common use for public-sector plans and is considered reasonable by the actuary.

Board of Trustees
October 5, 2007
Page 2

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

In order to determine the adequacy of the 7.75% statutory employer contribution rate, it is compared to the GASB 25 Annual Required Contribution (ARC). The ARC is equal to the sum of (a) the employer normal cost rate, and (b) the level percentage of pay required to amortize the UAAL over a 30-year period. For this calculation, payroll is assumed to increase 2.00% per annum. As of July 1, 2007, the ARC is 10.15%, decreased from 12.29% last year. This is greater than the 7.75% rate currently required by law. The shortfall (the negative margin) between the rate mandated by law and the rate necessary to fund the UAAL in 30 years is -2.40%.

However, the plan has asset gains of $280 million which have not yet been recognized in the actuarial value of assets, because of the five-year smoothing. Long-term projections show that this, coupled with the contribution increase and benefit changes enacted by the 2007 legislature, should greatly improve funding over the next ten years, assuming an 8.00% annual market return net of expenses, no actuarial gains or losses, and no other changes in plan provisions.

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) increased from last year. The funded ratio at July 1, 2006 was 75.4%, while it is 79.2% as of July 1, 2007. Based on market values rather than actuarial values of assets, the funded ratio improved to 91.9% from 83.0% last year.

REPORTING CONSEQUENCES

TFFR is required to report in its Comprehensive Annual Financial Report (CAFR) for the current fiscal year ending June 30, 2007 that actual contributions received in FY 2007 were less than the ARC. The 7.75% statutory rate was 63.1% of the 12.29% ARC determined by the last valuation. Next year, the CAFR for FY 2008 will show that the 7.75% statutory rate was only 76.4% of the 10.15% ARC for FY 2008. There are no other accounting consequences for the state or the other school districts that sponsor TFFR, since it is a cost-sharing, multiple-employer retirement system.

BENEFIT PROVISIONS

The actuarial valuation reflects the benefit and contribution provisions set forth in the North Dakota Century Code. The benefit provisions for members hired on or after July 1, 2008—these are called Tier 2 members—were modified by the adoption of Senate Bill No. 2046 (SB 2046).

Following is a summary of the most important changes for Tier 2 members:

- New retirement eligibility requirements:
    - Unreduced retirement available at age 65 and 5 years of service (not 3 years)
    - Unreduced retirement available when the sum of the member's age and service is at least 90 (not 85)
    - Reduced retirement available at age 55 and 5 years of service (not 3 years)

- New vesting requirement: Five years of service (not 3 years)
- Final average compensation (FAC): Based on a 5-year average (not a 3-year average)

Under SB 2046, the employer contributions for all members will be changed from 7.75% to 8.25% effective July 1, 2008. However, the employer contributions will reset to 7.75% once the fund reaches a 90% funded ratio measured using the actuarial value of assets. In addition, SB 2046 requires that employers make contributions on the salary of all rehired retirees, and another bill was enacted allowing members of the Career and Technical Education department to transfer to the Public Employees' Retirement System.

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 procedures were recommended by the actuary, and were last changed in 2005, following an analysis of plan experience for the five-year period ending June 30, 2004. We believe the assumptions are internally consistent and are reasonable, based on the actual experience of TFFR. These actuarial assumptions and methods comply with the parameters for disclosure in GASB 25.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates, and funding periods.

DATA

Member data for retired, active, and inactive participants was supplied as of July 1, 2007, 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.

Board of Trustees
October 5, 2007
Page 4

CAFR SCHEDULES

The undersigned provided the information used to prepare all of the schedules and exhibits in this section except for the Schedule of Retirees and Beneficiaries, which was prepared by the Retirement and Investment Office staff. We also provided the information shown on the Schedule of Funding Progress and the Schedule of Employer Contributions in the Financial Section.

Sincerely,
Gabriel, Roeder, Smith & Co.

J. Christian Conradi

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

Leslie L Thompson

Leslie L. Thompson, FSA, MAAA, EA
Senior Consultant

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Gabriel Roeder Smith & Company

SUMMARY OF ACTUARIAL VALUATION RESULTS

Valuation Date	7/1/2007	7/1/2006
Fiscal Year Ending	6/30/2008	6/30/2007
Membership		
• Number of		
- Active Members	9,599	9,585
- Retirees and Beneficiaries	6,077	5,893
- Inactive, Vested	1,439	1,409
- Inactive, Nonvested	142	143
- Total	17,257	17,030
• Payroll	$401.3 million	$390.1 million
Statutory contribution rate		
• Employer	7.75%	7.75%
• Member	7.75%	7.75%
Assets		
• Market value	$2,029.8 million	$1,720.3 million
• Actuarial value	1,750.1 million	1,564.0 million
• Return on market value	20.4 %	14.6 %
• Return on actuarial value	14.4 %	8.5 %
• Ratio - actuarial value to market value	86.2 %	90.9 %
• External cash flow %	(1.9)%	(1.8)%
Actuarial Information		
• Normal cost %	10.26%	11.31%
• Unfunded actuarial accrued liability (UAAL)	$459.2 million	$509.9 million
• Funded ratio	79.2%	75.4%
• Funding period	Infinite	Infinite
GASB 25 ARC		
• Amortization period	30 years	30 years
• Amortization method	Level % (2.00%)	Level % (2.00%)
• Calculated contribution rate	10.15%	12.29%
• Margin	(2.40)%	(4.54)%
Gains/(Losses)		
• Asset experience	$ 99.2 million	$ 6.7 million
• Liability experience	7.8 million	(1.7) million
• Benefit changes	(36.0) million	0.0 million
• Assumption/method changes	(0.0) million	(0.0) million
• Total	$ 71.0 million	$ 5.0 million

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

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. Post Termination Non-Disabled—1994 Uninsured Pensioner Mortality Table set back three years for males and two years for females. (Adopted July 1, 2005.)

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

   c. Active Mortality—65% of non-disabled post-termination mortality rates. (Adopted July 1, 2005.)

Deaths per 100 Lives

	Male Participants		Female Participants	
Age	Non-Disabled	Disabled	Non-Disabled	Disabled
20	.0463	4.83	.0293	2.63
25	.0598	4.83	.0313	2.63
30	.0782	3.62	.0338	2.37
35	.0902	2.78	.0454	2.14
40	.0958	2.82	.0643	2.09
45	.1346	3.22	.0943	2.24
50	.2042	3.83	.1297	2.57
55	.3455	4.82	.2051	2.95
60	.6001	6.03	.3612	3.31
65	1.0911	6.78	.7179	3.70
70	1.9391	7.39	1.2648	4.11

Summary of Actuarial Assumptions and Methods (continued)

3. Retirement Rates — The following rates of retirement are assumed for members eligible to retire. (Adopted July 1, 2005.)

Retirements per 100 Members

	Unreduced Retirement Ultimate Rate*		Reduced Retirement	
Age	Male	Female	Male	Female
50	20.0%	25.0%	0.0%	0.0%
51	20.0%	25.0%	0.0%	0.0%
52	20.0%	25.0%	0.0%	0.0%
53	20.0%	25.0%	0.0%	0.0%
54	20.0%	25.0%	0.0%	0.0%
55	20.0%	25.0%	2.0%	1.5%
56	20.0%	25.0%	2.0%	1.5%
57	20.0%	25.0%	2.0%	1.5%
58	20.0%	25.0%	2.0%	1.5%
59	20.0%	20.0%	2.0%	1.5%
60	25.0%	25.0%	5.0%	2.0%
61	30.0%	30.0%	5.0%	2.0%
62	30.0%	50.0%	20.0%	10.0%
63	25.0%	25.0%	5.0%	5.0%
64	20.0%	50.0%	25.0%	20.0%
65	65.0%	50.0%	- -	- -
66	35.0%	30.0%	- -	- -
67	35.0%	30.0%	- -	- -
68	35.0%	30.0%	- -	- -
69	35.0%	30.0%	- -	- -
70	100.0%	100.0%	- -	- -

* If a member reaches eligibility for unreduced retirement under the rule of 85 before age 65, a retirement rate of 50.0% (for males) or 65.0% (for females) is used for that age only.

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 Assumptions and Methods (continued)

5. Termination Rates

80% of the following withdrawal rates are used based on age and service, for causes other than death, disability, or retirement. (Adopted July 1, 2005.)

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 Assumptions and Methods (continued)

6. Salary Increase Rates — Inflation rate of 3.00% plus productivity increase rate of 1.50%, plus step-rate/promotional increase as shown below. (Adopted July 1, 2005.)

Years of Service	Annual Step-Rate/ Promotional Component	Annual Total Salary Increase
0	9.50%	14.00%
1	3.50%	8.00%
2	3.25%	7.75%
3	3.00%	7.50%
4	2.75%	7.25%
5	2.50%	7.00%
6	2.25%	6.75%
7	2.00%	6.50%
8	1.75%	6.25%
9	1.50%	6.00%
10	1.25%	5.75%
11	1.00%	5.50%
12	1.00%	5.50%
13	1.00%	5.50%
14	0.75%	5.25%
15 or more	0.00%	4.50%

7. Payroll Growth Rate — 2.00% per annum. This assumption does not include any allowance for future increase in the number of members. (Adopted July 1, 2005.)

