2011

Comprehensive Annual Financial Report

NORTH DAKOTA
RETIREMENT AND
INVESTMENT OFFICE

*An Agency of the State
Of North Dakota*

For the year ended June 30, 2011

North Dakota

Retirement and Investment Office

An Agency of the State of North Dakota

Comprehensive Annual Financial Report

Prepared by the ND Retirement and Investment Office Staff
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Bismarck, ND 58507-7100
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www.nd.gov/rio

For the Fiscal Year Ended June 30, 2011

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

State Investment Board
Teachers' Fund for Retirement

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November 30, 2011

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

Dear Board Members:

With pleasure we present to you the June 30, 2011, 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 the 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 10,000 teachers from 226 employer groups and pays benefits to more than 6,900 retirees and beneficiaries. High quality member services and outreach programs are offered to members and employers as part of the continuing effort to keep them informed about the retirement program.

The SIB is responsible for setting policies and procedures guiding the investment of $5.6 billion in assets for eight 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, 2010:

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
Grand Forks Park District 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
City of Bismarck Deferred Sick Leave Fund
NDPERS Group Insurance Account
City of Fargo FargoDome Permanent Fund
National Board Certification 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 the City of Grand Forks Employees pension plan in May 2009. Most recently, the Grand Forks Park District pension plan began participating in the pension pool in December 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 (NDACo) 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.
- The National Board Certification Fund was added by the 2009 legislature and funded in July 2009.

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. Additionally, the two NDACo funds were combined into one fund in July, 2010.

MAJOR INITIATIVES

Retirement Program

- As part of a comprehensive funding improvement study undertaken by the TFFR Board, legislative proposals were developed to improve TFFR's financial condition. The proposals are based on five core principles: (1) Restore the financial health of the TFFR plan for past, present, and future ND educators; (2) maintain adequate retirement security; (3) share responsibility with employees and employers; (4) phase changes over time; and (5) protect benefits of those employees closest to retirement. The legislative proposals were studied by the interim Legislative Employee Benefits Programs Committee and two bills were given favorable recommendations.

- The TFFR Board submitted the study bills for consideration by the 62nd Legislative Assembly. The 2011 Legislature approved the bills which are expected to restore the financial health of the TFFR plan over the long term.

  ✓ HB1134 – Base Funding Improvements: (1) Increase member and employer contributions an additional 4% each (total 8%) phased in over two bienniums. When TFFR reaches 90% funded level, member and employer contribution rates will be reduced to 7.75% each. (2) Require member contributions on re-employed retirees. (3) Modify disability retirement benefits. (4) Increase normal retirement age to minimum age 60 with Rule of 90 (or age 65) for members who are more than 10 years away from retirement eligibility. Members who are less than 10 years away from retirement eligibility would be grandfathered under current Rule of 85 (or age 65) eligibility provisions. (5) Increase reduction factor for early reduced benefits to 8% per year for non-grandfathered members who are minimum age 55 and not eligible for normal retirement benefits.

  ✓ HB1133 – Administrative changes: (1) Update definition of beneficiary. (2) Modify outdated death benefit provisions to clearly describe to whom, under what conditions, and what amount should be paid to a beneficiary, spouse, or estate. (3) Clarify the definition of eligible retirement salary by removing retention, experience, and service related bonuses from being included as eligible retirement salary and clarify the TFFR Board can determine ineligible retirement salary. (4) Incorporate federal tax law changes as they relate to qualified governmental plans.

- In an effort to provide detailed information to members and employers about how legislative changes will affect them, additional group presentations, informational meetings, newsletters, and website materials have been developed and are available.

- ND State Investment Board investment consultant, Callan Associates, conducted comprehensive TFFR Asset Liability Study. TFFR Board approved revised asset class descriptions, policy asset mix, and investment policy statement for implementation by State Investment Board in Fiscal Year 2012.

- TFFR Board issued Request for Proposal for actuarial consulting services and awarded contract to Segal Company effective July 1, 2011.

Investment Program

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

- In December 2010, the SIB hired John Geissinger to fill the position of Executive Director/CIO.

- 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. Investors had been offered two options: invest directly in WG Trading Company (WGTC) by purchasing a limited partnership interest in it; or lend money to WG Trading Inc. (WGTI). WGTC was subject to SEC regulation, capital requirements, reporting and oversight, whereas WGTI was an unregulated and unaudited entity. SIB chose to invest directly in the regulated, audited WGTC.

  At the time the Commodity Futures Trading Commission (CFTC) and Securities and Exchange Commission (SEC) charges were filed, the court appointed a receiver to take control of any recoverable assets. The receiver recommended the court distribute the recovered assets as follows: pool the assets of WGTC and WGTI, and distribute those assets pro rata to all investors. The receiver's method did not take into consideration the terms in which each investor entered into the investment (i.e. limited partnership interest versus note holder agreement), even though the majority of the WGTC assets were intact and the fraud predominantly occurred with WGTI. The court agreed with the receiver and in April, 2011, the recovered assets were distributed to all investors in a pro rata distribution based on net investment balances. The SIB received a total distribution of $63.9 million, which represented approximately 85% of its remaining cost basis with WGTC. The total realized loss included in the June 30, 2011, financial statements attributable to the fraud is $11.3 million and was allocated to the participating pooled funds.

  The SIB does not agree with the method used to distribute the assets, and along with the other limited partners is appealing the District Court's ruling. It is the SIB's position that the District Court incorrectly determined the amount of the distribution; and that the audited limited partners are entitled to a greater share of the recovered assets than the unaudited note holders. As of fiscal year end, no decision had been made in the appeal.

- Initiatives completed by the SIB during the year included:

  Pension Investment Pool
  - ✓ Terminated one manager in large cap domestic equity and replaced with enhanced manager.
  - ✓ Assisted two largest pension funds with asset/liability studies.

  Overall Investment Program
  - ✓ Upon notification that existing third party securities lending manager was being purchased by another firm, the SIB voted to discontinue its securities lending program until such time as appropriate due diligence could be conducted on eligible firms.
  - ✓ Enhanced governance policies in relation to performance audit recommendations.
  - ✓ Received legislative approval to hire a Deputy Chief Investment Officer in the 2011-13 biennium.

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, 2010. This was the thirteenth 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 2011 Public Pension Standards Award for Funding and Administration from the Public Pension Coordinating Council. To receive the award, the retirement system must certify that it meets specific standards for a comprehensive benefit program, actuarial valuations, financial reporting, investments, communications to members, and funding adequacy.

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 financial audit is performed and the results are reported to the Legislative Audit and Fiscal Review Committee (LAFRC). Although internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives, RIO believes the internal controls that are in place have been designed to reduce risks of material misstatements.

Eide Bailly LLC conducted the external financial 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, 2011.

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

Pension Trust Fund (TFFR)	June 30, 2011	June 30, 2010	Incr/(Decr) $	Incr/(Decr) %
Additions	$ 419,879,481	$ 257,165,303	$ 162,714,178	63.3%
Deductions	131,650,007	128,932,190	2,717,817	2.1%
Net Change	$ 288,229,474	$ 128,233,113	$ 159,996,361	124.8%

In the pension trust fund, additions increased due to an increase in net investment income as a result of the continued recovery 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, 2011	June 30, 2010	Incr/(Decr) $	Incr/(Decr) %
Additions	$ 549,295,647	$ 366,326,023	$ 182,969,624	49.9%
Deductions	897,242	557,361	$ 339,881	61.0%
Net Change in Units	(63,096,554)	104,104,539	$ (167,201,093)	-160.6%
Net Change	$ 485,301,851	$ 469,873,201	$ 15,428,650	3.3%

In the investment trust funds, additions also increased due to an increase in net investment income. Deductions increased due to an increase in administrative expenses allocated to the pool participants during the year. This increase was mainly due to the one-time expense for consulting services for an executive search and legal costs associated with the investment manager fraud case.

FUNDING STATUS

The objective of the TFFR 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%, and is scheduled to increase to 9.75% effective July 1, 2012, and to 11.75% effective July 1, 2014. The employer rate is at 8.75% and is scheduled to increase to 10.75% effective July 1, 2012, and 12.75% effective July 1, 2014. The total additional 4.00% member contribution rate and 4.00% employer contribution rate will remain in effect until TFFR is 90% funded on an actuarial basis. At that point, the employer and member contribution rates will revert to 7.75%. The rates are intended to be sufficient to pay TFFR's normal cost and to amortize TFFR's unfunded actuarial accrued liability (UAAL) 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 8.75% statutory contribution rate, it is compared to the GASB 25 ARC. The ARC is equal to the sum of (a) the employer normal cost 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 3.25% per year. As of July 1, 2011, the ARC is 13.16%, increased from 12.79% last year. This is greater than the 8.75% rate currently required by law. The shortfall (the negative margin) between the rate mandated by law (8.75%) and the rate necessary to fund the UAAL in 30 years is -4.41%.

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, 2010, was 69.8%, while it is 66.3% as of July 1, 2011. Based on market values rather than actuarial values of assets, the funded ratio increased to 62.8% from 54.5% last year.

The plan had a net asset loss of $96 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 two 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. However, the 4% scheduled increases in the employer and member contribution rates (for a total of 8%) over the next three years will improve the funded status and reduce the ARC.

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, 2011 (in millions)	July 1, 2010 (in millions)
Actuarial value of assets	$ 1,822.6	$ 1,842.0
Unfunded actuarial accrued liability	927.2	795.2
Funded ratio	66.3%	69.8%

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 review.

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,

JOHN W. GEISSINGER, CFA
Executive Director/CIO

FAY KOPP
Deputy Executive Director

CONNIE L. FLANAGAN
Fiscal & Investment Officer

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

Mission

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

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

Administrative Staff

John Geissinger, CFA
Executive Director/CIO

Fay Kopp
Deputy Executive Director/
Retirement Officer

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, 2011

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

Drew Wrigley
Chair
Lt. Governor

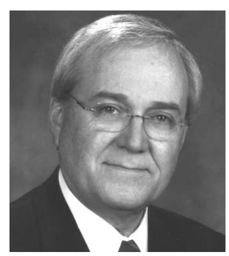
Mike Sandal
Vice Chair
PERS Trustee

Kelly Schmidt
State Treasurer

Adam Hamm
State Insurance Commissioner

Cindy Ternes, CPA
Workforce Safety & Insurance Designee

Lance Gaebe
University and School Land Commissioner



Robert Toso
TFFR Trustee

Mike Gessner
TFFR Trustee

Clarence Corneil
TFFR Trustee

Howard Sage
PERS Trustee

Levi Erdmann
PERS Trustee

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
Board of Trustees as of June 30, 2011

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:

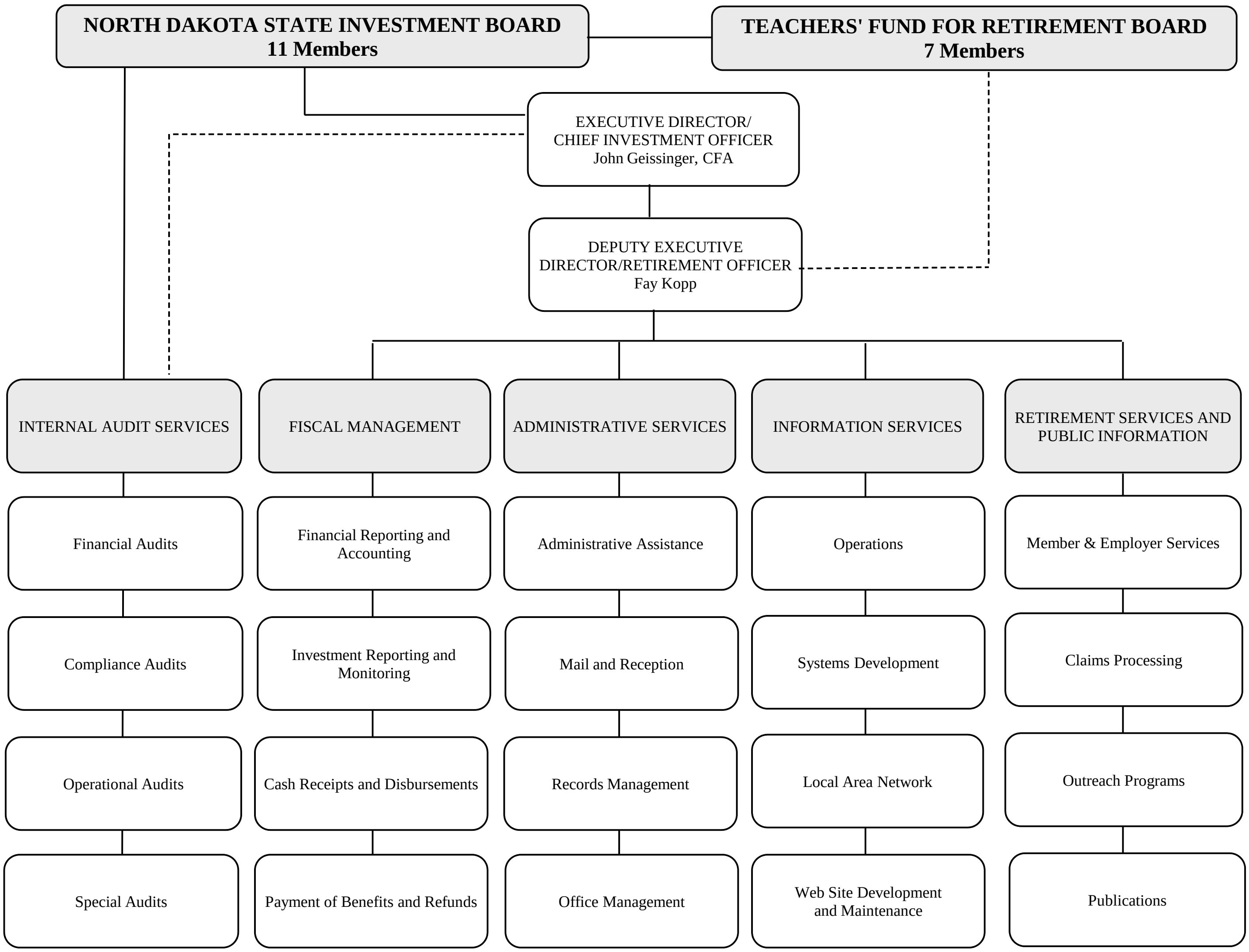
- Provide 2.0% benefit formula for all current and future retirees.
- Provide ad hoc retiree benefit adjustments (fixed formula and percent based) for all current and future retirees to maintain purchasing power of retirement benefits and assist with rising health care costs. Benefit adjustments may 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.

