2009

COMPREHENSIVE ANNUAL FINANCIAL REPORT

RIO

NORTH DAKOTA
RETIREMENT AND
INVESTMENT OFFICE

An Agency of the
State of North Dakota

For the year ended June 30, 2009

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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www.nd.gov/rio

For the Fiscal Year Ended June 30, 2009

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

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INTRODUCTORY SECTION

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 17, 2009

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, 2009, 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.

Generally accepted accounting principles (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 9,700 teachers from 231 employer groups and pays benefits to more than 6,400 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 $4.2 billion in assets for seven pension funds and 16 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, 2009:

Pension Investment Pool Participants

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

Individual Investment Account

PERS Retiree Health Insurance Credit Fund

Insurance Investment Pool Participants

Workforce Safety & Insurance (WSI) Fund
State Fire and Tornado Fund
State Bonding Fund
Insurance Regulatory Trust Fund
Petroleum Tank Release Compensation Fund
ND Health Care Trust Fund
State Risk Management Fund
State Risk Management Workers Compensation Fund
Cultural Endowment 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."

An important aspect of the prudent investor rule is that individual investments are considered not in isolation but in the context of the trust portfolio as a whole. Some new opportunities may appear risky when viewed alone. However, when part of a diversified mix of investments in stocks, bonds and other assets, they can increase returns often without increasing the overall portfolio risk and, in some cases, may help decrease the overall portfolio's risk.

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. The City of Fargo Employees pension plan joined the pension pool in December 2007. And most recently, the City of Grand Forks Employees pension plan began participating in the pension pool in May 2009.

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 two North Dakota Association of Counties funds were added during fiscal year 1999, in January and March.
- 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.

Four funds have left the insurance investment pool after having been included in it at some point during its existence - 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, the Veterans Post War Trust Fund was added in December 1997 and left the pool in September 2005, and the Veterans Cemetery Trust joined the pool in August 1997 and was removed in August 2007.

MAJOR INITIATIVES

- Retirement Program

✓ **TFFR Legislation -** The 2009 Legislature approved two bills affecting TFFR:

  - *2009 Supplemental Retiree Payment.* This one-time payment will be paid to TFFR retirees and beneficiaries who retired before January 1, 2009, and are receiving annuity benefits on December 1, 2009. The payment is equal to an amount determined by taking $20 per year of service credit, plus $15 per year of retirement. The supplemental payment will be made in December 2009 and will be paid from the TFFR trust fund.

  - *Employer Contribution Increase.* Effective July 1, 2010, employer contributions will increase from 8.25% to 8.75% to offset the cost of the one-time TFFR retiree supplemental benefit payment and to begin improving TFFR's funding level. The 0.50% increase will be in effect until TFFR reaches 90% funded level on an actuarial basis.

✓ **TFFR Funding Improvement Study** - The TFFR Board initiated a study to address the impact of the global market decline on the TFFR trust fund. The board is gathering input from member and employer interest groups and evaluating various options for improving TFFR's financial well being. The Board plans to propose a comprehensive funding improvement plan during the 2011 legislative session that will protect the long term solvency of TFFR plan.

✓ **TFFR Member and Employer Web-Based Services -** As part of the ongoing effort to electronically provide TFFR information and services, TFFR Employer Online went into production in 2009, and TFFR Member Online is tentatively scheduled for 2010.

- Investment Program

Investment details by trust fund can be found in the Investment Section.

In February, 2009, the SIB was notified of legal action being taken against one of its investment advisors. The principals of WG Trading Company, the broker/dealer for the Westridge Capital Management portfolios, were charged with securities fraud for allegedly diverting investor funds for their personal use. The SIB was an investor along with numerous other public and private pension funds whose investments totaled more than $1.5 billion. Subsequent to the filing of a criminal complaint by federal prosecutors, a receiver was appointed by the court to reconstruct the alleged fraud and determine what recoverable assets exist. The receiver issued a report in May, 2009, indicating that approximately $893 million of recoverable assets were identified which equates to approximately 60% of the investors' account values. The SIB held three portfolios with Westridge/WG Trading at the time the fraud was discovered. The three portfolios had been valued at a combined $161.3 million in the month prior to the court actions. $23.3 million was recovered immediately through liquidation of futures and related collateral positions at Westridge. The remaining assets were held by WG Trading and were frozen by the courts and remain frozen as of this writing. The market value reported at June 30, 2009, reflects a reduction of 40% of the last known market value, based on the receiver's initial report, and will remain at that value until further information is received from the SIB's legal representatives or the federal courts.

Initiatives completed by the SIB during the year included:

✓ **Within the Pension Investment Pool**
  - Committed funds to an Asian real estate fund.
  - Retained an investment management firm to implement a policy overlay service to synthetically rebalance the trust to targets without the need to sell illiquid bonds.
  - Committed funds to two separate Term Asset-Backed Securities Loan Facility (TALF) funds.
  - Researched the idea of investing in the government Public-Private Investment Program (PPIP) and decided against committing funds to the program.
  - Committed funds to a new financial services focused private equity fund.
  - Accepted the City of Grand Forks Pension Plan into the Pension Investment Pool

✓ **Overall Investment Program**
  - Filled a newly created Compliance Officer position.
  - Began complete review of Board Governance Policies.

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, 2008. This was the eleventh consecutive year that RIO has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

TFFR also received the Public Pension Coordinating Council (PPCC) 2009 Recognition Award for Administration. To receive the award, the retirement system must certify that it meets the requirements in five areas of assessment which include a comprehensive benefit program, actuarial valuations, financial reporting, investments and communications to members.

FINANCIAL INFORMATION

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

Eide Bailly LLC 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, 2009.

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

Pension Trust Fund (TFFR)	June 30, 2009	June 30, 2008	Incr/(Decr) $	Incr/(Decr) %
Additions	$ (418,360,845)	$ (70,067,670)	$ (348,293,175)	497.1%
Deductions	118,035,836	113,596,331	4,439,505	3.9%
Net Change	$ (536,396,681)	$ (183,664,001)	$ (352,732,680)	192.1%

In the pension trust fund, additions decreased due to a decrease in net investment income as a result of the decline in the investment markets. 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, 2009	June 30, 2008	Incr/(Decr) $	Incr/(Decr) %
Additions	$ (613,597,244)	$ (106,478,131)	$ (507,119,113)	476.3%
Deductions	436,987	333,264	$ 103,723	31.1%
Net Change in Units	(50,181,555)	55,407,290	$ (105,588,845)	-190.6%
Net Change	$ (664,215,786)	$ (51,404,105)	$ (612,811,681)	1192.1%

In the investment trust funds, additions also decreased due to a decrease 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. The member rate is set at 7.75%. Effective July 1, 2008, the employer rate increased from 7.75% to 8.25%. Effective July 1, 2010, the employer rate will increase again from 8.25% to 8.75%. The total addition of 1.00% to the employer contribution rate will remain in effect until TFFR is 90% funded on an actuarial basis. 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, although at any given time the statutory rates may be insufficient. 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 8.25% 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, 2009, the ARC is 10.78%, increased from 9.24% last year. This is greater than the 8.25% rate currently required by law. The shortfall (the negative margin) between the rate mandated by law (8.25%) and the rate necessary to fund the UAAL in 30 years is -2.53%.

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) decreased from last year. The funded ratio at July 1, 2008, was 81.9%, while it is 77.7% as of July 1, 2009. Based on market values rather than actuarial values of assets, the funded ratio decreased to 53.5% from 79.2% last year.

The plan had a net asset loss of $591 million from previous years which has not yet been recognized in the actuarial value of assets, because of the five-year smoothing. This unrecognized asset loss is due to large market losses during FY2008 and FY2009. As the unrecognized loss is recognized over the next four years, the ARC is expected to continue increasing and the funded ratio is expected to continue decreasing, assuming the plan earns 8.00% in the future, unless the contribution rates or benefits are changed.

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, 2009 (in millions)	July 1, 2008 (in millions)
Actuarial value of assets	$ 1,900.3	$ 1,909.5
Unfunded actuarial accrued liability	545.6	421.2
Funded ratio	77.7%	81.9%

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,

STEVE COCHRANE, CFA	FAY KOPP	CONNIE L. FLANAGAN
Executive Director/CIO	Deputy Executive Director	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, 2009

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:

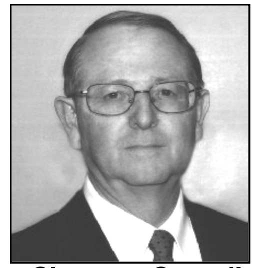
Asset allocation targets:

- 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

Jack Dalrymple
Chair
Lt. Governor



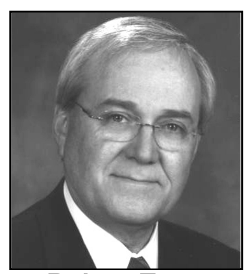
Clarence Corneil
Vice Chair
TFFR Trustee

Kelly Schmidt
State Treasurer

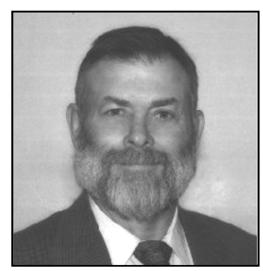
Adam Hamm
State Insurance Commissioner

Cindy Ternes, CPA
Workforce Safety & Insurance Designee

Gary Preszler
University and School Land Commissioner

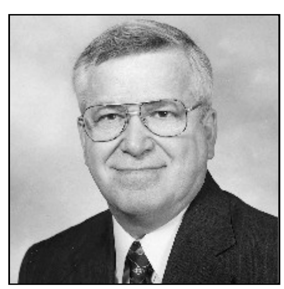


Robert Toso
TFFR Trustee

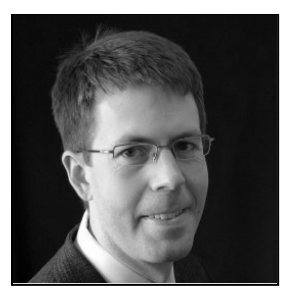


Mike Gessner
TFFR Trustee

Mike Sandal
PERS Trustee



Ron Leingang
PERS Trustee



Levi Erdmann
PERS Trustee

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
Board of Trustees as of June 30, 2009

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

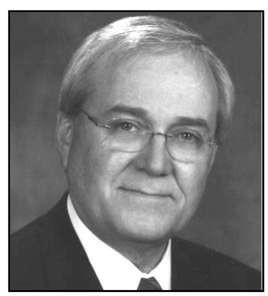
Service Goals:

- 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.

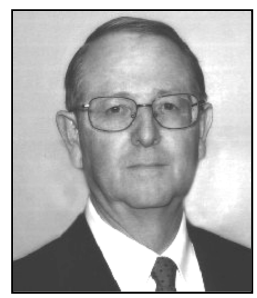
Mike Gessner
President
(active teacher)

Lowell Latimer
Vice President
(retired member)

Kim Franz
Trustee
(active teacher)



Robert Toso
Trustee
(active administrator)



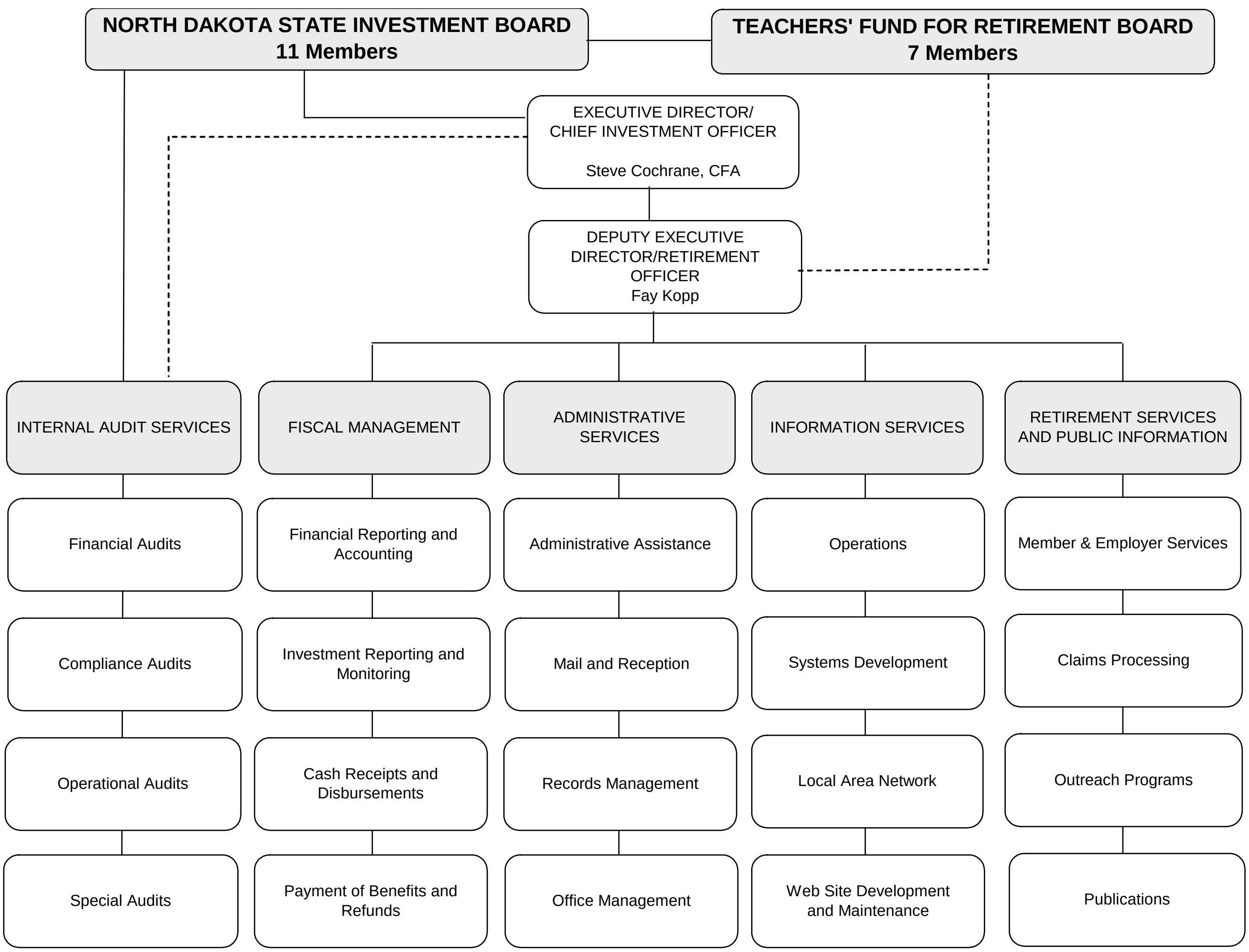
Clarence Corneil
Trustee
(retired member)

Kelly Schmidt
State Treasurer

Wayne Sanstead
State Superintendent of Public Instruction

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

ADMINISTRATIVE ORGANIZATION
JUNE 30, 2009



Note: See page 67 in the Investment Section for a summary of fees paid to investment professionals and pages 150-153 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, 2009

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

Auditor
Eide Bailly LLP
Bismarck, North Dakota

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

K&L Gates
Boston, Massachusetts

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

AllianceBernstein Institutional Investments
San Francisco, California

Bank of North Dakota
Bismarck, North Dakota

Blackfriars Asset Management LTD
London, UK

Brandywine Asset Management
Wilmington, Delaware

Brookfield Investment Mgmt Inc.
New York, New York

Calamos Advisors LLC
Naperville, Illinois

Callan Associates
San Francisco, California

Capital Guardian Trust Company
Los Angeles, California

Investment Managers (cont.)
The Clifton Group
Minneapolis, MN

Coral Partners, Inc.
Minneapolis, Minnesota

Corsair Capital
New York, New York

Declaration Mgmt & Research, LLC
McLean, Virginia

Dimensional Fund Advisors
Chicago, Illinois

Epoch Investment Partners, Inc.
New York, New York

European Credit Mgmt
London, England

Goldman Sachs Asset Mgmt
New York, New York

Hearthstone Homebuilding Investors, LLC
Encino, California

INVESCO Realty Advisors
Dallas, Texas

InvestAmerica L&C, LLC
Cedar Rapids, Iowa

J.P. Morgan Invest. Mgmt, Inc.
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

Mellon Capital Mgmt Corp.
Boston, Massachusetts

Northern Trust Global Investments
Chicago, Illinois

PanAgora Asset Management, Inc.
Boston, Massachusetts

PIMCO
Newport Beach, California

Investment Managers (cont.)
Prudential Investment Management
Newark, New Jersey

Quantum Energy Partners
Houston, Texas

Quantum Resources Mgmt, LLC
Denver, Colorado

Research Affiliates, LLC
Newport Beach, California

SEI Investments Management Co.
Oaks, Pennsylvania

State Street Global Advisors
Boston, Massachusetts

Trust Company of the West Asset Management Co.
Los Angeles, California

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

Securities Lending
Wachovia Global Securities Lending
Short Hills, New Jersey

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, 2008

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

PPC

Public Pension Coordinating Council

Recognition Award for Administration 2009

Presented to

North Dakota Teachers' Fund for Retirement

In recognition of meeting professional standards for
plan administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle

Alan H. Winkle
Program Administrator

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FINANCIAL SECTION

EideBailly

CPAs & BUSINESS ADVISORS

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 statement 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, 2009. 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. The financial statements of North Dakota Retirement and Investment Office as of June 30, 2008 were audited by other auditors whose report dated October 13, 2008 expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of RIO, are intended to present the financial position and the changes in 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, 2009 and 2008, and the changes in its financial position and plan net assets, where applicable, for the years 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 actuarially accrued liability is approximately $546 and $421 million at June 30, 2009 and 2008, respectively. 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 will never fully fund the unfunded actuarial accrued liability based on the current actuarial assumptions.

www.eidebailly.com
1730 Burnt Boat Loop, Ste. 100 | P.O. Box 1914 | Bismarck, ND 58502-1914 | T 701.255.1091 | F 701.224.1582 | EOE

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, 2009, and the respective changes in 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, 2009, and the results of the operations of such funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplementary information shown on page 47 is presented for the purpose of additional analysis and is not a required part of the basic 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 the supporting schedules have been subjected to the auditing procedures applied in our audits 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 18 through 22 are not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

In accordance with Government Auditing Standards, we have also issued a report dated November 10, 2009, on our consideration of RIO's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

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 52 through 55 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, and the schedule of investment expenses of this report, and accordingly, we do not express an opinion thereon.

Eide Bailly LLP

November 10, 2009
Bismarck, North Dakota

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009 AND 2008

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, 2009. Please read it in conjunction with the basic financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

Total net assets decreased in the fiduciary funds by $1.2 billion or 22.2% due to net losses in the investment markets.

Additions in the fiduciary funds for the year were actually negative due to the net decrease in fair value of investments. Net investment loss was $1.1 billion. Total contributions were $74 million, an increase of 5.4% over 2008.

Deductions in the fiduciary funds increased over the prior year by $4.5 million or 4.0%. 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, 2009, the funded ratio was approximately 77.7%.

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.

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, 2009, were $4.3 billion and were comprised mainly of investments and invested securities lending collateral. Total assets decreased over $1.3 billion or 23.5% from the prior year primarily due to losses in the financial markets during the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Total liabilities as of June 30, 2009 were $83 million and were comprised mostly of securities lending collateral. Total liabilities decreased $118 million or 58.7% from the prior year primarily due to a decrease in securities lending collateral at year-end.

RIO's fiduciary fund total net assets were $4.2 billion at the close of fiscal year 2009.

ND RETIREMENT AND INVESTMENT OFFICE
NET ASSETS – FIDUCIARY FUNDS
(In Millions)

	2009	2008	**Total % Change**
ASSETS			
Investments	**$ 4,184**	$ 5,384	-22.3%
Sec. lending collateral	**77**	194	-60.3%
Receivables	**29**	30	-5.2%
Cash and other	**12**	12	0.2%
Total assets	**4,302**	5,620	-23.5%
LIABILITIES			
Accounts payable	**6**	7	-17.3%
Sec. lending collateral	**77**	194	-60.3%
Total liabilities	**83**	201	-58.7%
Total net assets	**$ 4,219**	$ 5,419	-22.2%

	2008	2007	**Total % Change**
ASSETS			
Investments	**$ 5,384**	$ 5,619	-4.2%
Sec. lending collateral	**194**	585	-66.9%
Receivables	**30**	32	-4.4%
Cash and other	**12**	11	9.0%
Total assets	**5,620**	6,247	-10.0%
LIABILITIES			
Accounts payable	**7**	8	-10.8%
Sec. lending collateral	**194**	585	-66.9%
Total liabilities	**201**	593	-66.1%
Total net assets	**$ 5,419**	$ 5,654	-4.2%

MANAGEMENT'S DISCUSSION AND ANALYSIS

ND RETIREMENT AND INVESTMENT OFFICE
CHANGES IN NET ASSETS – FIDUCIARY FUNDS
(In Millions)

	2009	2008	Total % Change
Additions			
Contributions	**$ 74**	$ 71	5.4%
Investment income	**(1,106)**	(247)	347.7%
Total additions	**(1,032)**	(176)	484.6%
Deductions	**118**	114	4.0%
Net change from unit transactions	**(50)**	55	-190.6%
Total change in net assets	**$ (1,200)**	$ (235)	410.8%

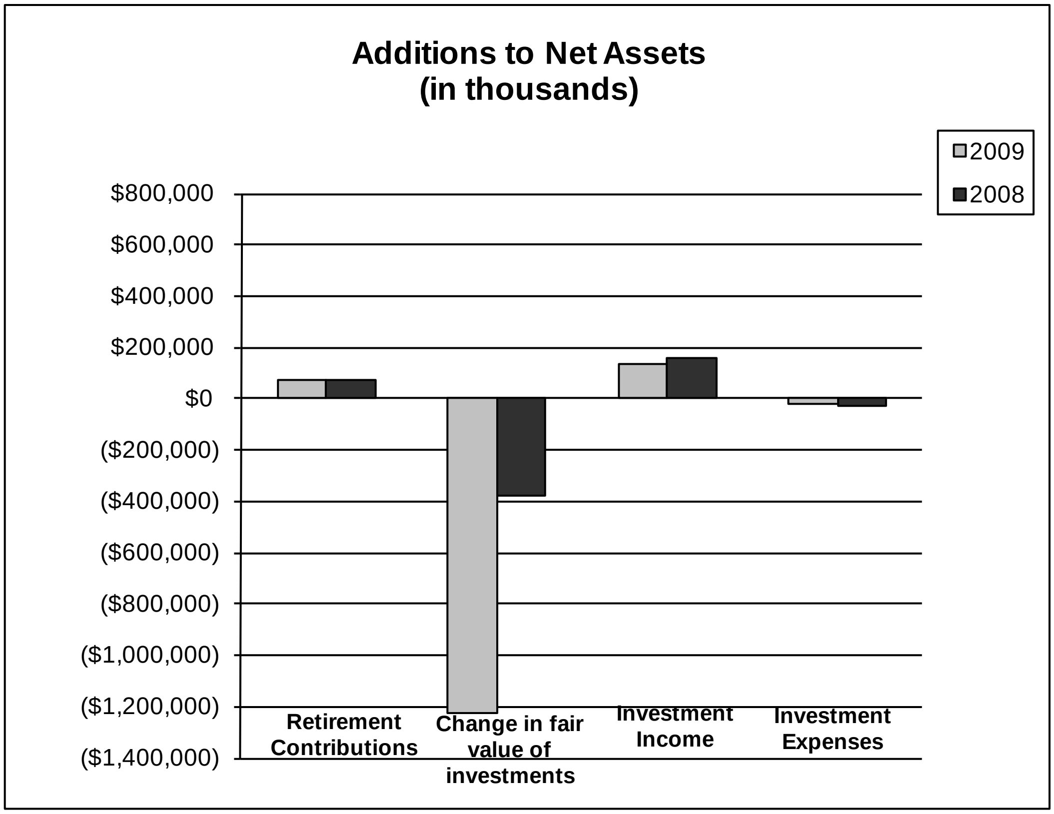
	2008	2007	Total % Change
Additions			
Contributions	**$ 71**	$ 67	6.3%
Investment income	**(247)**	832	-129.7%
Total additions	**(176)**	899	-119.6%
Deductions	**114**	105	8.5%
Net change from unit transactions	**55**	(64)	-186.7%
Total change in net assets	**$ (235)**	$ 730	-132.2%

STATEMENT OF CHANGES IN NET ASSETS – ADDITIONS

Contributions to the pension trust fund increased by $3.8 million or 5.4% over the previous fiscal year. The net change in fair value of investments in the fiduciary funds was a decrease of $842.7 million in fiscal year 2009.

Investment income, including net income from securities lending activities, decreased by $26.6 million from last year. Investment expenses decreased by $10 million or 35% mainly due to the decrease in the market value of investments on which the fees are based.