8. 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.)

9. 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.)

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

Summary of Actuarial Assumptions and Methods (continued)

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 (or 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 GASB Annual Required Contribution (ARC) 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 rate is determined as a level percentage of payroll for a hypothetical group of new entrants, based on the characteristics (age at hire, sex, pay at hire) of actual new members joining TFFR during FY 2000 through FY 2004. The normal cost is determined on an aggregate basis for this group of hypothetical new entrants by dividing the total actuarial present value of future benefits by the actuarial present value of their future pay. Entry age is determined as the age at member's enrollment in TFFR In the calculation of the normal cost, the benefit provisions applicable to future Tier 2 members were used. 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.

AMORTIZATION PERIOD AND METHOD

The GASB Annual Required Contribution (ARC) is determined as the sum of (a) the employer normal cost rate, and (b) a level percentage of payroll required to amortize the unfunded actuarial accrued liability over 30 years. If the calculated ARC is less than the 7.75% statutory employer contribution rate, the 7.75% rate will be treated as the ARC. The 30-year period is an open period, and does not decrease in subsequent valuations.

SCHEDULE OF ACTIVE MEMBERS

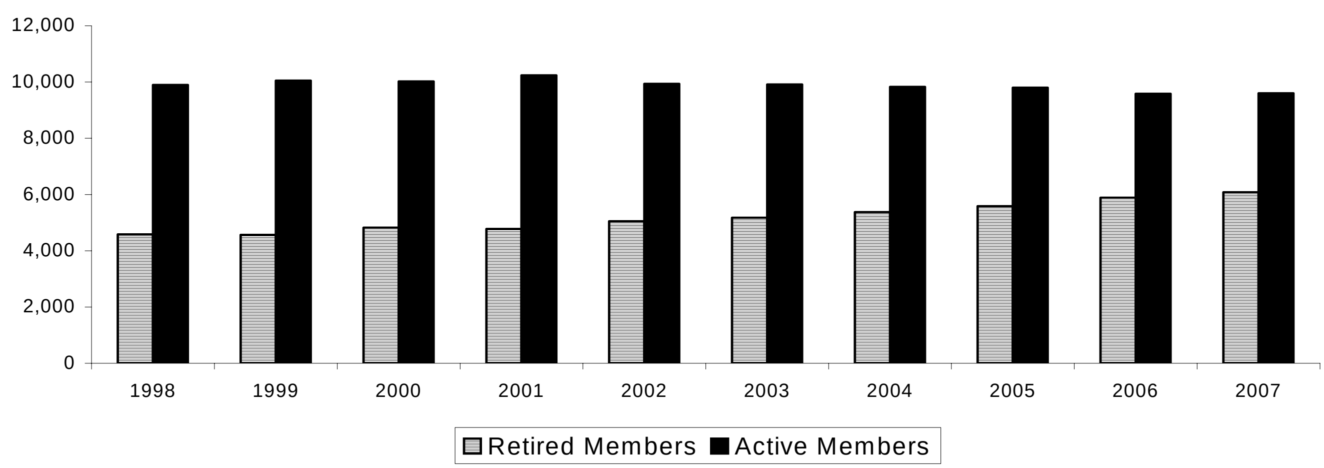
	Active Members		Covered Payroll		Average Salary			
Valuation Year	Number	Percent Increase	Amount in $ Millions	Percent Increase	$ Amount	Percent Increase	Average Age	Average Service
1998	9,896	(1.1)	298.4	1.5	30,156	2.6	43.5	14.0
1999	10,046	1.5	314.6	5.4	31,318	3.9	44.0	14.4
2000	10,025	(0.2)	323.0	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
2002	9,931	(3.0)	348.1	1.7	35,052	4.9	44.5	14.4
2003	9,916	(0.2)	367.9	5.7	37,105	5.9	44.8	14.6
2004	9,826	(0.9)	376.5	2.3	38,321	3.3	44.9	14.7
2005	9,801	(0.3)	386.6	2.7	39,447	2.9	44.9	14.7
2006	9,585	(2.2)	390.1	0.9	40,703	3.2	44.8	14.6
2007	9,599	0.1	401.3	2.9	41,810	2.7	44.7	14.5

SCHEDULE OF RETIREES AND BENEFICIARIES

Valuation Year	Number Added During Year	Annual Benefits Added (in mils)	Number Removed During Year	Annual Benefits Removed (in mils)	Number Receiving End of Year	Average Annual Benefit	Annual Pension Benefits (in mils)	Percent Increase In Annual Benefits
1998	321		198		4,585	$ 9,720	$43.7	10.6%
1999	170		187		4,568	9,996	46.1	5.5
2000	425		166		4,827	11,640	53.6	16.3
2001	162		212		4,777	11,940	57.7	7.6
2002	505		228		5,054	13,824	67.5	17.0
2003	312		189		5,177	14,436	72.0	6.7
2004	385	$ 8.3	189	$ 1.9	5,373	15,060	77.2	7.2
2005	385	8.9	172	1.8	5,586	15,708	84.5	9.5
2006	501	12.3	194	2.0	5,893	16,596	91.8	8.6
2007	380	8.8	196	1.9	6,077	17,208	99.7	8.6

Detail on annual benefits added and removed is not available prior to 2004.

ACTIVE MEMBERS VS RETIRED MEMBERS
10-YEAR SUMMARY



ANALYSIS OF CHANGE IN GASB ANNUAL REQUIRED CONTRIBUTION (ARC)

	2007	2006
Prior valuation	12.29 %	12.12 %
Increases/(decreases) due to:		
Open amortization	(0.12)%	(0.12)%
Growth in covered payroll	(0.07)%	0.10 %
Employer contributions received at 7.75%; rather than 12.29% or 12.12%	0.28 %	0.28 %
Liability experience	(0.13)%	0.02 %
Investment experience	(1.65)%	(0.11)%
Assumption changes	0.00 %	0.00 %
Change in amortization method	0.00 %	0.00 %
Legislative changes	(0.45)%	0.00 %
Total	(2.14)%	0.17 %
Current valuation	10.15 %	12.29 %
Statutory employer contribution rate	7.75 %	7.75 %
Margin available	(2.40)%	(4.54)%

ANALYSIS OF CHANGE IN UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)

	Unfunded Actuarial Accrued Liability ($ in millions)	
	2007	2006
Prior valuation	$ 509.9	$ 495.5
Increases/(decreases) due to:		
Amortization payments	$ 20.3	$ 19.4
Investment experience	(99.2)	(6.7)
Assumption changes	-	-
Liability experience	(7.8)	1.7
Change in actuarial methods	-	-
Legislative changes	36.0	-
Total	$ (50.7)	$ 14.4
Current valuation	$ 459.2	$ 509.9

SOLVENCY TEST

	Actuarial Accrued Liability (AAL) (in millions)				Portion of AAL Covered by Valuation Assets		
Valuation Year	Active Member Contributions	Retirees and Beneficiaries	Active/Inactive Members (Employer Financed)	Actuarial Value of Assets ($ in millions)	Active Member Contributions	Retirees and Beneficiaries	Active/Inactive Members (Employer Financed)
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
2002	421.5	643.9	510.3	1,443.5	100.0	100.0	74.1
2003	451.4	689.4	549.5	1,438.4	100.0	100.0	54.2
2004	475.3	755.2	569.9	1,445.6	100.0	100.0	37.8
2005	498.2	820.8	646.2	1,469.7	100.0	100.0	23.3
2006	504.4	929.1	640.3	1,564.0	100.0	100.0	20.4
2007	526.9	1,000.1	682.3	1,750.1	100.0	100.0	32.7

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 Public Employee Retirement System.

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 Contributions: 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. Effective July 1, 2008, 0.50% if the member's salary will be added to the employer contribution, making it 8.25%. However, the contribution rate will revert to 7.75% once the funded ratio reaches 90%, measured using the actuarial value of assets.

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. Tiers: Members who join TFFR by June 30, 2008, are in Tier 1, while members who join later are in Tier 2. If a Tier 1 member terminates, takes a refund, and later rejoins TFFR after June 30, 2008, that member will be in Tier 2 after being reemployed.

11. Final Average Compensation (FAC): The average of the member's highest three (Tier 1 members) or five (Tier 2 members) plan year salaries. Monthly benefits are based on one-twelfth of this amount.

12. Normal Retirement

    a. Eligibility:
    - Tier 1 members 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.
    - Tier 2 members may retire upon Normal Retirement on or after ager 65 with credit for 5 years of service, or if earlier, when the sum of the member's age and service is at least 90.

Summary of Benefit Provisions (continued)

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.