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

ADMINISTRATIVE ORGANIZATION
JUNE 30, 2011



See page 69 in the Investment Section for a summary of fees paid to investment professionals and pages 160-163 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, 2011

Actuary

Gabriel, Roeder, Smith & Co.
Dallas, Texas

The Segal Company
Chicago, Illinois

Auditor

Eide Bailly LLP
Bismarck, North Dakota

Clifton Gunderson LLP
Baltimore, Maryland

Legal Counsel

North Dakota Attorney General's Office
Bismarck, North Dakota

Jenner & Block
Chicago, Illinois

K&L Gates
Boston, Massachusetts

Calhoun Law Group P.C.
Bethesda, Maryland

Information Technology

CPAS Systems Inc.
Toronto, Ontario

Master Custodian

The Northern Trust Company
Chicago, Illinois

Investment Consultant and Performance Measurement

Callan Associates Inc.
San Francisco, California

Investment Managers

Adams Street Partners, LLC
Chicago, Illinois

Bank of North Dakota
Bismarck, North Dakota

Blackfriars Asset Management LTD
London, UK

Brandywine Asset Management
Wilmington, Delaware

Calamos Advisors LLC
Naperville, Illinois

Callan Associates
San Francisco, California

Investment Managers (cont.)

Capital Guardian Trust Company
Los Angeles, California

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

EIG Energy Partners
Los Angeles, California

Epoch Investment Partners, Inc.
New York, New York

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

Northern Trust Global Investments
Chicago, Illinois

PanAgora Asset Management, Inc.
Boston, Massachusetts

PIMCO
Newport Beach, California

Prudential Investment Management
Newark, New Jersey

Investment Managers (cont.)

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

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

Western Asset Management Co.
Pasadena, California

Securities Lending

ClearLend
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, 2010

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

PPCC

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2011

Presented to

North Dakota Teachers' Fund for Retirement

In recognition of meeting professional standards for
plan funding and 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 Jack Dalrymple
The Legislative Assembly
John Geissinger, Executive Director
State Investment Board
Teachers' Fund for Retirement Board
North Dakota Retirement and Investment Office

We have audited the accompanying financial statements of the fiduciary funds of the North Dakota Retirement and Investment Office (RIO), a department of the State of North Dakota, which collectively comprise RIO's basic financial statements, and the combining and individual fund financial statements, as listed in the table of contents, as of and for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of RIO's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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, 2011 and 2010, 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 $927 and $795 million at June 30, 2011 and 2010, respectively. The funding for the actuarial accrued liabilities is predicated on employer and employee funding rates mandated by North Dakota statutes. However, the 2011 Legislature has approved increases to member contribution rates and benefit changes. Once fully phased in, these legislative changes are projected to increase TFFR funding over the long term, and there would no longer be a contribution deficiency. 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, 2011 and 2010, and the respective changes in plan net assets where applicable, thereof for the years 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, 2011 and 2010, and the results of the operations of such funds for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplementary information shown on page 49 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 8, 2011, 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 50 through 57 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in our audit of the basic, combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic, combining and individual fund financial statements taken as a whole.

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

Eide Bailly LLP

November 8, 2011
Bismarck, North Dakota

North Dakota Retirement and Investment Office
Management's Discussion and Analysis
June 30, 2011 and 2010

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, 2011. Please read it in conjunction with the basic financial statements, which follow this discussion.

RIO administers two fiduciary funds, a pension trust fund for the ND Teachers' Fund for Retirement (TFFR) and an investment trust fund for the ND State Investment Board (SIB) consisting of 24 investment clients in two investment pools and one individual investment account

Financial Highlights

Total net assets increased in the fiduciary funds by $773.5 million or 16.1% due to net gains in the investment markets.

Additions in the fiduciary funds for the year increased $345.7 million over the previous year. Net investment income increased by $338.8 million and total contributions increased $6.8 million.

Deductions in the fiduciary funds increased over the prior year by $3.1 million or 2.4%. 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 TFFR funding objective is to meet long-term benefit obligations through contributions and investment income. As of July 1, 2011, the funded ratio was approximately 66.3%.

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, 2011, were $5.6 billion and were comprised mainly of investments. Total assets increased by $747.9 million or 15.4% from the prior year primarily due to gains in the financial markets during the fiscal year.

Total liabilities as of June 30, 2011 were $6.5 million and were comprised mostly of investment expenses payable. Total liabilities decreased by $25.6 million or 79.7% from the prior year due to the discontinuation of the securities lending program in June, 2011. This resulted in the closing out of the securities lending collateral positions, effectively reducing the related asset and liability balances associated with that collateral.

RIO's fiduciary fund total net assets were $5.6 billion at the close of fiscal year 2011.

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

	2011	2010	Total % Change
Assets			
Investments	$ 5,553	$ 4,780	16.2%
Sec Lending Collateral	0	26	-99.9%
Receivables	31	30	3.6%
Cash & Other	13	12	2.8%
Total Assets	5,596	4,848	15.4%
Liabilities			
Accounts Payable	7	6	8.8%
Sec Lending Collateral	0	26	-99.9%
Total Liabilities	7	32	-79.7%
Total Net Assets	$ 5,590	$ 4,816	16.1%

	2010	2009	Total % Change
Assets			
Investments	$ 4,780	$ 4,184	14.3%
Sec Lending Collateral	26	77	-66.0%
Receivables	30	29	4.6%
Cash & Other	12	12	3.1%
Total Assets	4,848	4,302	12.7%
Liabilities			
Accounts Payable	6	6	-2.3%
Sec Lending Collateral	26	77	-66.0%
Total Liabilities	32	83	-61.3%
Total Net Assets	$ 4,816	$ 4,219	14.2%

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

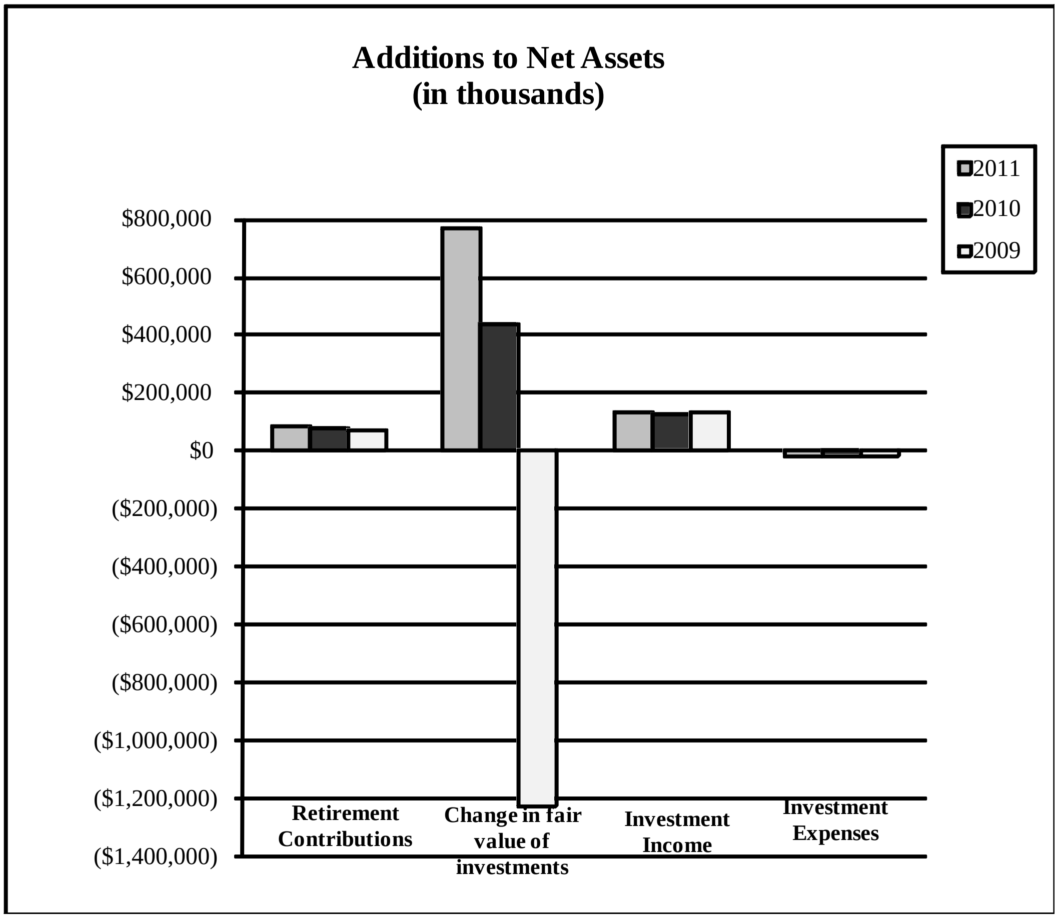
	2011	2010	Total % Change
Additions:			
Contributions	$ 85	$ 78	8.7%
Investment Income	$ 884	$ 545	62.1%
Total Additions	$ 969	$ 623	55.4%
Deductions	$ 133	$ 129	2.4%
Net change from unit transactions	$ (63)	$ 104	160.6%
Total change in net assets	$ 774	$ 598	29.3%

	2010	2009	Total % Change
Additions:			
Contributions	$ 78	$ 74	5.0%
Investment Income	$ 545	$ (1,106)	149.3%
Total Additions	$ 623	$ (1,032)	160.4%
Deductions	$ 129	$ 118	9.3%
Net change from unit transactions	$ 104	$ (50)	307.5%
Total change in net assets	$ 598	$ (1,200)	149.8%

Statement of Changes in Net Assets – Additions

Contributions and net investment income are the two components of the fiduciary fund additions. Contributions collected by the pension trust fund increased by $6.8 million or 8.7% over the previous fiscal year. Net investment income, including securities lending activities and investment expenses, increased by $338.9 million or 62.1% from last year. This was the result of the continued recovery experienced in the financial markets during the fiscal year.