MANAGEMENT'S DISCUSSION AND ANALYSIS



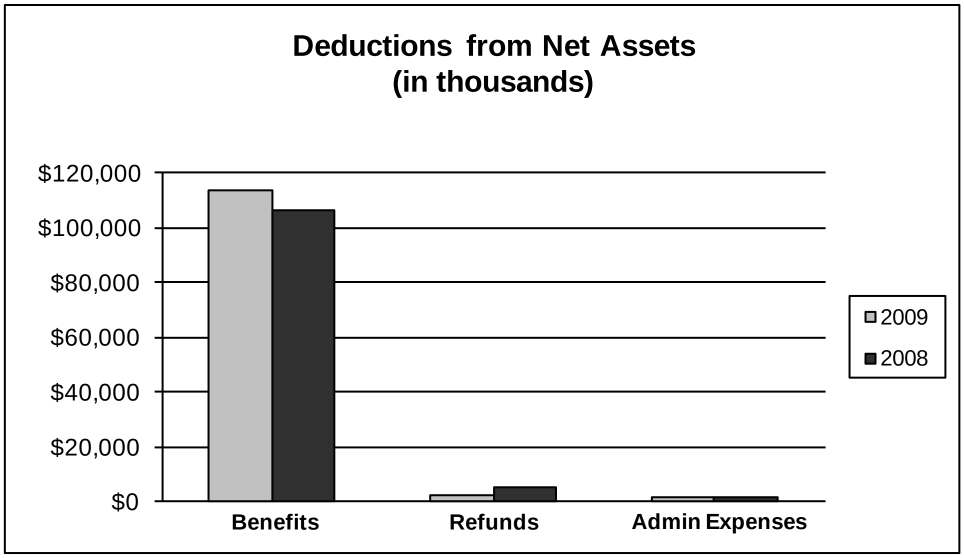
STATEMENT OF CHANGES IN NET ASSETS - DEDUCTIONS

Benefits paid to TFFR plan participants, including partial lump-sum distributions, increased by $7.5 million or 7.1% during the fiscal year ended June 30, 2009. 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.

Refunds decreased significantly in fiscal year 2009. The 2007 legislature approved a bill allowing employees of the Department of Career and Technical Education covered under TFFR to make an election to transfer to the Public Employees Retirement System (PERS). Approximately $3.2 million in member account balances and/or actuarially determined values were transferred to PERS in the previous fiscal year and these were shown as refunds on the financial statements. Total refunds for the fiscal year 2008, including those transfers, were $5.5 million versus $2.4 million in the current fiscal year; a 57.1% decrease.

Administrative expenses increased by $171,708, or 8.7%, due mainly to legislatively approved salary increases for state employees.

MANAGEMENT'S DISCUSSION AND ANALYSIS



CONCLUSION

The national and global economic and financial system climate experienced during fiscal year 2009 can be characterized as nothing short of disastrous. When the year began, the credit crisis, which had begun with a rapidly deteriorating housing market in the prior year, had taken a firm hold on global markets and financial institutions. Unlike previous cycles of market volatility, there was virtually only one safe haven for investors: U.S. Treasury securities. Across all other asset classes and regions of the world, markets had begun collapsing and continued to do so until early 2009, when somewhat of a rebound began to occur in selected portions of our portfolio.

These conditions were, of course, reflected in the market prices of nearly all asset types. Many, such as commercial real estate, continue to find new low levels in value as this is being written. As we moved towards the end of the fiscal year, conditions began to show signs of improvement and the markets took some comfort in that by regaining some of the lost ground.

This, in brief, describes the climate within which our funds were invested in accordance with their diversification policies. Within the SIB's investment program, the investment trust funds are invested within their policy guidelines and seek to add investment return to their expected benchmark return objectives over multi-year periods. Our funds fell far short of actuarially projected goals this past year, and the coming years will most likely be challenging from an investment standpoint as recessions brought on by banking and financial disasters are characterized historically as being followed by extended multi-year periods of slow global growth. The SIB will garner all the resources it can muster to face the many challenging years ahead.

The decline in the investment markets in 2008 and 2009 will result in significant reductions to the funding of the TFFR plan. TFFR's funded ratio declined in 2009 and is expected to continue declining to unacceptable levels as investment losses are recognized in future actuarial valuations. Because protecting the long term solvency of the TFFR plan is the TFFR Board's fiduciary responsibility, the Board is reviewing funding improvement options intended to support this financial obligation. Such options include possible contribution and benefit changes for consideration by the ND Legislative Assembly in 2011.

CONTACTING RIO FINANCIAL MANAGEMENT

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

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009 AND 2008

	Pension Trust		Investment Trust	
	2009	2008	2009	2008
Assets:				
Investments, at fair value				
Equities	$ -	$ -	$ 18,879,086	$ 25,968,232
Equity pool	662,283,920	1,038,055,015	937,074,652	1,291,115,204
Fixed income	-	-	16,519,433	13,658,848
Fixed income pool	394,873,080	459,221,747	1,693,796,088	1,837,537,823
Real estate pool	142,870,481	218,557,672	126,052,018	214,544,096
Alternative Investments	71,114,309	101,316,753	73,458,319	101,957,749
Cash and cash pool	13,627,203	4,421,123	33,191,958	77,722,742
Total investments	1,284,768,993	1,821,572,310	2,898,971,554	3,562,504,694
Invested securities lending collateral	6,829,276	21,349,349	70,170,273	172,541,068
Receivables:				
Investment income	6,704,685	7,971,796	13,303,251	14,278,826
Contributions	8,714,975	8,065,995	-	-
Miscellaneous	4,853	5,361	8,677	5,102
Total receivables	15,424,513	16,043,152	13,311,928	14,283,928
Due from other state agency	12	38	3	9
Cash and cash equivalents	11,434,041	11,156,236	74,746	80,255
Equipment & Software (net of depr)	311,001	555,989	-	-
Total assets	1,318,767,836	1,870,677,074	2,982,528,504	3,749,409,954
Liabilities:				
Accounts payable	71,746	58,308	52,441	21,804
Investment expenses payable	1,583,694	2,634,849	3,793,008	4,138,715
Securities lending collateral	6,829,276	21,349,349	70,170,273	172,541,068
Accrued expenses	556,150	514,856	50,041	36,114
Miscellaneous payable	-	-	12,657	7,896
Due to other state agencies	10,240	6,301	2,242	729
Total liabilities	9,051,106	24,563,663	74,080,662	176,746,326
Net assets:				
Held in trust for pension benefits (see Schedule of Funding Progress on page 47)	1,309,716,730	1,846,113,411	-	-
Held in trust for external investment pool participants:				
Pension pool	-	-	1,534,923,919	2,002,929,586
Insurance pool	-	-	1,337,991,755	1,529,753,733
Held in trust for individual investment account	-	-	35,532,168	39,980,309
Total net assets	$ 1,309,716,730	$ 1,846,113,411	$ 2,908,447,842	$ 3,572,663,628
Each participant unit is valued at $1.00				
Participant units outstanding			2,908,447,842	3,572,663,628

See Notes to Financial Statements

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009 AND 2008

	Pension Trust		Investment Trust	
	2009	2008	2009	2008
Additions:				
Contributions:				
Employer contributions	$ 37,487,655	$ 33,683,550	$ -	$ -
Member contributions	34,712,846	33,237,677	-	-
Purchased service credit	2,176,734	3,636,528	-	-
Interest and penalties	3,745	15,634	-	-
Total contributions	74,380,980	70,573,389	-	-
Investment income:				
Net change in fair value of investments	(522,732,735)	(178,531,370)	(700,881,095)	(202,384,896)
Interest, dividends and other income	36,518,910	48,889,586	98,323,223	112,082,263
	(486,213,825)	(129,641,784)	(602,557,872)	(90,302,633)
Less investment expenses	6,677,763	11,359,487	12,014,168	17,388,018
Net investment income	(492,891,588)	(141,001,271)	(614,572,040)	(107,690,651)
Securities lending activity:				
Securities lending income	201,782	2,918,949	2,600,802	12,029,518
Less securities lending expenses	52,019	2,558,737	1,626,006	10,816,998
Net securities lending income	149,763	360,212	974,796	1,212,520
Total additions	(418,360,845)	(70,067,670)	(613,597,244)	(106,478,131)
Deductions:				
Benefits paid to participants	113,070,337	105,764,195	-	-
Partial lump-sum distributions	895,742	692,139	-	-
Refunds	2,362,251	5,500,476	-	-
Administrative charges	1,707,506	1,639,521	436,987	333,264
Total deductions	118,035,836	113,596,331	436,987	333,264
Net change in net assets resulting from operations	(536,396,681)	(183,664,001)	(614,034,231)	(106,811,395)
Unit transactions at net asset value of $1.00 per unit:				
Purchase of units	-	-	195,202,812	316,098,641
Redemption of units	-	-	(245,384,367)	(260,691,351)
Net change in assets and units resulting from unit transactions	-	-	(50,181,555)	55,407,290
Total change in net assets	(536,396,681)	(183,664,001)	(664,215,786)	(51,404,105)
Net assets:				
Beginning of year	1,846,113,411	2,029,777,412	3,572,663,628	3,624,067,733
End of Year	$ 1,309,716,730	$ 1,846,113,411	$ 2,908,447,842	$ 3,572,663,628

See Notes to Financial Statements

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Fund Financial Statement

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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, Bismarck City Employees and Police, City of Fargo Employees and City of Grand Forks Employees pension plans in the pension pool. The investments of Workforce Safety and Insurance, State Fire & Tornado, State Bonding, Petroleum Tank Release Compensation Fund, Insurance Regulatory Trust, Health Care Trust, Veterans Cemetery (transferred out in fiscal year 2008), 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 (transferred out in fiscal year 2008), 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.

Use of Estimates

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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, however RIO has specific authority as a special fund to transfer between the contingency line item and other line items. Unexpended appropriations lapse at the end of each biennium, except certain capital expenditures covered under the NDCC section 54-44.1-11.

RIO does not use encumbrance accounting. The legal level of budgetary control is at the agency, appropriation and expenditure line item level. RIO does not formally budget revenues and 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.

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

Investments

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

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Pooled Investments

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

Investment Valuation and Income Recognition

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

The net increase (decrease) 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.

NOTES TO COMBINED FINANCIAL STATEMENTS

The State Investment Board (SIB) lends its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The SIB has contracted with a third party securities lending agent (Agent) to lend the SIB's securities portfolios. The Agent lends securities of the type on loan at June 30, 2009 and 2008, for collateral in the form of cash or other securities at 102% of the loaned securities fair value plus accrued interest for domestic securities and 105% of the loaned securities fair value plus accrued interest for international securities. The collateral for the loans is maintained at 100% per the contractual requirements. As of June 30, 2009 and 2008, the fair value of the SIB's securities on loan totaled $75,771,576 and $192,667,996. As of June 30, 2009 and 2008, the total amount of cash and non-cash collateral related to these lent securities was $77,372,641 and $196,015,966. As of June 30, 2009 and 2008, the Fund has no credit risk exposure to borrowers because the amounts the SIB owes the borrowers exceed the amounts the borrowers owe the SIB.

The Average Duration of the collateral investments as of June 30, 2009, was 10 days. The Average Weighted Maturity of collateral investments as of June 30, 2009, was 95 days. The interest rate sensitivity (duration) of the securities on loan matched the duration of the collateral investments.

The Agent provides indemnification if the borrowers fail to return the underlying securities (and if the collateral is inadequate to replace the securities lent) or fails to pay income distributions on them. All open securities loans can be terminated on demand by either the SIB or the borrower. All term securities loans can be terminated with five days notice by either the SIB or the borrower. Cash collateral is invested in accordance with investment guidelines approved by the SIB. The SIB cannot pledge or sell collateral securities received unless the borrower defaults.

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.

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 $113,661 and $94,499 at June 30, 2009 and 2008, respectively. The current portions of accrued leave amounted to $70,788 and $71,335 at June 30, 2009 and 2008, respectively, and are included in accrued expenses of the Fiduciary Funds in the statements of net assets. Changes in accrued leave for the years ended June 30, 2009 and 2008 consisted of the following:

NOTES TO COMBINED FINANCIAL STATEMENTS

Balance, July 1, 2007	$	92,753
Additions		75,884
Deductions		(74,138)
Balance, June 30, 2008		94,499
Additions		83,447
Deductions		(64,285)
Balance, June 30, 2009	$	113,661

NOTE 2 – CASH AND CASH EQUIVALENTS

Custodial Credit Risk

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

Pension Trust Fund

Deposits held by the Pension Trust Fund at June 30, 2009 and 2008 were deposited in the Bank of North Dakota. At June 30, 2009 and 2008, the carrying amount of TFFR's deposits was $11,434,041 and $11,040,507, respectively, and the bank balance was $11,450,767 and $11,071,043, respectively. The difference results from checks outstanding or deposits not yet processed by the bank. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, these deposits at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

Investment Trust Funds

Certificates of deposit, a pension cash pool and an insurance trust cash pool are recorded as investments and have a cost and carrying value of $162,321,544 and $160,562,842 at June 30, 2009 and 2008, respectively. In addition these funds carry cash and cash equivalents totaling $74,746 and $80,255 at June 30, 2009 and 2008, respectively. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, these deposits held at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

NOTE 3 - INVESTMENTS

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

Interest Rate Risk

NOTES TO COMBINED FINANCIAL STATEMENTS

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, 2009 and 2008, the following tables show the investments by investment type and maturity (expressed in thousands).

2009	Total Market Value	Less Than 1 Year	1-6 Years	6-10 Years	More Than 10 Years
Asset backed securities	$ 18,295	$ -	$ 4,648	$ 2,594	$ 11,053
Bank loans	19,823	759	17,853	439	772
Commercial mortgage-backed	20,938	52	-	-	20,886
Guaranteed fixed income	4,118	-	4,118	-	-
Corporate bonds	590,447	10,792	201,852	214,809	162,994
Corporate convertible bonds	23,955	48	12,880	391	10,636
Government agencies	55,236	-	31,718	12,777	10,741
Government bonds	121,764	2,258	51,579	34,191	33,736
Government mortgage and commercial mortgage backed	67,622	446	649	6,840	59,687
Hedge multi-strategy	27,709	-	27,709	-	-
Index linked government bonds	70,957	2,589	20,571	15,956	31,841
Municipal/provincial bonds	8,336	-	2,673	3,303	2,360
Non-government backed CMOs	34,204	-	85	593	33,526
Short term bills and notes	770	770	-	-	-
Pooled investments	396,587	68,551	154,520	173,404	112
Total debt securities	$ 1,460,761	$ 86,265	$ 530,855	$ 465,297	$ 378,344

NOTES TO COMBINED FINANCIAL STATEMENTS

2008	Total Market Value	Less Than 1 Year	1-6 Years	6-10 Years	More Than 10 Years
Asset backed securities	$ 41,040	$ -	$ 918	$ 1,403	$ 38,719
Bank loans	22,887	1,450	16,905	4,532	-
Commercial mortgage-backed	21,281	-	135	-	21,146
Commercial paper	-	-	-	-	-
Corporate bonds	664,627	12,294	203,956	241,048	207,329
Corporate convertible bonds	31,661	607	13,035	-	18,019
Government agencies	61,575	5,005	25,845	15,868	14,857
Government bonds	148,374	6,024	77,771	34,407	30,172
Government mortgage backed	88,617	2	824	1,561	86,230
Hedge multi-strategy	83,441	83,441	-	-	-
Index linked government bonds	126,720	-	36,951	40,889	48,880
Municipal/provincial bonds	12,221	-	2,019	5,313	4,889
Non-government backed CMOs	64,969	505	164	600	63,700
Short term bills and notes	14,613	14,613	-	-	-
Pooled investments	503,527	77,591	63,063	362,664	209
Total debt securities	$ 1,885,553	$ 201,532	$ 441,586	$ 708,285	$ 534,150

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.

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 $295,000 and $1.1 million, and POs valued at $4.3 and $1.2 million at June 30, 2009 and 2008 respectively. The SIB has no policy regarding IO or PO strips.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Investment Board maintains a highly diversified portfolio of debt securities encompassing a wide range of credit ratings. 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 tables present the SIB's ratings as of June 30, 2009 and 2008 (expressed in thousands).

NOTES TO COMBINED FINANCIAL STATEMENTS

2009	Total Market Value	Credit Rating * AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset backed securities	$ 18,294	$ 6,697	$ 1,578	$ 1,012	$ 4,686	$ 608	$ 1,537	$ 113	$ -	$ 29	$ 16	$2,018
Bank loans	19,823	-	-	-	1,379	10,039	6,141	466	-	-	1,214	584
Commercial mortgage-backed	20,938	20,263	675	-	-	-	-	-	-	-	-	-
Corporate bonds	590,479	2,614	23,413	124,916	286,996	69,617	46,786	27,245	112	1,460	2,555	4,765
Corporate convertible bonds	23,954	-	458	4,004	5,351	8,044	3,715	2,382	-	-	-	-
Government agencies	40,750	34,277	-	4,495	1,863	100	-	-	-	15	-	-
Government bonds	85,191	58,792	-	15,547	7,733	3,021	-	98	-	-	-	-
Government mortgage backed	645	645	-	-	-	-	-	-	-	-	-	-
Guaranteed fixed income	4,118	4,118	-	-	-	-	-	-	-	-	-	-
Hedge multi-strategy	27,709	-	-	27,709	-	-	-	-	-	-	-	-
Index linked government bonds	67,426	67,426	-	-	-	-	-	-	-	-	-	-
Municipal/provincial bonds	8,337	-	4,213	1,514	1,329	-	1,281	-	-	-	-	-
Non-governmental backed CMOs	34,203	17,609	480	1,153	1,522	3,524	6,141	2,687	317	750	20	-
Pooled investments	394,156	153,245	105,302	67,041	-	60,565	8,003	-	-	-	-	-
Total credit risk of debt securities	1,336,023	$365,686	$136,119	$247,391	$310,859	$ 155,518	$ 73,604	$ 32,991	$429	$2,254	$3,805	$7,367
US Government and agencies	124,738											
Total debt securities	$ 1,460,761											

2008	Total Market Value	Credit Rating * AAA	AA	A	BBB	BB	B	CCC	D
Asset backed securities	$ 41,040	$ 11,356	$ 2,038	$ 558	$ 3,670	$ 21,303	$ 2,011	$ 62	$ 42
Bank loans	22,887	-	-	-	2,059	14,988	5,166	434	240
Commercial mortgage-backed	21,281	20,498	560	223	-	-	-	-	-
Corporate bonds	664,627	9,210	38,680	129,861	290,020	98,089	74,130	24,637	-
Corporate convertible bonds	31,661	-	-	4,935	6,897	12,357	3,696	3,776	-
Government agencies	43,199	39,191	-	1,302	2,500	206	-	-	-
Government bonds	142,842	106,333	-	25,204	8,209	3,096	-	-	-
Government mortgage backed	485	485	-	-	-	-	-	-	-
Hedge multi-strategy	83,441	-	83,441	-	-	-	-	-	-
Index linked government bonds	123,153	123,153	-	-	-	-	-	-	-
Municipal/provincial bonds	12,221	4,747	2,259	-	3,521	1,694	-	-	-
Non-governmental backed CMOs	64,969	44,144	12,121	7,354	570	641	139	-	-
Pooled investments	503,527	243,253	111,367	77,711	58,860	12,166	170	-	-
Total credit risk of debt securities	1,755,333	$602,370	$250,466	$247,148	$376,306	$ 164,540	$ 85,312	$ 28,909	$282
US Government and agencies	130,220								
Total debt securities	$ 1,885,553								

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

NOTES TO COMBINED FINANCIAL STATEMENTS

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 tables as of June 30, 2009 and 2008 (expressed in thousands).

2009

Currency	Short-Term	Debt	Equity	Total
Australian dollar	$ (1,706)	$ 9,166	$ 7,516	$ 14,976
Brazilian real	(960)	5,045	5,566	9,651
British pound sterling	(3,444)	5,674	33,924	36,154
Canadian dollar	(2,078)	4,261	4,380	6,563
Israeli shekel	-	-	64	64
Danish krone	(816)	868	1,182	1,234
Euro	(18,576)	827	59,805	42,056
Hong Kong dollar	(2,441)	-	5,774	3,333
Hungarian forint	(110)	148	-	38
Iceland krona	-	295	-	295
Indonesian Rupiah	-	2,215	-	2,215
Japanese yen	(18,787)	70	39,744	21,027
Malaysian Ringgit	-	4,739	-	4,739
Mexican peso	-	3,983	102	4,085
New Zealand dollar	828	3,599	-	4,427
Norwegian krone	502	76	1,629	2,207
Polish zloty	(95)	3,811	-	3,716
Singapore dollar	(480)	-	1,255	775
South African rand		2,525	96	2,621
South Korean won	2,748	-	146	2,894
Swedish krona	(967)	2,106	2,431	3,570
Swiss franc	(8,684)	48	15,237	6,601
Thai baht	-	-	-	-
Turkish lira	885	-	-	885
International commingled funds (various currencies)	-	96,600	277,288	373,888
Total international investment securities	$ (54,181)	$ 146,056	$ 456,139	$ 548,014

NOTES TO COMBINED FINANCIAL STATEMENTS

2008

Currency	Short-Term	Debt	Equity	Total
Australian dollar	$ (6,327)	$ 10,547	$ 15,621	$ 19,841
Brazilian real	3	7,162	4,420	11,585
British pound sterling	(35,289)	6,070	60,486	31,267
Canadian dollar	(19,451)	4,209	22,028	6,786
Colombian peso	-	-	-	-
Danish krone	(1,221)	-	3,431	2,210
Euro	(58,596)	3,382	122,535	67,321
Hong Kong dollar	(1,326)	-	5,594	4,268
Hungarian forint	(180)	222	-	42
Iceland krona	-	3,411	-	3,411
Indonesian Rupiah	21	4,094	30	4,145
Japanese yen	(50,151)	-	96,105	45,954
Malaysian Ringgit	-	7,221	-	7,221
Mexican peso	(162)	8,569	61	8,468
New Zealand dollar	(134)	4,038	-	3,904
Norwegian krone	(1,319)	1,255	6,027	5,963
Polish zloty	(395)	5,897	83	5,585
Singapore dollar	(1,077)	9,960	3,477	12,360
South African rand	(35)	3,598	175	3,738
South Korean won	-	936	308	1,244
Swedish krona	(3,266)	4,768	6,868	8,370
Swiss franc	(20,006)	-	35,445	15,439
Thai baht	-	-	-	-
Turkish lira	1,565	-	-	1,565
International commingled funds (various currencies)	-	94,880	360,310	455,190
Total international investment securities	$ (197,346)	$ 180,219	$ 743,004	$ 725,877

Alternative Investments

In relation to investment asset allocation within the pension pool, the State Investment Board (SIB) considers alternative investments to be any investments that do not fit into any of the other specific asset classes available for investment. Examples of investments the SIB has included in the alternative investments asset class are private equity, venture capital and distressed debt. All of the investments in this asset class are in the form of limited partnerships with specific time horizons and capital commitments.

Private Equity — Private Equity investments are typically private interests in corporations across different areas of the capital structure and in different stages of the corporations' development via limited partnership vehicles. Private Equity investments are illiquid and long term in nature (10-12 years), typically held until maturity. Private Equity portfolios generally have a "J-Curve Effect" whereby there are low to negative returns in the initial years due to the payment of investment management fees and initial funding of investments made by the General Partner during a period when investments are typically carried at cost and returns have not been realized. To diversify the program, Private Equity investments are made across business cycles, vintage years, and different strategies.

NOTES TO COMBINED FINANCIAL STATEMENTS

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

Distressed Debt — these include investments in the debt instruments of companies which may be publicly traded or privately held that are financially distressed and are either in bankruptcy or likely candidates for bankruptcy. Typical holdings are senior and subordinated debt instruments, mortgages and bank loans.

The AICPA expands the definition of Alternative Investments for the purpose of performing audits. The expanded definition includes investments for which a readily determinable fair value does not exist (that is, investments not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not available from sources such as financial publications, the exchanges, or Nasdaq). These types of investments can be held within any of the asset classes used by the SIB based on underlying portfolio holdings and analysis of risk and return relationships. These investments can be structured in different ways, including limited partnerships, limited liability companies, common trusts and mutual funds. Some are closed-ended with a specific life and capital commitment while others are open-ended with opportunity for ad hoc contributions or withdrawals and termination upon proper notice.

Commingled/Mutual Funds — These types of funds are generally open-ended funds and may be utilized in equities or fixed income asset classes. They are funds made up of underlying securities that have readily available market values (publicly traded stocks or bonds). The SIB owns units of these funds rather than the individual securities. Contributions or withdrawals from these funds can be done as needed.

Private Equity — See definition above. The SIB has determined that private equity investments add diversification opportunities within asset classes that traditionally hold public equity investments. Therefore, there are private equity investments within equity asset classes as well as the alternative investments asset class.

Distressed Debt — See definition above. The SIB has determined that certain distressed debt investments add diversification and return opportunities within traditional fixed income asset classes. Therefore, there are distressed debt investments within fixed income asset classes as well as the alternative investments asset class.

Mezzanine Debt — This strategy is a hybrid of debt and equity financing. It is basically debt capital that gives the lender the rights to convert to an ownership or equity interest in the company if the loan is not paid back in time and in full. It is generally subordinated to senior debt. The SIB utilizes this strategy, through a limited partnership structure, in its high yield bond allocation.

Equity Long/Short — This strategy is a combination of long and short positions, primarily in publicly traded equities. The SIB utilizes this strategy in its US equity allocations.

Portable Alpha Strategies — This strategy separates alpha from beta in a portfolio by investing in securities that differ from the market index from which their beta is derived. Alpha is the return achieved over and above the return that results from the correlation between the portfolio and the market (beta). This strategy involves investing in areas that have little to no correlation with the beta of the portfolio. The SIB utilizes this strategy in its US equity and fixed income allocations.