13. Early Retirement

a. Eligibility: Tier 1 members may retire early after reaching age 55 with credit for three years of service, while Tier 2 members may retire early after reaching age 55 with credit for five 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 (Tier 1 members) or 90 (Tier 2 members).

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

14. 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 contributions 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.

d. All alternative forms of payment other than option 5 and the partial lump-sum option 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.

15. Deferred Termination Benefit

a. Eligibility: A Tier 1 member with at least three years of service, or a Tier 2 member with at least five 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 member's age and service is 85 (Tier 1 members) or 90 (Tier 2 members). 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.

Summary of Benefit Provisions (continued)

d. Death Benefit: A member who dies after leaving active service but before retiring is entitled to receive a benefit as described below in 17b.

16. Withdrawal (Refund) Benefit

a. Eligibility: Tier 1 members leaving covered employment with less than three years of service, and Tier 2 members leaving covered employment with less than five years of service, are eligible. Optionally, vested members may withdraw their contributions 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 contributions, plus the interest credited on these contributions. Interest is credited at 6% per year (0.5% per month).

17. 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 contributions 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. In determining the reduction for Option One, members not eligible for normal retirement benefits use the Fund's option tables for disabled members.

18. 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 3a - 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. (This option has been replaced by Option 3b. It is not available to employees who retire on or after August 1, 2003. Retirees who elected this option prior to that date are unaffected.)

d. Option 3b - A life annuity payable to the member, with a guarantee that, should the member die prior to receiving 240 payments (twenty years), the payments will be continued to a beneficiary for the balance of the twenty-year period. (This option replaced Option 3a effective August 1, 2003.)

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

Summary of Benefit Provisions (continued)

f. 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. This option is not available to disabled retirees.

   In addition, members may elect a partial lump-sum option (PLSO) at retirement. Under this option, a member receives an immediate lump-sum equal to 12 times the monthly life annuity benefit and a reduced annuity. The reduction is determined actuarially. The member can then elect to receive the annuity benefit in one of the other optional forms, except that members who receive a PLSO may not elect Option 5 – the level income option. The PLSO is not available to disabled retirees or retirees who are not eligible for an unreduced retirement 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

1991 Legislative Session:

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.

1993 Legislative Session:

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.

1995 Legislative Session:

There were no material changes made during the 1995 legislative session.

1997 Legislative Session:

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)

1999 Legislative Session:

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.

2001 Legislative Session:

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.

2003 Legislative Session:

1. Partial lump-sum option adopted, equal to twelve times the monthly life annuity benefit. Not available if level-income option is elected. Not available for reduced retirement or disability retirement.

2. Five-year certain and life option replaced with 20-year certain and life. This does not impact retirees who retired under the five-year certain and life option.

3. Employer service purchase authorized.

4. Active members of the Department of Public Instruction are permitted to make a one-time irrevocable election to transfer to the North Dakota Public Employees Retirement System in FY2004. Both assets and liabilities for all TFFR service will be transferred for electing employees. Transferred assets will be based on the actuarial present value of the member's accrued TFFR benefit, or the member's contribution account balance if larger.

2005 Legislative Session:

There were no material changes made during the 2005 legislative session.

Summary of Plan Changes (continued)

2007 Legislative Session:

1. For active members hired on or after July 1, 2008 (called Tier 2 members):

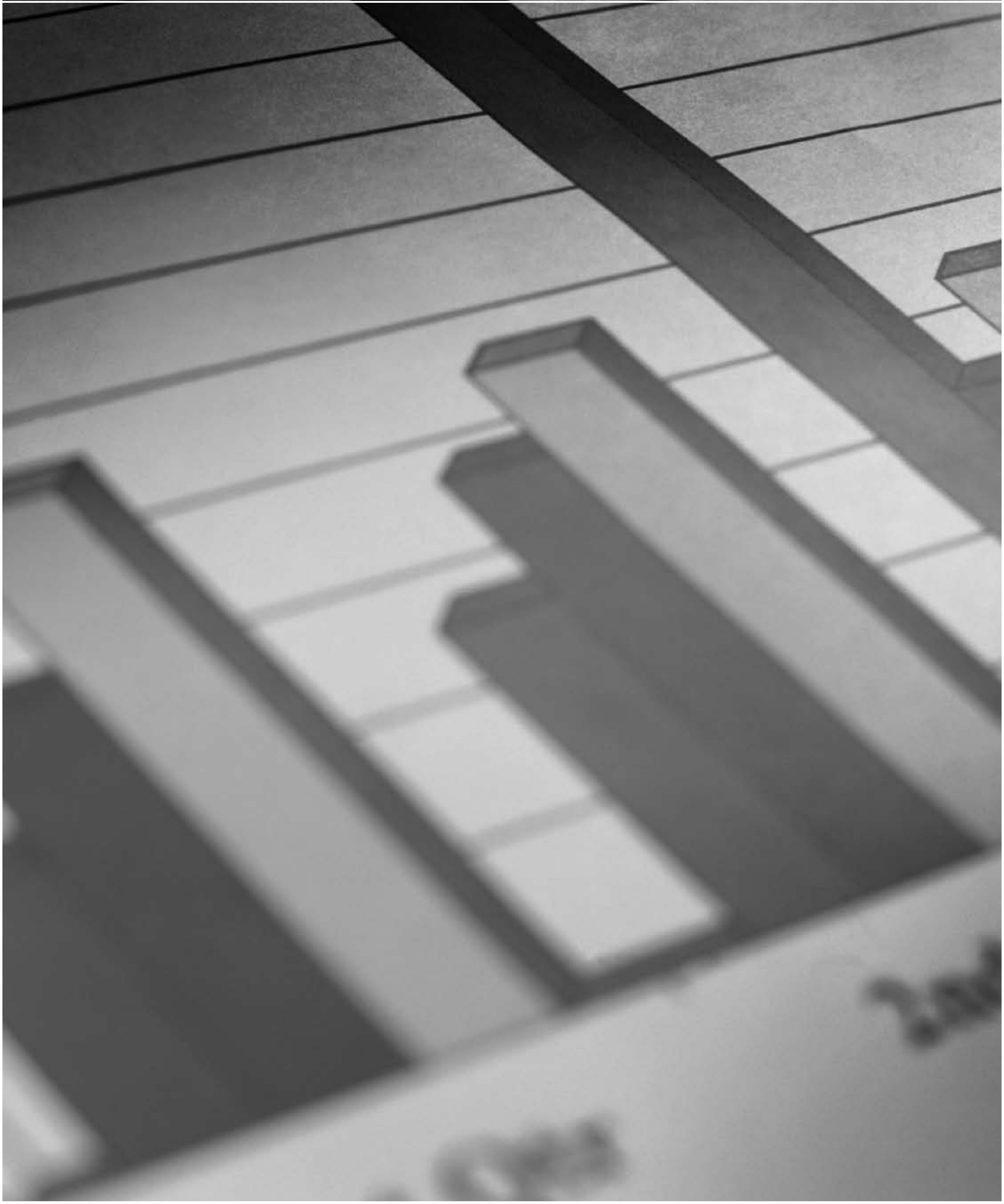
   a. Members will be eligible for an unreduced retirement benefit when they reach age 65 with at least five years of service (rather than three years of service); or if earlier, when the sum of the member's age and service is at least 90 (rather than 85).
   b. Members will be eligible for a reduced (early) retirement benefit when they reach age 55 with five years of service, rather then three years of service.
   c. Members will be fully vested after five years of service (rather than three years of service).
   d. The Final Average Compensation for Tier 2 members is the average of the member's highest five plan year salaries, rather than the average of the three highest salaries.

2. The employer contribution rate increases from 7.75% to 8.25% effective July 1, 2008, but this rate will reset to 7.75% once the Fund reaches a 90% funded ratio, measured using the actuarial value of asset. (If the funded ratio later falls below 90% again, the contribution rate will not automatically return to 8.25%.)

3. Employer contributions are required on the salary of reemployed retirees.

4. Active members of the Department of Career and Technical Education are permitted to make a one-time irrevocable election to transfer to the North Dakota Public Employees Retirement System in FY 2008. Both assets and liabilities for all TFFR service will be transferred for electing employees. Transferred assets will be the actuarial present value of the member's accrued TFFR benefit, or the member's contribution account balance, if larger.