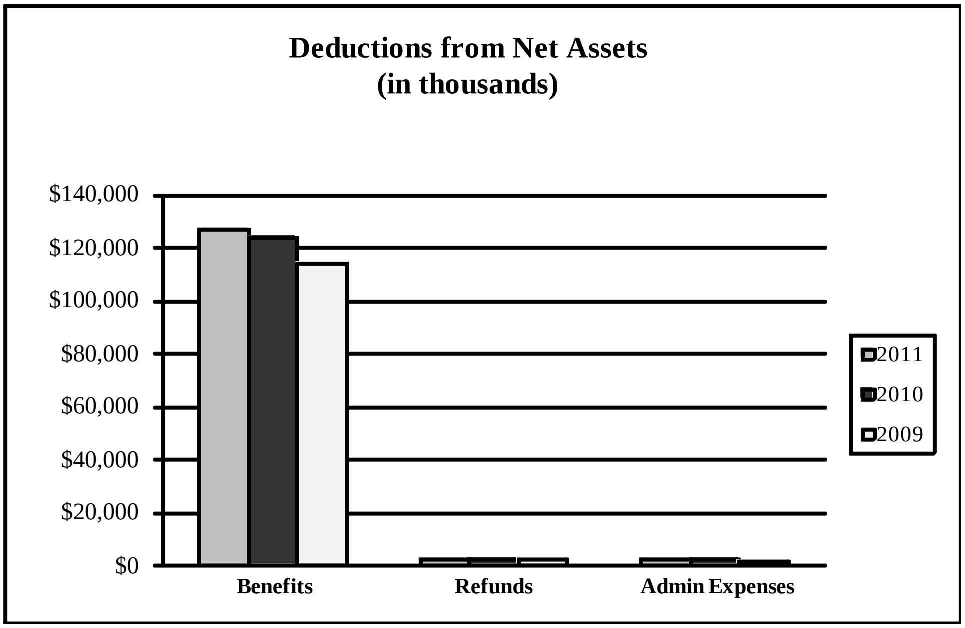
North Dakota Retirement and Investment Office
Management's Discussion and Analysis
June 30, 2011 and 2010



Statement of Changes in Net Assets – Deductions

Benefits paid to TFFR plan participants, including partial lump-sum distributions, increased by $3.0 million or 2.4% during the fiscal year ended June 30, 2011. 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. This increase is lower than the previous year's increase because a one-time supplemental benefit payment, totaling $4.04 million, was paid out in December 2009. Refunds decreased slightly in fiscal year 2011 by $346,500 or 13.5%.

Administrative expenses increased by $441,000 or 17.9%, due mainly to the one-time expenses for consulting services for an executive search and legal costs associated with an investment manager fraud case.



Conclusion

Fiscal year 2011 results reflect the continuation of the financial market recovery that occurred within that time frame. These conditions were reflected in the market prices of nearly all asset types. 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. 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 continue to research and consider investment options to address funding issues in the many challenging years ahead.

The ND State Legislature took action in 2011 to address TFFR's funding shortfall by approving legislation to increase member and employer contributions and modify certain benefits. These plan changes, along with strong future investment performance, are expected to improve TFFR's funding level over the long term. While TFFR's funded ratio has declined in the past three years, and is 66.3% as of 7/1/2011, funded levels are expected to begin rising after 2008 and 2009 investment losses are completely phased in, and as more recent investment gains are recognized in actuarial valuations and as 2011 contribution increases are phased in. Protecting the long term solvency of the pension plan is the TFFR Board's fiduciary responsibility, and the Board will continue to closely monitor funding levels so that TFFR will be financially strong and sustainable for past, present, and future ND educators.

Contacting RIO Financial Management

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

North Dakota Retirement and Investment Office

Statement of Net Assets – Fiduciary Funds

June 30, 2011 and 2010

	Pension Trust		Investment Trust	
	2011	2010	2011	2010
Assets:				
Investments, at fair value				
Equities	$ -	$ -	$ 34,084,756	$ 25,388,750
Equity pool	1,049,479,984	796,430,612	1,411,952,870	1,091,570,903
Fixed income	-	-	22,935,906	19,519,126
Fixed income pool	395,005,152	384,369,567	2,005,016,528	1,923,597,381
Real estate pool	174,937,685	135,503,973	196,439,719	148,110,369
Alternative Investments	63,012,510	63,465,615	67,591,681	67,644,154
Cash and cash pool	15,900,962	31,908,804	116,312,551	92,525,463
Total investments	1,698,336,293	1,411,678,571	3,854,334,011	3,368,356,146
Invested securities lending collateral	-	7,710,609	13,600	18,459,367
Receivables:				
Investment income	7,419,806	6,724,760	12,821,803	13,506,243
Contributions	10,871,495	9,804,059	-	-
Miscellaneous	7,651	6,812	12,232	11,556
Total receivables	18,298,952	16,535,631	12,834,035	13,517,799
Cash and cash equivalents	12,365,575	12,029,151	153,724	83,285
Equipment & Software (net of depr)	3,050	66,013	-	-
Total assets	1,729,003,870	1,448,019,975	3,867,335,370	3,400,416,597
Liabilities:				
Accounts payable	73,258	86,936	54,288	83,430
Investment expenses payable	2,123,667	1,690,908	3,573,700	3,488,775
Securities lending collateral	-	7,710,609	13,600	18,459,367
Accrued expenses	616,348	573,782	51,601	44,721
Miscellaneous payable	-	-	18,091	17,007
Due to other state agencies	11,280	7,897	1,196	2,254
Total liabilities	2,824,553	10,070,132	3,712,476	22,095,554
Net assets:				
Held in trust for pension benefits	1,726,179,317	1,437,949,843	-	-
Held in trust for external investment pool participants:				
Pension pool	-	-	2,040,261,179	1,715,469,840
Insurance pool	-	-	1,766,310,444	1,617,908,249
Held in trust for individual investment account	-	-	57,051,271	44,942,954
Total net assets	$ 1,726,179,317	$ 1,437,949,843	$ 3,863,622,894	$ 3,378,321,043
Each participant unit is valued at $1.00				
Participant units outstanding			3,863,622,894	3,378,321,043

See Notes to Financial Statements

North Dakota Retirement and Investment Office
Statement of Changes in Net Assets – Fiduciary Funds
Years Ended June 30, 2011 and 2010

	Pension Trust		Investment Trust	
	2011	2010	2011	2010
Additions:				
Contributions:				
Employer contributions	$ 44,545,433	$ 39,836,646	$ -	$ -
Member contributions	38,869,260	36,848,481	-	-
Purchased service credit	1,499,748	1,413,481	-	-
Interest and penalties	8,809	7,222	-	-
Total contributions	84,923,250	78,105,830	-	-
Investment income:				
Net change in fair value of investments	305,331,203	152,525,484	461,489,827	282,514,400
Interest, dividends and other income	35,864,291	32,645,257	100,078,804	95,866,949
	341,195,494	185,170,741	561,568,631	378,381,349
Less investment expenses	6,430,327	6,234,267	12,614,624	12,410,744
Net investment income	334,765,167	178,936,474	548,954,007	365,970,605
Securities lending activity:				
Securities lending income	134,520	35,000	293,286	332,215
Less securities lending expenses	(56,544)	(87,999)	(48,354)	(23,203)
Net securities lending income	191,064	122,999	341,640	355,418
Total additions	419,879,481	257,165,303	549,295,647	366,326,023
Deductions:				
Benefits paid to participants	126,484,335	123,650,676	-	-
Partial lump-sum distributions	951,229	821,478	-	-
Refunds	2,210,738	2,557,240	-	-
Administrative charges	2,003,705	1,902,796	897,242	557,361
Total deductions	131,650,007	128,932,190	897,242	557,361
Net change in net assets resulting from operations	288,229,474	128,233,113	548,398,405	365,768,662
Unit transactions at net asset value of $1.00 per unit:				
Purchase of units	-	-	214,994,890	355,812,725
Redemption of units	-	-	(278,091,444)	(251,708,186)
Net change in assets and units resulting from unit transactions	-	-	(63,096,554)	104,104,539
Total change in net assets	288,229,474	128,233,113	485,301,851	469,873,201
Net assets:				
Beginning of year	1,437,949,843	$ 1,309,716,730	$ 3,378,321,043	$ 2,908,447,842
End of Year	$ 1,726,179,317	$ 1,437,949,843	$ 3,863,622,894	$ 3,378,321,043

See Notes to Financial Statements

North Dakota Retirement and Investment Office
Notes to Combined Financial Statements
June 30, 2011 and 2010

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.

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, City of Grand Forks Employees and Grand Forks Parks 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, 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, Department of Public Instruction (DPI) National Board Certification 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, Risk Management, Risk Management Workers Comp, Cultural Endowment Fund, DPI National Board Certification 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.

Budgetary Process

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

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

RIO does not use encumbrance accounting. The legal level of budgetary control is at the agency, appropriation and expenditure line item level. RIO does not formally budget revenues and 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, Grand Forks Parks Pension Plan and the Public Employees Retirement System (PERS) must be invested exclusively for the benefit of their members. All investments are made in accordance with the respective fund's long-term investment objectives and performance goals.

Pooled Investments

Most 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 fair values for securities that have no quoted market price represent estimated fair value. International securities are valued based upon quoted foreign market prices and translated into 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 investments, including timberland, is based on appraisals plus fiscal year-to-date capital transactions. Publicly traded alternative investments are valued based on quoted market prices. When not readily available, alternative investment securities are valued using current estimates of fair value from the investment manager. Such valuations consider variables such as financial performance of the issuer, comparison of comparable companies' earnings multiples, cash flow analysis, recent sales prices of investments, withdrawal restrictions, and other pertinent information. Because of the inherent uncertainty of the valuation for these other alternative investments, the estimated fair value may differ from the values that would have been used had a ready market existed.

The net 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.

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 $129,737 and $107,984 at June 30, 2011 and 2010, respectively. The current portions of accrued leave amounted to $70,469 and $69,477 at June 30, 2011 and 2010, 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, 2011 and 2010 consisted of the following:

Balance, July 1, 2009	$113,661
Additions	66,817
Deductions	(72,494)
Balance, June 30, 2010	107,984
Additions	84,726
Deductions	(62,973)
Balance, June 30, 2011	$129,737

Note 2 - Cash and Cash Equivalents

Custodial Credit Risk

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

Pension Trust Fund

Deposits held by the Pension Trust Fund at June 30, 2011 and 2010 were deposited in the Bank of North Dakota. At June 30, 2011 and 2010, the carrying amount of TFFR's deposits was $12,365,575 and $12,029,151, respectively, and the bank balance was $12,377,252 and $12,036,458 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 and an insurance trust cash pool are recorded as investments and have a cost and carrying value of $188,347,945 and $216,694,154 at June 30, 2011 and 2010, respectively. In addition these funds carry cash and cash equivalents totaling $153,724 and $83,285 at June 30, 2011 and 2010, 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.

Securities Lending

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

The State Investment Board (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 contracted with a third party securities lending agent (Agent) to lend the SIB's securities portfolios. This relationship was terminated by the SIB at its May 20, 2011, meeting. The Agent was requested to call back all securities on loan and liquidate the collateral in a timely yet orderly fashion. All but one loan was recalled and collateral liquidated as of June 30, 2011.

The Agent lends securities of the type on loan at June 30, 2011, 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, 2011, the fair value of the SIB's securities on loan totaled $44. As of June 30, 2011, the total amount of cash and non-cash collateral related to these lent securities was $13,600. As of June 30, 2011, 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, 2011, was one day. The Average Weighted Maturity of collateral investments as of June 30, 2011, was one day. 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.

Interest Rate Risk

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

At June 30, 2011 and 2010, the following tables show the investments by investment type and maturity (expressed in thousands).

2011	Total Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years
Asset Backed Securities	$ 32,332	$ -	$ 5,243	$ 3,667	$ 23,422
Bank Loans	6,481	127	5,347	1,007	-
Commercial Mortgage-Backed	35,795	-	702	-	35,093
Guaranteed Fixed Income	4,498	377	4,121	-	-
Corporate Bonds	644,800	40,852	233,060	190,687	180,201
Corporate Convertible Bonds	59,474	1,836	37,242	4,166	16,230
Government Agencies	83,634	460	53,116	18,225	11,833
Government Bonds	227,352	3,256	80,864	65,396	77,836
Gov't Mortgage- and Commercial Mortgage-Backed	166,767	554	3,354	16,954	145,905
Index Linked Government Bonds	3,409	-	-	-	3,409
Municipal/Provincial Bonds	25,327	588	13,147	629	10,963
Non-Government Backed CMOs	49,736	-	-	11,875	37,861
Other Fixed Income	977	723	254	-	-
Short Term Bills and Notes	11,802	11,802	-	-	-
Pooled Investments	655,037	-	223,634	431,403	-
Total Debt Securities	$ 2,007,421	$ 60,575	$ 660,084	$ 744,009	$ 542,753

North Dakota Retirement and Investment Office
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June 30, 2011 and 2010

2010	Total Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years	Maturity not Determined
Asset Backed Securities	$ 28,493	$ -	$ 5,505	$ 2,557	$ 20,431	$ -
Bank Loans	12,042	611	10,351	1,080	-	-
Commercial Mortgage-Backed	32,632	-	1,034	71	31,527	-
Guaranteed Fixed Income	5,010	-	5,010	-	-	-
Corporate Bonds	725,144	17,640	274,353	251,793	181,358	-
Corporate Convertible Bonds	40,180	28	24,229	2,791	13,132	-
Government Agencies	59,893	1,046	29,585	14,717	13,853	692
Government Bonds	193,565	11,991	65,385	52,158	64,031	-
Gov't Mortgage- and Commercial Mortgage-Backed	115,848	-	4,083	12,126	99,639	-
Index Linked Government Bonds	2,773	-	-	-	2,773	-
Municipal/Provincial Bonds	18,184	-	7,020	1,080	10,084	-
Non-Government Backed CMOs	54,857	-	-	6,127	48,730	-
Other Fixed Income	980	-	980	-	-	-
Short Term Bills and Notes	640	640	-	-	-	-
Pooled Investments	599,738	45,596	307,689	246,150	303	-
Total Debt Securities	$ 1,889,979	$ 77,552	$ 735,224	$ 590,650	$ 485,861	692

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

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

Interest-only (IO) and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors, which may result from a decline in interest rates. The SIB held IOs valued at $4.7 million and $634,000, and POs valued at $3.8 million and $3.8 million at June 30, 2011 and 2010 respectively. The SIB has no policy regarding IO or PO strips.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Investment Board maintains a highly diversified portfolio of debt securities encompassing a wide range of credit ratings. Although the SIB has no overall policy regarding credit risk, each debt securities manager is given a specific set of guidelines to invest within based on the mandate for which it was hired. The guidelines specify in which range of credit the manager may invest. These ranges include investment grade and high yield categories. The following tables present the SIB's ratings as of June 30, 2011 and 2010 (expressed in thousands).