NOTES TO COMBINED FINANCIAL STATEMENTS

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

> ***Real Estate —*** includes investments in private vehicles through limited partnerships or commingled vehicles that have an ownership interest in direct real estate properties. The investment strategies may include "value added" strategies, which derive their return from both income and appreciation, "opportunistic", which derive their return primarily through appreciation, and "alternative" which invest in less traditional types of property. Both domestic and international real estate funds are utilized. The SIB has a dedicated asset class for these types of investments.
>
> ***Timberland —*** includes investments in limited liability companies that have an ownership interest in properties where the value of the property is derived mainly from income-producing timber but also from the "higher and better use" value of the underlying land. The SIB has analyzed this type of investment and determined that its risk and return profile is very similar to bonds. Therefore, they have chosen to include timberland in fixed income asset allocations to provide additional diversification and return options.
>
> ***Infrastructure —*** includes investments in limited partnerships that have an ownership interest in transportation assets such as toll roads, tunnels and bridges; and regulated assets such as electricity transmission, gas and oil distribution and wastewater collection. Other possible investments would include communication assets and social infrastructure. Similar to timberland, the SIB has included these types of investments in fixed income asset allocations.

NOTE 4 – SECURITIES LENDING

The following represents the balances relating to the securities lending transactions at June 30, 2009 and 2008 (expressed in thousands).

NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2009

Securities Lent	Underlying Securities	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for cash collateral			
US agency securities	$ -	$ -	$ -
US government securities	62,920	-	64,024
US corporate fixed income securities	92	-	93
Global government fixed income securities	-	-	-
US equities	11,283	-	12,308
Global equities	558	-	574
Lent for non-cash collateral			
US agency securities	-	-	-
US government securities	919	373	-
US corporate fixed income securities	-	-	-
US equities	-	-	-
Global equities	-	-	-
Total	$ 75,772	$ 373	$ 76,999

June 30, 2008

Securities Lent	Underlying Securities	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for cash collateral			
US agency securities	$ -	$ -	$ -
US government securities	171,586	-	171,724
US corporate fixed income securities	3,503	-	3,593
Global government fixed income securities	-	-	-
US equities	5,900	-	6,336
Global equities	11,679	-	12,237
Lent for non-cash collateral			
US agency securities	-	-	-
US government securities	-	2,126	-
US corporate fixed income securities	-	-	-
US equities	-	-	-
Global equities	-	-	-
Total	$ 192,668	$ 2,126	$ 193,890

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS

	July 1, 2007	Additions	Retirements	June 30, 2008	Additions	Retirements	June 30, 2009
Office equipment	$ 27,996	$ 11,441	$ (5,526)	$ 33,911	$ -	$ -	$ 33,911
Software	1,213,500	-	-	1,213,500	-	-	1,213,500
Less accumulated depreciation	(452,115)	(244,833)	5,526	(691,422)	(244,988)	-	(936,410)
	$ 789,381			$ 555,989			$ 311,001

NOTE 6 – STATE AGENCY TRANSACTIONS

Due From/To Other State Agencies

Amounts due from/to other state agencies are as follows as of June 30, 2009 and 2008:

	2009	2008
Due From		
Bank of North Dakota	**$ 15**	$ 47
Due To		
Information Technology Department	**$ 6,532**	$ 6,254
Attorney General's Office	**2,624**	663
Secretary of State	**-**	10
Office of Management and Budget	**3,326**	103
Total due to other state agencies	**$ 12,482**	$ 7,030

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 7 – OPERATING LEASES

RIO leases office space under an operating lease, which expired on June 30, 2009. RIO also incurs rent expense at other locations on a temporary basis to sponsor retirement education for TFFR members. Rent expense totaled $75,466 and $73,871 for fiscal 2009 and 2008. RIO entered into a new lease for office space effective July 1, 2009. Minimum payments under this lease for fiscal 2010 are $74,928.

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 8 – CHANGES IN NONCURRENT LIABILITIES

Changes in noncurrent liabilities for the years ended June 30, 2009 and 2008, are summarized as follows:

	Beginning Balance 7/1/2008	Additions	Reductions	Ending Balance 6/30/2009	Amounts Due Within One Year
Capital leases payable	$ -	$ -	$ -	$ -	$ -
Accrued annual leave	94,499	83,447	(64,285)	113,661	70,788
	$ 94,499	$ 83,447	$ (64,285)	$ 113,661	$ 70,788

	Beginning Balance 7/1/2007	Additions	Reductions	Ending Balance 6/30/2008	Amounts Due Within One Year
Capital leases payable	$ 1,210	$ -	$ (1,210)	$ -	$ -
Accrued annual leave	92,753	75,884	(74,138)	94,499	71,335
	$ 93,963	$ 75,884	$ (75,348)	$ 94,499	$ 71,335

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

NOTE 9 – 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.

NOTES TO COMBINED FINANCIAL STATEMENTS

Membership

As of June 30, 2009 and 2008, the number of participating employer units was 231 and 235 consisting of the following:

	2009	2008
Public School Districts	**184**	188
County Superintendents	**11**	12
Special Education Units	**19**	19
Vocational Education Units	**5**	3
Other	**12**	13
Total	**231**	235

TFFR's membership consisted of the following:

	2009	2008
Retirees and beneficiaries currently receiving benefits	**6,466**	6,317
Terminated employees - vested	**1,490**	1,459
Terminated employees - nonvested	**292**	229
Total	**8,248**	8,005
Current employees		
Vested	**8,301**	8,262
Nonvested	**1,406**	1,299
Total	**9,707**	9,561

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 8% actuarially assumed rate of return 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 years ended June 30, 2009 and 2008, TFFR had net realized gains/(losses) of $(118,229,471) and $37,457,768 respectively.

NOTES TO COMBINED FINANCIAL STATEMENTS

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 8.25% of the teacher's salary (7.75% prior to July 1, 2008), until the fund reaches 90% funded ratio on an actuarial basis.

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

Pension Benefits

Effective July 1, 2008, for purposes of determining pension benefits, members are classified as those with service credit on file as of July 1, 2008, (Tier 1), and those newly employed and returning refunded members on or after July 1, 2008, (Tier 2).

Tier 1

A Tier 1 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 the member has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

Tier 2 (Effective July 1, 2008)

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

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

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.

Funded Status and Funding Progress

The funded status of the Defined Benefit Plan as of the most recent actuarial valuation date is as follows (in millions):

Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Annual Covered Payroll
2009	$ 1,900.3	$ 2,445.9	$ 545.6	77.7%	$ 440.0	124.0%

NOTES TO COMBINED FINANCIAL STATEMENTS

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear funding trend information as obtained from TFFR's independent actuary's annual valuation report.

Expressing the actuarial value of assets as a percentage of the actuarial accrued liabilities provides an indication whether the plan is becoming financially stronger or weaker. Generally, the greater the percentage the stronger the retirement plan. Trends in unfunded actuarial accrued liabilities and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liabilities as a percentage of annual covered payroll aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage the stronger the retirement plan.

The accompanying schedule of employer contributions, presented as required supplementary information following the notes to the financial statements, presents trend information about the amounts contributed to the plan by employers in comparison to the Annual Required Contribution (ARC). The ARC is actuarially determined in accordance with the parameters of GASB Statement 50. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Additional information as of the latest actuarial valuation follows:

Valuation Date:	July 1, 2009
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

(*) Includes inflation at 3.00%

(**) 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, or (b) the 8.25% statutory employer contribution rate. Payroll is assumed to increase at 2.00% per annum.

NOTES TO COMBINED FINANCIAL STATEMENTS

TFFR Plan Changes Affecting Audit Period

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

   - 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).

   - Members will be eligible for a reduced (early) retirement benefit when they reach age 55 with five years of service, rather than three years of service.

   - Members will be fully vested after five years of service (rather than three years of service).

   - 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 assets. (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 FY2008. 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.

NOTE 10 – 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, 2009, 2008, and 2007, were $81,030, $73,133, and $68,366, equal to the required contributions for each year plus a 1% contribution for retiree health benefits.

NOTES TO COMBINED FINANCIAL STATEMENTS

NOTE 11 – 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 12 - COMMITMENTS

The State Investment Board has at June 30, 2009 committed to fund certain alternative investment partnerships for an amount of $1.17 billion. Funding of $909.1 million has been provided leaving an unfunded commitment of approximately $256.4 million.

NOTE 13 – NEW PRONOUNCEMENTS

GASB Statement No. 50, "*Pension Disclosures-an amendment of GASB Statements No. 25 and No. 27*", was issued in May 2008, and implemented for the fiscal year beginning July 1, 2008. 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.

NOTE 14 – SUBSEQUENT EVENT

In February, 2009, the State Investment Board (SIB) was notified of legal action being taken against one of its investment advisors. The principals of WG Trading Company, the broker/dealer for the Westridge Capital Management portfolios, were charged with securities fraud for allegedly diverting investor funds for their personal use. The SIB was an investor along with numerous other public and private pension funds whose investments totaled more than $1.5 billion. Subsequent to the filing of a criminal complaint by federal prosecutors, a receiver was appointed by the court to reconstruct the alleged fraud and determine what recoverable assets exist. The receiver issued a report in May, 2009, indicating that approximately $893 million of recoverable assets were identified which equates to 60% of the investors' account values. The SIB held three portfolios with Westridge/WG Trading at the time the fraud was discovered. The three portfolios had been valued at a combined $161.3 million in the month prior to the court actions. $23.3 million was recovered immediately through liquidation of futures and related collateral positions at Westridge. The remaining assets were held by WG Trading and were frozen by the courts and remain frozen as of the balance sheet date. The market value reported on the balance sheet reflects a reduction of 40% of the last known market value, based on the receiver's initial report, and will remain at that value until further information is received from the SIB's legal representatives or the federal courts.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009 AND 2008

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 Ratio	Annual Covered Payroll	UAAL as a Percentage of Annual Covered Payroll
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%
2008	1,909.5	2,330.6	421.1	81.9%	417.7	100.8%
2009	1,900.3	2,445.9	545.6	77.7%	440.0	124.0%

Schedule of Employer Contributions
North Dakota Teachers' Fund for Retirement

Fiscal Year	Required Contribution	Percentage Contributed
2004	$ 34,186,080	86.7%
2005	44,471,740	68.3%
2006	48,747,189	63.9%
2007	50,532,462	63.1%
2008	44,114,585	76.4%
2009	41,986,174	89.3%

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
COMBINING STATEMENT OF NET ASSETS – INVESTMENT TRUST FUNDS
FIDUCIARY FUNDS
JUNE 30, 2009
(With Comparative Totals for 2008)

	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	City of Fargo Employee Pension Plan	City of Grand Forks Employee Pension Plan	Workforce Safety & Insurance	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund
Assets:										
Investments										
Equities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Equity pool	601,578,601	14,735,514	7,425,086	23,375,481	10,952,199	16,690,779	241,789,201	7,741,650	57,610	175,207
Fixed income	-	-	-	-	-	-	-	-	-	-
Fixed income pool	594,445,215	21,074,008	8,468,707	48,647,686	8,768,007	10,246,899	789,524,054	12,298,924	1,168,352	3,130,683
Real estate pool	77,570,554	3,454,440	1,451,591	-	1,067,103	1,364,998	41,135,395	-	-	-
Alternative Investments	70,150,365	216,200	522,707	-	1,050,762	1,518,285	-	-	-	-
Cash and cash pool	8,294,951	287,045	84,840	3,796	85,662	220,644	3,261,995	2,206,328	898,667	2,939,389
Total investments	1,352,039,686	39,767,207	17,952,931	72,026,963	21,923,733	30,041,605	1,075,710,645	22,246,902	2,124,629	6,245,279
Invested sec lending collateral	7,350,044	190,590	93,769	373,560	122,951	225,502	60,747,094	420,060	37,518	100,081
Investment income receivable	2,657,145	43,637	27,139	190,846	(25,582)	397	8,517,802	122,528	26,310	56,164
Operating Cash	43,290	-	-	-	-	-	31,017	-	15	-
Miscellaneous receivable	4,202	-	-	-	-	-	3,729	73	7	22
Due from other funds	-	-	-	-	-	-	1,855	-	-	-
Due from other state agency	2	-	-	-	-	-	1	-	-	-
Total assets	1,362,094,369	40,001,434	18,073,839	72,591,369	22,021,102	30,267,504	1,145,012,143	22,789,563	2,188,479	6,401,546
Liabilities:										
Investment expenses payable	1,518,323	44,819	20,479	66,114	24,775	33,913	1,882,103	52,883	845	2,332
Securities lending collateral	7,350,044	190,590	93,769	373,560	122,951	225,502	60,747,094	420,060	37,518	100,081
Accounts payable	25,492	-	-	-	-	-	22,467	438	44	130
Accrued expenses	25,250	-	-	-	-	-	21,031	421	43	136
Miscellaneous payable	-	2,047	925	3,804	1,127	1,128	-	-	-	-
Due to other state funds	-	-	-	-	-	-	-	188	-	27
Due to other state agencies	1,086	-	-	-	-	-	963	19	2	6
Total liabilities	8,920,195	237,456	115,173	443,478	148,853	260,543	62,673,658	474,009	38,452	102,712
Net assets held in trust for external investment pool participants	$ 1,353,174,174	$ 39,763,978	$ 17,958,666	$ 72,147,891	$ 21,872,249	$ 30,006,961	$ 1,082,338,485	$ 22,315,554	$ 2,150,027	$ 6,298,834
Each participant unit is valued at $1.00										
Participant units outstanding	1,353,174,174	39,763,978	17,958,666	72,147,891	21,872,249	30,006,961	1,082,338,485	22,315,554	2,150,027	6,298,834

See Notes to Financial Statements

Insurance Pool Participants											Individual Investment Acct.	Totals	
Insurance Regulatory Trust Fund	Health Care Trust Fund	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	2009	2008
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 18,879,086	$ 18,879,086	$ 25,968,232
991,752	-	113,118	968,755	684,169	509,729	308,719	-	-	216,450	8,760,632	-	937,074,652	1,291,115,204
-	-		-	-	-	-	-	-	-	-	16,519,433	16,519,433	13,658,848
1,140,946	-	77,769	2,084,178	1,124,393	376,576	348,500	-	181,685,778	477,416	8,707,997	-	1,693,796,088	1,837,537,823
-	-	7,937	-	-	-	-	-	-	-	-	-	126,052,018	214,544,096
-	-	-	-	-	-	-	-	-	-	-	-	73,458,319	101,957,749
1,100,573	2,309,049	6,123	160,004	55,646	45,702	33,768	3,996,667	6,992,072	35,780	173,257	-	33,191,958	77,722,742
3,233,271	2,309,049	204,947	3,212,937	1,864,208	932,007	690,987	3,996,667	188,677,850	729,646	17,641,886	35,398,519	2,898,971,554	3,562,504,694
40,102	-	2,909	71,374	38,589	13,892	12,218	-	-	15,851	314,169	-	70,170,273	172,541,068
7,970	-	58	47,960	6,076	1,052	640	-	1,457,487	1,259	7,490	156,873	13,303,251	14,278,826
137	-	-	287	-	-	-	-	-	-	-	-	74,746	80,255
3	8	1	11	6	-	-	-	615	-	-	-	8,677	5,102
-	-	-	-	-	-	-	-	-	-	-	-	1,855	-
-	-	-	-	-	-	-	-	-	-	-	-	3	9
3,281,483	2,309,057	207,915	3,332,569	1,908,879	946,951	703,845	3,996,667	190,135,952	746,756	17,963,545	35,555,392	2,982,530,359	3,749,409,954
6,293	-	773	8,370	5,701	3,318	2,125	-	26,578	1,499	70,295	21,470	3,793,008	4,138,715
40,102	-	2,909	71,374	38,589	13,892	12,218	-	-	15,851	314,169	-	70,170,273	172,541,068
16	47	4	63	37	-	-	-	3,703	-	-	-	52,441	21,804
17	147	4	62	44	-	-	-	2,886	-	-	-	50,041	36,114
-	-	-	-	-	250	245	250	-	250	877	1,754	12,657	7,896
-	150	2	-	74	-	-	-	1,414	-	-	-	1,855	-
1	2	-	3	1	-	-	-	159	-	-	-	2,242	729
46,429	346	3,692	79,872	44,446	17,460	14,588	250	34,740	17,600	385,341	23,224	74,082,517	176,746,326
$ 3,235,054	$ 2,308,711	$ 204,223	$ 3,252,697	$ 1,864,433	$ 929,491	$ 689,257	$ 3,996,417	$ 190,101,212	$ 729,156	$ 17,578,204	$ 35,532,168	$ 2,908,447,842	$ 3,572,663,628
3,235,054	2,308,711	204,223	3,252,697	1,864,433	929,491	689,257	3,996,417	190,101,212	729,156	17,578,204	35,532,168	2,908,447,842	3,572,663,628

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
COMBINING STATEMENT OF CHANGES IN NET ASSETS – INVESTMENT TRUST FUNDS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(With comparative totals for June 30, 2008)

	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	City of Fargo Employee Pension Plan	City of Grand Forks Employee Pension Plan	Workforce Safety & Insurance	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund
Additions:										
Investment income:										
Net change in fair value of investments	$ (463,523,677)	$ (10,902,385)	$ (5,454,384)	$ (15,799,734)	$ (7,476,802)	$ 1,238,569	$ (165,281,764)	$ (3,758,616)	$ (477,513)	$ (1,549,239)
Interest, dividends and other income	35,721,096	1,205,465	513,627	1,998,050	557,875	122,529	47,266,977	977,252	90,769	268,874
	(427,802,581)	(9,696,920)	(4,940,757)	(13,801,684)	(6,918,927)	1,361,098	(118,014,787)	(2,781,364)	(386,744)	(1,280,365)
Less investment expenses	6,408,172	196,099	89,034	301,287	106,556	51,129	4,444,176	94,334	4,519	13,256
Net investment income	(434,210,753)	(9,893,019)	(5,029,791)	(14,102,971)	(7,025,483)	1,309,969	(122,458,963)	(2,875,698)	(391,263)	(1,293,621)
Securities lending activity:										
Securities lending income	311,742	9,722	3,996	30,249	4,954	194	2,202,925	15,390	1,487	4,380
Less Securities lending expenses	153,823	5,457	2,030	19,899	2,272	(1,308)	1,429,024	6,348	731	2,147
Net securities lending income	157,919	4,265	1,966	10,350	2,682	1,502	773,901	9,042	756	2,233
Total Additions	(434,052,834)	(9,888,754)	(5,027,825)	(14,092,621)	(7,022,801)	1,311,471	(121,685,062)	(2,866,656)	(390,507)	(1,291,388)
Deductions:										
Administrative Expenses	228,543	-	-	-	-	-	171,925	3,351	994	1,129
Net change in net assets resulting from operations	(434,281,377)	(9,888,754)	(5,027,825)	(14,092,621)	(7,022,801)	1,311,471	(121,856,987)	(2,870,007)	(391,501)	(1,292,517)
Unit transactions at net asset value of $1 per unit:										
Purchase of units	-	-	-	-	-	29,195,086	3,500,000	2,000,000	-	-
Redemption of units	(23,300,506)	-	-	(3,673,744)	(725,000)	(499,596)	(57,000,000)	(2,475,000)	-	(950,000)
Net change in net assets and units resulting from unit transactions	(23,300,506)	-	-	(3,673,744)	(725,000)	28,695,490	(53,500,000)	(475,000)	-	(950,000)
Total change in net assets	(457,581,883)	(9,888,754)	(5,027,825)	(17,766,365)	(7,747,801)	30,006,961	(175,356,987)	(3,345,007)	(391,501)	(2,242,517)
Net assets:										
Beginning of year	1,810,756,057	49,652,732	22,986,491	89,914,256	29,620,050	-	1,257,695,472	25,660,561	2,541,528	8,541,351
End of year	$ 1,353,174,174	$ 39,763,978	$ 17,958,666	$ 72,147,891	$ 21,872,249	$ 30,006,961	$ 1,082,338,485	$ 22,315,554	$ 2,150,027	$ 6,298,834

See Notes to Financial Statements

Insurance Pool Participants											Individual Investment Acct.	Totals	
Insurance Regulatory Trust Fund	Health Care Trust Fund	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	2009	2008
$ (203,636)	$ -	$ (63,711)	$ (477,819)	$ (426,876)	$ (223,010)	$ (137,140)	$ -	$ (15,274,089)	$ (99,854)	$ (3,002,920)	$ (7,986,495)	$ (700,881,095)	$ (202,384,896)
64,262	24,591	8,338	146,455	93,030	35,516	28,364	106,547	6,647,958	33,397	603,865	1,808,386	98,323,223	112,082,263
(139,374)	24,591	(55,373)	(331,364)	(333,846)	(187,494)	(108,776)	106,547	(8,626,131)	(66,457)	(2,399,055)	(6,178,109)	(602,557,872)	(90,302,633)
8,257	-	1,324	13,689	8,941	6,228	4,446	1,000	83,206	3,829	99,654	75,032	12,014,168	17,388,018
(147,631)	24,591	(56,697)	(345,053)	(342,787)	(193,722)	(113,222)	105,547	(8,709,337)	(70,286)	(2,498,709)	(6,253,141)	(614,572,040)	(107,690,651)
896	-	111	2,485	1,636	505	436	-	-	549	9,145	-	2,600,802	12,029,518
368	-	23	1,137	764	118	152	-	-	249	2,772	-	1,626,006	10,816,998
528	-	88	1,348	872	387	284	-	-	300	6,373	-	974,796	1,212,520
(147,103)	24,591	(56,609)	(343,705)	(341,915)	(193,335)	(112,938)	105,547	(8,709,337)	(69,986)	(2,492,336)	(6,253,141)	(613,597,244)	(106,478,131)
990	994	359	991	990	-	-	-	26,721	-	-	-	436,987	333,264
(148,093)	23,597	(56,968)	(344,696)	(342,905)	(193,335)	(112,938)	105,547	(8,736,058)	(69,986)	(2,492,336)	(6,253,141)	(614,034,231)	(106,811,395)
2,300,000	-	2,726	-	-	-	-	152,400,000	-	-	4,000,000	1,805,000	195,202,812	316,098,641
(3,000,000)	-	(10,521)	-	(850,000)	-	-	(152,900,000)	-	-	-	-	(245,384,367)	(260,691,351)
(700,000)	-	(7,795)	-	(850,000)	-	-	(500,000)	-	-	4,000,000	1,805,000	(50,181,555)	55,407,290
(848,093)	23,597	(64,763)	(344,696)	(1,192,905)	(193,335)	(112,938)	(394,453)	(8,736,058)	(69,986)	1,507,664	(4,448,141)	(664,215,786)	(51,404,105)
4,083,147	2,285,114	268,986	3,597,393	3,057,338	1,122,826	802,195	4,390,870	198,837,270	799,142	16,070,540	39,980,309	3,572,663,628	3,624,067,733
$ 3,235,054	$ 2,308,711	$ 204,223	$ 3,252,697	$ 1,864,433	$ 929,491	$ 689,257	$ 3,996,417	$ 190,101,212	$ 729,156	$ 17,578,204	$ 35,532,168	$ 2,908,447,842	$ 3,572,663,628

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
PENSION AND INVESTMENT TRUST FUNDS – SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	Pension Trust		Investment Trust	
	2009	2008	2009	2008
Salaries and wages:				
Salaries and wages	$541,834	$519,997	$354,284	$ 289,018
Fringe benefits	189,415	168,629	99,241	73,570
Total salaries and wages	731,249	688,626	453,525	362,588
Operating expenses:				
Information services	78,631	66,269	9,199	8,371
Intergovernmental services	5,485	6,226	2,029	2,075
Professional services	165,132	202,373	60,485	33,821
Rent of building space	54,973	52,026	20,493	21,845
Lease/rent of office equipment	-	(413)	-	797
Mailing services and postage	41,889	40,914	18,776	17,782
Travel and lodging	23,764	31,975	11,301	13,906
Printing	20,064	14,164	6,933	6,506
Office supplies	17,315	4,385	4,851	805
Professional development	16,026	12,635	3,579	10,117
Outside services	11,010	7,594	2,563	2,719
Small office equipment expense	13,095	3,317	5,546	570
Miscellaneous fees	1,977	6,175	2,067	3,187
Resource and reference materials	583	591	777	707
IT contractual services	110,439	102,791	4,194	585
Repairs - office equipment	114	442	42	133
Insurance	1,021	1,011	378	337
Total operating expenses	561,518	552,475	153,213	124,263
Pension trust portion of investment program expenses	169,751	153,587	(169,751)	(153,587)
Depreciation	244,988	244,833	-	-
Total administrative expenses	1,707,506	1,639,521	436,987	333,264
Capital assets	-	11,441	-	-
Capital lease payments - principal	-	1,210	-	-
Less - nonappropriated items:				
Professional fees	165,132	202,373	60,485	33,821
Other operating fees paid under continuing appropriation	11,543	12,798	22,453	24,156
Depreciation	244,988	244,833	-	-
Accrual adjustments to employee benefits	11,629	3,605	7,533	(1,859)
Total nonappropriated items	433,292	463,609	90,471	56,118
Total appropriated expenditures	$ 1,274,214	$ 1,188,563	$ 346,516	$ 277,146