STATISTICAL



CHANGES IN NET ASSETS
PENSION TRUST FUND

ADDITIONS:

Fiscal Year	Member Contributions	Employer Contributions	Employer Contributions as a Percentage of Annual Covered Payroll	Investment and Other Income	Purchased Service Credit	Total Additions
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)
2002	27,244,008	27,243,542	7.75	(110,415,690)	1,927,764	(54,000,376)
2003	28,851,110	28,850,725	7.75	24,501,262	2,507,168	84,710,265
2004	29,635,970	29,635,584	7.75	220,243,131	4,383,456	283,898,141
2005	30,388,650	30,388,265	7.75	180,763,780	3,292,441	244,833,136
2006	31,171,156	31,170,851	7.75	220,713,886	3,225,589	286,281,482
2007	31,865,772	31,865,466	7.75	346,767,841	2,629,006	413,128,085

DEDUCTIONS:

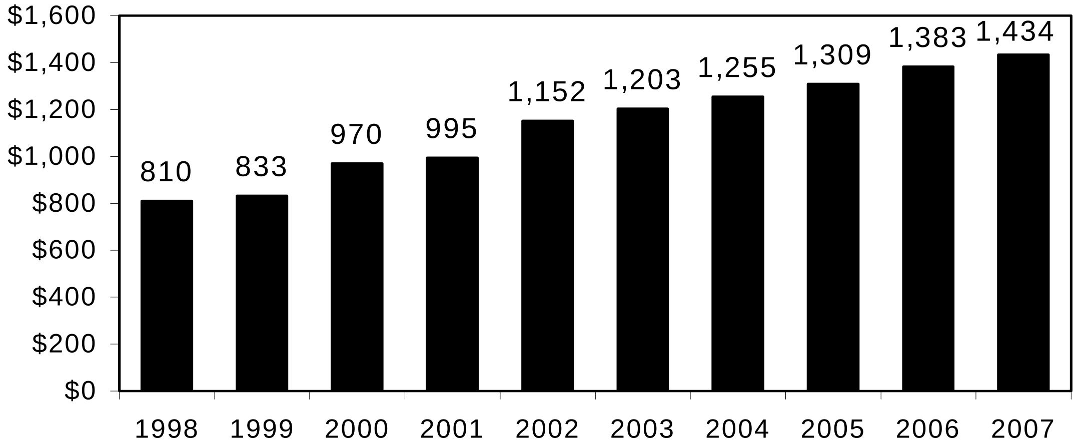
Fiscal Year	Benefits Paid to Participants	Refunds	Administrative Charges	Total Deductions	Change in Net Assets
1998	$ 43,706,492	$ 2,671,933	$ 789,830	$ 47,168,255	$ 132,431,358
1999	46,120,317	2,877,423	944,654	49,942,394	129,114,832
2000	53,583,271	2,788,019	1,015,549	57,386,839	142,662,364
2001	57,740,914	3,127,841	1,099,331	61,968,086	(114,584,300)
2002	67,482,482	2,743,408	1,066,309	71,292,199	(125,292,575)
2003	72,044,977	1,729,764	1,056,611	74,831,352	9,878,913
2004	77,153,054	5,800,100	1,513,788	84,466,942	199,431,199
2005	84,498,130	2,733,407	2,086,849	89,318,386	155,514,750
2006	91,818,092	2,697,308	1,620,623	96,136,023	190,145,459
2007	99,737,905	3,328,931	1,592,060	104,658,896	308,469,189

BENEFIT AND REFUND DEDUCTIONS BY TYPE

	Annuity Payments					Refunds			
Fiscal Year	Service Retirements	PLSO Distributions	Disability Retirements	Beneficiaries	Total Annuity Payments	Separation	Death	Total Refunds	Total Benefit Expenses
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	2,945,162	182,679	2,788,019	56,711,112
2001	52,946,453	-	781,619	4,012,842	57,740,914	2,435,789	307,619	3,127,841	60,484,322
2002	62,037,432	-	841,690	4,603,360	67,482,482	2,522,300	221,108	2,743,408	70,225,890
2003	66,307,771	-	885,718	4,851,489	72,044,977	1,660,035	69,729	1,729,764	73,774,741
2004	71,091,246	40,136	893,973	5,127,699	77,153,054	5,686,052	114,048	5,800,100	79,886,461
2005	77,838,622	372,761	890,333	5,396,414	84,498,130	2,581,112	152,295	2,733,407	87,195,438
2006	84,795,930	420,224	950,658	5,651,280	91,818,092	3,012,819	316,112	2,697,308	95,147,023
2007	91,808,846	953,744	1,142,896	5,832,419	99,737,905	2,967,619	361,312	3,328,931	103,066,836

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

Valuation Year		Years of Service < 10	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	> 34	TOTAL
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	171	412	417	567	1,066	1,332	1,089	5,054
	Average Monthly Benefit	318	354	519	804	1,080	1,513	1,651	1,152
	Average Years of Service	6	12	17	22	27	32	39	28
2003	Number of Retirees	187	420	409	585	1,076	1,409	1,091	5,177
	Average Monthly Benefit	259	391	533	826	1,140	1,592	1,716	1,203
	Average Years of Service	6	12	17	22	27	32	39	28
2004	Number of Retirees	206	426	399	597	1,130	1,513	1,102	5,373
	Average Monthly Benefit	264	398	545	879	1,212	1,657	1,751	1,255
	Average Years of Service	6	12	17	23	27	32	39	28
2005	Number of Retirees	230	431	403	615	1,182	1,612	1,113	5,586
	Average Monthly Benefit	272	377	577	887	1,281	1,722	1,833	1,309
	Average Years of Service	6	12	17	23	27	32	38	28
2006	Number of Retirees	269	436	417	627	1,254	1,750	1,140	5,893
	Average Monthly Benefit	276	399	607	938	1,351	1,804	1,938	1,383
	Average Years of Service	6	13	17	23	28	32	38	28
2007	Number of Retirees	283	437	418	643	1,310	1,843	1,143	6,077
	Average Monthly Benefit	274	404	634	982	1,415	1,850	2,012	1,434
	Average Years of Service	6	13	17	23	28	32	38	28



SCHEDULE OF RETIREES BY BENEFIT AMOUNT

Monthly Benefit Amount	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Under $199	177	171	157	146	134	119	154	146	218	209
200 to 399	461	460	465	466	473	481	646	669	904	929
400 to 599	552	590	619	637	671	705	927	997	1,007	1,071
600 to 799	527	563	593	637	663	715	538	564	477	492
800 to 999	420	423	432	434	439	458	490	497	482	476
1,000 to 1,199	540	542	528	517	513	503	470	459	410	394
1,200 to 1,399	493	492	478	458	450	431	417	405	357	349
1,400 to 1,599	519	498	474	455	432	423	349	343	237	230
1,600 to 1,799	483	449	422	392	358	327	229	225	166	160
1,800 to 1,999	474	438	382	348	297	261	173	164	100	94
2,000 & Over *					747	631	384	358	210	181
2,000 to 2,199	338	310	270	245						
2,200 to 2,399	287	258	227	202						
2,400 to 2,599	228	190	157	133						
2,600 to 2,799	160	150	119	105						
2,800 to 2,999	126	102	86	68						
3,000 & Over	292	257	177	130						
TOTAL	6,077	5,893	5,586	5,373	5,177	5,054	4,777	4,827	4,568	4,585

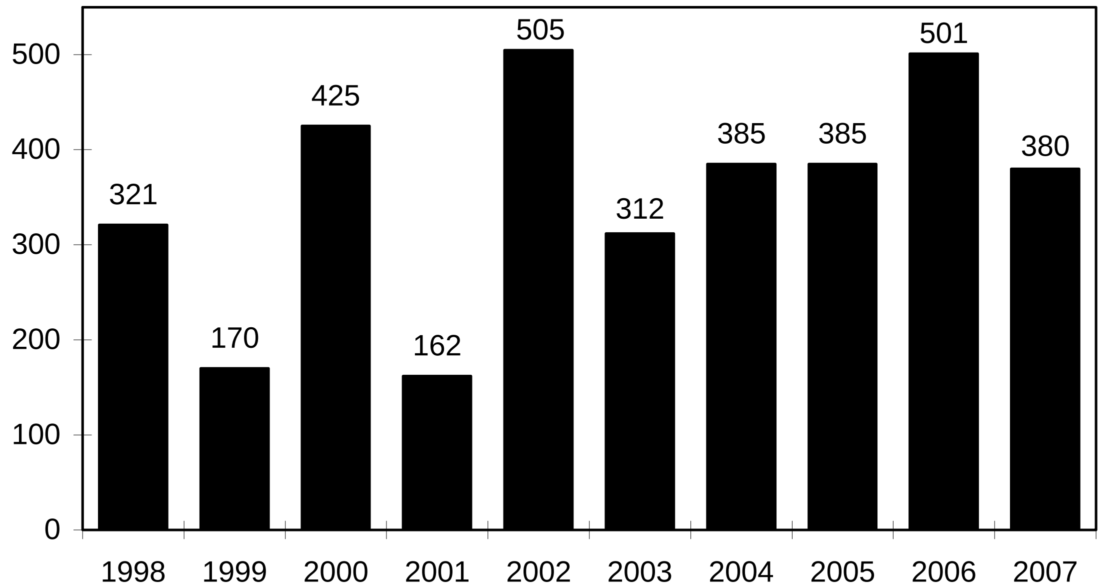
* Breakdown of data for monthly benefits > $2,000 is not available for years prior to 2004.