North Dakota Retirement and Investment Office
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2011	Total Fair Value	Credit Rating* AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	$ 32,332	$ 12,757	$ 5,347	$ 2,923	$ 5,118	$ 333	$ 2,505	$ 2,991	$ 184	$ -	$ 174	$ -
Bank Loans	6,483	-	-	-	922	3,339	1,787	435	-	-	-	-
Collateralized Bonds	467	467										
Commercial Mortgage Backed	35,795	26,774	2,654	4,647	1,651	69	-	-	-	-	-	-
Corporate Bonds	644,332	3,268	40,827	165,601	310,263	62,240	42,149	14,095	2,237	210	3,215	227
Corporate Convertible Bonds	59,474	590	4,448	14,314	6,311	10,579	13,493	9,739	-	-	-	-
Gov't Agencies	71,498	55,965	3,660	8,416	3,457	-	-	-	-	-	-	-
Gov't Bonds	186,166	140,409	2,948	26,425	9,907	6,068	326	83	-	-	-	-
Gov't Mortgage and Commercial Mortgage Backed	2,761	2,761	-	-	-	-	-	-	-	-	-	-
Guaranteed Fixed Income	4,498	4,498	-	-	-	-	-	-	-	-	-	-
Index Linked Gov't Bonds	3,410	2,223	-	-	-	1,187	-	-	-	-	-	-
Municipal/Provincial Bonds	25,326	7,853	4,868	9,531	1,002	2,072	-	-		-	-	-
Non-Gov't Backed CMOs	49,026	23,098	3,849	3,903	3,246	1,704	2,773	8,855	250	1	1,347	-
Short Term Bills and Notes	480	480	-	-	-	-	-	-		-	-	-
Other Fixed Income	977	977	-							-	-	
Pooled Investments	655,035	198,626	330,311	1,872	105,338	6,474	12,414	-	-	-	-	-
Total Credit Risk of Debt Securities	1,778,060	$ 480,746	$ 398,912	$ 237,632	$ 447,215	$ 94,065	$ 75,447	$ 36,198	$ 2,671	$ 211	$ 4,736	$ 227
US Gov't & Agencies	229,361											
Total Debt Securities	$ 2,007,421											

2010	Total Fair Value	Credit Rating* AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	$ 28,493	$ 10,301	$ 5,543	$ 1,820	$ 5,632	$ 575	$ 3,148	$ 1,235	$ 63	$ -	$ 176	$ -
Bank Loans	12,042	-	-	-	1,594	6,692	3,756	-	-	-	-	-
Commercial Mortgage Backed	32,632	25,929	877	3,503	2,323	-	-	-	-	-	-	-
Corporate Bonds	725,144	5,967	39,052	157,780	387,713	66,575	45,453	18,858	1,754	347	1,643	2
Corporate Convertible Bonds	40,180	-	1,556	7,490	4,839	9,567	9,743	6,705	-	-	-	280
Gov't Agencies	50,776	41,921	1,242	3,785	3,725	103	-	-	-	-	-	-
Gov't Bonds	156,650	116,338	112	25,700	9,320	5,010	170	-	-	-	-	-
Gov't Mortgage and Commercial Mortgage Backed	862	559	-	-	303	-	-	-	-	-	-	-
Guaranteed Fixed Income	5,010	5,010	-	-	-	-	-	-	-	-	-	-
Index Linked Gov't Bonds	2,773	2,773	-	-	-	-	-	-	-	-	-	-
Municipal/Provincial Bonds	18,184	3,172	3,681	7,431	1,149	2,751	-	-		-	-	-
Non-Gov't Backed CMOs	54,857	29,343	1,897	1,464	1,576	3,109	5,135	10,827	662	278	566	-
Other Fixed Income	980	980	-							-	-	
Pooled Investments	599,738	210,650	256,181	1,637	119,731	2,087	9,452	-	-	-	-	-
Total Credit Risk of Debt Securities	1,728,321	$ 452,943	$ 310,141	$ 210,610	$ 537,905	$ 96,469	$ 76,857	$ 37,625	$ 2,479	$ 625	$ 2,385	$ 282
US Gov't & Agencies	161,658											
Total Debt Securities	$ 1,889,979											

* Ratings are determined in the following order:

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

** "US Gov't & Agencies" includes agencies that are only implicitly guaranteed by the US Government (Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corp. (Freddie Mac), Financing Corp. (FICO), and Federal National Mortgage Assoc. (Fannie Mae)) in the amount of $147.4 million and $109.1 million as of June 30, 2011 and 2010 respectively.

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, 2011 and 2010 (expressed in thousands).

2011

Currency	Short-Term	Debt	Equity	Total
Australian dollar	$ (9,878)	$ 11,131	$ 16,244	$ 17,497
Brazilian real	(3,802)	6,877	62	3,137
British pound sterling	10,553	8,647	65,886	85,086
Canadian dollar	(1,525)	7,511	5,252	11,238
Chinese yuan renminbi	4,033	-	-	4,033
Czech koruna	381	-	-	381
Israeli shekel	6	-	1,997	2,003
Danish krone	47	-	1,878	1,925
Euro	1,608	1,825	106,726	110,159
Hong Kong dollar	6	-	8,231	8,237
Hungarian forint	527	2,642	-	3,169
Iceland krona	33	-	-	33
Indian rupee	-	745	-	745
Indonesian Rupiah	-	8,915	-	8,915
Japanese yen	(1,703)	-	54,211	52,508
Malaysian Ringgit	-	4,718	57	4,775
Mexican peso	194	7,660	-	7,854
New Zealand dollar	(2,930)	3,600	-	670
Norwegian krone	639	4,209	9,444	14,292
Philippine peso	-	2,101	-	2,101
Polish zloty	234	6,321	137	6,692
Singapore dollar	2,969	-	2,477	5,446
South African rand	282	3,148	-	3,430
South Korean won	-	7,369	966	8,335
Swedish krona	587	-	5,576	6,163
Swiss franc	385	-	20,775	21,160
Turkish lira	3,681	423	-	4,104
International commingled funds (various currencies)	-	-	182,464	182,464
Total international investment securities	$ 6,327	$ 87,842	$ 482,383	$576,552

2010

Currency	Short-Term	Debt	Equity	Total
Australian dollar	$ (11,700)	$ 10,169	$ 11,060	$ 9,529
Brazilian real	-	5,849	8,369	14,218
British pound sterling	362	6,199	41,777	48,338
Canadian dollar	(3,823)	4,079	8,358	8,614
Chinese yuan renminbi	2,236	-	-	2,236
Israeli shekel	-	-	1,200	1,200
Danish krone	(311)	-	1,470	1,159
Euro	(26,079)	-	74,612	48,533
Hong Kong dollar	(2,958)	-	6,123	3,165
Hungarian forint	(254)	257	-	3
Iceland krona	30	-	-	30
Indonesian Rupiah	-	4,931	-	4,931
Japanese yen	(24,088)	-	45,428	21,340
Malaysian Ringgit	-	5,607	-	5,607
Mexican peso	(313)	6,907	-	6,594
New Zealand dollar	1,456	4,021	-	5,477
Norwegian krone	1,703	2,498	1,937	6,138
Polish zloty	(122)	6,518	-	6,396
Singapore dollar	(589)	-	1,967	1,378
South African rand	-	1,382	61	1,443
South Korean won	-	6,070	544	6,614
Swedish krona	(5,093)	5,581	4,286	4,774
Swiss franc	(8,281)	-	21,484	13,203
Turkish lira	3,989	-	-	3,989
International commingled funds (various currencies)	-	75,976	332,729	408,705
Total international investment securities	$ (73,835)	$ 146,044	$ 561,405	$633,614

Derivative Securities

Derivatives are financial arrangements between two parties whose payments are based on, or "derived" from, the performance of some agreed upon benchmark. The investment policies of the SIB's clients allow the use of derivative securities to hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative instruments. The fair value of all derivative securities is reported in the Statements of Net Assets. At June 30, 2011 and 2010, the SIB had four types of derivative securities: futures, options, swaps and currency forwards.

Futures

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specific price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the SIB's counterparty risk. The net change in the futures contracts' value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included in net change in fair value of investments in the

Statement of Changes in Net Assets and totaled $156.5 million for fiscal year 2011 and $97.4 million for fiscal year 2010. At June 30, 2011 and 2010, the SIB investment portfolio had the notional futures balances shown below (expressed in thousands).

Futures	Notional Value June 30, 2011	Notional Value June 30, 2010
Cash & Cash Equivalent Derivative Futures		
Long	$ 140,245	$ 110,876
Short	(130,777)	(31,990)
Equity Derivative Futures		
Long	529,063	492,773
Short	-	-
Fixed Income Derivative Futures		
Long	13,821	40,488
Short	(94,484)	(43,571)
Total Futures	$ 457,868	$ 568,576

Options

Options represent or give buyers the right, but not the obligation, to buy (call) or sell (put) an asset at a preset price over a specified period. Options are traded on organized exchanges (exchange traded) thereby minimizing the SIB's counterparty credit risk. The option's price is usually a small percentage of the underlying asset's value. As a seller of a financial option, the SIB, through its investment manager, receives a premium at the beginning of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a buyer of a financial option, the SIB, through its investment manager, pays a premium at the beginning of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Gains and losses on options are determined based on fair values and recorded with the net change in fair value of investments in the Statement of Changes in Net Assets and totaled $(1.8) million for fiscal year 2011 and $1.5 million for fiscal year 2010. At June 30, 2011 and 2010, the SIB investment portfolio had the following option balances (expressed in thousands).

Options	Fair Value June 30, 2011	Fair Value June 30, 2010
Cash & Cash Equivalent Options		
Call	$ -	$ (22)
Put	-	-
Equity Options		
Call	-	-
Put	-	1,934
Fixed Income Options		
Call	-	25
Put	-	(2)
Total Options	$ -	$ 1,935

Swaps

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

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

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

Gains and losses on swaps are determined based on fair values and are recorded with the net change in fair value of investments in the Statement of Changes in Net Assets and totaled $(201) thousand for fiscal year 2011 and $729 thousand for fiscal year 2010. The maximum loss that would be recognized at June 30, 2011 and 2010, if all counterparties failed to perform as contracted is $1.25 million and $750 thousand respectively. Swap fair values are determined by a third party pricing source. At June 30, 2011 and 2010, the SIB's investment portfolio had the swap fair value balances as shown below (expressed in thousands).