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
SCHEDULE OF APPROPRIATIONS – BUDGET BASIS
FIDUCIARY FUNDS
JULY 1, 2007 TO JUNE 30, 2009 BIENNIUM

All Fund Types:	Approved 2007-2009 Appropriation	2007-2009 Appropriation Adjustment	Adjusted 2007-2009 Appropriation	Fiscal 2008 Expenses	Fiscal 2009 Expenses	Unexpended Appropriations
Salaries and wages	$ 2,334,909	$ 18,228	$ 2,353,137	$ 1,049,470	$ 1,165,610	$ 138,057
Operating expenses	935,999	-	935,999	404,798	455,120	76,081
Contingency	82,000	-	82,000	11,441	-	70,559
Total	$ 3,352,908	$ 18,228	$ 3,371,136	$ 1,465,709	$ 1,620,730	$ 284,697

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

Reconciliation of Administrative Expenses to Appropriated Expenditures

	2008	2009
Administrative expenses as reflected in the financial statements	$1,972,785	$2,144,493
Plus:		
Capital assets	11,441	-
Capital lease payments - principal	1,210	-
Plus:		
Capitalized equipment purchases - appropriated	-	-
Less:		
Professional fees	(236,194)	(225,617)
Other operating fees paid under continuing appropriations*	(36,954)	(33,996)
Depreciation expense	(244,833)	(244,988)
Changes in annual leave and FICA payments	(1,746)	(19,162)
Total appropriated expenses	$1,465,709	$1,620,730

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

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
PENSION TRUST FUND – SCHEDULE OF CONSULTANT EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Actuary fees:		
Gabriel, Roeder, Smith & Co.	**$ 81,544**	$ 132,107
Consulting fees:		
Eide Bailly LLP	**42,970**	-
Brady Martz & Associates, P.C.	**-**	34,519
Miriam Carver-Carver Governance	**-**	2,344
Total consulting fees:	**42,970**	36,863
Disability consulting fees:		
Dr. G.M. Lunn	**300**	625
Legal fees:		
Calhoun Law Group P.C.	**-**	634
K&L Gates LLP	**12,585**	-
ND Attorney General	**27,733**	32,144
Total legal fees:	**40,318**	32,778
Total consultant expenses	**$ 165,132**	$ 202,373

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
PENSION TRUST FUND – SCHEDULE OF INVESTMENT EXPENSES (UNAUDITED)
FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
Investment managers' fees:		
Domestic large cap equity managers	**$ 1,627,491**	$ 2,481,980
Domestic small cap equity managers	**559,606**	1,126,009
International equity managers	**1,066,552**	1,879,098
Emerging markets equity managers	**704,157**	1,134,320
Domestic fixed income managers	**998,065**	1,941,477
High yield fixed income managers	**1,562,417**	1,355,064
International fixed income managers	**312,690**	331,436
Real estate managers	**1,918,487**	1,983,139
Private equity managers	**1,591,291**	1,959,890
Cash & equivalents managers	**7,152**	19,900
Total investment managers' fees	**10,347,908**	14,212,313
Custodian fees	**302,671**	414,885
Investment consultant fees	**87,638**	95,218
Total investment expenses	**$ 10,738,217**	$ 14,722,416
Securities lending fees	**$ 52,019**	$ 2,558,737

Reconciliation of Investment Expenses to Financial Statements

	2009	2008
Investment expenses as reflected in the financial statements	**$ 6,677,763**	$ 11,359,487
Plus investment management fees included in investment income		
Domestic large cap equity	**261,949**	224,966
Domestic small cap equity	**179,941**	326,676
International equity	**139,777**	130,153
Emerging markets equity	**323,319**	452,309
Domestic Fixed Inocme	**255,000**	-
High Yield	**1,061,765**	441,884
Private equity	**1,293,844**	1,713,230
Cash equivalents	**7,152**	19,900
Investment expenses per schedule	**$ 10,738,217**	$ 14,722,416

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INVESTMENT SECTION

ND Retirement and Investment Office

Teachers' Fund for Retirement
State Investment Board

Steve Cochrane, CFA
Executive Director

Fay Kopp
Deputy Executive Director

1930 Burnt Boat Drive
P.O. Box 7100
Bismarck, ND 58507-7100
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November 23, 2009

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

Dear Board Members:

This report is a summary of the North Dakota Pension and Insurance pools' investment portfolios and market environment for the fiscal year ended June 30, 2009.

Introduction
For the fiscal year ended June 30, 2009, the $2.8 billion North Dakota Pension investment pool portfolio experienced a net total return of -25.56%. The Teachers' Fund for Retirement, a participant in the Pension pool, had a net loss of 27.33% for the year. The Insurance investment pool, valued at $1.1 billion on June 30, 2009, returned -10.38% 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 forty-two external investment managers are presented in the Investment Section.

Our investment program's cost effectiveness as measured by expense ratio is 62.3 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, 2009, as measured by standard deviation has been 13.15% for the Pension Trust and 5.77% 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
During the fiscal year ended June 30, 2009, the Federal Reserve cut interest rates from 2.00% to near 0.25% in an attempt to bolster the US economy. Despite the efforts of the Fed, the US economy continued to suffer. Slumping home prices and poor consumer confidence contributed to four straight quarters of negative GDP growth. The unemployment rate climbed during the economic contraction, reaching 9.5% as of June 30, 2009. After peaking at $147 per barrel in July, 2008, oil prices dropped as speculators liquidated their positions amid weakening demand. Inflation pressures subsided—at least temporarily—with the Consumer Price Index (CPI) declining 1.4% over the fiscal year ended

6/30/09. The Fed and US Treasury announced several programs to stimulate the economy in the last fiscal year. Programs such as the Troubled Asset Relief Program ("TARP"), Term Asset-Backed Securities Loan Facility ("TALF"), and the Legacy Securities Public-Private Investment Program ("PPIP") were implemented to stimulate lending and create a market for distressed assets. Despite this mass stimulus, economics indicated that the US economy was still mired in recession as of June 30, 2009.

Domestic Equity Overview

Negative returns permeated the domestic equity markets during the fiscal year. The S&P 1500 Index, a broad market stock yardstick, finished the fiscal year with a return of -26.34%. Equity markets declined during each of the first three quarters of the fiscal year. As a result of a rally that began on March 9, 2009, equity returns were positive for the quarter ended June 30, 2009. The S&P 1500 index recorded double digit returns (+16.32%) during the last quarter of the fiscal year. For the entire fiscal year, small cap stocks held up slightly better than large cap stocks. As measured by the S&P 600, small cap stocks fell 25.31% versus a decline of 26.21%, as measured by the S&P 500 large cap stock index. Growth stocks held up better than Value stocks across all capitalization ranges during the year. The Russell 3000 Growth Index declined 24.53% during the fiscal year versus a decline of 28.73% for the Russell 3000 Value Index.

International Equity Overview

International equity, as represented by the MSCI EAFE Index, produced negative results in fiscal 2009. The index returned -31.35%, the second fiscal year in a row that it recorded a decline. As in the domestic stock market, foreign growth stocks fared better than value stocks. For the trailing twelve months ended June 30, 2009, the MSCI EAFE Growth Index lost 33.66% while the MSCI EAFE Value Index was down 28.93%. The Emerging Markets Index fell 27.82% for the fiscal year, but posted positive returns in the six-month period ended June 30, 2009.

Domestic Fixed-Income Overview

Institutional investors commonly measure the US investment grade bond market with the Barclays Capital Aggregate Bond Index. This benchmark returned 6.05% for the fiscal year ended June 30, 2009. The first half of the fiscal year was marked by a "flight to quality" where fixed-income investors moved into US Treasury securities due to the uncertainty and fear created by the collapse of Lehman Brothers on September 15, 2008. Yield spreads over comparable maturity Treasuries widened for other types of bonds. Spreads for Credit bonds, Mortgage-Backed Securities (MBS), Asset Backed Securities (ABS), and High Yield Bonds widened to extreme levels. As yields rose, prices declined, hurting bond returns. In the second half of the fiscal year, spreads narrowed considerably but remained above historic averages.

The Barclays Capital Government/Credit Intermediate Index returned 5.27% over the fiscal year. This return was slightly below the 5.34% gain of the Barclays Capital Government/Credit Long Index. Corporate bond prices also rose as yield spreads fell in the second half of the fiscal year; the Barclays Capital Credit Index rose 4.08% for the trailing twelve-months.

High yield investors experienced negative returns as the Barclays Capital High Yield Index fell 3.63% for the year ended June 30, 2009.

International Fixed-Income Overview

The international fixed-income market's results were mixed during the year. A big driver of international bond price volatility was currency movements. The US Dollar ("USD") appreciated in value relative to most foreign currencies during the first three quarters of the fiscal year; this depressed returns to US investors. During the quarter ended June 30, 2009, the USD depreciated more than 6%, resulting in a gain for US investors in international bonds. The Citi Non-US World

Government Bond Index rose 3.53% for the fiscal year. The Citi Euro Government Bond Index was down slightly, falling 0.55% for the year ended 6/30/09. Returns on both indices were dampened by the strong USD. Emerging Market bonds produced positive returns for fiscal 2009. The JP Morgan Emerging Markets Bond Plus Index gained 2.43%.

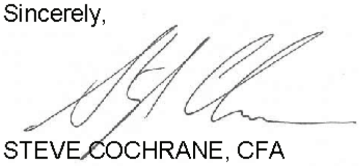
Real Estate Overview
The NCREIF Property Index measures the investment performance of commercial real estate properties acquired in the private investment market on behalf of tax-exempt institutional investors. During fiscal 2009, the index fell 19.57%, posting negative results in each calendar quarter. Lack of liquidity, deleveraging of portfolios, and maturing debt commitments contributed to the losses. The NAREIT Equity Index, a measure of the publicly-traded real estate securities market, lost 43.29% for fiscal 2009. This one-year loss was in spite of a gain of nearly 29% in the June quarter. Valuations of the private real estate market often lag relative to the public real estate market.

Alternative Investment Overview
The private equity market slowed dramatically during fiscal 2009. According to "Buyouts" newsletter, buyout-sponsored U.S. acquisitions were down 57%, year-over-year, as of 6/30/09. Fund raising was also down at the end of the period. In the March and June quarters of 2009, total capital commitments amounted to $53.1 billion. During the June quarter of 2008 alone, total private equity capital commitments equaled $81 billion. Due to the nature of private equity performance measurement, relative comparisons of fund performance with benchmarks are inherently flawed. Instead of recognizing any particular index as representative of the opportunity for the fiscal year ended June 30, 2009, it is worth noting that the Pension Trust's alternative investment allocation of Total Fund assets was 5.1%. The market value of the alternative investment allocation, including investment returns and net new investment, lost 32.93% from the prior fiscal year.

Summary
The national and global economic and financial system climate experienced during fiscal year 2009 can be characterized as nothing short of disastrous. At the time the year began, the credit crisis, which had begun with a rapidly deteriorating housing market in the prior year, had taken a firm hold on global markets and financial institutions. Unlike previous cycles of market volatility, there was virtually only one safe haven for investors: US Treasury securities. Across all other asset classes and regions of the world, markets had begun collapsing and continued to do so until early 2009, when somewhat of a rebound began to occur in selected portions of the portfolios. As we moved toward the end of the fiscal year, conditions began to show signs of improvement and the markets took some comfort in that by regaining some of the lost ground.

Within the State Investment Board's (SIB) investment program, the investment trust funds are invested within their policy guidelines and seek to add investment return to their expected benchmark return objectives over multi-year periods. The funds fell far short of actuarially projected goals this past year, and the coming years will most likely be challenging from an investment standpoint as recessions brought on by banking and financial disasters are characterized historically to be followed by extended multi-year periods of slow global growth. The SIB will garner all the resources it can muster to face the many challenging years ahead.

Sincerely,



STEVE COCHRANE, CFA
Executive Director/CIO

INVESTMENT PERFORMANCE SUMMARY
JUNE 30, 2009

			Rates of Return (net of fees)						
	Market Value	% Of Pool	For Fiscal Year Ended 6/30					Annualized	
PENSION POOL PARTICIPANTS			2009	2008	2007	2006	2005	3 Years	5 Years
Teachers' Fund for Retirement	$1,291,473,678	45.7%	-27.33%	-7.51%	20.04%	14.79%	13.36%	-6.91%	0.98%
Public Employees Retirement System	1,354,696,831	47.9%	-24.42%	-5.60%	18.96%	12.00%	14.07%	-5.32%	1.63%
Bismarck City Employee Pension Fund	39,810,844	1.4%	-20.05%	-3.82%	17.02%	9.13%	13.81%	-3.46%	2.25%
Bismarck City Police Pension Fund	17,980,070	0.6%	-22.01%	-4.69%	17.87%	10.18%	13.45%	-4.31%	1.84%
Job Service of North Dakota	72,217,809	2.6%	-16.51%	-1.64%	16.40%	7.09%	14.72%	-1.49%	3.27%
City of Fargo Pension Fund	21,898,151	0.8%	-24.31%	*	*	*	*	*	*
City of Grand Forks Pension Fund	30,042,002	1.1%	*	*	*	*	*	*	*
Subtotal Pension Pool Participants	2,828,119,385	100.0%							
INSURANCE POOL PARTICIPANTS									
Workforce Safety & Insurance Fund	1,084,228,447	80.9%	-10.25%	0.57%	10.33%	3.45%	7.29%	-0.14%	2.02%
State Fire and Tornado Fund	22,369,430	1.7%	-9.85%	-4.01%	12.43%	5.27%	6.66%	-0.91%	1.78%
State Bonding Fund	2,150,939	0.2%	-15.49%	-4.14%	12.41%	5.28%	6.62%	-3.07%	0.44%
Petroleum Tank Release Fund	6,301,443	0.5%	-15.49%	-4.07%	12.37%	5.58%	6.51%	-3.06%	0.48%
Insurance Regulatory Trust Fund	3,241,241	0.2%	-6.86%	-2.71%	11.10%	5.75%	5.41%	0.22%	2.33%
Health Care Trust Fund	2,309,049	0.2%	1.08%	3.43%	5.01%	5.11%	4.34%	3.16%	3.78%
State Risk Management Fund	3,260,897	0.2%	-8.97%	-2.70%	11.20%	2.38%	5.98%	-0.51%	1.34%
State Risk Management Workers Comp	1,870,284	0.1%	-11.29%	-3.99%	12.17%	3.25%	5.88%	-1.51%	*
Cultural Endowment Fund	205,005	0.0%	-18.49%	-7.59%	15.68%	6.32%	*	-4.49%	*
Budget Stabilization Fund	190,135,337	14.2%	-4.23%	0.01%	5.12%	*	*	*	*
ND Assoc. of Counties (NDACo) Fund	933,059	0.1%	-16.29%	-7.79%	15.46%	6.38%	7.19%	-3.77%	0.32%
NDACo Program Savings Fund	691,627	0.1%	-13.31%	-5.77%	13.91%	6.25%	7.18%	-2.37%	1.17%
City of Bismarck Deferred Sick Leave	730,905	0.1%	-8.34%	-3.20%	11.81%	4.30%	6.75%	-0.27%	2.01%
PERS Group Insurance	3,996,667	0.3%	1.08%	3.43%	5.38%	4.50%	2.46%	3.28%	3.36%
City of Fargo FargoDome Permanent Fund	17,649,376	1.3%	-15.64%	-6.25%	14.00%	5.44%	7.21%	-3.39%	0.38%
Subtotal Insurance Pool Participants	1,340,073,706	100.0%							
INDIVIDUAL INVESTMENT ACCOUNT									
Retiree Health Insurance Credit Fund	35,555,392	100.0%	-17.14%	-14.19%	16.65%	8.47%	8.74%	-6.04%	-0.44%
TOTAL	$4,203,748,483								
BENCHMARKS									
S&P 500			-26.21%	-13.12%	20.59%	8.63%	6.32%	-8.22%	-2.24%
Barclays Aggregate			6.05%	7.12%	6.12%	-0.81%	6.80%	6.43%	5.01%
90 Day T-Bills			0.95%	3.63%	5.21%	4.00%	2.15%	3.24%	3.17%
Callan Public Plan Sponsors Database (Median)			-4.84%	-4.84%	17.17%	10.42%	9.29%	1.99%	5.07%

* 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, 2009

		Date		Annualized Rates of Return		
	Style	Initiated	Market Value	1 Year	3 Years	5 Years
DOMESTIC LARGE CAP EQUITY:						
AllianceBernstein	Portable Alpha/TALF	06/2009	$ 3,983,332	*	*	*
The Clifton Group	Overlay S&P 500	11/2008	$ 79,629,823	*	*	*
Epoch Investment Partners, Inc.	Absolute Return	07/2007	85,798,068	-18.13%	*	*
European Credit Management LTD	Portable Alpha	11/2007	26,224,092	-58.65%	*	*
Mellon	Market Neutral	09/2006	41,089,187	-33.47%	*	*
Los Angeles Capital Management	Structured Growth	08/2003	115,480,997	-26.51%	-5.79%	0.32%
Los Angeles Capital Management	Enhanced Russell 1000	08/2000	64,847,811	-26.27%	-7.31%	-0.69%
LSV Asset Management	Structured Value	06/1998	99,693,575	-27.86%	-11.34%	-0.75%
Northern Trust Global Investments	Enhanced S&P 500	08/2000	43,983,814	-25.10%	-8.99%	-2.60%
Prudential	Portable Alpha	03/2008	29,948,397	-64.52%	*	*
State Street Global Advisors	130/30 Long/Short	06/1987	15,505,264	-29.97%	-11.00%	-3.84%
Wells Capital Management Co.	Portable Alpha	04/2006	17,385,134	-60.91%	-28.76%	*
WG Trading	Index Arbitrage	08/2000	68,259,216	-61.69%	-25.72%	-13.72%
TOTAL DOMESTIC LARGE CAP EQUITY			691,828,710	-39.58%	-14.59%	-5.48%
Standard & Poor's 500 Index				-26.21%	-8.22%	-2.24%
DOMESTIC SMALL CAP EQUITY:						
Callan Associates, Inc.	Mgr of Managers	05/2006	$ 77,798,981	-26.25%	-8.89%	*
The Clifton Group	Overlay Russell 2000	11/2008	79,972,467	*	*	*
SEI Investments Management Co.	Mgr of Managers	06/2001	43,113,239	-43.35%	-19.12%	-7.78%
TOTAL DOMESTIC SMALL CAP EQUITY			200,884,687	-31.73%	-13.20%	-3.81%
Russell 2000 Index				-25.01%	-9.89%	-1.71%
INTERNATIONAL EQUITY:						
Capital Guardian Trust Company	Core	03/1992	45,781,517	-30.35%	-8.62%	1.84%
The Clifton Group	Overlay EAFE	11/2008	98,642,986	*	*	*
Dimensional Fund Advisors	Small Cap Value	11/2007	39,395,028	-26.50%	*	*
LSV Asset Management	Core	11/2004	50,132,387	-27.74%	-10.29%	*
State Street Global Advisors	Enhanced EAFE Index	03/1987	34,987,334	-33.40%	-9.13%	0.79%
Wellington Trust Company, NA	Small Cap Growth	03/2002	39,959,213	-27.39%	-7.37%	2.23%
TOTAL INTERNATIONAL EQUITY			308,898,465	-27.31%	-8.62%	1.99%
MSCI EAFE 50% Hedged Index				-27.05%	-7.84%	3.13%
EMERGING MARKETS EQUITY:						
Blackfriars	Core	03/2006	20,991,432	-32.68%	2.46%	*
Capital International	Private Equity	08/2007	10,299,355	-14.56%	*	*
Dimensional Fund Advisors	Small Cap	10/2005	24,766,345	-17.52%	6.94%	*
J.P. Morgan Investment Management, Inc.	Core	11/2005	21,850,971	-24.82%	4.96%	*
J.P. Morgan Investment Management, Inc.	Asian Infrastructure	07/2008	8,390,897	*	*	*
PanAgora Asset Management, Inc.	Core	02/2006	22,078,521	-31.94%	2.66%	*
UBS Global Asset Management	Core	07/2005	28,862,063	-29.16%	2.69%	*
TOTAL EMERGING MARKETS EQUITY			137,239,584	-26.69%	4.31%	15.71%
MSCI Emerging Markets Index				-27.82%	3.27%	15.08%
DOMESTIC FIXED INCOME:						
Bank of North Dakota	LB G/C Index	01/1988	54,594,590	7.37%	6.96%	5.32%
Calamos	Convertibles	10/2006	48,975,060	-11.09%	*	*
The Clifton Group	Overlay Barclays Agg	11/2008	18,908,610	*	*	*
J.P. Morgan Investment Management, Inc.	Infrastructure	05/2007	92,136,627	-24.31%	*	*
PIMCO	Distressed Sr. Debt	07/2008	44,690,404	*	*	*
Prudential	Private Debt	06/2005	60,564,583	3.27%	4.76%	*
SEI	Core Bonds	05/2009	7,244,662	*	*	*
Timberland Investment Resources - Teredo	Timberland	06/2001	77,933,370	6.15%	18.52%	13.82%

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
PENSION POOL PARTICIPANTS (CONTINUED)
FOR PERIODS ENDED JUNE 30, 2009

	Style	Date Initiated	Market Value	Annualized Rates of Return 1 Year	3 Years	5 Years
DOMESTIC FIXED INCOME (continued):						
Timberland Investment Resources - Springbank	Timberland	09/2004	165,609,413	2.60%	15.25%	*
Wells Capital Management, Inc.	Baa Average	11/1998	66,121,764	6.72%	6.22%	5.60%
Western Asset Management Co.	Core Bonds	02/1986	46,052,544	-5.01%	0.58%	1.61%
TOTAL DOMESTIC FIXED INCOME			682,831,627	-3.04%	6.51%	8.38%
Barclays Aggregate Index				6.05%	6.43%	5.01%
HIGH YIELD FIXED INCOME:						
Declaration Mgmt & Research	Distressed Mortgages	05/2008	15,889,008	-4.70%	*	*
Goldman Sachs	Mezzanine Debt-2006	04/2006	2,526,441	-58.69%	-24.30%	*
Goldman Sachs	Mezzanine Debt-Fund V	11/2007	7,346,931	-12.12%	*	*
Loomis Sayles	High Yield	04/2004	92,539,983	-9.01%	0.90%	4.73%
PIMCO	Distressed Mortgages	10/2007	12,216,252	-33.48%	*	*
Wells Capital Management, Inc.	High Yield	04/2004	61,845,438	-34.17%	-11.65%	-4.38%
Trust Company of the West	Mezz Debt - Energy	07/2007	23,758,094	11.44%	*	*
TOTAL HIGH YIELD FIXED INCOME			216,122,147	-20.08%	-4.76%	0.60%
Barclays High Yield Corp 2% Issuer Cap				-1.91%	2.34%	4.36%
INTERNATIONAL FIXED INCOME:						
UBS Global Asset Management	Core Non-U.S.	03/1989	96,600,350	2.13%	6.45%	5.60%
Brandywine Asset Management	Core Non-U.S.	05/2003	98,217,535	-1.60%	5.41%	6.53%
TOTAL INTERNATIONAL FIXED INCOME			194,817,885	0.21%	5.91%	6.05%
Citigroup Non-US Gov't Bond Index				3.53%	7.90%	6.24%
ALTERNATIVE INVESTMENTS						
Adams Street Partners (I.V.C.F. II)	Diversified Private Equity	03/1989	11,544	100.71%	46.90%	31.44%
Adams Street Partners (I.V.C.F. III)	Diversified Private Equity	01/1993	94,895	-17.64%	35.67%	37.59%
Adams Street Partners (1998 Fund)	Diversified Private Equity	01/1998	654,076	-32.78%	-1.99%	5.15%
Adams Street Partners (1999 Fund)	Diversified Private Equity	01/1999	2,194,129	-28.50%	-0.95%	4.13%
Adams Street Partners (2000 Fund)	Diversified Private Equity	10/1999	6,986,893	-28.18%	-0.23%	7.92%
Adams Street Partners (2001 Fund)	Diversified Private Equity	12/2000	6,771,351	-21.84%	-2.55%	2.91%
Adams Street Partners (2002 Fund)	Diversified Private Equity	03/2002	2,935,885	-36.54%	-10.06%	-1.59%
Adams Street Partners (2003 Fund)	Diversified Private Equity	04/2003	1,242,068	-23.03%	-1.08%	4.44%
Adams Street Partners (1999 Non-U.S. Fund)	Diversified Private Equity	01/1999	1,027,689	-23.57%	13.36%	23.21%
Adams Street Partners (2000 Non-U.S. Fund)	Diversified Private Equity	01/2000	1,926,968	-37.23%	7.34%	14.05%
Adams Street Partners (2001 Non-U.S. Fund)	Diversified Private Equity	02/2001	1,249,819	-47.62%	-13.79%	-2.94%
Adams Street Partners (2002 Non-U.S. Fund)	Diversified Private Equity	05/2002	3,293,314	-43.99%	6.49%	13.65%
Adams Street Partners (2003 Non-U.S. Fund)	Diversified Private Equity	04/2003	2,964,322	-35.63%	12.40%	13.80%
Adams Street Partners (2004 Non-U.S. Fund)	Diversified Private Equity	04/2004	1,568,178	-38.33%	-0.42%	4.32%
Adams Street Partners (2008 Non-U.S. Fund)	Diversified Private Equity	01/2008	660,340	-27.93%	*	*
Adams Street Partners (B.V.C.F. IV)	Diversified Private Equity	05/1999	13,549,170	-5.94%	-3.72%	3.69%
Adams Street Partners (Direct Co-Investment)	Direct Private Equity	09/2006	12,048,543	-31.67%	*	*
Coral Partners, Inc. (Fund V)	Direct Venture Capital	03/1998	7,403,823	-13.55%	-2.52%	-3.98%
Coral Partners, Inc. (Supplemental Fund V)	Direct Venture Capital	08/2001	724,088	-19.99%	-6.67%	-3.50%
Coral Partners, Inc. (Momentum Fund)	Direct Venture Capital	07/2002	10,264,567	-40.59%	-17.23%	-12.08%
Corsair Capital (Fund III)	Pvt Eq - Financial Svcs	02/2006	12,087,963	-24.50%	*	*
Corsair Capital (ND Investors)	Pvt Eq - Financial Svcs	03/2008	10,000,000	-0.71%	*	*
Hearthstone Homebuilding Investors (MSII)	Residential Financing	10/1999	1	-100.00%	-99.75%	-99.67%
Hearthstone Homebuilding Investors (MSIII)	Residential Financing	09/2003	1	-100.00%	-99.35%	-94.48%
Invest America (Lewis and Clark)	Direct Venture Capital	02/2002	6,645,683	-11.10%	8.86%	0.92%
Invest America (L&C II)	Direct Venture Capital	06/2009	150,000	*	*	*
Matlin Patterson Global Opportunities Fund I	Distressed Debt	07/2002	2,704,124	-65.47%	-35.38%	-13.07%
Matlin Patterson Global Opportunities Fund II	Distressed Debt	10/2004	17,325,521	-47.90%	-12.29%	*
Matlin Patterson Global Opportunities Fund III	Distressed Debt	06/2007	13,245,923	-46.03%	*	*
Quantum Energy Partners	Pvt Equity - Energy	01/2007	2,975,465	-22.87%	*	*
Quantum Resources	Pvt Equity - Energy	10/2006	1,866,294	-89.41%	*	*
TOTAL ALTERNATIVE INVESTMENTS			144,572,637	-33.98%	-6.85%	1.64%