SCHEDULE OF RETIREES BY BENEFIT TYPE

Type of Benefit/ Form of Payment	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Service:										
Straight Life	2,541	2,549	2,544	2,527	2,531	2,566	2,566	2,674	2,661	2,760
100% J&S	1,697	1,570	1,361	1,243	1,128	1,030	872	862	719	675
50% J&S	433	408	372	357	333	328	301	303	281	286
5 Years C&L	33	34	34	35	34	32	31	33	31	31
10 Years C&L	166	157	154	151	149	149	140	141	130	129
20 Years C&L	34	28	16	8	0	0	0	0	0	0
Level	580	567	539	495	458	422	354	335	279	256
Subtotal	5,484	5,313	5,020	4,816	4,633	4,527	4,264	4,348	4,101	4,137
Disability:										
Straight Life	73	66	61	59	57	55	50	44	41	38
100% J&S	12	11	9	10	11	10	10	10	7	5
50% J&S	4	4	5	6	9	8	7	5	4	3
5 Years C&L	2	2	2	2	2	2	2	2	1	1
10 Years C&L	1	1	1	1	1	1	1	1	1	2
20 Years C&L	1	1	1	1	0	0	0	0	0	0
Subtotal	93	85	79	79	80	76	70	62	54	49
Beneficiaries:										
Straight Life	482	475	466	457	442	439	431	407	404	394
5 Years C&L	11	8	9	9	6	2	2	1	1	1
10 Years C&L	7	12	12	12	16	10	10	9	8	4
Subtotal	500	495	487	478	464	451	443	417	413	399
TOTAL	6,077	5,893	5,586	5,373	5,177	5,054	4,777	4,827	4,568	4,585

SCHEDULE OF NEW RETIREES BY TYPE

Valuation Year	Retirement	Disability	Beneficiary	Total
1998	291	9	21	321
1999	133	7	30	170
2000	391	11	23	425
2001	115	9	38	162
2002	456	10	39	505
2003	266	6	40	312
2004	342	5	38	385
2005	351	6	28	385
2006	466	8	27	501
2007	332	8	40	380



SCHEDULE OF RETIREES RESIDING IN NORTH DAKOTA BY COUNTY

County	Number	Average Benefit	County	Number	Average Benefit	County	Number	Average Benefit
Adams	17	$ 1,500	Griggs	25	$ 1,048	Richland	110	$ 1,327
Barnes	123	1,412	Hettinger	25	1,575	Rolette	56	1,270
Benson	30	1,361	Kidder	24	1,231	Sargent	26	1,141
Billings	6	998	LaMoure	46	1,446	Sheridan	18	1,196
Bottineau	83	1,251	Logan	23	1,177	Sioux	6	793
Bowman	43	1,547	McHenry	57	1,236	Slope	5	489
Burke	33	1,363	McIntosh	36	1,510	Stark	179	1,465
Burleigh	614	1,580	McKenzie	36	1,324	Steele	14	820
Cass	684	1,658	McLean	95	1,329	Stutsman	158	1,349
Cavalier	63	1,361	Mercer	64	1,570	Towner	26	1,153
Dickey	63	1,081	Morton	205	1,634	Traill	72	1,450
Divide	22	1,856	Mountrail	67	1,292	Walsh	122	1,449
Dunn	22	1,227	Nelson	55	1,305	Ward	454	1,554
Eddy	35	1,217	Oliver	15	1,791	Wells	61	1,425
Emmons	25	1,104	Pembina	64	1,430	Williams	158	1,449
Foster	34	1,427	Pierce	54	1,490	Out-of-State	1,129	1,186
Golden Valley	18	1,106	Ramsey	124	1,406			
Grand Forks	459	1,704	Ransom	49	1,300	GRAND TOTALS:	6,077	$ 1,434
Grant	24	1,014	Renville	21	1,429			

PRINCIPAL PARTICIPATING EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	2007			1998		
Participating Employer	**Covered Employees**	**Rank**	**% of Total System**	**Covered Employees**	**Rank**	**% of Total System**
Fargo Public Schools	985	1	9.79%	884	1	8.59%
Bismarck Public Schools	902	2	8.97%	780	2	7.58%
Grand Forks Schools	751	3	7.47%	732	3	7.12%
Minot Schools	598	4	5.94%	591	4	5.75%
West Fargo Schools	469	5	4.66%	338	5	3.29%
Mandan Public Schools	270	6	2.68%	252	6	2.45%
Jamestown Schools	226	7	2.25%	230	7	2.24%
Dickinson Schools	224	8	2.23%	223	8	2.17%
Williston Schools	182	9	1.81%	204	9	1.98%
Devils Lake Schools	165	10	1.64%	165	10	1.60%
All Other [1]	5,287		52.56%	5,888		57.24%
Total (244 & 289 employers) [2]	10,059		100.00%	10,287		100.00%

[1] In 2007 "all other" consisted of:

Type	Number	Employees
School Districts	186	4,765
County Superintendents	13	13
Special Education Units	18	347
Vocational Centers	3	46
State Agencies/Institutions	5	102
Colleges/Universities	4	4
Other	5	10
Total	234	5,287

[2] This schedule includes all employees who earned service credit during the fiscal year. If an employee worked for more than one employer during the year, that employee is counted multiple times. The total differs from the actuary's total active members as the actuary's total only includes those employees who were active at the end of the fiscal year and only counts each individual one time.

SCHEDULE OF PARTICIPATING EMPLOYERS AT JUNE 30, 2007

School Districts

Adams
Alexander
Anamoose
Apple Creek Elementary
Ashley
Bakker Elementary
Baldwin Elementary
Beach
Belcourt
Belfield
Bell Elementary
Beulah
Billings County School
Bisbee/Egland
Bismarck
Bottineau
Bowbells
Bowman
Burke Central
Carrington
Cavalier
Center-Stanton
Central Cass
Central Elementary
Central Valley
Dakota Prairie
Devils Lake
Dickinson
Divide
Dodge Elementary
Drake
Drayton
Dunseith
Earl Elementary
Edgeley
Edinburg
Edmore
Eight Mile
Elgin/New Leipzig
Ellendale
Emerado Elementary
Enderlin
Eureka Elementary
Fairmount
Fargo
Fessenden-Bowdon
Finley-Sharon
Flasher
Fordville Lankin
Fort Ransom Elementary
Fort Totten
Fort Yates
Gackle-Streeter
Garrison
Glen Ullin
Glenburn
Golden Valley
Goodrich
Grafton
Grand Forks
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
Larimore
Leeds
Lewis and Clark
Lidgerwood
Linton
Lisbon
Litchville-Marion
Little Heart Elementary
Lone Tree Elementary
Maddock
Mandan
Mandaree
Manning Elementary
Manvel Elementary
Maple Valley
Mapleton Elementary
Marmarth Elementary
Max
Mayville – Portland CG
McClusky
McKenzie County School District
Medina
Menoken Elementary
Midkota
Midway
Milnor
Minnewauken
Minot
Minto
Mohall-Lansford-Sherwood
Montefiore
Montpelier
Mott-Regent
Mt. Pleasant
Munich
Napoleon
Nash Elementary
Naughton Rural
Nedrose
Nesson
New Elementary
New England
New Rockford-Sheyenne
New Salem
New Town
Newburg United
North Border School
North Central of Barnes
North Central of Towner
North Sargent
Northern Cass
Northwood
Oakes
Oberon Elementary
Page
Park River
Parshall
Pettibone
Pingree – Buchanan
Pleasant Valley Elementary
Powers Lake
Richardton
Richland
Robinson
Rolette
Roosevelt
Rugby
Sargent Central
Sawyer
Scranton
Selfridge
Sheldon
Sims Elementary

SCHEDULE OF PARTICIPATING EMPLOYERS (Continued)

School Districts (cont.)
Solen – Cannonball
South Heart
South Prairie Elementary
Southern
Spiritwood Elementary
St. John's School
St. Thomas
Stanley
Starkweather
Steele – Dawson
Sterling Elementary
Strasburg
Surrey
Sweet Briar Elementary
Tappen
TGU
Thompson
Tioga
Turtle Lake – Mercer
Tuttle
Twin Buttes Elementary
Underwood
United
Valley
Valley City
Velva
Wahpeton
Warwick
Washburn
West Fargo
Westhope
White Shield
Wildrose
Williston
Wimbledon – Courtenay
Wing
Wishek
Wolford
Wyndmere
Yellowstone
Zeeland
Total School Districts 196

County Superintendents
Billings County
Bottineau County
Grant County
LaMoure County
Logan County
McHenry County
McKenzie County
Morton County
Nelson County
Rolette County
Slope County
Ward County
Williams County
Total County Supts. 13