Credit Default Swaps

Counterparty/Moody's Rating	Notional Amount	Expiration Date	Fair Value June 30, 2011	Fair Value June 30, 2010
Deutsche Bank AG New York/Aa3	$ 45	3/20/2014	$ (8)	$ (9)
Deutsche Bank AG New York/Aa3	120	9/20/2013	1	4
Deutsche Bank AG New York/Aa3	75	3/20/2012	(2)	(4)
Barclays Capital Securities London/Aa3	105	6/20/2011	-	(4)
Total Credit Default Swaps	$ 345		$ (9)	$ (13)

Interest Rate Swaps

Counterparty	Notional Amount	Rate Range	Counterparty Rate	Expiration Date Range	Counterparty Rating (Moody's)	Fair Value June 30, 2011	Fair Value June 30, 2010
Barclays Bank PLC London	$ 1,376	4.250%	Various overnight bank rates depending on currency	4/27/2013	Aa3	$ -	$ 23
Barclays Bank PLC London (15 contracts)	(3,348)	0.283% to 7.130%		12/2011 - 01/2021	Aa3	(19)	
Barclays Capital Securities London (7 contracts)	(1,229)	0.329% to 5.665%		01/2012 - 08/2020	Aa3	(5)	
Citibank N.A. New York (10 contracts)	(2,193)	0.430% to 3.763%		01/2012 - 02/2021	A1	(138)	
Morgan Stanley Capital Services NY (5 contracts)	504	2.510% to 5.110%		02/2012 - 06/2021	A2	(115)	
Total Interest Rate Swaps	$ (4,890)					$ (277)	$ 23

Currency Forwards

Currency forwards represent forward exchange contracts that are entered into in order to manage the exposure to changes in currency exchange rates on the currency denominated portfolio holdings. A forward exchange contract is a commitment to purchase or sell a currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net change in fair value of investments in the Statement of Changes in Net Assets and totaled $(12.9) million for fiscal year 2011 and $3.7 million for fiscal year 2010. At June 30, 2011 and 2010, the SIB's investment portfolio included the currency forwards balances shown below (expressed in thousands).

				Fair Value	
Currency	Cost	Purchases	Sales	6/30/2011	6/30/2010
Australian dollar	$ (9,494)	$ 417	$ (9,911)	$ (9,842)	$ (13,268)
Brazilian real	(3,667)	-	(3,667)	(3,802)	-
British pound sterling	6,166	10,272	(4,106)	6,070	(11,561)
Canadian dollar	(1,575)	608	(2,183)	(1,554)	(7,674)
Chinese yuan renminbi	4,052	4,052	-	4,033	2,236
Czech koruna	386	478	(92)	388	
Danish krone	-	-	-	-	(313)
Euro	(2,395)	529	(2,924)	(2,400)	(42,969)
Hong Kong dollar	-	-	-	-	(4,417)
Hungarian forint	528	528	-	540	(254)
Japanese yen	(494)	217	(711)	(492)	(29,226)
Mexican peso	192	192	-	195	(312)
New Zealand dollar	(2,892)	552	(3,444)	(2,931)	1,425
Norwegian krone	477	723	(246)	495	1,647
Polish zloty	254	470	(216)	251	(122)
Singapore dollar	2,504	2,504	-	2,519	(652)
South African rand	278	278	-	282	-
Swedish krona	488	488	-	494	(5,093)
Swiss franc	83	482	(399)	83	(12,292)
Turkish lira	3,854	4,278	(424)	3,681	3,989
United States dollar	1,254	28,322	(27,068)	1,254	118,399
Total forwards subject to currency risk				$ (736)	$ (457)

Derivative Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an interest rate-based derivative investment. The SIB does not have a formal investment policy regarding such derivative investments. At June 30, 2011 and 2010, the tables below show the SIB's derivative investments subject to interest rate risk (expressed in thousands).

2011

	Total Notional Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	Greater than 5 years
Futures-interest rate contracts	$ (212,302)	$ (123,551)	$ (88,751)	$ -	$ -	$ -

	Total Fair Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	Greater than 5 years
Options on interest rate futures	$ -	$ -	$ -	$ -	$ -	$ -
Swaps - interest rate contracts	(277)	-	(7)	(14)	(11)	(245)
Total	$ (277)	$ -	$ (7)	$ (14)	$ (11)	$ (245)

2010

	Total Notional Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	Greater than 5 years
Futures-interest rate contracts	$ (18,276)	$ (19,738)	$ 12,114	$ (10,652)	$ -	$ -

	Total Fair Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	Greater than 5 years
Options on interest rate futures	$ 1	$ 1	$ -	$ -	$ -	$ -
Swaps - interest rate contracts	23	-	-	-	23	-
Total	$ 24	$ 1	$ -	$ -	$ 23	$ -

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.

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 fair values (publicly traded stocks or bonds). The SIB owns units of these funds rather than the individual securities. Contributions or withdrawals from these funds can be made as needed.

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 allocation by "porting" various types of fixed income-based portfolios over S&P 500 or Russell 2000 beta futures contracts.

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, 2011 and 2010 (expressed in thousands).

June 30, 2011

Securities Lent	Underlying Securities	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for cash collateral:			
US agency securities	$ -	$ -	$ -
US government securities	-	-	-
US corporate fixed income securities	-	-	-
Global government fixed income securities	-	-	-
US equities	< 1	-	14
Global equities	-	-	-
Lent for non-cash collateral:			
US agency securities	-	-	-
US government securities	-	-	-
US corporate fixed income securities	-	-	-
US equities	-	-	-
Global equities	-	-	-
Total	< 1	$ -	$ 14

North Dakota Retirement and Investment Office
Notes to Combined Financial Statements
June 30, 2011 and 2010

June 30, 2010

Securities Lent	**Underlying Securities**	**Non-Cash Collateral Value**	**Cash Collateral Investment Value**
Lent for cash collateral:			
US agency securities	$ -	$ -	$ -
US government securities	5,400	-	5,444
US corporate fixed income securities	5,764	-	5,895
Global government fixed income securities	-	-	-
US equities	10,436	-	11,119
Global equities	3,478	-	3,712
Lent for non-cash collateral:			
US agency securities	-	-	-
US government securities	-	47	-
US corporate fixed income securities	-	-	-
US equities	-	-	-
Global equities	-	-	-
Total	$ 25,078	$ 47	$ 26,170

Note 5 - Capital Assets

	June 30, 2009	Additions	Retirements	June 30, 2010	Additions	Retirements	June 30, 2011
Office equipment	$33,911	$ -	$ -	$33,911	$ -	($14,590)	$19,321
Less accumulated depreciation on office equipmer	(26,285)	(2,288)	-	(28,573)	(2,288)	14,590	(16,271)
Software	1,213,500	-	-	1,213,500	-	-	1,213,500
Less accumulated depreciation on software	(910,125)	(242,700)	-	(1,152,825)	(60,675)	-	(1,213,500)
	$311,001			$66,013			$3,050

Note 6 - State Agency Transactions

Due From/To Other State Agencies

Amounts due to other state agencies are as follows as of June 30, 2011 and 2010:

	2011	2010
Due To		
Information Technology Department	$ 7,195	$ 7,233
Office of Attorney General	1,439	2,478
University System - NDSU	-	230
Office of Management and Budget	3,844	210
Total due to other state agencies	$ 12,478	$ 10,151

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 effective July 1, 2009 through June 30, 2011. RIO also incurs rent expense at other locations on a temporary basis to sponsor retirement education for TFFR members. Rent expense totaled $76,104 and $76,233 for fiscal 2011 and 2010. RIO entered into a new lease for office space effective July 1, 2011. Minimum payments under the lease for fiscal 2012 are $76,351.

Note 8 - Changes in Noncurrent Liabilities

Changes in noncurrent liabilities for the years ended June 30, 2011 and 2010 are summarized as follows:

	Beginning Balance 7/1/2010	Additions	Reductions	Ending Balance 6/30/2011	Amounts Due Within One Year
Accrued Leave	107,984	84,726	(62,973)	129,737	70,469

	Beginning Balance 7/1/2009	Additions	Reductions	Ending Balance 6/30/2010	Amounts Due Within One Year
Accrued Leave	113,661	66,817	(72,494)	107,984	69,477

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, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

Membership

As of June 30, 2011 and 2010, the number of participating employer units was 226 and 231, respectively, consisting of the following:

	2011	2010
Public School Districts	181	183
County Superintendents	9	11
Special Education Units	21	21
Vocational Education Units	5	5
Other	10	11
Total	226	231

TFFR's membership consisted of the following:

	2011	2010
Retirees and beneficiaries currently receiving benefits	6,933	6,672
Terminated employees - vested	1,463	1,472
Terminated employees - nonvested	407	331
Total	8,803	8,475
Current employees		
Vested	8,013	8,356
Nonvested	1,991	1,551
Total	10,004	9,907

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, alternative investments, and cash). The Board has set 8% as the plan's actuarially assumed rate of return. 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, 2011 and 2010, TFFR had net realized gains of $103,985,143 and $20,267,459 respectively.

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 8.75% of the teacher's salary. Member contributions will increase to 9.75% on 7/1/2012 and 11.75% on 7/1/2014. Employer contributions will increase to 10.75% on 7/1/2012 and 12.75% on 7/1/2014. Member and employer contributions will be reduced to 7.75% each when 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

For purposes of determining pension benefits, members are classified within one of two "tiers." Tier 1 members are those with service credit on file as of July 1, 2008, and Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008. (Note: Legislation approved in 2011 will modify pension eligibility requirements for certain non-grandfathered Tier 1 members and Tier 2 members effective 7/1/2013.)

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.

Tier 2

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.

Death and Disability Benefits

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

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated one year of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration of age and assuming the member has a minimum of 20 years of credited service. There is no actuarial reduction for reason of disability retirement. (Note: Legislation approved in 2011 will modify disability eligibility requirements and benefit calculations effective 7/1/2013.)

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	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
2011	$ 1,822.6	$ 2,749.8	$ 927.2	66.3%	$ 488.8	189.7%

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, 2011	July 1, 2010
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent of payroll, assuming payroll increases of 3.25% per annum	Level percent of payroll, assuming payroll increases of 3.25% per annum
Amortization period	30-year open period	30-year open period
Asset valuation method	Market value of assets less unrecognized returns in each of last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the actuarial value, and is recognized over a five-year period.	Market value of assets less unrecognized returns in each of last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the actuarial value, and is recognized over a five-year period.
Actuarial assumptions:		
Investment rate of return	8.00%	8.00%
Projected salary increases	4.50% to 14.75%	4.50% to 14.75%
Inflation	3.00%	3.00%
Cost of living adjustments	None	None

TFFR Plan Changes Affecting Audit Period

1. The employer contribution rate increased from 8.25% to 8.75% effective July 1, 2010. The employer contribution rate increases from 8.75% to 10.75% effective July 1, 2012, and increases thereafter to 12.75% effective July 1, 2014. The member contribution rate increases from 7.75% to 9.75% effective July 1, 2012, and increases thereafter to 11.75% effective July 1, 2014. Employer and member contributions will be reset to 7.75% once the Fund reaches a 90% funded ratio, measured using the actuarial value of assets.

2. For current Tier 1 members who, as of June 30, 2013, are vested (at least 3 years of service), and at least age 55, OR the sum of the member's age and service is at least 65, are considered a Tier 1 Grandfathered member. Current Tier 1 members, who do not meet this criteria as of June 30, 2013, are considered a Tier 1 Non-grandfathered member.

3. Eligibility for normal/unreduced retirement benefits do not change for Tier 1 Grandfathered members. For Tier 1 Non-grandfathered and Tier 2 members, effective after June 30, 2013, unreduced retirement benefits start when a member reaches age 65 and is vested (3 years for Tier 1 Non-grandfathered, 5 years for Tier 2); or if earlier, when the sum of the member's age and service is at least 90, with a minimum age of 60.

4. Early retirement benefits do not change for Tier 1 Grandfathered members. For Tier 1 Non-grandfathered and Tier 2 members, effective after June 30, 2013, the normal retirement benefit will be reduced by 8% per year from the earlier of age 65 OR the age at which the sum of the member's age and service is at least 90, with a minimum age of 60.

5. Effective after June 30, 2013, all members may retire on disability after a period of at least five years of service (rather the one year of service). The amount of the benefit is based on a 2% multiplier and actual service (rather than a minimum of twenty years of service in the current calculation).

6. Effective July 1, 2012, re-employed retirees are required to pay member contributions.

7. Effective August 1, 2011, beneficiary and death benefit provisions were updated, and the 60-month death payment benefit was removed.

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, 2011, 2010, and 2009, were $84,091, $82,788, and $81,030, equal to the required contributions for each year plus a 1.14% contribution for retiree health benefits.

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, 2011 committed to fund certain alternative investment partnerships for an amount of $957.5 million. Funding of $831.1 million has been provided leaving an unfunded commitment of approximately $126.4 million.

Note 13 - 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. Investors had been offered two options: invest directly in WG Trading Company (WGTC) by purchasing a limited partnership interest in it; or lend money to WG Trading Inc. (WGTI). WGTC was subject to SEC regulation, capital requirements, reporting and oversight, whereas WGTI was an unregulated and unaudited entity. SIB chose to invest directly in the regulated, audited WGTC.