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
PENSION POOL PARTICIPANTS (CONTINUED)
FOR PERIODS ENDED JUNE 30, 2009

		Date		Annualized Rates of Return		
	Style	Initiated	Market Value	1 Year	3 Years	5 Years
REAL ESTATE:						
INVESCO Realty Advisors	Core Commingled	08/1997	101,853,434	-29.89%	-3.10%	6.44%
INVESCO Realty Advisors	Core Plus LP	11/2007	4,695,468	-64.15%	*	*
INVESCO Realty Advisors	Asian LP	11/2008	112,001	*	*	*
J. P. Morgan Investment Mgmt. Inc.	Core Commingled	10/1987	93,344,067	-30.86%	-4.03%	5.04%
J. P. Morgan Investment Mgmt. Inc.	Alternative Commingled	01/2006	21,395,550	-42.52%	-13.07%	*
J. P. Morgan Investment Mgmt. Inc.	Asian LP	01/2008	6,916,650	-4.28%	*	*
TOTAL REAL ESTATE			228,317,170	-32.45%	-5.47%	4.49%
NCREIF Total Index				-19.57%	0.99%	7.60%
CASH EQUIVALENTS:						
Bank of North Dakota	Enhanced MMDA	08/2008	14,225,378	*	*	*
The Northern Trust Company	STIF	07/1994	8,381,095	1.14%	2.34%	2.73%
TOTAL CASH EQUIVALENTS			22,606,473	1.09%	2.33%	2.72%
90 Day T-Bills				0.95%	3.25%	3.17%

INSURANCE POOL PARTICIPANTS

		Date		Annualized Rates of Return		
	Style	Initiated	Market Value	1 Year	3 Years	5 Years
DOMESTIC LARGE CAP EQUITY:						
The Clifton Group	Enhanced S&P 500	11/2008	$ 27,182,902	*	*	*
Los Angeles Capital Management	Structured Growth	08/2003	19,304,884	-25.74%	-5.72%	0.12%
Los Angeles Capital Management	Enhanced Russell 1000	04/2004	29,490,556	-24.95%	-6.15%	0.00%
LSV Asset Management	Structured Value	06/1998	17,275,289	-27.49%	-10.75%	-0.49%
State Street Global Advisors	S&P 500 Index	10/1996	10,595,736	-29.89%	-10.98%	-3.84%
WG Trading	Index Arbitrage	04/2004	13,904,685	-61.70%	-25.69%	-13.71%
TOTAL DOMESTIC LARGE CAP EQUITY			117,754,052	-33.27%	-10.61%	-2.81%
Standard & Poor's 500 Index				-26.21%	-8.22%	-2.24%
DOMESTIC SMALL CAP EQUITY:						
The Clifton Group	Enhanced Russell 2000	11/2008	27,094,174	*	*	*
Research Affiliates	Core	07/2007	16,684,952	-25.11%	*	*
TOTAL DOMESTIC SMALL CAP EQUITY			43,779,126	-26.21%	-11.12%	-2.41%
Russell 2000 Index				-25.01%	-9.89%	-1.71%
INTERNATIONAL EQUITY:						
Capital Guardian Trust Company	Core	04/1997	40,014,359	-30.35%	-8.01%	2.13%
Dimensional Fund Advisors	Small Cap Value	11/2007	9,911,062	-26.49%	*	*
LSV Asset Management	Core	11/2004	41,467,265	-26.60%	-10.24%	*
The Vanguard Group	Small Cap Growth	06/2003	9,987,296	-26.66%	-7.16%	5.37%
TOTAL INTERNATIONAL EQUITY			101,379,982	-28.10%	-8.90%	2.33%
MSCI EAFE 50% Hedged Index				-27.05%	-7.84%	3.13%

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
INSURANCE POOL PARTICIPANTS (CONTINUED)
FOR PERIODS ENDED JUNE 30, 2009

	Style	Date Initiated	Market Value	Annualized Rates of Return 1 Year	3 Years	5 Years
DOMESTIC FIXED INCOME:						
Bank of North Dakota (BND)	LB G/C Index	07/1989	100,444,164	5.57%	6.28%	4.44%
Brookfield	Mortgage Backed	01/2007	27,351,678	-37.11%	*	*
Prudential	Core-Plus	08/2006	56,671,229	4.66%	*	*
Wells Capital	Baa Average Quality	04/2002	203,249,377	6.92%	6.16%	5.13%
Western Asset Management Co.	Core Bond	07/1990	185,557,017	-1.35%	2.75%	2.95%
TOTAL DOMESTIC FIXED INCOME			573,273,465	1.43%	3.72%	3.26%
Barclays Aggregate Index				6.05%	6.43%	5.01%
INFLATION PROTECTED ASSETS:						
J. P. Morgan Investment Mgmt. Inc.	Infrastructure	11/2008	63,023,240	*	*	*
Northern Trust Global Investments	Index	05/2004	76,430,392	-2.00%	5.63%	4.88%
Timberland Investment Resources	Timberland	10/2008	25,125,830	*	*	*
Western Asset Management Co.	Core	05/2004	67,489,735	-0.99%	4.81%	4.25%
TOTAL INFLATION PROTECTED ASSETS			232,069,197	-5.14%	3.91%	3.78%
Barclays US TIPS Index				-1.11%	5.78%	4.94%
REAL ESTATE:						
J. P. Morgan Investment Mgmt. Inc.	Core Commingled	11/2005	41,865,839	-49.58%	-16.20%	*
TOTAL REAL ESTATE			41,865,839	-49.58%	-16.20%	*
NCREIF Total Index				-19.57%	0.99%	*
CASH EQUIVALENTS:						
Bank of North Dakota	Enhanced MMDA	07/1989	24,215,022	1.08%	3.28%	3.36%
90 Day T-Bills				0.95%	3.25%	3.17%
NON-POOLED INVESTMENTS						
Bank of North Dakota Match Loan CD's						
Held by Workforce Safety & Insurance	Certificates of Deposit	various	22,593,760	5.06%	5.01%	*
Held by Budget Stabilization Fund	Certificates of Deposit	various	101,287,385	4.37%	4.87%	*
Prudential (Budget Stabilization Fund)	Enhanced Cash Fund	07/2007	81,855,878	-12.95%	*	*
TOTAL INSURANCE INVESTMENT POOL			$ 1,340,073,706	-10.00%	0.02%	2.21%
Policy Target				-4.72%	2.92%	4.10%

* 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 alternative investments, which are shown net of fees.

LARGEST HOLDINGS (By Market Value) AT JUNE 30, 2009

PENSION POOL PARTICIPANTS

Shares	Stocks		Market Value
567,644	Microsoft Corporation	$	13,492,898
182,035	Exxon Mobile Corporation		12,726,067
203,167	Wal-Mart Stores Incorporated		9,841,409
332,801	Oracle Corporation		7,128,597
62,687	International Business Machines Corporation		6,545,777
435,435	Pfizer Incorporated		6,531,525
45,316	Apple Incorporated		6,454,358
94,530	Chevron Corporation		6,262,613
202,635	AT&T Incorporated		5,033,453
114,936	Philip Morris International Inc.		5,013,508

Par	Bonds		Market Value
7,911,000	US Treasury Bonds 4.5% Due 05-15-2038	$	8,166,873
6,205,000	New South Wales Treasury 5.5% SR MTN 01-03-2017		4,845,798
7,775,000	Federal Republic of Brazil Bonds 12.5% Due 05-01-2016		4,413,556
4,100,000	FNMA Single Family Mortgage 5% 30 Years (July)		4,174,313
2,417,000	Government of UK 4.25% Due 07-03-2036		3,881,722
12,351,000	Republic of Poland Bonds 5.25% 10-17-2025		3,690,109
9,980,000	Malaysia Bonds 3.756% 04-11-2028		2,900,049
2,726,000	Government of Canada Bonds 6.0% Due 01-06-2011		2,558,967
18,348,000	Republic of South Africa Bonds 13.0% 08-31-2011		2,525,375
2,500,000	US Treasury Notes 1.5% Due 12-31-2013		2,408,008

INSURANCE POOL PARTICIPANTS

Shares	Stocks		Market Value
33,983	Exxon Mobile Corporation	$	2,375,752
95,542	Microsoft Corporation		2,271,033
10,881	Roche Holdings		1,477,747
149,100	BP Amoco Ord USD0.25		1,173,216
23,900	Wal-Mart Stores Incorporated		1,157,716
16,592	Chevron Corporation		1,099,220
71,961	Pfizer Incorporated		1,079,415
16,585	BNP Paribas		1,075,911
40,700	Royal Dutch Shell		1,022,829
9,424	International Business Machines Corporation		984,054

Par	Bonds		Market Value
8,360,000	US Treasury Bonds Inflation Index Linked 2% Due 1-15-2026		8,793,019
6,945,000	Comcast Corporation Note 5.875% Due 02-15-2018		7,039,966
4,030,000	US Treasury Bonds Inflation Index Linked 3.875% 04-15-2029		6,631,795
3,270,000	US Treasury Bonds Inflation Index Linked 3.625% Due 4-15-2028		5,245,755
4,525,000	US Treasury Notes Inflation Linked 1.625% 01-15-2015	$	5,029,244
4,985,000	US Treasury Notes Inflation Indexed 2.625% 06-30-2014		5,000,603
4,550,000	US Treasury Notes 3.25% Due 06-30-2016		4,564,219
4,535,000	US Treasury Bonds 1.75% 01-15-2028		4,356,003
4,320,000	US Treasury Notes Inflation Indexed 1.625% Due 01-15-2018		4,354,213
4,000,000	US Treasury Notes 5.75% 08-15-2010		4,230,312

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, 2009

	Assets under management	Fees	Basis points
Investment managers' fees:			
Domestic large cap equity managers	$ 809,582,762	$ 4,308,669	52
Domestic small cap equity managers	244,663,813	1,534,305	50
International equity managers	410,278,447	2,149,517	55
Emerging markets equity managers	137,239,584	1,437,498	120
Domestic fixed income managers	1,379,986,237	5,117,721	40
Inflation protected assets managers	232,069,197	793,109	33
High yield fixed income managers	216,122,147	2,847,340	138
International fixed income managers	194,817,885	663,562	36
Real estate managers	270,183,009	3,813,191	107
Alternative investment managers	144,572,637	3,219,124	189
Cash & equivalents managers	46,821,495	14,331	2
Enhanced cash managers	81,855,878	99,805	5
Balanced account managers	35,555,392	73,830	22
Total investment managers' fees	$ 4,203,748,483	26,072,002	60
Custodian fees		840,526	2
Investment consultant fees		284,657	1
SIB Service Fees		33,268	0
Total investment expenses		$ 27,230,453	62
Securities lending fees		$ 1,678,025	4

Reconciliation of Investment Expenses to Financial Statements

Investment expenses as reflected in the financial statements	$ 18,691,931
Plus investment management fees included in investment income	
Domestic large cap equity	580,796
Domestic small cap equity	412,475
International equity	317,393
Emerging markets equity	658,555
Domestic fixed income	919,002
High Yield	1,935,011
Inflation Protected	222,395
Real estate	853,602
Private equity	2,620,951
Cash equivalents	14,331
Balanced fund	4,013
Investment expenses per schedule	$ 27,230,453

Brokers	Number of shares traded	Total commissions	Commissions per share
Merrill Lynch & Co. Inc	10,452,309	$ 77,718	$0.007
Credit Suisse First Boston Corp.	7,662,142	63,103	0.008
Morgan Stanley & Co Inc.	7,518,092	70,568	0.009
Heflin & Co, LLC	5,098,981	101,980	0.020
JP Morgan Inc.	4,202,409	45,297	0.011
Investment Technology Group	3,963,656	43,061	0.011
Goldman Sachs & Co.	3,095,938	46,412	0.015
Citigroup	2,487,003	30,553	0.012
BNY ESI Securities Co.	2,459,966	49,213	0.020
Jefferies & Company	2,172,366	46,918	0.022
Other 113 Brokers *	72,861,317	452,995	0.006
Gross commissions	121,974,179	$ 1,027,816	$0.008
Less commissions recaptured		(5,059)	
Net commissions paid		$ 1,022,757	$0.008

* A complete listing of investment brokers utilized is available upon request.
Note: This schedule includes only brokerage costs for agency trades of common stock.

TEACHERS' FUND FOR RETIREMENT

- **Teachers' Fund for Retirement**
  Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

The North Dakota Teachers' Fund for Retirement (TFFR) is a pension benefit plan that was established in 1913 to provide retirement income to all public 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 Final Average Annual Salaries. Adjustments to the basic formula are made depending on the retirement option selected.

Funding is provided by monthly employee and employer contributions. Member contributions are 7.75% of payroll. Employer contributions are 7.75% of payroll until July 1, 2008, when employer contributions increase to 8.25% of payroll. Employer contributions will return to 7.75% when TFFR reaches 90% funded level. 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.

Responsibilities and Discretion of the State Investment Board (SIB)

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.

Investment Objectives

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

Objective #1: 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.

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.

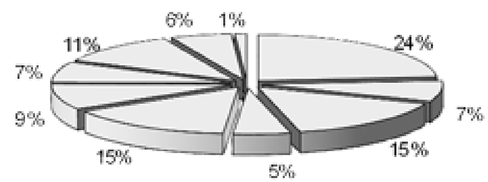
Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

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.

v **Teachers' Fund for Retirement**
Actual Asset Allocation – June 30, 2009

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 305,547,500	24%	
Domestic Small Cap Equity	94,536,347	7%	
International Equity	196,582,101	15%	
Emerging Markets Equity	66,793,397	5%	
Domestic Fixed Income	192,405,740	15%	
High Yield Fixed Income	116,134,076	9%	
International Fixed Income	91,525,252	7%	
Real Estate	143,213,695	11%	
Private Equity	71,114,277	6%	
Cash Equivalents	13,621,293	1%	
TOTAL FUND	$ 1,291,473,678	100%	-27.33%



PUBLIC EMPLOYEES RETIREMENT SYSTEM

v **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 manager 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 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 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.

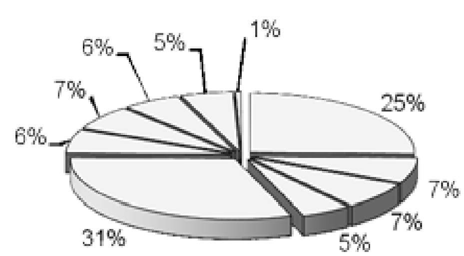
Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

<u>Internal Controls</u>

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.

v **Public Employees Retirement Fund**
Actual Asset Allocation – June 30, 2009

Asset Allocation		Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	343,695,066	25%	
Domestic Small Cap Equity		93,856,568	7%	
International Equity		98,063,320	7%	
Emerging Markets Equity		66,586,559	5%	
Domestic Fixed Income		418,390,710	31%	
High Yield Fixed Income		87,504,688	6%	
International Fixed Income		90,393,696	7%	
Real Estate		77,756,787	6%	
Private Equity		70,150,340	5%	
Cash Equivalents		8,299,097	1%	
TOTAL FUND	$	1,354,696,831	100%	-24.42%



BISMARCK CITY EMPLOYEE PENSION PLAN

v 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.

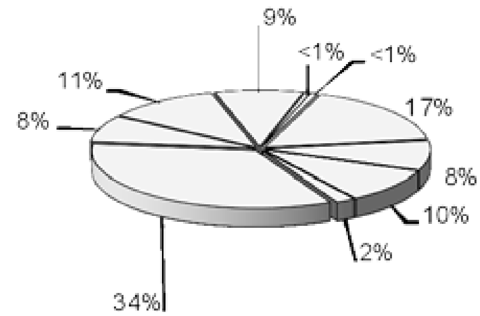
Where investment characteristics, including yield, risk, and liquidity are equivalent, the BCEPP Board's policy favors investments which will have a positive impact on the economy of North Dakota.

<u>Internal Controls</u>

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.

v Bismarck City Employee Pension Plan
Actual Asset Allocation – June 30, 2009

Asset Allocation		Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	6,785,672	17%	
Domestic Small Cap Equity		3,337,417	8%	
International Equity		3,857,235	10%	
Emerging Markets Equity		751,542	2%	
Domestic Fixed Income		13,650,827	34%	
High Yield Fixed Income		3,024,380	8%	
International Fixed Income		4,437,287	11%	
Real Estate		3,461,066	9%	
Private Equity		216,229	<1%	
Cash Equivalents		289,189	<1%	
TOTAL FUND	$	39,810,844	100%	-20.05%



BISMARCK CITY POLICE PENSION PLAN

v **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.

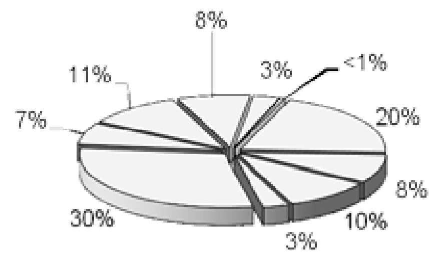
Where investment characteristics, including yield, risk, and liquidity are equivalent, the BCPPP Board's policy favors investments which will have a positive impact on the economy of North Dakota.

<u>Internal Controls</u>

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.

V **Bismarck City Police Pension Plan**
Actual Asset Allocation – June 30, 2009

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 3,650,621	20%	
Domestic Small Cap Equity	1,497,153	8%	
International Equity	1,750,517	10%	
Emerging Markets Equity	526,212	3%	
Domestic Fixed Income	5,394,841	30%	
High Yield Fixed Income	1,178,649	7%	
International Fixed Income	1,919,113	11%	
Real Estate	1,454,200	8%	
Private Equity	522,748	3%	
Cash Equivalents	86,016	<1%	
TOTAL FUND	$ 17,980,070	100%	-22.01%



RETIREMENT PLAN FOR EMPLOYEES OF JOB SERVICE NORTH DAKOTA

v 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%.

Responsibilities and Discretion of the State Investment Board

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 manager 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, who 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 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 percentage points per year (based on current actuarial assumptions of 7.5% 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 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

The NDPERS Board 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 SEI Consultants in February 2009. 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.

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	25%
Domestic Small Cap Equity	6%
International Equity	9%
Domestic Fixed Income	47%
International Fixed Income	5%
High Yield Bonds	8%

Rebalancing of the Fund to this target allocation 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 Fund’s assets will be invested, it is understood that:

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

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

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

   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.”

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.

   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.

e. 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 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.

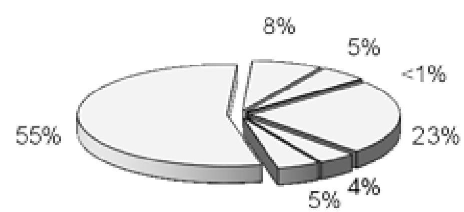
(4) The safeguards and diversity that a prudent investor would adhere to are present.

<u>Internal Controls</u>

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.

v **Job Service ND**
Actual Asset Allocation – June 30, 2009

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 17,070,574	23%	
Domestic Small Cap Equity	2,937,236	4%	
International Equity	3,388,962	5%	
Domestic Fixed Income	39,558,375	55%	
High Yield Fixed Income	5,539,471	8%	
International Fixed Income	3,717,326	5%	
Cash Equivalents	5,865	<1%	
TOTAL FUND	$ 72,217,809	100%	-16.51%



CITY OF FARGO EMPLOYEE PENSION PLAN

v City of Fargo Employee Pension Plan Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

The City Employees Pension Fund is operated by the Pension Board pursuant to the authority granted in the City of Fargo Home Rule Charter, Chapter 6-02. This fund is managed by a seven person board elected by the membership, or appointed by ordinance. Two members are elected every two years on a rotating basis. Elections are held in July of each year.

Plan Description The City of Fargo Employees' Pension plan is a cost-sharing multiple employer public employee retirement system. The plan is integrated with social security and therefore, is considered a supplemental plan. All full-time City employees not covered by another plan are eligible for participation in the Employees' Pension Plan.

Membership in the plan on January 1, 2007 (date of most recent actuarial study) is as follows:

Retirees and beneficiaries	182
Terminated vested and deferred beneficiaries	8
Active plan members	502
Number of participating employers:	2

Employees may be eligible for early, normal or disability retirement. The plan permits early retirements at age 55 with at least 5 years of service. Normal retirement age for full benefits is age 62 or when an employee's age plus their years of service as a full time city employee reaches a sum of 90.

Employee death benefits of $20,000 are paid to a designated beneficiary for a participant who dies prior to retirement. If a participant dies after retirement, the designated beneficiary will receive a $3,000 death benefit.

Participants are fully vested in the plan benefit after five years of full-time employment. Non- vested participants are eligible for a full refund of their contributions plus interest at 5%. Upon termination of employment prior to retirement age, vested participants may elect a deferred vested benefit to begin between ages 55-62 or a lump sum payment. Lump sum settlements are allowable up to age 55. Lump sum payments are computed as the greater of the actuarial value of plan assets or the "cash balance" in their plan account. The cash balance consists of the employee contributions, plus one-half of the employer's contribution since January 1, 1990, plus interest at 5%.

The City makes a matching contribution of $25 per month to a deferred compensation plan on behalf of pension plan members who also contribute a minimum of $25 per month to the deferred compensation plan.

Benefit provisions are established under the authority of the City Commission.

Contributions Participating employees contribute to the plan at a rate of 4.5% of salary and the employers contribute at a rate of 6.0% of regular salary for all employees. The contribution rates are established by local ordinance, and the employer's contribution rate is set by the City Commission. Costs of administering the plan are financed by the employer and employee contributions, and by the Plan's investment earnings.

Reserves The net assets at December 31, 2006 are $30,248,640 and the entire amount is reserved for employee pension benefits.

Responsibilities and Discretion of the State Investment Board (SIB)

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The City Employees Pension Board is required to develop asset allocation plans pursuant to its responsibilities are outlined in the City of Fargo Home Rule Charter, Chapter 6-02. 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 City Employees Pension Fund must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives.

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager 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 City of Fargo City Employee Pension 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 City of Fargo City Employee Pension 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 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 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 City Employee Pension 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 City Employee Pension fund 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 the benefit plan multiplier over time.

Investment Performance Objective

The City Employee Pension 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 and City Ordinances.

It is in the best interest of the City Employee Pension Board 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 actuarial 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 City Employee Pension Board has established the following asset allocation:

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.

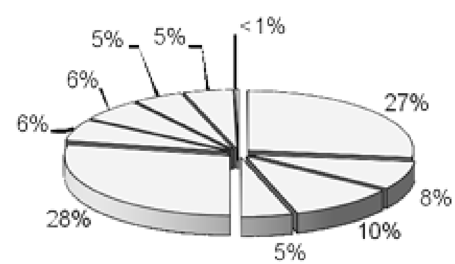
Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

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.

v **City of Fargo Employee Pension Plan**
Actual Asset Allocation – June 30, 2009

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 5,891,559	27%	
Domestic Small Cap Equity	1,687,977	8%	
International Equity	2,273,184	10%	
Emerging Markets Equity	1,096,506	5%	
Domestic Fixed Income	6,125,451	28%	
High Yield Fixed Income	1,305,182	6%	
International Fixed Income	1,319,110	6%	
Real Estate	1,064,004	5%	
Private Equity	1,050,759	5%	
Cash Equivalents	84,419	<1%	
TOTAL FUND	$ 21,898,151	100%	-24.31%



CITY OF GRAND FORKS PENSION PLAN

v City of Grand Forks Pension Plan Investment Objectives and Policy Guidelines

The City of Grand Forks Pension Fund (the "Fund") is operated by the Grand Forks City Council pursuant to the authority granted in the Grand Forks City Code Chapter 7.