Special Education Units
Burleigh County Special Ed.
Dickey Lamoure Special Ed.
East Central Special Ed.
GST Educational
Lake Region Special Ed.
Lonetree Special Ed.
Oliver – Mercer Special Ed.
Peace Garden Special Ed.
Pembina Special Ed.
Northern Plains Special Ed.
Rural Cass County Special Ed.
Sheyenne Valley Special Ed.
Souris Valley Special Ed.
South Central Prairie Special Ed.
South Valley Special Ed.
Upper Valley Special Ed.
West River Student Services
Wil-Mac Special Ed.
Total Special Ed Units 18

Vocational Centers
North Valley Career & Tech. Ctr
SE Region Career/Tech Center
Sheyenne Valley Area Voc. Ctr.
Total Vocational Centers 3

State Agencies & Institutions
Division of Independent Study
ND School for the Blind
ND School for the Deaf
ND Youth Correctional Center
State Brd for Career & Tech. Ed.
Total State Agencies & Institutions 5

Colleges/Universities
Bismarck State College
ND State College of Science
ND State University
Valley City State University
Total Colleges/Univ. 4

Other
Fargo Catholic Schools Network
ND High School Activities Assn.
ND Education Assn.
Positive Action Consortium
Valley City Teacher Center
Total Other 5

Total Employers 244

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

	2007	2006	2005	2004	2003
INVESTMENT MANAGERS					
Domestic Large Cap Equity:					
AllianceBernstein Capital Management	$ -	$ -	$ -	$ 12,457	$ 137,107
Franklin Portfolio Associates	841,678				
Los Angeles Capital Management	694,224	745,621	660,619	520,099	263,973
LSV Asset Management	627,189	601,936	590,168	533,657	448,581
Northern Trust Global Investments	456,072	177,332	402,732	291,741	250,046
State Street Global Advisors	572,824	24,122	17,541	16,857	22,707
Wells Capital Management Co.	2,104,890	4,904	-	262,974	208,778
Westridge Capital Management, Inc.	568,689	543,316	493,687	452,368	417,561
Total Domestic Large Cap Equity	5,865,566	2,097,231	2,164,747	2,090,153	1,748,753
Domestic Small Cap Equity:					
Callan Associates Inc.	106,919	75,401	-	-	-
SEI Investments Management Co.	2,237,847	2,635,502	2,370,310	2,242,925	1,691,371
Total Domestic Small Cap Equity	2,344,766	2,710,903	2,370,310	2,242,925	1,691,371
International Equity:					
Bank of Ireland Asset Management	367,618	344,610	322,720	291,873	227,016
Capital Guardian Trust Company	734,011	662,525	693,054	851,348	629,489
Lazard Asset Management	385,717	360,262	345,025	307,157	246,569
LSV Asset Management	813,989	711,900	416,411	-	-
State Street Global Advisors	373,900	291,655	114,231	245,192	170,764
Wellington Trust Company, NA	466,239	442,878	403,531	387,222	307,985
Total International Equity	3,141,474	2,813,830	2,294,972	2,082,792	1,581,823
Emerging Markets Equity:					
Capital Guardian Trust Company	-	300,224	976,495	886,004	644,587
Dimensional Fund Advisors	284,295	226,859	-	-	-
J.P. Morgan Investment Management, Inc.	309,740	156,328	-	-	-
PanAgora Asset Management, Inc.	219,298	63,104	-	-	-
UBS Global Asset Management	496,221	432,929	-	-	-
WestLB Asset Management, LLC	202,658	59,106	-	-	-
Total Emerging Markets Equity	1,512,212	1,238,550	976,495	886,004	644,587
Domestic Fixed Income:					
Bank of North Dakota	91,128	80,304	52,529	50,271	44,239
Calamos Investments	424,710	-	-	-	-
J.P. Morgan Investment Management, Inc.	703,125	-	-	-	-
Prudential Investment Management	230,399	133,901	-	-	-
RMK Timberland Investment Mgmt.	-	412,804	567,599	736,627	423,603
Timberland Investment Resources	843,000	12,022,865	455,891	-	-
Trust Company of the West	76,469	299,027	218,650	242,297	255,695
Wells Capital Management, Inc.	181,612	146,039	134,936	117,820	150,395
Western Asset Management Company	168,222	136,234	111,449	101,180	106,155
WestLB Asset Management	-	-	82,413	130,429	146,821
Total Domestic Fixed Income	2,718,665	13,231,174	1,623,467	1,378,624	1,126,908
High Yield Fixed Income:					
Goldman Sachs	110,647	-	-	-	-
Loomis Sayles & Company	554,291	485,906	437,397	92,700	-
Wells Capital Management, Inc.	1,009,349	500,657	422,859	96,369	-
Western Asset Management Company	-	-	-	198,017	249,265
Total High Yield Fixed Income	1,674,287	986,563	860,256	387,086	249,265

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

	2007	2006	2005	2004	2003
INVESTMENT MANAGERS (continued)					
International Fixed Income:					
UBS Global Asset Management	267,314	265,882	297,226	267,101	423,731
Brandywine Asset Management	382,959	344,396	313,098	273,526	39,940
Total International Fixed Income	650,273	610,278	610,324	540,627	463,671
Real Estate:					
INVESCO Realty Advisors	$ 708,879	$ 705,687	$ 642,900	$ 777,309	$ 634,499
J.P. Morgan Investment Management, Inc.	2,144,259	1,516,689	1,189,060	1,009,926	944,537
Total Real Estate	2,853,138	2,222,376	1,831,960	1,787,235	1,579,036
Alternative Investments:					
Adams Street Partners	1,080,138	961,377	1,075,470	1,152,935	1,220,639
Coral Partners, Inc.	1,037,472	1,137,086	1,689,769	1,684,712	1,646,036
Corsair	565,104	-	-	-	-
Hearthstone Homebuilding Investors, LLC	1,697,762	5,554,616	4,542,006	2,354,122	1,307,083
InvestAmerica L&C, LLC	587,157	375,000	375,000	375,000	348,772
Matlin Patterson Global Opportunities, LLC	740,551	729,871	640,625	437,500	943,322
Quantum Energy Partners	387,705	-	-	-	-
Quantum Resources	98,954	-	-	-	-
Total Alternative Investments	6,194,843	8,757,950	8,322,870	6,004,269	5,465,852
Cash Equivalents:					
The Northern Trust Company, Inc.	51,177	122,988	92,149	75,054	48,678
Total Investment Manager Fees	27,006,401	34,791,843	21,147,550	18,767,129	16,512,708
INVESTMENT CUSTODIAN					
The Northern Trust Company, Inc	664,524	648,728	665,915	523,890	548,056
INVESTMENT CONSULTANT					
Callan Associates Inc.	176,260	181,705	178,389	193,175	140,195
SIB SERVICE FEES	13,442	12,033	10,112	10,256	10,716
SECURITIES LENDING FEES					
Rebates	15,456,908	10,044,445	3,556,742	1,107,164	1,674,462
Bank Fees	290,207	261,337	262,466	212,251	185,818
Total Securities Lending Fees	15,747,115	10,305,782	3,819,208	1,319,415	1,860,280

INDIVIDUAL INVESTMENT ACCOUNT

	2007	2006	2005	2004	2003
INVESTMENT MANAGERS					
State Street Global Advisors	$ 130,161	$ 72,797	$ 65,534	$ 56,210	$ 47,599
INVESTMENT CUSTODIAN					
The Northern Trust Company, Inc	660	654	652	648	1,692
SIB SERVICE FEES	3,487	2,944	2,696	2,618	2,587

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

	2007	2006	2005	2004	2003
INVESTMENT MANAGERS					
Domestic Large Cap Equity:					
AllianceBernstein Capital Management	$ -	$ -	$ -	$ 4,525	$ 50,673
Los Angeles Capital Management	129,444	134,125	130,010	62,875	-
LSV Asset Management	80,512	84,145	84,484	85,026	73,011
State Street Global Advisors	112,420	10,868	10,000	33,648	38,949
Westridge Capital Management, Inc.	136,069	119,733	110,895	27,844	-
Total Domestic Large Cap Equity	458,445	348,871	335,389	213,918	162,633
Domestic Small Cap Equity:					
SEI Investments Management	382,764	382,694	521,070	548,495	453,329
International Equity:					
Capital Guardian Trust Company	265,710	258,024	199,852	356,373	344,834
Lazard Asset Management	90,303	96,692	66,902	83,289	44,755
LSV Asset Management	216,449	215,086	101,949	-	-
The Vanguard Group	49,690	55,961	45,275	91,048	2,891
Total International Equity	622,152	625,763	413,978	530,710	392,480
Convertible Bonds:					
Trust Company of the West	-	-	292,953	505,255	466,670
Domestic Fixed Income:					
Bank of North Dakota	60,914	119,080	142,950	109,926	94,786
Hyperion Brookfield	56,220	-	-	-	-
Prudential	138,546	-	-	-	-
Wells Capital Management, Inc.	455,171	475,084	298,661	301,395	272,484
Western Asset Management Company	430,831	442,296	411,419	535,966	524,407
Total Domestic Fixed Income	1,141,682	1,036,460	853,030	947,287	891,677
Treasury Inflation-Protected Securities (TIPS)					
Northern Trust Global Investments	55,354	55,493	60,268	-	-
Western	151,504	-	-	-	-
Total TIPS	206,858	55,493	60,268	-	-
Real Estate:					
J.P. Morgan Investment Management, Inc.	1,088,484	443,730	-	-	-
Balanced Fund-State Street (Health Trust)	-	-	-	-	41,346
Total Investment Manager Fees	3,900,385	2,893,011	2,476,688	2,745,665	2,408,135
INVESTMENT CUSTODIAN					
The Northern Trust Company, Inc	250,812	276,945	261,904	247,232	337,768
INVESTMENT CONSULTANT					
Callan Associates	87,827	88,132	140,608	110,159	87,266
SIB SERVICE FEES	4,881	4,366	6,000	6,000	5,750
SECURITIES LENDING FEES					
Rebates	14,887,734	11,746,006	5,720,527	1,422,043	1,811,453
Bank Fees	149,391	201,103	219,027	149,306	141,667
Total Securities Lending Fees	15,037,125	11,947,109	5,939,554	1,571,349	1,953,120

See reconciliation of current year investment expenses to financial statements on page 60.