At the time the Commodity Futures Trading Commission (CFTC) and Securities and Exchange Commission (SEC) charges were filed, the court appointed a receiver to take control of any recoverable assets. The receiver recommended the court distribute the recovered assets as follows: pool the assets of WGTC and WGTI, and distribute those assets *pro rata* to all investors. The receiver's method did not take into consideration the terms in which each investor entered into the investment (i.e. limited partnership interest versus note holder agreement), even though the majority of the WGTC assets were intact and the fraud predominantly occurred with WGTI. The court agreed with the receiver and in April, 2011, the recovered assets were distributed to all investors in a *pro rata* distribution based on net investment balances. The SIB received a total distribution of $63.9 million, which represented approximately 85% of its remaining cost basis with WGTC. The total realized loss included in the June 30, 2011, financial statements attributable to the fraud is $11.3 million and is allocated to the participating pooled funds as follows (expressed in thousands):

	Total Recovery (April 2011)	Cost Basis	Realized loss
Teachers' Fund for Retirement	$ 23,001	$ 27,080	$ (4,079)
Public Employees Retirement System	26,012	30,626	(4,614)
Bismarck City Employee Pension Plan	503	592	(89)
Bismarck City Police Pension Plan	268	316	(48)
Job Service of ND	1,408	1,657	(249)
City of Fargo Employee Pension Plan	445	524	(79)
Workforce Safety & Insurance	10,616	12,499	(1,883)
State Fire & Tornado	512	603	(91)
State Bonding	51	60	(9)
Risk Mgmt	88	104	(16)
Risk Mgmt Work Comp	63	74	(11)
Insurance Regulatory Trust Fund	16	18	(2)
Petroleum Tank Release Comp Fund	155	182	(27)
ND Ass'n of Counties Fund	54	64	(10)
City of Bismarck Deferred Sick Leave	13	15	(2)
City of Fargo FargoDome Permanent Fund	718	846	(128)
Cultural Endowment Fund	8	10	(2)
Totals	$ 63,931	$ 75,270	$ (11,339)

The SIB does not agree with the method used to distribute the assets, and along with the other limited partners is appealing the District Court's ruling. It is the SIB's position that the District Court incorrectly determined the amount of the distribution; and that the audited limited partners are entitled to a greater share of the recovered assets than the unaudited note holders. At this time it is difficult to estimate the potential additional distribution that could be received if the appeal is successful, therefore, no amount has been included on the balance sheet as of June 30, 2011.

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

Actuarial Valuation Date July 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (Funded Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funded Excess) as a Percentage of Annual Covered Payroll
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
2010	1,842.0	2,637.2	795.2	69.8	465.0	171.0
2011	1,822.6	2,749.8	927.2	66.3	488.8	189.7

Schedule of Employer Contributions
North Dakota Teachers' Fund for Retirement

	GASB 25 Annual Required Contribution (ARC)		Actual Employer Contributions		Percentage of GASB ARC Contributed
Fiscal Year	% of Payroll[1]	Amount[2]	% of Payroll	Amount	
2006	12.12%	$48,747,189	7.75%	$31,170,851	63.9%
2007	12.29%	50,532,462	7.75%	31,865,466	63.1%
2008	10.15%	44,114,585	7.75%	33,683,550	76.4%
2009	9.24%	41,986,174	8.25%	37,487,655	89.3%
2010	10.78%	52,053,217	8.25%	39,836,646	76.5%
2011	12.79%	65,112,696	8.75%	44,545,433	68.4%

1. The GASB ARC for each fiscal year is based on the actuarial valuation as of the beginning of the year. Therefore, the FY2011 ARC is based on the July 1, 2010 valuation. The ARC is defined as the contribution rate required to pay the employer normal cost and to amortize the unfunded actuarial accrued liability over a 30-year period as a level percentage of payroll, but not less than the statutory contribution rate.

2. The dollar amount of the ARC is based on actual payroll for the year. The FY2011 ARC shown above differs from the estimated dollar amount shown in the July 1, 2010 actuarial valuation report because of differences between estimated and actual FY2011 payroll.

	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	City of Grand Forks Park District	Workforce Safety & Insurance	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund	Insurance Regulatory Trust Fund
Assets:												
Investments												
Equities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Equity pool	995,240,541	23,712,109	12,102,820	34,045,099	15,731,052	21,653,520	2,631,436	276,614,917	8,726,017	-	-	1,091,083
Fixed income	-	-	-	-	-	-	-	-	-	-	-	-
Fixed income pool	613,384,678	23,794,464	9,446,289	51,312,435	9,994,515	13,540,681	1,570,107	959,797,550	13,787,108	1,564,810	3,156,371	1,278,589
Real estate pool	101,876,039	5,487,312	2,236,884	-	1,652,748	2,218,302	-	82,953,635	-	-	-	-
Alternative Investments	63,145,098	461,728	653,475	-	1,227,411	1,930,603	173,366	-	-	-	-	-
Cash and cash pool	25,963,000	43,069	45,235	277,745	253,480	3,706,413	43,951	24,396,476	2,542,024	1,309,614	3,233,780	1,295,069
Total investments	1,799,609,356	53,498,682	24,484,703	85,635,279	28,859,206	43,049,519	4,418,860	1,343,762,578	25,055,149	2,874,424	6,390,151	3,664,741
Invested sec lending collateral	-	-	-	-	-	-	-	12,070	360	-	-	42
Investment income receivable	2,740,635	56,732	33,583	169,686	(20,925)	10,033	(479)	7,136,920	127,840	27,011	58,221	8,296
Operating Cash	77,599	-	-	-	-	-	-	54,961	1,383	1,105	1,023	1,114
Miscellaneous receivable	6,247	-	-	-	-	-	-	4,680	94	10	23	4
Total assets	1,802,433,837	53,555,414	24,518,286	85,804,965	28,838,281	43,059,552	4,418,381	1,350,971,209	25,184,826	2,902,550	6,449,418	3,674,197
Liabilities:												
Investment expenses payable	2,039,843	64,472	29,381	82,550	32,467	44,642	4,359	1,095,528	24,553	941	1,930	2,484
Securities lending collateral	-	-	-	-	-	-	-	12,070	360	-	-	42
Accounts payable	29,070	-	-	-	-	-	-	21,778	436	47	108	20
Accrued expenses	26,828	-	-	-	-	-	-	20,376	406	44	121	17
Miscellaneous payable	-	3,190	1,463	5,182	1,759	1,469	250	-	-	-	-	-
Due to other state agencies	612	-	-	-	-	-	-	458	9	1	2	-
Total liabilities	2,096,353	67,662	30,844	87,732	34,226	46,111	4,609	1,150,210	25,764	1,033	2,161	2,563
Net assets held in trust for external investment pool participants	$ 1,800,337,484	$ 53,487,752	$ 24,487,442	$ 85,717,233	$ 28,804,055	$ 43,013,441	$ 4,413,772	$ 1,349,820,999	$ 25,159,062	$ 2,901,517	$ 6,447,257	$ 3,671,634
Each participant unit is valued at $1.00												
Participant units outstanding	1,800,337,484	53,487,752	24,487,442	85,717,233	28,804,055	43,013,441	4,413,772	1,349,820,999	25,159,062	2,901,517	6,447,257	3,671,634

See Notes to Financial Statements

North Dakota Retirement and Investment Office
Combining Statement of Net Assets – Investment Trust Funds – Fiduciary Funds
June 30, 2011
(With Comparative Totals for 2010)

Insurance Pool Participants											Individual Investment Acct.		
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	DPI Board Certification Fund	PERS Retiree Health Credit Fund	Totals 2011	Totals 2010
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 34,084,756	$ 34,084,756	$ 25,388,750
-	148,223	1,286,697	1,365,059	725,948	-	-	-	260,765	16,617,584	-	-	1,411,952,870	1,091,570,903
-	-	-	-	-	-	-	-	-	-	-	22,935,906	22,935,906	19,519,126
-	101,224	2,775,427	2,238,740	815,286	-	-	279,396,241	571,226	16,490,787	-	-	2,005,016,528	1,923,597,381
-	14,799	-	-	-	-	-	-	-	-	-	-	196,439,719	148,110,369
-	-	-	-	-	-	-	-	-	-	-	-	67,591,681	67,644,154
2,321,739	7,986	218,371	111,576	82,300	-	5,589,665	43,988,795	43,994	336,828	501,441	-	116,312,551	92,525,463
2,321,739	272,232	4,280,495	3,715,375	1,623,534	-	5,589,665	323,385,036	875,985	33,445,199	501,441	57,020,662	3,854,334,011	3,368,356,146
-	7	74	79	37	-	-	-	10	921	-	-	13,600	18,459,367
-	(113)	48,614	5,960	2,007	-	-	2,342,261	1,476	7,229	-	66,816	12,821,803	13,506,243
901	263	1,211	988	-	-	-	12,907	-	-	269	-	153,724	83,285
8	1	15	13	-	-	-	1,135	-	-	2	-	12,232	11,556
2,322,648	272,390	4,330,409	3,722,415	1,625,578	-	5,589,665	325,741,339	877,471	33,453,349	501,712	57,087,478	3,867,335,370	3,400,416,597
-	316	3,945	3,754	1,850	-	-	61,935	821	43,709	-	34,220	3,573,700	3,488,775
-	7	74	79	37	-	-	-	10	921	-	-	13,600	18,459,367
18	5	71	61	-	-	-	2,670	-	-	4	-	54,288	83,430
141	4	65	56	-	-	-	3,539	-	-	4	-	51,601	44,721
-	-	-	-	250	-	250	-	250	2,041	-	1,987	18,091	17,007
1	-	1	1	-	-	-	111	-	-	-	-	1,196	2,254
160	332	4,156	3,951	2,137	-	250	68,255	1,081	46,671	8	36,207	3,712,476	22,095,554
$ 2,322,488	$ 272,058	$ 4,326,253	$ 3,718,464	$ 1,623,441	$ -	$ 5,589,415	$ 325,673,084	$ 876,390	$ 33,406,678	$ 501,704	$ 57,051,271	$ 3,863,622,894	$ 3,378,321,043
2,322,488	272,058	4,326,253	3,718,464	1,623,441	-	5,589,415	325,673,084	876,390	33,406,678	501,704	57,051,271	3,863,622,894	3,378,321,043

	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	City of Grand Forks Park District	Workforce Safety & Insurance	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund	Insurance Regulatory Trust Fund
Additions:												
Investment income:												
Net change in fair value of investments	$ 288,857,273	$ 7,976,275	$ 3,805,226	$ 10,200,840	$ 4,700,965	$ 6,821,525	$ 685,078	$ 119,651,617	$ 2,819,526	$ 59,619	$ 150,874	$ 205,758
Interest, dividends and other income	35,540,149	1,176,167	517,733	2,068,491	574,934	818,617	73,134	44,585,328	953,119	83,032	181,494	55,377
	324,397,422	9,152,442	4,322,959	12,269,331	5,275,899	7,640,142	758,212	164,236,945	3,772,645	142,651	332,368	261,135
Less investment expenses	6,420,831	206,459	93,931	277,752	109,591	153,222	16,348	4,749,092	69,740	3,584	7,672	4,543
Net investment income	317,976,591	8,945,983	4,229,028	11,991,579	5,166,308	7,486,920	741,864	159,487,853	3,702,905	139,067	324,696	256,592
Securities lending activity:												
Securities lending income	169,586	4,280	2,062	7,168	2,715	4,026	555	96,712	2,275	212	458	104
Less Securities lending expenses	(18,696)	(523)	(280)	(676)	(347)	(473)	(66)	(23,442)	(1,042)	89	192	(152)
Net securities lending income	188,282	4,803	2,342	7,844	3,062	4,499	621	120,154	3,317	123	266	256
Total Additions	318,164,873	8,950,786	4,231,370	11,999,423	5,169,370	7,491,419	742,485	159,608,007	3,706,222	139,190	324,962	256,848
Deductions:												
Administrative Expenses	483,809	-	-	-	-	-	-	342,676	7,263	994	1,808	1,078
Net change in net assets resulting from operations	317,681,064	8,950,786	4,231,370	11,999,423	5,169,370	7,491,419	742,485	159,265,331	3,698,959	138,196	323,154	255,770
Unit transactions at net asset value of $1 per unit:												
Purchase of units	-	-	-	-	-	3,888,967	265,536	11,000,000	-	-	-	2,500,000
Redemption of units	(27,350,000)	-	-	(3,932,376)	(900,000)	(3,282,102)	(164,603)	(31,500,000)	(4,900,000)	-	(500,000)	(3,200,000)
Net change in net assets and units resulting from unit transactions	(27,350,000)	-	-	(3,932,376)	(900,000)	606,865	100,933	(20,500,000)	(4,900,000)	-	(500,000)	(700,000)
Total change in net assets	290,331,064	8,950,786	4,231,370	8,067,047	4,269,370	8,098,284	843,418	138,765,331	(1,201,041)	138,196	(176,846)	(444,230)
Net assets:												
Beginning of year	1,510,006,420	44,536,966	20,256,072	77,650,186	24,534,685	34,915,157	3,570,354	1,211,055,668	26,360,103	2,763,321	6,624,103	4,115,864
End of year	$ 1,800,337,484	$ 53,487,752	$ 24,487,442	$ 85,717,233	$ 28,804,055	$ 43,013,441	$ 4,413,772	$ 1,349,820,999	$ 25,159,062	$ 2,901,517	$ 6,447,257	$ 3,671,634