Plan Description

The City of Grand Forks, North Dakota Pension Plan (the "Plan") is a cost-sharing multiple employer public employee pension plan. All classified employees who earned at least one hour of service prior to January 1, 1996 are eligible to participate in the Plan. Some participants have elected to cease benefit accruals under the Plan as of June 30, 2008 and to participate in the North Dakota Public Employees Retirement System.

Membership in the Plan on January 1, 2009 (date of most recent actuarial study) is as follows:

Retirees and beneficiaries	200
Terminated vested/deferred beneficiaries	34
Active plan members	225
Active plan members (70½, drawing pension while working)	1

Number of participating employers:	2

Participants may be eligible for early retirement, special early retirement or normal retirement. The Plan permits early retirements at age 55 with at least 5 years of vesting service. Normal retirement age for full benefits is age 65 (unless the employee has elected a special early retirement age of either 55 or 62).

If a participant dies prior to starting retirement benefits, and is married, the participant' spouse will receive a survivor annuity. If the participant is not married, the participant's beneficiary will receive a single lump sum payment equal to the participant's accumulated employee contributions. If the participant dies after starting retirement benefits, payments will continue to the survivor if the participant elected an annuity with a survivor benefit. If the participant elected a single life annuity or received a lump sum payment, no benefits will be paid after the participant's death. If the amount of payments paid to the participant and the participant's joint annuitant, if any, do not equal the participant's accumulated employee contributions, the participant's beneficiary will receive an amount equal to the participant's accumulated employee contributions, minus any payments previously received by participant and the participant's joint annuitant.

Participants are fully vested in the Plan benefit after five years of vesting service. Non-vested participants are eligible for a full refund of their accumulated employee contributions. Upon termination of employment prior to retirement age, vested participants may elect a deferred vested benefit to begin no earlier than age 55. However, participants may elect to withdraw their accumulated employee contributions at any time after termination of employment. The participant's accrued benefit will be reduced by the equivalent value of any withdrawn accumulated employee contributions. If the present value of a participant's benefit is $1,000 or less (including the participant's accumulated employee contributions), payment will be made in a lump sum.

Benefit provisions are established by the City Council.

Contributions

Participating employees contribute to the Plan at a rate of 3.7% of salary (7.4% or 4.7%, respectively if the participant has elected a special early retirement age of 55 or 62). The employers contribute such amounts as necessary to provide the promised benefits. The contribution amounts are determined by the annual actuarial valuation report and approved by the City Council. Costs of administering the Plan are financed by the employer and employee contributions, and by the Plan's investment earnings.

Reserves

The Plan's net assets as of December 31, 2008 are $32,933,349 and the entire amount is reserved for employee pension benefits.

Responsibilities and Discretion of the State Investment Board (SIB)

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The City Council is required to develop asset allocation plans pursuant to its responsibilities as outlined in the Grand Forks City Code Chapter 7. The 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:

The SIB 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 Plan participants and in accordance with the Fund's investment goals and objectives.

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager 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 Plan assets not assigned to the 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 Fund, 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.

<u>Investment Goals</u>

The investment goals of the Fund have been established by the City Council based upon their 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 Fund to pay all current and future retirement benefits and expense obligations of the Fund.

<u>Investment Performance Objective</u>

The City Council 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 and City Ordinances.

It is in the best interest of the Plan 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 Fund's 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 actuarial study without exceeding the expected risk for the period as measured by standard deviation.

<u>Asset Allocation</u>

In recognition of the Plan's performance objectives, benefit projections, and capital market expectations, the City Council has established the following asset allocation:

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%

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

<u>Restrictions</u>

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.

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. 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 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.

F. 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.

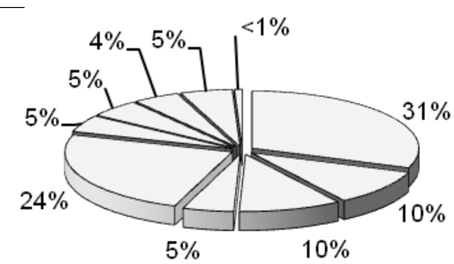
Where investment characteristics, including yield, risk, and liquidity are equivalent, the City Council's policy favors investments which will have a positive impact on the economy of North Dakota.

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.

v **City of Grand Forks Pension Plan**
Actual Asset Allocation – June 30, 2009

Asset Allocation		Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	9,187,719	31%	
Domestic Small Cap Equity		3,031,990	10%	
International Equity		2,983,145	10%	
Emerging Markets Equity		1,485,368	5%	
Domestic Fixed Income		7,305,684	24%	
High Yield Fixed Income		1,435,702	5%	
International Fixed Income		1,506,102	5%	
Real Estate		1,367,415	5%	
Private Equity		1,518,285	5%	
Cash Equivalents		220,592	<1%	
TOTAL FUND	$	30,042,002	100%	*



* This fund does not have the specified history under SIB management.

WORKFORCE SAFETY & INSURANCE FUND

v 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%

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.

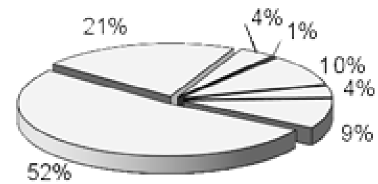
   (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.

   (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.

v **Workforce Safety & Insurance Fund**
Actual Asset Allocation – June 30, 2009

Asset Allocation		Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	104,462,261	10%	
Domestic Small Cap Equity		39,348,363	4%	
International Equity		98,558,107	9%	
Fixed Income		564,670,756	52%	
Inflation Protected		232,069,196	21%	
Real Estate		41,857,769	4%	
Cash Equivalents		3,261,995	0%	
TOTAL FUND	$	1,084,228,447	100%	-10.25%



STATE FIRE AND TORNADO FUND

v 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 policy holders in accordance with NDCC 26.1-22. Premiums are expected to total approximately $6.4 million annually, with the bulk of these premiums received at the beginning of each fiscal year.

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

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

The Fund retains liability for the first $1 million on each and every loss. Any loss over this amount, up to a maximum of $100 million, is covered by reinsurance through a commercial reinsurance carrier. Reinsurance coverage is bid by the Insurance Department at least once 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 two week 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 three fiscal years have averaged $2.2 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 North Dakota Firefighter's Association. For planning purposes over the 2009-2011 biennium, these appropriations were assumed to be $967,080 annually.

The Fund's asset allocation will need to be reviewed at the end of the 2007-2009 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 is to 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 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.

Policy and Guidelines

The asset allocation of the State Fire & Tornado Fund is established by the Insurance Department, 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 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 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.

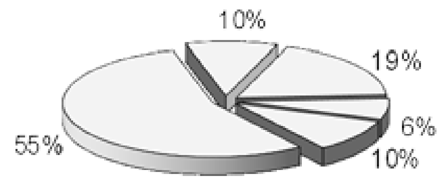
Evaluation and Review

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust.

Money managers will be evaluated by the SIB quarterly. In-state meetings will be held with the money managers at least annually.

v **State Fire and Tornado Fund**
Actual Asset Allocation – June 30, 2009

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 4,154,004	19%	
Domestic Small Cap Equity	1,402,541	6%	
International Equity	2,197,387	10%	
Fixed Income	12,409,170	55%	
Cash Equivalents	2,206,328	10%	
TOTAL FUND	$ 22,369,430	100%	-9.85%



STATE BONDING FUND

v **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). Annual collections to the Fund are in the form of fees and restitution. However, the primary funding source for the Fund is investment return.

A minimum balance of $2.0 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 $114,170 annually over the last three fiscal years.

Appropriations from the Fund are exclusively for administrative costs. For planning purposes during the 2009-2011 biennium, these appropriations are assumed to be $20,759 annually.

The Fund's asset allocation will need to be reviewed at the end of the 2009-2011 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 $2,000,000 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 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.

Policy and Guidelines

The asset allocation of the State Bonding Fund is established by the Insurance Department, 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:

Fixed Income	55.00%
Cash Equivalents	45.00%

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 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.

Evaluation and Review

Investment management of the Fund will be evaluated in comparison with the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust.

Money managers will be evaluated by the SIB quarterly. In-state meetings will be held with the money managers at least annually.

v **State Bonding Fund**
Actual Asset Allocation – June 30, 2009

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 57,610	3%	
Fixed Income	1,194,662	55%	
Cash Equivalents	898,667	42%	
TOTAL FUND	$ 2,150,939	100%	-15.49%

PETROLEUM TANK RELEASE COMPENSATION FUND

v 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 ND23-37. The Fund's "sunset clause" date of June 30, 2011, 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 underground petroleum storage tanks. Registration of tanks with the Fund is mandatory, although certain types of tanks are excluded. Premiums are estimated to total $295,000 annually during the current biennium.

A statutory minimum balance of $6.0 million must be maintained in the Fund. Also, a minimum balance of $2.0 million is required by EPA. 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.

If a petroleum release occurs or petroleum contamination is discovered, an eligible tank owner is reimbursed 90% of necessary and reasonable costs between $5,000 and $155,000 for cleanup of contamination or third-party liability. The Fund reimburses 100% of costs between $155,000 and $1,000,000. Claims have averaged $596,000 annually over the last three fiscal years.

Operating expenses are paid from the Fund as incurred. For planning purposes over the 2009-2011 biennium, these appropriations were assumed to be $48,119 annually.

The Fund's asset allocation will need to be reviewed at the end of the 2009-2011 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, 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 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.

Policy and Guidelines

The asset allocation of the state Petroleum Tank Release Compensation Fund is established by the Insurance Department, 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:

Fixed Income	50.00%
Cash Equivalents	50.00%

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 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.

Evaluation and Review

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust.

Money managers hired by the SIB will be evaluated by the Board quarterly. In-state meetings will be held with the money managers at least annually.

v **Petroleum Tank Release Compensation Fund Actual Asset Allocation – June 30, 2009**

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 175,207	3%	
Fixed Income	3,186,847	50%	
Cash Equivalents	2,939,389	47%	
TOTAL FUND	$ 6,301,443	100%	-15.49%

INSURANCE REGULATORY TRUST FUND

v 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 $4.5 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 2009-2011 biennium, these appropriations were assumed to be $3.3 million annually.

The Fund's asset allocation will need to be reviewed at the end of the 2009-2011 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 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.

Policy and Guidelines

The asset allocation of the state Insurance Regulatory Trust Fund is established by the Insurance Department, 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 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 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.

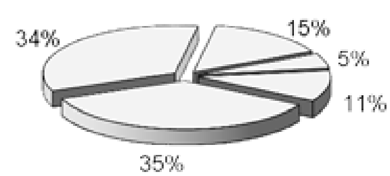
Evaluation and Review

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust.

Money managers hired by the SIB will be evaluated by the Board quarterly. In-state meetings will be held with the money managers at least annually.

v **Insurance Regulatory Trust Fund**
Actual Asset Allocation – June 30, 2009

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 484,828	15%	
Domestic Small Cap Equity	164,661	5%	
International Equity	342,222	11%	
Fixed Income	1,148,957	35%	
Cash Equivalents	1,100,573	34%	
TOTAL FUND	$ 3,241,241	100%	-6.86%



NORTH DAKOTA HEALTH CARE TRUST FUND

v 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.

v **North Dakota Health Care Trust Fund**
Actual Asset Allocation – June 30, 2009

Asset Allocation	Market Value	Percent of Total	One Year Return
Cash Equivalents & CD's	2,309,049	100%	
TOTAL FUND	$ 2,309,049	100%	1.08%

STATE RISK MANAGEMENT FUND

v 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.

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 2007-2009 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 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 time periods the Fund should match or exceed the expected 6.34% rate of return based on Callan Associates' 2007 market projections. Expected risk for the period, measured by standard deviation, is 6.59%.

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	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.

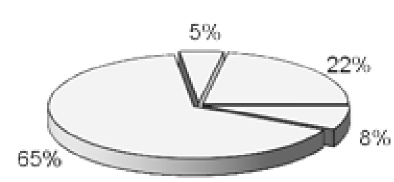
Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

(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, 2009

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 724,344	22%	
Domestic Small Cap Equity	244,705	8%	
Fixed Income	2,131,844	65%	
Cash Equivalents	160,004	5%	
TOTAL FUND	$ 3,260,897	100%	-8.97%



STATE RISK MANAGEMENT WORKERS COMPENSATION FUND

v 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 ($0 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 $1.7 million per year in premiums.

The Fund's asset allocation will need to be reviewed at the end of the 2007-2009 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 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 time periods the Fund should match or exceed the expected 6.64% rate of return based on Callan Associates' 2007 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.

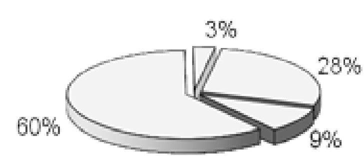
   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (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.

v **State Risk Management WC Fund**
Actual Asset Allocation – June 30, 2009

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 512,356	28%	
Domestic Small Cap Equity	173,172	9%	
Fixed Income	1,129,110	60%	
Cash Equivalents	55,646	3%	
TOTAL FUND	$ 1,870,284	100%	-11.29%



NORTH DAKOTA ASSOCIATION OF COUNTIES

v 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 there under are funded by dues from member counties and special programs and projects of NDACo.

The NDACo has chosen to segregate these monies into two separate funds (Funds) with identical investment policies. This statement governs both Funds.

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.

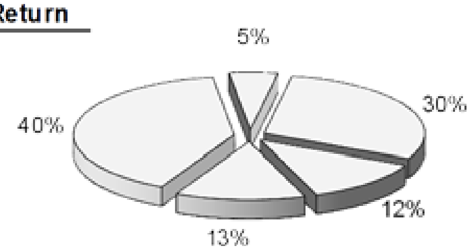
   For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

   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.

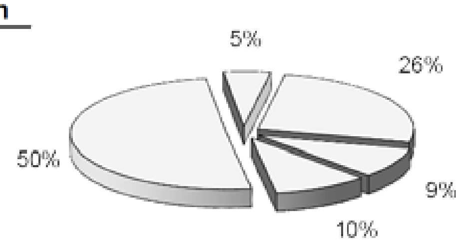
v ND Association of Counties (NDACo) Fund
Actual Asset Allocation – June 30, 2009

Asset Allocation		Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	274,888	30%	
Domestic Small Cap Equity		113,081	12%	
International Equity		122,107	13%	
Fixed Income		377,281	40%	
Cash Equivalents		45,702	5%	
TOTAL FUND	$	933,059	100%	-16.29%



v NDACo Program Savings Fund
Actual Asset Allocation – June 30, 2009

Asset Allocation		Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	180,025	26%	
Domestic Small Cap Equity		60,766	9%	
International Equity		68,060	10%	
Fixed Income		349,008	50%	
Cash Equivalents		33,768	5%	
TOTAL FUND	$	691,627	100%	-13.31%



CITY OF BISMARCK DEFERRED SICK LEAVE ACCOUNT

v 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.

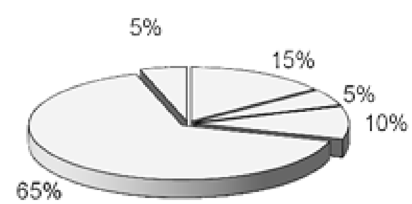
   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (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.

v City of Bismarck Deferred Sick Leave
Actual Asset Allocation – June 30, 2009

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 108,430	15%	
Domestic Small Cap Equity	36,611	5%	
International Equity	71,668	10%	
Fixed Income	478,416	65%	
Cash Equivalents	35,780	5%	
TOTAL FUND	$ 730,905	100%	-8.34%



NDPERS GROUP INSURANCE ACCOUNT

v 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.

v NDPERS Group Insurance Account Actual Asset Allocation – June 30, 2009

Asset Allocation	Market Value	Percent of Total	One Year Return
Cash Equivalents	$3,996,667	100%	1.08%

CITY OF FARGO FARGODOME PERMANENT FUND

v 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.

c. Over 10 year and longer time periods the Fund should match or exceed the expected 6.91% rate of return based on Callan Associates' 2005 market projections. Expected risk for the period, measured by standard deviation, is 9.47%.

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.

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.

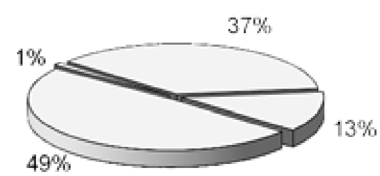
Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

(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.

v City of Fargo FargoDome Permanent Fund Actual Asset Allocation – June 30, 2009

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 6,550,821	37%	
Domestic Small Cap Equity	2,211,732	13%	
Fixed Income	8,713,566	49%	
Cash Equivalents	173,257	1%	
TOTAL FUND	$ 17,649,376	100%	-15.64%



NORTH DAKOTA CULTURAL ENDOWMENT FUND

v 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.

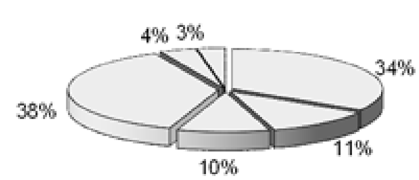
Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

(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.

v **ND Cultural Endowment Fund**
Actual Asset Allocation – June 30, 2009

Asset Allocation		Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	69,281	34%	
Domestic Small Cap Equity		23,497	11%	
International Equity		20,432	10%	
Fixed Income		77,603	38%	
Real Estate		8,069	4%	
Cash Equivalents		6,123	3%	
TOTAL FUND	$	205,005	100%	-18.49%



NORTH DAKOTA BUDGET STABILIZATION FUND

v 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 sections 54-27.2-01 and 54-27.2-02, any amount in the state general fund in excess of $100,527,369 was required to be transferred by the State Treasurer to the Fund from the general fund on July 1, 2007. This transfer will provide for a total of $200,000,000 in the Fund for the biennium beginning July 1, 2007 and ending June 30, 2009. The state investment board shall supervise investment of the Fund in accordance with chapter 21-10.

Any interest or other 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 Fund to the state general fund to offset the decrease in general fund revenues. The amount transferred from the 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 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	Minimum of 50%
Other Fixed Income	Maximum of 10%
Absolute Return Strategies	Maximum of 10%

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

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

a. 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.

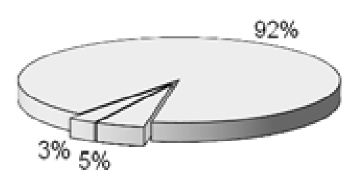
   Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (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.

v **ND Budget Stabilization Fund**
Actual Asset Allocation – June 30, 2009

Asset Allocation		Market Value	Percent of Total	One Year Return
Fixed Income	$	9,429,863	5%	
Absolute Return Strategies		5,496,407	3%	
Cash Equivalents & CD's		175,209,067	92%	
TOTAL FUND	$	190,135,337	100%	-4.23%



RETIREE HEALTH INSURANCE CREDIT FUND

v 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 plan, 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 manager 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 fund's 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 February 2009 – SEI Corporation

Domestic Large Cap	37%
Domestic Small Cap	9%
International Equities	14%
Core Plus Fixed Income	40%
Expected Return	8.4%
Standard Deviation of Returns	11.7%

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.

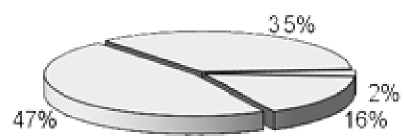
Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

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.

v Retiree Health Insurance Credit Fund
Actual Asset Allocation – June 30, 2009

Asset Allocation	Market Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 12,423,094	35%	
Domestic Small Cap Equity	789,030	2%	
International Equity	5,809,515	16%	
Fixed Income	16,533,753	47%	
TOTAL FUND	$35,555,392	100%	-17.14%



ACTUARIAL SECTION

GRS

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October 12, 2009

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, 2009

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, 2009.

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. The member rate is set at 7.75%. Effective July 1, 2008, the employer rate increased from 7.75% to 8.25%. Effective July 1, 2010, the employer rate will increase again from 8.25% to 8.75%. The total addition of 1.00% to the employer contribution rate will remain in effect until TFFR is 90% funded on an actuarial basis.

Board of Trustees
October 12, 2009
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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, although at any given time the statutory rates may be insufficient. 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.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

In order to determine the adequacy of the 8.25% 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, 2009, the ARC is 10.78%, increased from 9.24% last year. This is greater than the 8.25% rate currently required by law. The shortfall (the negative margin) between the rate mandated by law (8.25%) and the rate necessary to fund the UAAL in 30 years is -2.53%.

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) decreased from last year. The funded ratio at July 1, 2008 was 81.9%, while it is 77.7% as of July 1, 2009. Based on market values rather than actuarial values of assets, the funded ratio decreased to 53.5% from 79.2% last year.

The plan had a net asset loss of $591 million from previous years which has not yet been recognized in the actuarial value of assets, because of the five-year smoothing. This unrecognized asset loss is due to large market losses during FY 2008 and FY 2009. As the unrecognized loss is recognized over the next four years, the ARC is expected continue to increasing and the funded ratio is expected to continue decreasing, assuming the plan earns 8.00% in the future, unless the contribution rates or benefits are changed.

REPORTING CONSEQUENCES

TFFR is required to report in its Comprehensive Annual Financial Report (CAFR) for the current fiscal year ending June 30, 2009 that actual contributions received in FY 2009 were less than the ARC. The FY 2009 8.25% statutory rate was 89.3% of the 9.24% ARC determined by the last valuation. Next year, the CAFR for FY 2010 will show that the 8.25% statutory rate is only 76.5% of the 10.78% ARC. 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.

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BENEFIT PROVISIONS

The actuarial valuation reflects the benefit and contribution provisions set forth in the North Dakota Century Code. In 2009, Senate Bill No. 2277 (SB 2277) was enacted, implementing a one-time supplemental retiree benefit payment for annuitants who retired before January 1, 2009 and who are still receiving payments from the fund in December 2009. The payment is equal to \$20 times the number of years of service credit plus \$15 times the number of years since the member's retirement. The supplement may not exceed the greater of 10% percent of the member's annual annuity or \$750.00. The payment will be made in December 2009.

House Bill No. 1022 (HB 1022) increased the employer contribution rate from 8.25% to 8.75% effective July 1, 2010. The employer contributions will reset to 7.75% once the fund reaches a 90% funded ratio measured using the actuarial value of assets. Because of the delayed effective date, this contribution increase is not reflected in the calculation of the margin.

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 last changed in 2005, following an analysis of plan experience for the five-year period ending June 30, 2004. The Board adopted the assumptions and methods recommended by the actuary. 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, 2009, 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.