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

	2007	2006 (Restated)	2005	2004	2003
Public Employees Retirement System					
Net assets beginning of year	$ 1,634,909,225	$ 1,475,694,042	$ 1,304,738,956	$ 1,126,095,333	$ 1,080,040,861
Net increase/(decrease) in fair value of investments	285,031,437	152,103,565	154,870,263	156,289,529	22,232,141
Interest, dividends and other income	43,845,522	36,924,447	34,148,529	34,280,353	36,951,759
Expenses	9,471,759	12,827,174	5,316,187	4,043,903	3,575,041
Net securities lending income	329,743	264,345	260,073	218,294	195,613
Net incr/(decr) in net assets resulting from unit transactions	(20,410,000)	(17,250,000)	(13,000,000)	(8,100,650)	(9,750,000)
Net assets end of year	$ 1,934,234,168	$ 1,634,909,225	$ 1,475,701,634	$ 1,304,738,956	$ 1,126,095,333
City of Bismarck Employees Pension Plan					
Net assets beginning of year	$ 44,002,952	$ 40,305,437	$ 26,354,623	$ 22,968,106	$ 21,573,002
Net increase/(decrease) in fair value of investments	6,407,926	3,073,287	3,332,675	2,770,138	721,533
Interest, dividends and other income	1,381,274	1,054,196	649,709	683,552	735,176
Expenses	256,348	437,255	108,273	71,632	65,768
Net securities lending income	9,751	7,287	5,048	4,459	4,163
Net incr/(decr) in net assets resulting from unit transactions	-	-	10,071,655	-	-
Net assets end of year	$ 51,545,555	$ 44,002,952	$ 40,305,437	$ 26,354,623	$ 22,968,106
City of Bismarck Police Pension Plan					
Net assets beginning of year	$ 20,386,327	$ 18,501,337	$ 12,807,676	$ 11,077,471	$ 10,494,577
Net increase/(decrease) in fair value of investments	3,189,234	1,570,167	1,519,817	1,428,040	262,050
Interest, dividends and other income	599,580	487,465	346,503	340,580	354,978
Expenses	118,932	175,864	55,815	40,476	35,988
Net securities lending income	4,401	3,222	2,373	2,061	1,854
Net incr/(decr) in net assets resulting from unit transactions	-	-	3,880,783	-	-
Net assets end of year	$ 24,060,610	$ 20,386,327	$ 18,501,337	$ 12,807,676	$ 11,077,471
Job Service of North Dakota					
Net assets beginning of year	$ 84,340,399	$ 81,450,677	$ 73,259,542	$ 67,303,290	$ 60,847,741
Net increase/(decrease) in fair value of investments	11,691,612	4,905,261	9,452,746	6,536,599	2,153,287
Interest, dividends and other income	2,325,117	1,916,260	1,682,114	1,946,003	2,077,422
Expenses	416,599	1,073,229	268,358	184,664	181,548
Net securities lending income	18,666	17,719	17,556	15,958	15,388
Net incr/(decr) in net assets resulting from unit transactions	(3,261,717)	(2,876,289)	(2,692,923)	(2,357,644)	2,391,000
Net assets end of year	$ 94,697,478	$ 84,340,399	$ 81,450,677	$ 73,259,542	$ 67,303,290
TOTAL PENSION INVESTMENT POOL					
Net assets beginning of year	$ 1,783,638,903	$ 1,615,951,493	$ 1,417,160,797	$ 1,227,444,200	$ 1,172,956,181
Net increase/(decrease) in fair value of investments	306,320,209	161,652,280	169,175,501	167,024,306	25,369,011
Interest, dividends and other income	48,151,493	40,382,368	36,826,855	37,250,488	40,119,335
Expenses	10,263,638	14,513,522	5,748,633	4,340,675	3,858,345
Net securities lending income	362,561	292,573	285,050	240,772	217,018
Net incr/(decr) in net assets resulting from unit transactions	(23,671,717)	(20,126,289)	(1,740,485)	(10,458,294)	(7,359,000)
Net assets end of year	$ 2,104,537,811	$ 1,783,638,903	$ 1,615,959,085	$ 1,417,160,797	$ 1,227,444,200

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

	2007	2006 (Restated)	2005	2004	2003
Workforce Safety & Insurance Fund					
Net assets beginning of year	$ 1,200,779,620	$ 1,168,192,236	$ 1,078,349,677	$ 980,192,555	$ 906,570,883
Net increase/(decrease) in fair value of investments	75,378,694	715,343	47,067,853	59,516,744	44,052,887
Interest, dividends and other income	49,231,820	41,248,969	34,684,534	34,358,320	38,713,140
Expenses	3,806,600	2,828,034	2,393,638	2,552,501	2,461,558
Net securities lending income	374,071	451,106	489,070	334,559	317,203
Net incr/(decr) in net assets resulting from unit transactions	(22,000,000)	(7,000,000)	10,000,000	6,500,000	(7,000,000)
Net assets end of year	$ 1,299,957,605	$ 1,200,779,620	$ 1,168,197,496	$ 1,078,349,677	$ 980,192,555
State Fire & Tornado Fund					
Net assets beginning of year	$ 24,566,021	$ 22,845,575	$ 19,607,853	$ 16,328,742	$ 13,219,551
Net increase/(decrease) in fair value of investments	2,215,277	450,751	857,407	1,276,515	640,258
Interest, dividends and other income	1,075,299	872,241	730,323	596,671	578,844
Expenses	72,371	61,266	60,054	50,261	39,974
Net securities lending income	7,824	8,720	10,148	6,186	5,063
Net incr/(decr) in net assets resulting from unit transactions	675,000	450,000	1,700,000	1,450,000	1,925,000
Net assets end of year	$ 28,467,050	$ 24,566,021	$ 22,845,677	$ 19,607,853	$ 16,328,742
State Bonding Fund					
Net assets beginning of year	$ 2,703,646	$ 2,618,683	$ 3,772,597	$ 5,136,038	$ 4,781,300
Net increase/(decrease) in fair value of investments	225,746	48,219	130,648	264,390	181,129
Interest, dividends and other income	107,480	93,108	123,768	131,611	185,032
Expenses	7,898	7,298	10,057	10,792	13,044
Net securities lending income	786	934	1,743	1,350	1,621
Net incr/(decr) in net assets resulting from unit transactions	(300,000)	(50,000)	(1,400,000)	(1,750,000)	-
Net assets end of year	$ 2,729,760	$ 2,703,646	$ 2,618,699	$ 3,772,597	$ 5,136,038
Petroleum Tank Release Compensation Fund					
Net assets beginning of year	$ 9,292,010	$ 9,254,759	$ 8,958,441	$ 8,574,000	$ 8,317,667
Net increase/(decrease) in fair value of investments	775,170	205,297	317,187	653,442	278,199
Interest, dividends and other income	376,839	326,035	289,064	261,312	296,926
Expenses	24,457	22,139	23,799	22,988	21,392
Net securities lending income	2,610	3,058	3,905	2,675	2,600
Net incr/(decr) in net assets resulting from unit transactions	(400,000)	(475,000)	(290,000)	(510,000)	(300,000)
Net assets end of year	$ 10,022,172	$ 9,292,010	$ 9,254,798	$ 8,958,441	$ 8,574,000
Insurance Regulatory Trust Fund					
Net assets beginning of year	$ 3,690,531	$ 2,978,086	$ 2,690,119	$ 2,763,062	$ 2,280,579
Net increase/(decrease) in fair value of investments	145,567	24,805	77,694	87,813	37,155
Interest, dividends and other income	101,231	92,959	54,367	43,323	49,452
Expenses	5,640	5,953	4,699	4,500	4,572
Net securities lending income	539	634	610	421	448
Net incr/(decr) in net assets resulting from unit transactions	50,000	600,000	160,000	(200,000)	400,000
Net assets end of year	$ 3,982,228	$ 3,690,531	$ 2,978,091	$ 2,690,119	$ 2,763,062