See Notes to Financial Statements

North Dakota Retirement and Investment Office

Combining Statement of Changes in Net Assets – Investment Trust Funds – Fiduciary Funds

Year Ended June 30, 2011

(With Comparative Totals for 2010)

Insurance Pool Participants											Individual Investment Acct.		
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	DPI Board Certification Fund	PERS Retiree Health Credit Fund	Totals 2011	Totals 2010
$ -	$ 42,194	$ 395,152	$ 398,292	$ 201,705	$ -	$ -	$ 1,701,753	$ 82,130	$ 4,252,514	$ -	$ 8,481,511	$ 461,489,827	$ 282,514,400
7,374	8,608	158,783	132,097	56,013	-	32,357	10,618,859	35,011	961,003	1,594	1,439,530	100,078,804	95,866,949
7,374	50,802	553,935	530,389	257,718	-	32,357	12,320,612	117,141	5,213,517	1,594	9,921,041	561,568,631	378,381,349
-	959	10,350	9,334	5,432	-	1,000	234,275	3,411	104,374	-	132,724	12,614,624	12,410,744
7,374	49,843	543,585	521,055	252,286	-	31,357	12,086,337	113,730	5,109,143	1,594	9,788,317	548,954,007	365,970,605
-	18	410	338	130	-	-	-	86	2,151	-	-	293,286	332,215
-	(20)	6	(37)	(95)	-	-	-	(25)	(2,767)	-	-	(48,354)	(23,203)
-	38	404	375	225	-	-	-	111	4,918	-	-	341,640	355,418
7,374	49,881	543,989	521,430	252,511	-	31,357	12,086,337	113,841	5,114,061	1,594	9,788,317	549,295,647	366,326,023
987	393	1,193	1,056	-	-	-	55,236	-	-	749	-	897,242	557,361
6,387	49,488	542,796	520,374	252,511	-	31,357	12,031,101	113,841	5,114,061	845	9,788,317	548,398,405	365,768,662
-	-	-	-	796,655	-	190,223,732	-	-	4,000,000	-	2,320,000	214,994,890	355,812,725
-	(10,845)	-	-	(500,000)	(796,655)	(188,700,000)	(11,474,863)	(80,000)	(800,000)	-	-	(278,091,444)	(251,708,186)
-	(10,845)	-	-	296,655	(796,655)	1,523,732	(11,474,863)	(80,000)	3,200,000	-	2,320,000	(63,096,554)	104,104,539
6,387	38,643	542,796	520,374	549,166	(796,655)	1,555,089	556,238	33,841	8,314,061	845	12,108,317	485,301,851	469,873,201
2,316,101	233,415	3,783,457	3,198,090	1,074,275	796,655	4,034,326	325,116,846	842,549	25,092,617	500,859	44,942,954	3,378,321,043	2,908,447,842
$ 2,322,488	$ 272,058	$ 4,326,253	$ 3,718,464	$ 1,623,441	$ -	$ 5,589,415	$ 325,673,084	$ 876,390	$ 33,406,678	$ 501,704	$ 57,051,271	$ 3,863,622,894	$ 3,378,321,043

North Dakota Retirement and Investment Office

Pension and Investment Trust Funds – Schedule of Administrative Expenses

Years Ended June 30, 2011 and 2010

	Pension Trust		Investment Trust	
	2011	2010	2011	2010
Salaries and wages:				
Salaries and wages	$609,564	$571,875	$409,882	$377,965
Fringe benefits	223,493	204,097	106,270	91,551
Total salaries and wages	833,057	775,972	516,152	469,516
Operating expenses:				
Information services	74,221	76,726	10,594	11,160
Intergovernmental services	5,644	4,907	2,087	1,815
Professional services	512,737	345,589	382,628	173,067
Rent of building space	55,018	55,147	21,086	21,086
Mailing services and postage	52,399	54,225	31,648	20,963
Travel and lodging	25,680	22,807	33,831	10,864
Printing	23,125	17,377	9,170	7,953
Office supplies	5,087	4,600	3,369	1,593
Professional development	11,201	6,671	3,173	815
Outside services	7,948	8,501	90,957	2,712
Small office equipment expense	10,900	158	2,115	75
Miscellaneous fees	3,000	3,249	3,867	2,264
Resource and reference materials	507	432	1,411	896
IT contractual services	102,492	110,991	1,982	2,105
Repairs - office equipment	68	0	25	0
Insurance	588	681	218	252
Total operating expenses	890,615	712,061	598,161	257,620
Pension trust portion of investment program expenses	217,070	169,775	(217,070)	(169,775)
Depreciation	62,963	244,988	-	-
Total administrative expenses	2,003,705	1,902,796	897,243	557,361
Less - nonappropriated items:				
Professional fees	512,737	345,589	382,628	173,067
Other operating fees paid under continuing appropriation	22,997	13,357	45,695	26,196
Depreciation	62,963	244,988	-	-
Accrual adjustments to employee benefits	15,457	920	6,295	(6,597)
Total nonappropriated items	614,154	604,854	434,618	192,666
Total appropriated expenditures	$ 1,389,551	$ 1,297,942	$ 462,625	$ 364,695

North Dakota Retirement and Investment Office

Schedule of Appropriations – Budget Basis – Fiduciary Funds

July 1, 2009 to June 30, 2011 Biennium

	Approved 2009-2011 Appropriation	2009-2011 Appropriation Adjustment	Adjusted 2009-2011 Appropriation	Fiscal 2010 Expenses	Fiscal 2011 Expenses	Unexpended Appropriations
All Fund Types:						
Salaries and wages	$ 2,674,080	$ -	$ 2,674,080	$ 1,251,165	$ 1,327,457	$ 95,458
Operating expenses	949,570	-	949,570	411,472	442,719	95,379
Contingency	82,000	-	82,000	-	82,000	-
Total	$ 3,705,650	$ -	$ 3,705,650	$ 1,662,637	$ 1,852,176	$ 190,837

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

Reconciliation of Administrative Expenses
to Appropriated Expenditures

	2010	2011
Administrative expenses as reflected in the financial statements	2,460,157	2,900,947
Less:		
Professional fees*	(518,657)	(895,365)
Other operating fees paid under continuing appropriations*	(39,552)	(68,691)
Depreciation expense	(244,988)	(62,963)
Changes in annual leave and FICA payments	5,677	(21,752)
Total appropriated expenses	$1,662,637	$1,852,176

* 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 and Investment Trust Funds – Schedule of Consultant Expenses

Years Ended June 30, 2011 and 2010

	Pension Trust		Investment Trust	
	2011	2010	2011	2010
Actuary fees:				
Gabriel, Roeder, Smith & Co.	$ 254,291	$ 196,990	$ -	$ -
Auditing fees:				
Eide Bailly, P.C.	46,768	44,699	23,882	23,001
CliftonGunderson LLC	24,379	-	53,271	-
Total Auditing Fees	71,147	44,699	77,153	23,001
Disability consulting fees:				
Dr. G.M. Lunn	500	300	-	-
Legal fees:				
Calhoun Law Group P.C.	16,348	10,258	-	-
K&L Gates LLP	136,904	71,753	261,400	136,619
Jenner & Block	13,268	-	25,102	-
ND Attorney General	20,279	21,589	18,973	13,447
Total legal fees:	186,799	103,600	305,475	150,066
Total consultant expenses	$ 512,737	$ 345,589	$ 382,628	$ 173,067

North Dakota Retirement and Investment Office
Pension and Investment Trust Funds – Schedule of Investment Expenses
Years Ended June 30, 2011 and 2010

	Pension Trust		Investment Trust	
	2011	2010	2011	2010
Investment managers' fees:				
Domestic large cap equity managers	$ 2,137,914	$ 2,505,815	3,200,378	$ 3,656,352
Domestic small cap equity managers	1,224,383	1,115,847	1,701,887	1,703,243
International equity managers	1,354,642	1,074,828	1,401,715	1,208,085
Emerging markets equity managers	1,058,054	1,103,784	1,211,990	1,162,657
Domestic fixed income managers	1,511,673	2,860,668	5,264,491	8,514,977
High yield fixed income managers	2,783,656	2,078,546	2,483,649	1,806,843
Inflation protected assets managers	-	-	1,648,218	1,682,319
International fixed income managers	293,805	329,889	360,280	380,390
Real estate managers	1,952,869	1,900,082	2,224,531	1,713,622
Private equity managers	1,261,507	1,676,361	1,351,879	1,787,378
Enhanced cash managers	-	-	217,963	218,275
Cash & equivalents managers	24,577	16,281	38,069	13,361
Balanced account managers	-	-	224,707	174,464
Total investment managers' fees	13,603,080	14,662,101	21,329,758	24,021,966
Custodian fees	321,522	299,800	606,384	595,896
Investment consultant fees	150,457	87,328	229,819	200,526
SIB Service Fees	-	-	70,980	46,119
Total investment expenses	$ 14,075,059	$ 15,049,229	$ 22,236,940	$ 24,864,507
Securities lending fees	$ (56,544)	$ (87,999)	$ (48,354)	$ (23,203)

Reconciliation of investment expenses to financial statements

	2011	2010	2011	2010
Investment expenses as reflected in the financial statements	$ 6,430,327	$ 6,234,267	$ 12,614,624	$ 12,410,744
Plus investment management fees included in investment income				
Domestic large cap equity	445,019	817,707	708,369	1,057,567
Domestic small cap equity	858,551	948,784	986,777	1,019,320
International equity	234,358	209,403	275,330	255,569
Emerging markets equity	649,968	670,351	742,194	706,348
Domestic Fixed Income	910,025	2,245,704	2,314,772	5,667,804
High Yield	2,394,957	1,650,648	2,136,880	1,432,378
Inflation protected assets managers	-	-	451,705	221,682
Real Estate	1,020,107	925,840	661,497	562,124
Alternative investments	1,115,854	1,330,244	1,195,895	1,418,817
Enhanced cash managers	-	-	22,674	18,304
Cash equivalents	15,893	16,281	25,401	13,361
Balanced account managers	-	-	100,823	80,489
Investment expenses per schedule	$ 14,075,059	$ 15,049,229	$ 22,236,940	$ 24,864,507

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INVESTMENT SECTION

ND Retirement and Investment Office

State Investment Board
Teachers' Fund for Retirement

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Bismarck, ND 58507-7100
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November 30, 2011

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, 2011.

Introduction
For the fiscal year ended June 30, 2011, the $3.7 billion North Dakota pension investment pool portfolio experienced a net total return of 22.47%. The Teachers' Fund for Retirement, a participant in the pension pool, had a net gain of 24.21% for the year. The insurance investment pool, valued at $1.8 billion on June 30, 2011, returned 11.84% net, during the same time frame. The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon fair values and are subject to independent verification.

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 thirty-eight external investment managers are presented in the Investment Section.

Our investment program's cost as measured by expense ratio is 85.8 basis points for the pension pool and 39.4 basis points for the insurance pool 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, 2011, as measured by standard deviation has been 14.61% for the pension pool and 6.82% for the insurance pool. Risk exposure for each participating fund is also limited in accordance with the guidelines presented in the Investment Section.

Economic Overview
The fiscal year ended June 30, 2011, was filled with many "headline" events, but the markets pulled through with a strong year. The Federal Reserve began the fiscal year by announcing another round of monetary stimulus, which was dubbed "QE2". The Fed laid out plans to buy $600 billion worth of Treasury bonds over an 8-month period ending June 30, 2011. Deflation fears early in the fiscal year were somewhat eased; inflation, which registered at 1.1% at the start of the fiscal year, rose to 3.6% by June 30, 2011. While many also feared that the economy would slip back into a recession, Gross Domestic Product (GDP) growth was positive in each quarter, growing 1.6% for the 12-months ended June 30, 2011. Even though this level of growth was lower than that in the previous fiscal year (+3.3%), it was not driven by large fiscal stimuli such as the prior year's first-time home buyer credit or the "cash for clunkers" program.