Gabriel Roeder Smith & Company

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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, ASA, MAAA, EA
Senior Consultant

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

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Gabriel Roeder Smith & Company

SUMMARY OF ACTUARIAL VALUATION RESULTS

Valuation Date	7/1/2009	7/1/2008
Fiscal Year Ending	6/30/2010	6/30/2009
Membership		
• Number of		
- Active Members	9,707	9,561
- Retirees and Beneficiaries	6,466	6,317
- Inactive, Vested	1,490	1,459
- Inactive, Nonvested	292	229
- Total	17,955	17,566
• Payroll	$440.0 million	$417.7 million
Statutory contribution rates		
• Employer	8.25%	8.25%
• Member	7.75%	7.75%
Assets		
• Market value	$1,309.7 million	$1,846.1 million
• Actuarial value	1,900.3 million	1,909.5 million
• Return on market value	(27.0)%	(7.0)%
• Return on actuarial value	1.7 %	11.6 %
• Ratio - actuarial value to market value	145.1 %	103.4 %
• External cash flow %	(3.3)%	(2.3)%
Actuarial Information		
• Normal cost %	10.26%	10.26%
• Unfunded actuarial accrued liability (UAAL)	$545.6 million	$421.2 million
• Funded ratio	77.7%	81.9%
• Funding period	Infinite	57.0 years
GASB 25 ARC		
• Amortization period	30 years	30 years
• Amortization method	Level % (2.00%)	Level % (2.00%)
• Calculated contribution rate	10.78%	9.24%
• Margin	(2.53)%	(0.99)%
Gains/(Losses)		
• Asset experience	$(118.3) million	$ 62.4 million
• Liability experience	1.8 million	(15.7) million
• Benefit changes	(4.4) million	0.0 million
• Assumption/method changes	0.0 million	0.0 million
• Total	$(120.9) million	$ 46.7 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

Age	Unreduced Retirement Ultimate Rate*		Reduced Retirement	
	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 before age 65 under the rule of 85 (under Tier 1) or the Rule of 90 (under Tier 2), then 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 8.25% statutory employer contribution rate, the 8.25% 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

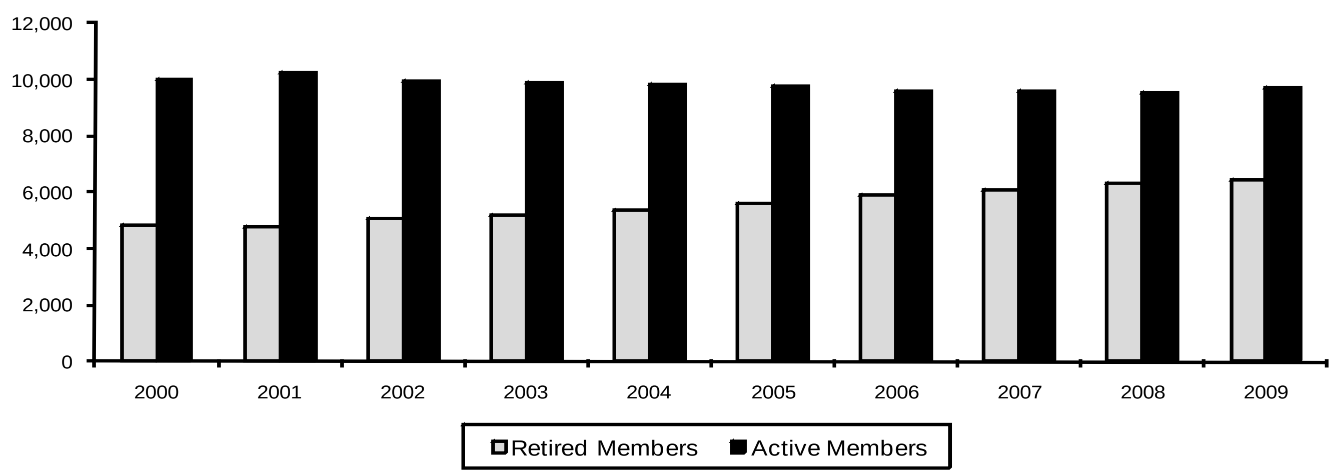
Valuation Year	Active Members: Number	Active Members: Percent Increase	Covered Payroll: Amount in $ Millions	Covered Payroll: Percent Increase	Average Salary: $ Amount	Average Salary: Percent Increase	Average Age	Average Service
2000	10,025	(0.2)	323.0	2.7	32,223	2.9	43.9	14.1
2001	10,239	2.1	342.2	5.9	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
2008	9,561	(0.4)	417.7	4.1	43,684	4.5	44.6	14.4
2009	9,707	1.5	440.0	5.3	45,327	3.8	44.5	14.3

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
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
2008	406	9.4	166	1.9	6,317	17,724	106.5	6.8
2009	346	7.9	197	2.5	6,466	18,168	114.0	7.0

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)

	7/1/2009	7/1/2008
Prior valuation	9.24 %	10.15 %
Increases/(decreases) due to:		
Open amortization	(0.09)%	(0.10)%
Growth in covered payroll	(0.21)%	(0.15)%
Employer contributions received at 8.25%; rather than 9.24% or 10.15%	0.01 %	0.09 %
Liability experience	(0.03)%	0.25 %
Investment experience	1.79 %	(1.00)%
Assumption changes	0.00 %	0.00 %
Change in amortization method	0.00 %	0.00 %
Legislative changes	0.07 %	0.00 %
Total	1.54 %	(0.91)%
Current valuation	10.78 %	9.24 %
Statutory employer contribution rate*	8.25 %	8.25 %
Margin available	(2.53)%	(0.99)%

* Effective 7/1/10, the employer contribution rate increases to 8.75%.

ANALYSIS OF CHANGE IN UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)

	Unfunded Actuarial Accrued Liability ($ in millions)	
	7/1/2009	7/1/2008
Prior valuation	$ 421.2	$ 459.2
Increases/(decreases) due to:		
Amortization payments	$ 3.5	$ 8.7
Investment experience	118.3	(62.4)
Assumption changes	-	-
Liability experience	(1.8)	15.7
Change in actuarial methods	-	-
Legislative changes	4.4	-
Total	$ 124.4	$ (38.0)
Current valuation	$ 545.6	$ 421.2

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)
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
2008	547.3	1,074.8	708.6	1,909.5	100.0	100.0	40.6
2009	576.8	1,134.2	734.8	1,900.3	100.0	100.0	25.8

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 contributions 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 a percentage of the member's salary. This percentage consists of a base percentage of 7.75%, plus, since July 1, 2008, additions as shown below.

Effective Date	Addition to 7.75% Base Rate	Employer Contribution Rate
July 1, 2008	0.50%	8.25%
July 1, 2010	1.00%	8.75%

   However, the additions are subject to a “sunset” provision, so 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.

Summary of Benefit Provisions (continued)

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 age 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.

    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.

Summary of Benefit Provisions (continued)

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.

    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.

Summary of Benefit Provisions (continued)

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.

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.

19. 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 than 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.

2009 Legislative Session:

1. An individual who retired before January 1, 2009, and is receiving monthly benefits is entitled to receive a supplemental payment from the fund. The supplemental payment is equal to an amount determined by taking twenty dollars multiplied by the member's number of years of service credit plus fifteen dollars multiplied by the number of years since the member's retirement as of January 1, 2009. The supplemental payment may not exceed the greater of 10% of the member's annual annuity or $750.00. TFFR will make the supplemental payment in December 2009.

2. The employer contribution rate increases from 8.25% to 8.75% effective July 1, 2010, but this rate will be reset to 7.75% once the Fund reaches a 90% funded ratio, measured using the actuarial value of assets. (If the funded ratio later falls below 90% again, the contribution rate will not automatically return to 8.75%.)

STATISTICAL SECTION

This part of the Retirement and Investment Office's (RIO) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about RIO's overall financial health.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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
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
2008	33,237,677	33,683,550	7.75	(140,625,425)	3,636,528	(70,067,670)
2009	34,712,846	37,487,655	8.25	(492,738,080)	2,176,734	(418,360,845)

DEDUCTIONS:

Fiscal Year	Benefits Paid to Participants	Refunds	Administrative Charges	Total Deductions	Change in Net Assets
2000	$ 53,583,271	$ 2,788,019	$ 1,015,549	$ 57,386,839	$(110,003,053)
2001	57,740,914	3,127,841	1,099,331	61,968,086	(115,968,462)
2002	67,482,482	2,743,408	1,066,309	71,292,199	13,418,066
2003	72,044,977	1,729,764	1,056,611	74,831,352	209,066,789
2004	77,153,054	5,800,100	1,513,788	84,466,942	160,366,194
2005	84,498,130	2,733,407	2,086,849	89,318,386	196,963,096
2006	91,818,092	2,697,308	1,620,623	96,136,023	316,992,062
2007	99,737,905	3,328,931	1,592,060	104,658,896	(174,726,566)
2008	106,456,334	5,500,476	1,639,521	113,596,331	(183,664,001)
2009	113,966,079	2,362,251	1,707,506	118,035,836	(536,396,681)

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
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	5,139,164	361,312	3,328,931	103,066,836
2008	98,381,551	692,139	1,296,946	6,085,698	106,456,334	5,154,211	346,265	5,500,476	111,956,810
2009	105,258,155	895,742	1,419,050	6,393,132	113,966,079	2,131,709	230,542	2,362,251	116,328,330

PRINCIPAL PARTICIPATING EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	2009			2000		
Participating Employer	**Covered Employees**	**Rank**	**% of Total System**	**Covered Employees**	**Rank**	**% of Total System**
Bismarck Public Schools	1,042	1	9.92%	881	2	8.30%
Fargo Public Schools	1,035	2	9.85%	936	1	8.81%
Grand Forks Schools	757	3	7.20%	774	3	7.29%
Minot Schools	629	4	5.99%	620	4	5.84%
West Fargo Schools	558	5	5.31%	355	5	3.34%
Mandan Public Schools	288	6	2.74%	260	6	2.45%
Dickinson Schools	244	7	2.32%	239	7	2.25%
Jamestown Schools	223	8	2.12%	238	8	2.24%
Williston Schools	198	9	1.88%	199	9	1.87%
Devils Lake Schools	171	10	1.63%	163	10	1.53%
All Other [1]	6,404		60.95%	6,835		64.37%
Total (231 & 287 employers) [2]	10,507		100.00%	10,619		100.00%

[1] In 2009 "all other" consisted of:

Type	Number	Employees
School Districts	174	5,905
County Superintendents	11	11
Special Education Units	19	345
Vocational Centers	5	48
State Agencies/Institutions	4	83
Colleges/Universities	3	3
Other	5	9
Total	221	6,404

[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, 2009

School Districts
Adams
Alexander
Anamoose
Apple Creek Elementary
Ashley
Bakker Elementary
Baldwin Elementary
Barnes County North
Beach
Belcourt
Belfield
Beulah
Billings County School
Bismarck
Bottineau
Bowbells
Bowman
Burke Central
Carrington
Cavalier
Center-Stanton
Central Cass
Central Elementary
Central Valley
Dakota Prairie
Devils Lake
Dickinson
Divide
Drake
Drayton
Dunseith
Earl Elementary
Edgeley
Edinburg
Edmore
Eight Mile
Elgin/New Leipzig
Ellendale
Emerado Elementary
Enderlin Area School
Eureka Elementary
Fairmount
Fargo
Fessenden-Bowdon
Finley-Sharon
Flasher
Fordville Lankin
Fort Ransom Elementary
Fort Totten
Fort Yates
Gackle-Streeter
Garrison
Glen Ullin
Glenburn
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
Kidder County School Dist
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 Towner
North Sargent
North Star
Northern Cass
Northwood
Oakes
Oberon Elementary
Page
Park River
Parshall
Pingree-Buchanan
Pleasant Valley Elementary
Powers Lake
Richardton-Taylor
Richland
Robinson
Rolette
Roosevelt
Rugby
Sargent Central
Sawyer
Scranton
Selfridge
Solen – Cannonball
South Heart
South Prairie Elementary
St. John's School
St. Thomas
Stanley

SCHEDULE OF PARTICIPATING EMPLOYERS (Continued)

School Districts (cont.)

Starkweather
Sterling Elementary
Strasburg
Surrey
Sweet Briar Elementary
TGU
Thompson
Tioga
Turtle Lake – Mercer
Twin Buttes Elementary
Underwood
United
Valley
Valley City
Velva
Wahpeton
Warwick
Washburn
West Fargo
Westhope
White Shield
Williston
Wing
Wishek
Wolford
Wyndmere
Yellowstone
Zeeland

Total School Districts 184

County Superintendents

Billings County
Bottineau County
Logan County
McHenry County
McKenzie County
Morton County
Nelson County
Rolette County
Slope County
Ward County
Williams County

Total County Supts. 11

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.
Southwest Special Ed.
Upper Valley Special Ed.
West River Student Services
Wil-Mac Special Ed.

Total Special Ed Units 19

Vocational Centers

N Central Area Career & Tech
N Valley Career & Tech Center
Roughrider Area Career & Tech
SE Region Career & Tech Center
Sheyenne Valley Area Voc Center

Total Vocational Centers 5

State Agencies & Institutions

ND Center for Distance Education
ND School for the Blind
ND School for the Deaf
ND Youth Correctional Center

Total State Agencies & Institutions 4

Colleges/Universities

Bismarck State College
ND State College of Science
ND State University

Total Colleges/Univ. 3

Other

Fargo Catholic Schools Network
Great NW Education Co-Op
ND High School Activities Assn.
ND Education Assn.
Valley City Teacher Center

Total Other 5

Total Employers 231

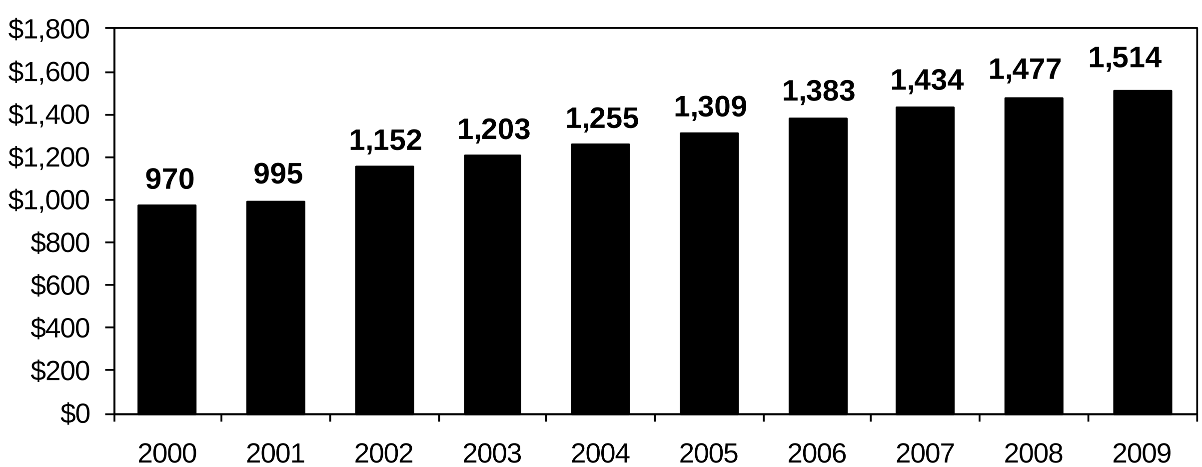
SCHEDULE OF RETIREES RESIDING IN NORTH DAKOTA BY COUNTY

County	Number	Average Benefit	County	Number	Average Benefit	County	Number	Average Benefit
Adams	19	$ 1,448	Griggs	29	$ 1,100	Richland	116	$ 1,569
Barnes	130	1,536	Hettinger	25	1,680	Rolette	57	1,363
Benson	36	1,630	Kidder	29	1,293	Sargent	31	1,191
Billings	6	1,038	LaMoure	47	1,437	Sheridan	18	1,286
Bottineau	99	1,415	Logan	20	1,432	Sioux	6	793
Bowman	46	1,551	McHenry	54	1,223	Slope	4	722
Burke	35	1,396	McIntosh	40	1,541	Stark	189	1,534
Burleigh	652	1,629	McKenzie	40	1,605	Steele	19	1,218
Cass	737	1,735	McLean	101	1,455	Stutsman	168	1,482
Cavalier	70	1,361	Mercer	70	1,658	Towner	28	1,353
Dickey	62	1,110	Morton	216	1,702	Traill	78	1,470
Divide	25	1,840	Mountrail	74	1,336	Walsh	123	1,518
Dunn	25	1,540	Nelson	52	1,355	Ward	499	1,626
Eddy	34	1,288	Oliver	18	1,798	Wells	56	1,474
Emmons	25	1,347	Pembina	73	1,602	Williams	167	1,508
Foster	35	1,505	Pierce	57	1,501	Out-of-State	1,200	1,242
Golden Valley	15	1,286	Ramsey	128	1,416			
Grand Forks	478	1,829	Ransom	50	1,402	GRAND TOTALS:	6,466	$ 1,514
Grant	25	1,101	Renville	30	1,560			

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

Valuation Year			Years of Service								
		< 5	5 - 9	< 10	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	> 34	TOTAL
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	74	195		436	417	627	1,254	1,750	1,140	5,893
	Average Monthly Benefit	208	302		399	607	938	1,351	1,804	1,938	1,383
	Average Years of Service	3	7		13	17	23	28	32	38	28
2007	Number of Retirees	77	206		437	418	643	1,310	1,843	1,143	6,077
	Average Monthly Benefit	207	299		404	634	982	1,415	1,850	2,012	1,434
	Average Years of Service	3	7		13	17	23	28	32	38	28
2008	Number of Retirees	83	222		451	421	670	1,363	1,938	1,169	6,317
	Average Monthly Benefit	220	310		410	656	1,025	1,471	1,897	2,066	1,477
	Average Years of Service	3	7		13	17	23	28	32	38	28
2009	Number of Retirees	90	243		450	420	692	1,410	2,008	1,153	6,466
	Average Monthly Benefit	216	308		417	670	1,074	1,515	1,942	2,120	1,514
	Average Final Average Salary	1,723	1,984		1,751	2,144	2,627	2,972	3,318	3,315	2,910
	Average Years of Service	3	7		13	17	23	28	32	38	28

Additional detail for service < 10 years is not available prior to 2006. Average Final Average Salary detail not available prior to FY2009.



SCHEDULE OF RETIREES BY BENEFIT AMOUNT

Monthly Benefit Amount	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Under $200	193	185	177	171	157	146	134	119	154	146
200 to 399	475	470	461	460	465	466	473	481	646	669
400 to 599	517	539	552	590	619	637	671	705	927	997
600 to 799	469	506	527	563	593	637	663	715	538	564
800 to 999	417	419	420	423	432	434	439	458	490	497
1,000 to 1,199	529	538	540	542	528	517	513	503	470	459
1,200 to 1,399	505	498	493	492	478	458	450	431	417	405
1,400 to 1,599	550	534	519	498	474	455	432	423	349	343
1,600 to 1,799	525	510	483	449	422	392	358	327	229	225
1,800 to 1,999	513	499	474	438	382	348	297	261	173	164
2,000 & Over *							747	631	384	358
2,000 to 2,199	412	377	338	310	270	245				
2,200 to 2,399	353	329	287	258	227	202				
2,400 to 2,599	267	250	228	190	157	133				
2,600 to 2,799	208	185	160	150	119	105				
2,800 to 2,999	155	144	126	102	86	68				
3,000 & Over *		334	292	257	177	130				
3,000 to 3,199	110									
3,200 to 3,399	70									
3,400 to 3,599	61									
3,600 to 3,799	41									
3,800 to 3,999	24									
4,000 & Over	72									
TOTAL	6,466	6,317	6,077	5,893	5,586	5,373	5,177	5,054	4,777	4,827

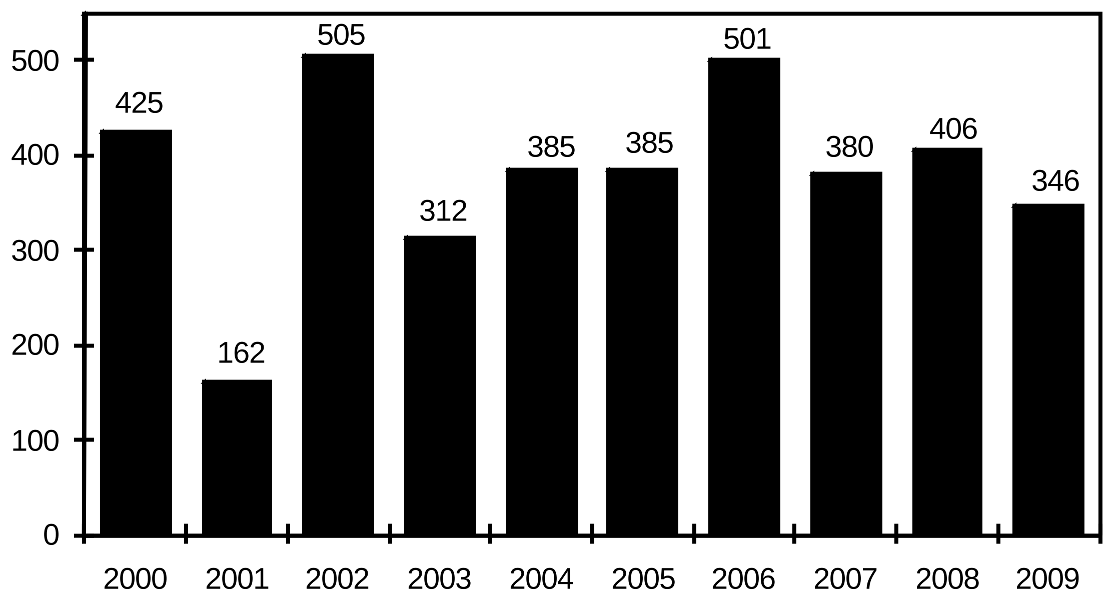
* Breakdown of data for monthly benefits > $2,000 is not available for years prior to 2004, and > $3,000 prior to 2009.

SCHEDULE OF RETIREES BY BENEFIT TYPE

Form of Payment	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Service:										
Straight Life	2,560	2,578	2,541	2,549	2,544	2,527	2,531	2,566	2,566	2,674
100% J&S	1,963	1,836	1,697	1,570	1,361	1,243	1,128	1,030	872	862
50% J&S	468	458	433	408	372	357	333	328	301	303
5 Years C&L	32	32	33	34	34	35	34	32	31	33
10 Years C&L	174	169	166	157	154	151	149	149	140	141
20 Years C&L	46	38	34	28	16	8	0	0	0	0
Level	590	584	580	567	539	495	458	422	354	335
Subtotal	5,833	5,695	5,484	5,313	5,020	4,816	4,633	4,527	4,264	4,348
Disability:										
Straight Life	85	81	73	66	61	59	57	55	50	44
100% J&S	13	12	12	11	9	10	11	10	10	10
50% J&S	6	5	4	4	5	6	9	8	7	5
5 Years C&L	2	2	2	2	2	2	2	2	2	2
10 Years C&L	1	1	1	1	1	1	1	1	1	1
20 Years C&L	1	1	1	1	1	1	0	0	0	0
Subtotal	108	102	93	85	79	79	80	76	70	62
Beneficiaries:										
Straight Life	513	506	482	475	466	457	442	439	431	407
5 Years C&L	6	9	11	8	9	9	6	2	2	1
10 Years C&L	5	5	7	12	12	12	16	10	10	9
20 Years C&L	1	0	0	0	0	0	0	0	0	0
Subtotal	525	520	500	495	487	478	464	451	443	417
TOTAL	6,466	6,317	6,077	5,893	5,586	5,373	5,177	5,054	4,777	4,827

SCHEDULE OF NEW RETIREES BY TYPE

Valuation Year	Retirement	Disability	Beneficiary	Total
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
2008	357	10	39	406
2009	304	8	34	346



PAYMENTS TO INVESTMENT CONSULTANTS FOR FISCAL YEARS ENDED JUNE 30

PENSION POOL PARTICIPANTS

	2009	2008	2007	2006	2005
INVESTMENT MANAGERS					
Domestic Large Cap Equity:					
AllianceBernstein Capital Management	$ 1,233	$ -	$ -	$ -	$ -
The Clifton Group	84,121	-	-	-	-
Epoch Investment Partners	1,039,747	750,984			
European Credit Management	206,886	189,841	-	-	-
Los Angeles Capital Management	448,835	627,332	694,224	745,621	660,619
LSV Asset Management	460,844	596,487	627,189	601,936	590,168
Mellon Capital Management	433,778	922,539	841,678	-	-
Northern Trust Global Investments	53,277	(320)	456,072	177,332	402,732
Prudential Investment Management	341,803	293,177	-	-	-
State Street Global Advisors	42,965	144,955	572,824	24,122	17,541
Wells Capital Management Co.	241,392	1,221,370	2,104,890	4,904	-
Westridge Capital Management, Inc.	298,304	584,925	568,689	543,316	493,687
Total Domestic Large Cap Equity	3,653,185	5,331,290	5,865,566	2,097,231	2,164,747
Domestic Small Cap Equity:					
Callan Associates Inc.	80,997	111,692	106,919	75,401	-
The Clifton Group	72,907	-	-	-	-
SEI Investments Management Co.	1,014,952	2,221,532	2,237,847	2,635,502	2,370,310
Total Domestic Small Cap Equity	1,168,856	2,333,224	2,344,766	2,710,903	2,370,310
International Equity:					
Bank of Ireland Asset Management	-	231,286	367,618	344,610	322,720
Capital Guardian Trust Company	409,573	721,012	734,011	662,525	693,054
The Clifton Group	93,396	-	-	-	-
Dimensional Fund Advisors	235,871	207,791	-	-	-
Lazard Asset Management	-	168,235	385,717	360,262	345,025
LSV Asset Management	370,918	789,271	813,989	711,900	416,411
State Street Global Advisors	250,514	377,186	373,900	291,655	114,231
Wellington Trust Company, NA	331,897	490,485	466,239	442,878	403,531
Total International Equity	1,692,169	2,985,266	3,141,474	2,813,830	2,294,972
Emerging Markets Equity:					
BlackFriars Asset Management	124,072	243,261	202,658	59,106	-
Capital Guardian Trust Company	-	-	-	300,224	976,495
Capital International	525,000	656,250	-	-	-
Dimensional Fund Advisors	133,555	251,978	284,295	226,859	-
J.P. Morgan Investment Management, Inc.	301,488	314,349	309,740	156,328	-
PanAgora Asset Management, Inc.	133,067	263,231	219,298	63,104	-
UBS Global Asset Management	220,316	546,104	496,221	432,929	-
Total Emerging Markets Equity	1,437,498	2,275,173	1,512,212	1,238,550	976,495
Domestic Fixed Income:					
Bank of North Dakota	41,873	79,825	91,128	80,304	52,529
Calamos Advisors LLC	340,643	522,810	424,710	-	-
The Clifton Group	93,498	-	-	-	-
J.P. Morgan Investment Management, Inc.	1,551,731	1,606,393	703,125	-	-
PIMCO	244,483				
Prudential Investment Management	169,582	224,754	230,399	133,901	-
RMK Timberland Investment Mgmt.	-	-	-	412,804	567,599
SEI Investments Management Co.	2,601	-	-	-	-
Timberland Investment Resources	818,935	3,596,378	843,000	12,022,865	455,891
Trust Company of the West	-	-	76,469	299,027	218,650

PAYMENTS TO INVESTMENT CONSULTANTS
FOR FISCAL YEARS ENDED JUNE 30

PENSION POOL PARTICIPANTS (Continued)