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

	2007	2006 (Restated)	2005	2004	2003
ND Health Care Trust Fund					
Net assets beginning of year	$ 19,530,767	$ 18,581,480	$ 25,498,926	$ 28,646,477	$ 43,795,649
Net increase/(decrease) in fair value of investments	-	-	-	-	(2,021,143)
Interest, dividends and other income	506,858	950,929	1,075,658	1,209,708	1,845,765
Expenses	1,179	1,642	2,370	3,664	47,908
Net securities lending income	-	-	-	-	1,823
Net incr/(decr) in net assets resulting from unit transactions	(17,826,397)	-	(7,990,650)	(4,353,595)	(14,927,709)
Net assets end of year	$ 2,210,049	$ 19,530,767	$ 18,581,564	$ 25,498,926	$ 28,646,477
Veterans Cemetery Fund					
Net assets beginning of year	$ 102,778	$ 86,003	$ 71,103	$ 63,417	$ 49,627
Net increase/(decrease) in fair value of investments	-	-	-	-	-
Interest, dividends and other income	5,954	4,130	1,956	811	846
Expenses	168	138	13	10	11
Net securities lending income	-	-	-	-	-
Net incr/(decr) in net assets resulting from unit transactions	13,686	12,783	12,959	6,885	12,955
Net assets end of year	$ 122,250	$ 102,778	$ 86,005	$ 71,103	$ 63,417
Veterans Post War Trust Fund					
Net assets beginning of year	$ -	$ 3,606,776	$ 1,341,087	$ 1,126,207	$ 1,186,374
Net increase/(decrease) in fair value of investments	-	26,758	279,146	200,635	(31,456)
Interest, dividends and other income	-	4,707	57,769	18,286	18,832
Expenses	-	-	7,310	4,293	2,656
Net securities lending income	-	96	1,084	252	113
Net incr/(decr) in net assets resulting from unit transactions	-	(3,638,337)	1,935,000	-	(45,000)
Net assets end of year	$ -	$ -	$ 3,606,776	$ 1,341,087	$ 1,126,207
Risk Management Fund					
Net assets beginning of year	$ 3,263,199	$ 2,438,261	$ 2,968,620	$ 2,538,517	$ 3,298,707
Net increase/(decrease) in fair value of investments	243,237	(30,158)	144,646	60,323	102,735
Interest, dividends and other income	148,090	111,959	79,971	75,280	107,014
Expenses	9,593	7,861	5,961	6,181	5,623
Net securities lending income	863	998	1,000	681	684
Net incr/(decr) in net assets resulting from unit transactions	50,000	750,000	(750,000)	300,000	(965,000)
Net assets end of year	$ 3,695,796	$ 3,263,199	$ 2,438,276	$ 2,968,620	$ 2,538,517
Risk Management Workers Comp Fund					
Net assets beginning of year	$ 3,765,613	$ 2,905,892	$ 2,679,178	$ -	$ -
Net increase/(decrease) in fair value of investments	319,237	4,963	68,035	124,123	-
Interest, dividends and other income	146,847	112,448	64,068	61,166	-
Expenses	10,851	8,713	6,125	6,729	-
Net securities lending income	882	1,023	747	618	-
Net incr/(decr) in net assets resulting from unit transactions	-	750,000	100,000	2,500,000	-
Net assets end of year	$ 4,221,728	$ 3,765,613	$ 2,905,903	$ 2,679,178	$ -

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

	2007	2006 (Restated)	2005	2004	2003
ND Association of Counties Fund					
Net assets beginning of year	$ 791,257	$ 385,409	$ 306,518	$ 273,797	$ 257,665
Net increase/(decrease) in fair value of investments	100,031	11,765	20,629	25,891	8,441
Interest, dividends and other income	29,240	15,551	10,059	8,525	9,280
Expenses	3,908	2,293	1,941	1,786	1,672
Net securities lending income	262	164	144	91	83
Net incr/(decr) in net assets resulting from unit transactions	300,000	380,661	50,000	-	-
Net assets end of year	$ 1,216,882	$ 791,257	$ 385,409	$ 306,518	$ 273,797
ND Association of Counties Program Savings Fund					
Net assets beginning of year	$ 526,560	$ 403,009	$ 325,508	$ 290,719	$ 273,574
Net increase/(decrease) in fair value of investments	55,757	10,908	18,684	27,475	8,916
Interest, dividends and other income	21,745	14,400	10,661	9,053	9,855
Expenses	2,710	1,909	1,996	1,835	1,714
Net securities lending income	174	152	152	96	88
Net incr/(decr) in net assets resulting from unit transactions	250,000	100,000	50,000	-	-
Net assets end of year	$ 851,526	$ 526,560	$ 403,009	$ 325,508	$ 290,719
PERS Group Insurance Fund					
Net assets beginning of year	$ 1,923,916	$ 1,370,395	$ 286,269	$ 133,981	$ 57,641
Net increase/(decrease) in fair value of investments	-	-	-	-	-
Interest, dividends and other income	444,207	304,521	135,190	53,303	58,525
Expenses	1,000	1,000	1,064	1,015	1,013
Net securities lending income	-	-	-	-	-
Net incr/(decr) in net assets resulting from unit transactions	1,689,764	250,000	950,000	100,000	18,828
Net assets end of year	$ 4,056,887	$ 1,923,916	$ 1,370,395	$ 286,269	$ 133,981
City of Bismarck Deferred Sick Leave Fund					
Net assets beginning of year	$ 740,239	$ 710,962	$ 660,487	$ 607,608	$ 559,779
Net increase/(decrease) in fair value of investments	56,893	4,983	28,817	33,526	26,238
Interest, dividends and other income	31,863	26,757	24,078	21,800	23,875
Expenses	3,014	2,750	2,769	2,673	2,491
Net securities lending income	244	287	349	226	207
Net incr/(decr) in net assets resulting from unit transactions	-	-	-	-	-
Net assets end of year	$ 826,225	$ 740,239	$ 710,962	$ 660,487	$ 607,608
City of Fargo FargoDome Permanent Fund					
Net assets beginning of year	$ 9,748,034	$ 7,316,376	$ 5,863,757	$ 4,307,480	$ -
Net increase/(decrease) in fair value of investments	1,043,035	216,395	274,460	419,447	438,029
Interest, dividends and other income	339,243	235,113	192,967	149,299	95,346
Expenses	29,827	21,991	17,144	13,802	8,639
Net securities lending income	2,077	2,141	2,336	1,333	617
Net incr/(decr) in net assets resulting from unit transactions	1,000,000	2,000,000	1,000,000	1,000,000	3,782,127
Net assets end of year	$ 12,102,562	$ 9,748,034	$ 7,316,376	$ 5,863,757	$ 4,307,480

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

	2007	2006 (Restated)	2005	2004	2003
Cultural Endowment Fund					
Net assets beginning of year	$ 218,552	$ -	$ -	$ -	$ -
Net increase/(decrease) in fair value of investments	27,678	7,263	-	-	-
Interest, dividends and other income	8,158	6,054	-	-	-
Expenses	1,251	978	-	-	-
Net securities lending income	61	54	-	-	-
Net incr/(decr) in net assets resulting from unit transactions	21,370	206,159	-	-	-
Net assets end of year	$ 274,568	$ 218,552	$ -	$ -	$ -
Budget Stabilization Fund					
Net assets beginning of year	$ 99,876,516	$ -	$ -	$ -	$ -
Net increase/(decrease) in fair value of investments	-	-	-	-	-
Interest, dividends and other income	4,989,847	3,618,316	-	-	-
Expenses	8,860	6,586	-	-	-
Net securities lending income	-	-	-	-	-
Net incr/(decr) in net assets resulting from unit transactions	(4,981,500)	96,264,786	-	-	-
Net assets end of year	$ 99,876,003	$ 99,876,516	$ -	$ -	$ -
TOTAL INSURANCE INVESTMENT POOL					
Net assets beginning of year	$ 1,381,519,259	$ 1,243,693,902	$ 1,153,380,140	$ 1,050,982,600	$ 984,648,996
Net increase/(decrease) in fair value of investments	80,586,322	1,697,292	49,285,206	62,690,324	43,721,388
Interest, dividends and other income	57,564,721	48,038,197	37,534,433	36,998,468	41,992,732
Expenses	3,989,327	2,980,551	2,538,940	2,683,030	2,612,267
Net securities lending income	390,393	469,367	511,288	348,488	330,550
Net incr/(decr) in net assets resulting from unit transactions	(41,458,077)	90,601,052	5,527,309	5,043,290	(17,098,799)
Net assets end of year	$ 1,474,613,291	$ 1,381,519,259	$ 1,243,699,436	$ 1,153,380,140	$ 1,050,982,600