	2009	2008	2007	2006	2005
INVESTMENT MANAGERS (continued)					
Domestic Fixed Income (continued):					
Wells Capital Management, Inc.	136,373	174,789	181,612	146,039	134,936
Western Asset Management Company	102,337	156,624	168,222	136,234	111,449
WestLB Asset Management	-	-	-	-	82,413
Total Domestic Fixed Income	3,502,056	6,361,573	2,718,665	13,231,174	1,623,467
High Yield Fixed Income:					
Declaration Management & Research LLC	121,780	7,031	-	-	-
Goldman Sachs Asset Management	440,810	251,837	110,647	-	-
Loomis Sayles & Company	411,522	567,711	554,291	485,906	437,397
PIMCO	268,049	66,455	-	-	-
Trust Company of the West	1,104,372	451,490	-	-	-
Wells Capital Management, Inc.	500,807	1,042,791	1,009,349	500,657	422,859
Western Asset Management Company	-	-	-	-	-
Total High Yield Fixed Income	2,847,340	2,387,315	1,674,287	986,563	860,256
International Fixed Income:					
UBS Global Asset Management	278,189	286,966	267,314	265,882	297,226
Brandywine Asset Management	385,373	419,075	382,959	344,396	313,098
Total International Fixed Income	663,562	706,041	650,273	610,278	610,324
Real Estate:					
INVESCO Realty Advisors	1,070,638	745,911	708,879	705,687	642,900
J.P. Morgan Investment Management, Inc.	1,956,455	2,418,987	2,144,259	1,516,689	1,189,060
Total Real Estate	3,027,093	3,164,898	2,853,138	2,222,376	1,831,960
Alternative Investments:					
Adams Street Partners	1,050,076	946,207	1,080,138	961,377	1,075,470
Coral Partners, Inc.	827,471	973,463	1,037,472	1,137,086	1,689,769
Corsair Capital	533,870	365,112	565,104	-	-
Hearthstone Homebuilding Investors, LLC	(717,002)	(280,445)	1,697,762	5,554,616	4,542,006
InvestAmerica L&C, LLC	477,694	504,382	587,157	375,000	375,000
Matlin Patterson Global Opportunities, LLC	728,266	901,140	740,551	729,871	640,625
Quantum Energy Partners	168,749	364,808	387,705	-	-
Quantum Resources Management	150,000	150,000	98,954	-	-
Total Alternative Investments	3,219,124	3,924,667	6,194,843	8,757,950	8,322,870
Cash Equivalents:					
The Northern Trust Company, Inc.	14,331	57,539	51,177	122,988	92,149
Total Investment Manager Fees	21,225,214	29,526,986	27,006,401	34,791,843	21,147,550
INVESTMENT CUSTODIAN					
The Northern Trust Company, Inc	551,849	741,919	664,524	648,728	665,915
INVESTMENT CONSULTANT					
Callan Associates Inc.	188,799	197,734	176,260	181,705	178,389
SIB SERVICE FEES	22,608	16,070	13,442	12,033	10,112
SECURITIES LENDING FEES					
Rebates	152,080	5,871,386	15,456,908	10,044,445	3,556,742
Fees	82,112	214,760	290,207	261,337	262,466
Total Securities Lending Fees	234,192	6,086,146	15,747,115	10,305,782	3,819,208

PAYMENTS TO INVESTMENT CONSULTANTS FOR FISCAL YEARS ENDED JUNE 30

INSURANCE POOL PARTICIPANTS

	2009	2008	2007	2006	2005
INVESTMENT MANAGERS					
Domestic Large Cap Equity:					
The Clifton Group	$ 373,925	$ -	$ -	$ -	$ -
Los Angeles Capital Management	104,393	127,696	129,444	134,125	130,010
LSV Asset Management	70,004	74,445	80,512	84,145	84,484
State Street Global Advisors	12,674	25,395	112,420	10,868	10,000
Westridge Capital Management, Inc.	94,488	169,773	136,069	119,733	110,895
Total Domestic Large Cap Equity	655,484	397,309	458,445	348,871	335,389
Domestic Small Cap Equity:					
The Clifton Group	221,082	-	-	-	-
Research Affiliates	85,949	109,426	-	-	-
SEI Investments Management	58,418	198,434	382,764	382,694	521,070
Total Domestic Small Cap Equity	365,449	307,860	382,764	382,694	521,070
International Equity:					
Capital Guardian Trust Company	193,395	241,112	265,710	258,024	199,852
Dimensional Fund Advisors	52,395	40,530	-	-	-
Lazard Asset Management	-	24,588	90,303	96,692	66,902
LSV Asset Management	182,431	199,709	216,449	215,086	101,949
The Vanguard Group	29,127	45,138	49,690	55,961	45,275
Total International Equity	457,348	551,077	622,152	625,763	413,978
Convertible Bonds:					
Trust Company of the West	-	-	-	-	292,953
Domestic Fixed Income:					
Bank of North Dakota	58,375	58,692	60,914	119,080	142,950
Brookfield Investment Management	75,328	127,097	56,220	-	-
The Clifton Group	516,425	853,284	-	-	-
Prudential Investment Management	161,549	164,533	138,546	-	-
Wells Capital Management, Inc.	419,769	425,196	455,171	475,084	298,661
Western Asset Management Company	384,219	398,731	430,831	442,296	411,419
Total Domestic Fixed Income	1,615,665	2,027,533	1,141,682	1,036,460	853,030
Inflation Protected Assets					
J.P. Morgan Investment Management, Inc.	618,195	-	-	-	-
Northern Trust Global Investments	48,927	59,045	55,354	55,493	60,268
Timberland Investment Resources	116,863	-	-	-	-
Western Asset Management Company	9,124	-	151,504	-	-
Total Inflation Protected Assets	793,109	59,045	206,858	55,493	60,268
Real Estate:					
J.P. Morgan Investment Management, Inc.	786,098	1,173,188	1,088,484	443,730	-
Enhanced Cash					
Prudential Investment Management	99,805	277,555	-	-	-
Total Investment Manager Fees	4,772,958	4,793,567	3,900,385	2,893,011	2,476,688
INVESTMENT CUSTODIAN					
The Northern Trust Company, Inc	288,023	300,326	250,812	276,945	261,904
INVESTMENT CONSULTANT					
Callan Associates	95,858	92,632	87,827	88,132	140,608
SIB SERVICE FEES	6,099	5,301	4,881	4,366	6,000
SECURITIES LENDING FEES					
Rebates	1,244,805	7,072,529	14,887,734	11,746,006	5,720,527
Fees	199,028	217,060	149,391	201,103	219,027
Total Securities Lending Fees	1,443,833	7,289,590	15,037,125	11,947,109	5,939,554

PAYMENTS TO INVESTMENT CONSULTANTS
FOR FISCAL YEARS ENDED JUNE 30

INSURANCE POOL PARTICIPANTS (Continued)

INDIVIDUAL INVESTMENT ACCOUNT

	2009	2008	2007	2006	2005
INVESTMENT MANAGERS					
State Street Global Advisors	$ 73,830	$ 141,727	$ 130,161	$ 72,797	$ 65,534
INVESTMENT CUSTODIAN					
The Northern Trust Company, Inc	654	651	660	654	652
SIB SERVICE FEES	4,561	3,581	3,487	2,944	2,696

See reconciliation of current year investment expenses to financial statements on page 67.

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

PENSION INVESTMENT POOL

	2009	2008	2007	2006	2005
Public Employees Retirement System					
Net assets beginning of year	$ 1,810,756,057	$ 1,934,234,168	$ 1,634,909,225	$ 1,475,694,042	$ 1,304,738,956
Net increase/(decrease)					
in fair value of investments	(463,523,677)	(133,303,450)	285,031,437	152,103,565	154,870,263
Interest, dividends and other income	35,721,096	43,867,012	43,845,522	36,924,447	34,148,529
Expenses	6,636,715	11,447,763	9,471,759	12,827,174	5,316,187
Net securities lending income	157,919	362,091	329,743	264,345	260,073
Net incr/(decr) in net assets					
resulting from unit transactions	(23,300,506)	(22,956,001)	(20,410,000)	(17,250,000)	(13,000,000)
Net assets end of year	$ 1,353,174,174	$ 1,810,756,057	$ 1,934,234,168	$ 1,634,909,225	$ 1,475,701,634
City of Bismarck Employees Pension Plan					
Net assets beginning of year	$ 49,652,732	$ 51,545,555	$ 44,002,952	$ 40,305,437	$ 26,354,623
Net increase/(decrease)					
in fair value of investments	(10,902,385)	(2,969,501)	6,407,926	3,073,287	3,332,675
Interest, dividends and other income	1,205,465	1,396,664	1,381,274	1,054,196	649,709
Expenses	196,099	330,632	256,348	437,255	108,273
Net securities lending income	4,265	10,646	9,751	7,287	5,048
Net incr/(decr) in net assets					
resulting from unit transactions	-	-	-	-	10,071,655
Net assets end of year	$ 39,763,978	$ 49,652,732	$ 51,545,555	$ 44,002,952	$ 40,305,437
City of Bismarck Police Pension Plan					
Net assets beginning of year	$ 22,986,491	$ 24,060,610	$ 20,386,327	$ 18,501,337	$ 12,807,676
Net increase/(decrease)					
in fair value of investments	(5,454,384)	(1,541,978)	3,189,234	1,570,167	1,519,817
Interest, dividends and other income	513,627	610,805	599,580	487,465	346,503
Expenses	89,034	147,621	118,932	175,864	55,815
Net securities lending income	1,966	4,675	4,401	3,222	2,373
Net incr/(decr) in net assets					
resulting from unit transactions	-	-	-	-	3,880,783
Net assets end of year	$ 17,958,666	$ 22,986,491	$ 24,060,610	$ 20,386,327	$ 18,501,337
Job Service of North Dakota					
Net assets beginning of year	$ 89,914,256	$ 94,697,478	$ 84,340,399	$ 81,450,677	$ 73,259,542
Net increase/(decrease)					
in fair value of investments	(15,799,734)	(2,847,451)	11,691,612	4,905,261	9,452,746
Interest, dividends and other income	1,998,050	2,133,511	2,325,117	1,916,260	1,682,114
Expenses	301,287	622,355	416,599	1,073,229	268,358
Net securities lending income	10,350	26,176	18,666	17,719	17,556
Net incr/(decr) in net assets					
resulting from unit transactions	(3,673,744)	(3,473,103)	(3,261,717)	(2,876,289)	(2,692,923)
Net assets end of year	$ 72,147,891	$ 89,914,256	$ 94,697,478	$ 84,340,399	$ 81,450,677
City of Fargo Employee Pension Plan					
Net assets beginning of year	$ 29,620,050	$ -	$ -	$ -	$ -
Net increase/(decrease)					
in fair value of investments	(7,476,802)	(2,060,774)	-	-	-
Interest, dividends and other income	557,875	357,768	-	-	-
Expenses	106,556	138,325	-	-	-
Net securities lending income	2,682	3,641	-	-	-
Net incr/(decr) in net assets					
resulting from unit transactions	(725,000)	31,457,740	-	-	-
Net assets end of year	$ 21,872,249	$ 29,620,050	$ -	$ -	$ -

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

PENSION INVESTMENT POOL (Continued)

	2009	2008	2007	2006	2005
City of Grand Forks Pension Plan					
Net assets beginning of year	$ -	$ -	$ -	$ -	$ -
Net increase/(decrease) in fair value of investments	1,238,569	-	-	-	-
Interest, dividends and other income	122,529	-	-	-	-
Expenses	51,129	-	-	-	-
Net securities lending income	1,502	-	-	-	-
Net incr/(decr) in net assets resulting from unit transactions	28,695,490	-	-	-	-
Net assets end of year	$ 30,006,961	$ -	$ -	$ -	$ -
TOTAL PENSION INVESTMENT POOL					
Net assets beginning of year	$ 2,002,929,586	$ 2,104,537,811	$ 1,783,638,903	$ 1,615,951,493	$ 1,417,160,797
Net increase/(decrease) in fair value of investments	(501,918,413)	(142,723,154)	306,320,209	161,652,280	169,175,501
Interest, dividends and other income	40,118,642	48,365,760	48,151,493	40,382,368	36,826,855
Expenses	7,380,820	12,686,696	10,263,638	14,513,522	5,748,633
Net securities lending income	178,684	407,229	362,561	292,573	285,050
Net incr/(decr) in net assets resulting from unit transactions	996,240	5,028,636	(23,671,717)	(20,126,289)	(1,740,485)
Net assets end of year	$ 1,534,923,919	$ 2,002,929,586	$ 2,104,537,811	$ 1,783,638,903	$ 1,615,959,085

INSURANCE INVESTMENT POOL

	2009	2008	2007	2006	2005
Workforce Safety & Insurance Fund					
Net assets beginning of year	$ -	$ 1,299,957,605	$ 1,200,779,620	$ 1,168,192,236	$ 1,078,349,677
Net increase/(decrease) in fair value of investments	1,238,569	(38,116,867)	75,378,694	715,343	47,067,853
Interest, dividends and other income	122,529	50,628,924	49,231,820	41,248,969	34,684,534
Expenses	51,129	4,557,824	3,806,600	2,828,034	2,393,638
Net securities lending income	1,502	783,634	374,071	451,106	489,070
Net incr/(decr) in net assets resulting from unit transactions	28,695,490	(51,000,000)	(22,000,000)	(7,000,000)	10,000,000
Net assets end of year	$ 30,006,961	$ 1,257,695,472	$ 1,299,957,605	$ 1,200,779,620	$ 1,168,197,496
Workforce Safety & Insurance Fund					
Net assets beginning of year	$ 1,257,695,472	$ 1,299,957,605	$ 1,200,779,620	$ 1,168,192,236	$ 1,078,349,677
Net increase/(decrease) in fair value of investments	(165,281,764)	(38,116,867)	75,378,694	715,343	47,067,853
Interest, dividends and other income	47,266,977	50,628,924	49,231,820	41,248,969	34,684,534
Expenses	4,616,101	4,557,824	3,806,600	2,828,034	2,393,638
Net securities lending income	773,901	783,634	374,071	451,106	489,070
Net incr/(decr) in net assets resulting from unit transactions	(53,500,000)	(51,000,000)	(22,000,000)	(7,000,000)	10,000,000
Net assets end of year	$ 1,082,338,485	$ 1,257,695,472	$ 1,299,957,605	$ 1,200,779,620	$ 1,168,197,496
State Fire & Tornado Fund					
Net assets beginning of year	$ 25,660,561	$ 28,467,050	$ 24,566,021	$ 22,845,575	$ 19,607,853
Net increase/(decrease) in fair value of investments	(3,758,616)	(1,888,307)	2,215,277	450,751	857,407
Interest, dividends and other income	977,252	1,011,901	1,075,299	872,241	730,323
Expenses	97,685	88,889	72,371	61,266	60,054
Net securities lending income	9,042	8,806	7,824	8,720	10,148
Net incr/(decr) in net assets resulting from unit transactions	(475,000)	(1,850,000)	675,000	450,000	1,700,000
Net assets end of year	$ 22,315,554	$ 25,660,561	$ 28,467,050	$ 24,566,021	$ 22,845,677

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

INSURANCE INVESTMENT POOL (Continued)

	2009	2008	2007	2006	2005
State Bonding Fund					
Net assets beginning of year	$ 2,541,528	$ 2,729,760	$ 2,703,646	$ 2,618,683	$ 3,772,597
Net increase/(decrease) in fair value of investments	(477,513)	(199,930)	225,746	48,219	130,648
Interest, dividends and other income	90,769	100,393	107,480	93,108	123,768
Expenses	5,513	9,563	7,898	7,298	10,057
Net securities lending income	756	868	786	934	1,743
Net incr/(decr) in net assets resulting from unit transactions	-	(80,000)	(300,000)	(50,000)	(1,400,000)
Net assets end of year	$ 2,150,027	$ 2,541,528	$ 2,729,760	$ 2,703,646	$ 2,618,699
Petroleum Tank Release Compensation Fund					
Net assets beginning of year	$ 8,541,351	$ 10,022,172	$ 9,292,010	$ 9,254,759	$ 8,958,441
Net increase/(decrease) in fair value of investments	(1,549,239)	(700,200)	775,170	205,297	317,187
Interest, dividends and other income	268,874	356,171	376,839	326,035	289,064
Expenses	14,385	29,741	24,457	22,139	23,799
Net securities lending income	2,233	2,949	2,610	3,058	3,905
Net incr/(decr) in net assets resulting from unit transactions	(950,000)	(1,110,000)	(400,000)	(475,000)	(290,000)
Net assets end of year	$ 6,298,834	$ 8,541,351	$ 10,022,172	$ 9,292,010	$ 9,254,798
Insurance Regulatory Trust Fund					
Net assets beginning of year	$ 4,083,147	$ 3,982,228	$ 3,690,531	$ 2,978,086	$ 2,690,119
Net increase/(decrease) in fair value of investments	(203,636)	(162,849)	145,567	24,805	77,694
Interest, dividends and other income	64,262	122,260	101,231	92,959	54,367
Expenses	9,247	9,288	5,640	5,953	4,699
Net securities lending income	528	796	539	634	610
Net incr/(decr) in net assets resulting from unit transactions	(700,000)	150,000	50,000	600,000	160,000
Net assets end of year	$ 3,235,054	$ 4,083,147	$ 3,982,228	$ 3,690,531	$ 2,978,091
ND Health Care Trust Fund					
Net assets beginning of year	$ 2,285,114	$ 2,210,049	$ 19,530,767	$ 18,581,480	$ 25,498,926
Net increase/(decrease) in fair value of investments	-	-	-	-	-
Interest, dividends and other income	24,591	76,044	506,858	950,929	1,075,658
Expenses	994	979	1,179	1,642	2,370
Net securities lending income	-	-	-	-	-
Net incr/(decr) in net assets resulting from unit transactions	-	-	(17,826,397)	-	(7,990,650)
Net assets end of year	$ 2,308,711	$ 2,285,114	$ 2,210,049	$ 19,530,767	$ 18,581,564
Risk Management Fund					
Net assets beginning of year	$ 3,597,393	$ 3,695,796	$ 3,263,199	$ 2,438,261	$ 2,968,620
Net increase/(decrease) in fair value of investments	(477,819)	(231,219)	243,237	(30,158)	144,646
Interest, dividends and other income	146,455	144,326	148,090	111,959	79,971
Expenses	14,680	12,747	9,593	7,861	5,961
Net securities lending income	1,348	1,237	863	998	1,000
Net incr/(decr) in net assets resulting from unit transactions	-	-	50,000	750,000	(750,000)
Net assets end of year	$ 3,252,697	$ 3,597,393	$ 3,695,796	$ 3,263,199	$ 2,438,276

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

INSURANCE INVESTMENT POOL (Continued)

	2009	2008	2007	2006	2005
Risk Management Workers Comp Fund					
Net assets beginning of year	$ 3,057,338	$ 4,221,728	$ 3,765,613	$ 2,905,892	$ 2,679,178
Net increase/(decrease) in fair value of investments	(426,876)	(305,448)	319,237	4,963	68,035
Interest, dividends and other income	93,030	152,814	146,847	112,448	64,068
Expenses	9,931	13,125	10,851	8,713	6,125
Net securities lending income	872	1,369	882	1,023	747
Net incr/(decr) in net assets resulting from unit transactions	(850,000)	(1,000,000)	-	750,000	100,000
Net assets end of year	$ 1,864,433	$ 3,057,338	$ 4,221,728	$ 3,765,613	$ 2,905,903
ND Association of Counties Fund					
Net assets beginning of year	$ 1,122,826	$ 1,216,882	$ 791,257	$ 385,409	$ 306,518
Net increase/(decrease) in fair value of investments	(223,010)	(127,524)	100,031	11,765	20,629
Interest, dividends and other income	35,516	38,236	29,240	15,551	10,059
Expenses	6,228	5,148	3,908	2,293	1,941
Net securities lending income	387	380	262	164	144
Net incr/(decr) in net assets resulting from unit transactions	-	-	300,000	380,661	50,000
Net assets end of year	$ 929,491	$ 1,122,826	$ 1,216,882	$ 791,257	$ 385,409
ND Association of Counties Program Savings Fund					
Net assets beginning of year	$ 802,195	$ 851,526	$ 526,560	$ 403,009	$ 325,508
Net increase/(decrease) in fair value of investments	(137,140)	(75,391)	55,757	10,908	18,684
Interest, dividends and other income	28,364	29,646	21,745	14,400	10,661
Expenses	4,446	3,861	2,710	1,909	1,996
Net securities lending income	284	275	174	152	152
Net incr/(decr) in net assets resulting from unit transactions	-	-	250,000	100,000	50,000
Net assets end of year	$ 689,257	$ 802,195	$ 851,526	$ 526,560	$ 403,009
PERS Group Insurance Fund					
Net assets beginning of year	$ 4,390,870	$ 4,056,887	$ 1,923,916	$ 1,370,395	$ 286,269
Net increase/(decrease) in fair value of investments	-	-	-	-	-
Interest, dividends and other income	106,547	334,983	444,207	304,521	135,190
Expenses	1,000	1,000	1,000	1,000	1,064
Net securities lending income	-	-	-	-	-
Net incr/(decr) in net assets resulting from unit transactions	(500,000)	-	1,689,764	250,000	950,000
Net assets end of year	$ 3,996,417	$ 4,390,870	$ 4,056,887	$ 1,923,916	$ 1,370,395
City of Bismarck Deferred Sick Leave Fund					
Net assets beginning of year	$ 799,142	$ 826,225	$ 740,239	$ 710,962	$ 660,487
Net increase/(decrease) in fair value of investments	(99,854)	(57,118)	56,893	4,983	28,817
Interest, dividends and other income	33,397	33,570	31,863	26,757	24,078
Expenses	3,829	3,835	3,014	2,750	2,769
Net securities lending income	300	300	244	287	349
Net incr/(decr) in net assets resulting from unit transactions	-	-	-	-	-
Net assets end of year	$ 729,156	$ 799,142	$ 826,225	$ 740,239	$ 710,962

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

INSURANCE INVESTMENT POOL (Continued)

	2009	2008	2007	2006	2005
City of Fargo FargoDome Permanent Fund					
Net assets beginning of year	$ 16,070,540	$ 12,102,562	$ 9,748,034	$ 7,316,376	$ 5,863,757
Net increase/(decrease) in fair value of investments	(3,002,920)	(1,474,491)	1,043,035	216,395	274,460
Interest, dividends and other income	603,865	492,384	339,243	235,113	192,967
Expenses	99,654	54,510	29,827	21,991	17,144
Net securities lending income	6,373	4,595	2,077	2,141	2,336
Net incr/(decr) in net assets resulting from unit transactions	4,000,000	5,000,000	1,000,000	2,000,000	1,000,000
Net assets end of year	$ 17,578,204	$ 16,070,540	$ 12,102,562	$ 9,748,034	$ 7,316,376
Cultural Endowment Fund					
Net assets beginning of year	$ 268,986	$ 274,568	$ 218,552	$ -	$ -
Net increase/(decrease) in fair value of investments	(63,711)	(29,699)	27,678	7,263	-
Interest, dividends and other income	8,338	9,101	8,158	6,054	-
Expenses	1,683	1,566	1,251	978	-
Net securities lending income	88	82	61	54	-
Net incr/(decr) in net assets resulting from unit transactions	(7,795)	16,500	21,370	206,159	-
Net assets end of year	$ 204,223	$ 268,986	$ 274,568	$ 218,552	$ -
Budget Stabilization Fund					
Net assets beginning of year	$ 198,837,270	$ 99,876,003	$ 99,876,516	$ -	$ -
Net increase/(decrease) in fair value of investments	(15,274,089)	(8,591,387)	-	-	-
Interest, dividends and other income	6,647,958	8,845,339	4,989,847	3,618,316	-
Expenses	109,927	131,522	8,860	6,586	-
Net securities lending income	-	-	-	-	-
Net incr/(decr) in net assets resulting from unit transactions	-	98,838,837	(4,981,500)	96,264,786	-
Net assets end of year	$ 190,101,212	$ 198,837,270	$ 99,876,003	$ 99,876,516	$ -
Veterans Cemetery Fund					
Net assets beginning of year	$ -	$ 122,250	$ 102,778	$ 86,003	$ 71,103
Net increase/(decrease) in fair value of investments	-	-	-	-	-
Interest, dividends and other income	-	1,479	5,954	4,130	1,954
Expenses	-	46	168	138	13
Net securities lending income	-	-	-	-	-
Net incr/(decr) in net assets resulting from unit transactions	-	(123,683)	13,686	12,783	12,959
Net assets end of year	$ -	$ -	$ 122,250	$ 102,778	$ 86,003
TOTAL INSURANCE INVESTMENT POOL					
Net assets beginning of year	$ 1,529,753,733	$ 1,474,613,291	$ 1,381,519,259	$ 1,240,087,126	$ 1,153,380,140
Net increase/(decrease) in fair value of investments	(190,976,187)	(51,960,430)	80,586,322	1,670,534	49,285,206
Interest, dividends and other income	56,396,195	62,377,571	57,564,721	48,033,490	37,534,433
Expenses	4,995,303	4,923,644	3,989,327	2,980,551	2,538,940
Net securities lending income	796,112	805,291	390,393	469,271	511,288
Net incr/(decr) in net assets resulting from unit transactions	(52,982,795)	48,841,654	(41,458,077)	94,239,389	5,527,309
Net assets end of year	$ 1,337,991,755	$ 1,529,753,733	$ 1,474,613,291	$ 1,381,519,259	$ 1,243,699,436