The unemployment rate remained elevated throughout the fiscal year, ending at 9.1%, which was a little lower than fiscal year 2010's 9.6% rate. The troubling factor not revealed in the unemployment numbers is the low level of workforce participation. The labor force participation rate at the end of the fiscal year was 64.1%; one would have to go back to March of 1984 to find a rate that low (the average over this 27¼ year time frame is 66.1%).

The economy grew at a modest pace but continued to fight high unemployment, a weak housing market, and modest consumer spending. The Fed is also still making attempts to stimulate the economy through very loose monetary policy. In fact, the Fed recently announced another stimulus program in which it will sell short-term Treasuries in order to by longer-term Government bonds. The Fed will also reinvest all principal and interest payments received on its vast holdings of mortgage-backed securities. This program has been given the nickname "Operation Twist." The effects of this policy remain to be seen.

Domestic Equity Overview

The fiscal year ended June 30, 2011, brought very high returns across the broad domestic equity market. The S&P 1500 Index, a broad market indicator for the US stock market, finished the fiscal year with a return of +31.65%. The first quarter of the fiscal year was flat, but the last three quarters were very strong (+6.28%; +11.19%; +11.39%, respectively). Small cap stocks performed better than large cap stocks during the fiscal year. The S&P 600, a gauge of small cap stock performance, outpaced its large cap peer (the S&P 500 index), +37.03% to +30.69%. Growth stocks held up better than value stocks during fiscal year 2011. The Russell 3000 Growth Index advanced 35.68% versus a gain of 29.13% for the Russell 3000 Value Index.

International Equity Overview

Developed international equity markets, as represented by the MSCI EAFE Index, produced positive results in fiscal year 2011. The index returned +30.36%, which was a much better result than the 5.92% gain in the 2010 fiscal year. As in the US, Growth stocks produced higher returns than Value stocks in the developed world's stock markets. For the trailing twelve-months ended June 30, 2011, the MSCI EAFE Growth Index gained 31.25% while the MSCI EAFE Value Index was up 29.35%. Emerging market returns trailed developed market returns in fiscal year 2011 as the MSCI Emerging Markets Index gained 28.17%. In sum, fiscal 2011 was a good year for the world's stock markets.

Domestic Fixed-Income Overview

The US bond market, as measured by the Barclays Capital Aggregate Bond Index, had a +3.90% return for the four calendar quarters ended 6/30/2011. Even with some deflationary fears and economic uncertainty, the U.S. equity market provided investors with enough comfort that they did not flee to the relative safe haven of the bond market as they did in 2008. Treasury yields rose across the long end of the curve but fell at the shorter end. When compared to fiscal year 2010, yield spreads for non-Government bonds narrowed during fiscal year 2011.

The Barclays Capital Government/Credit Intermediate Index returned +3.77% over the fiscal year. This return was above the +3.20% gain of the Barclays Capital Government/Credit Long Index. The Barclays Capital Credit Index rose 6.20% for the trailing twelve-months as company balance sheets continued to improve. High yield investors saw strong returns; the Barclays Capital High Yield Index returned +15.63% for the year ended June 30, 2011.

International Fixed-Income Overview

The international fixed income markets were adversely affected by a sovereign debt crisis that started with Greece but soon spread to many other Eurozone members. Despite this development, the Citi Euro Government Bond Index gained 16.91% while the rest of the world showed smaller returns (+13.95% for the Citi non-U.S. World Government index; this index includes the strong return from Europe). However, most of this return came from US Dollar depreciation versus other currencies. The leaders of the European Union continued their efforts to contain the debt crisis through many measures, none of which seemed to convince investors that the problem was solved.

The US Dollar depreciated relative to most foreign currencies during the fiscal year, which enhanced U.S. investors' foreign bond returns. The dollar depreciated in every quarter after appreciating in fiscal 2010. In US Dollar-denominated returns, the Citi Non-US World Government Bond Index rose 13.95% for the year ended 6/30/11. For comparative purposes, the local currency return – the currency where the investments are actually made – for the Citi Non-US World Government Bond Index was only 0.34%. Emerging Market countries experienced positive returns for fiscal year 2011; the JP Morgan Emerging Markets Bond Plus Index gained 11.75%.

Real Estate Overview

The NCREIF Property Index, a measure of the private real estate market, rose 16.73% during the 2011 fiscal year. The index was positive in each of the four quarters, extending its positive streak to six (6) straight quarters. Capitalization rates have come down since the previous fiscal year and returns are positive across sectors. The NAREIT Equity Index, a measure of the public securities real estate market, gained 5.25% during the 2011 fiscal year. Private real estate valuations often lag those of the public real estate market. Consequently, the larger return of the NCREIF Property Index relative to the NAREIT Equity Index could be due to this timing factor: the NAREIT Equity Index gained over 55% for the fiscal year ended June 30, 2010.

Private Equity Overview

The private equity market grew at a faster pace in fiscal year 2011 as more institutional investors placed capital into new programs. According to "Buyouts" newsletter, 347 transactions closed in the amount of $109 billion during the 2011 fiscal year. This is an increase in the total number of transactions from fiscal year 2010 (266) and nearly five times as much dollar volume ($22 billion). Due to the nature of private equity performance measurement, relative comparisons of fund performance with benchmarks are inherently ambiguous. Instead of recognizing any particular index as representative of the opportunity for the fiscal year ended June 30, 2011, it is worth noting that the pension pool's alternative investment allocation of total fund assets was 4.8%. The market value of the alternative investment allocation, including investment returns and net new investment, gained 14.99% during the fiscal year.

Summary

Although fiscal year 2011 was the second of two significantly positive years for the pension and insurance pools, the coming years will continue to be challenging. To ensure that the pension pool is appropriately invested to meet those challenges, the two largest pension fund boards (TFFR and Public Employees Retirement System (PERS)) have conducted asset/liability studies that were completed after fiscal year-end. These studies will provide guidance to the SIB in structuring the investments within the pension pool to meet future challenges. The insurance pool participants will continue to monitor their asset/liability needs as well and work with the SIB to make changes as needed.

Additionally, the global capital markets have become an important consideration when constructing a portfolio. The SIB will need to be prepared to take advantage of investment opportunities throughout the world as they occur. The SIB will continue to invest the monies entrusted to them in a fiduciary sound manner, while at the same time explore investment opportunities that will add investment return to expected benchmark return expectations.

Sincerely,

JOHN W. GEISSINGER, CFA
Executive Director/CIO

INVESTMENT PERFORMANCE SUMMARY
JUNE 30, 2011

			Rates of Return (net of fees)										
	Fair Value	% Of Pool	For Fiscal Year Ended 6/30					Annualized					
PENSION POOL PARTICIPANTS			2011	2010	2009	2008	2007	3 Years	5 Years	10 Years	15 Years	20 Years	25 Years
Teachers' Fund for Retirement	$1,705,756,099	45.5%	24.21%	13.87%	-27.44%	-7.51%	20.05%	0.87%	2.65%	5.13%	6.54%	7.78%	8.02%
Public Employees Retirement System	$1,802,349,991	48.1%	21.43%	13.67%	-24.50%	-5.60%	18.95%	1.39%	3.19%	5.53%	7.02%	8.21%	8.18%
Bismarck City Employee Pension Fund	$53,555,414	1.4%	20.32%	12.74%	-20.61%	-3.82%	16.79%	2.50%	3.88%	5.54%	6.99%	8.13%	*
Bismarck City Police Pension Fund	$24,518,286	0.7%	21.10%	13.30%	-22.59%	-4.69%	17.57%	2.03%	3.54%	5.33%	6.77%	7.97%	*
Job Service of North Dakota	$85,804,965	2.3%	16.39%	13.63%	-16.62%	-1.64%	15.90%	3.31%	4.68%	5.50%	7.64%	*	*
City of Fargo Pension Fund	$28,838,281	0.8%	21.58%	14.82%	-24.88%	*	*	*	*	*	*	*	*
City of Grand Forks Pension Fund	$43,059,552	1.1%	21.64%	13.91%	*	*	*	*	*	*	*	*	*
Grand Forks Park District Pension Fund	$4,418,381	0.1%	20.98%	*	*	*	*	*	*	*	*	*	*
Subtotal Pension Pool Participants	3,748,300,969	100.0%											
INSURANCE POOL PARTICIPANTS													
Workforce Safety & Insurance Fund	1,350,899,498	76.4%	13.26%	11.94%	-10.25%	0.57%	10.33%	4.40%	4.77%	5.09%	6.86%	7.60%	*
State Fire and Tornado Fund	25,182,989	1.4%	14.52%	14.52%	-9.85%	-4.01%	12.45%	5.74%	5.00%	5.10%	6.33%	6.54%	*
State Bonding Fund	2,901,435	0.2%	5.01%	8.63%	-15.49%	-4.14%	12.43%	-1.21%	0.77%	3.16%	5.00%	5.61%	*
Petroleum Tank Release Fund	6,448,372	0.4%	4.97%	7.79%	-15.49%	-4.07%	12.37%	-1.48%	0.61%	2.92%	4.94%	*	*
Insurance Regulatory Trust Fund	3,673,037	0.2%	11.61%	10.29%	-6.86%	-2.71%	11.10%	4.66%	4.38%	4.68%	5.94%	5.89%	*
Health Care Trust Fund	2,321,739	0.1%	0.32%	0.36%	1.08%	3.43%	5.01%	0.59%	2.02%	1.90%	*	*	*
State Risk Management Fund	4,329,109	0.2%	14.36%	16.02%	-8.97%	-2.70%	11.20%	6.49%	5.50%	4.95%	*	*	*
State Risk Management Workers Comp	3,721,335	0.2%	16.23%	16.40%	-11.29%	-3.99%	12.18%	6.27%	5.27%	*	*	*	*
Cultural Endowment Fund	272,119	0.0%	21.33%	14.89%	-18.49%	-7.59%	15.68%	4.35%	3.97%	*	*	*	*
Budget Stabilization Fund	325,727,297	18.4%	3.63%	7.38%	-4.23%	0.01%	5.11%	2.14%	*	*	*	*	*
ND Assoc. of Counties (NDACo) Fund	1,625,541	0.1%	17.73%	15.34%	-16.29%	-7.79%	15.46%	4.36%	3.89%	4.67%	*	*	*
City of Bismarck Deferred Sick Leave	877,461	0.0%	13.80%	21.28%	-8.34%	-3.20%	11.82%	8.15%	6.49%	5.42%	*	*	*
PERS Group Insurance	5,589,665	0.3%	0.31%	0.36%	1.08%	3.43%	5.36%	0.58%	2.09%	2.81%	*	*	*
City of Fargo FargoDome Permanent Fund	33,452,428	1.9%	19.16%	16.78%	-15.64%	-6.25%	13.99%	5.49%	4.64%	*	*	*	*
Dept. of Public Instruction Board Certification Fund	501,441	0.0%	0.31%	*	*	*	*	*	*	*	*	*	*
Subtotal Insurance Pool Participants	1,767,523,466	100.0%											
INDIVIDUAL INVESTMENT ACCOUNT													
Retiree Health Insurance Credit Fund	57,087,478	100.0%	21.65%	16.86%	-17.14%	-14.19%	16.65%	5.61%	3.35%	4.39%	6.21%	7.23%	*
TOTAL	$5,572,911,913												
BENCHMARKS													
S&P 500			30.69%	14.43%	-26.21%	-13.12%	20.59%	3.34%	2.94%	2.72%	6.50%	8.73%	9.37%
Barclays Aggregate			3.90%	9.50%	6.05%	7.12%	6.12%	6.46%	6.52%	5.74%	6.32%	6.80%	7.21%
90 Day T-Bills			0.16%	0.16%	0.95%	3.63%	5.21%	0.42%	2.00%	2.13%	3.20%	3.50%	4.22%
Callan Public Plan Sponsors Database (Median)			21.35%	12.57%	-18.00%	-4.65%	17.32%	3.85%	4.61%	5.68%	7.33%	8.54%	8.52%

* 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 INVESTMENT POOL
FOR PERIODS ENDED JUNE 30, 2011

	Style	Date Initiated		Fair Value	Annualized Rates of Return 1 Year	3 Years	5 Years
DOMESTIC LARGE CAP EQUITY:							
The Clifton Group	Enhanced S&P 500	06/2011	$	63,040,477	*	*	*
Declaration Mgmt & Research/The Clifton Group	Portable Alpha/TALF	07/2009	$	49,514,180	32.76%	*	*
Epoch Investment Partners, Inc.	Absolute Return	07/2007	$	221,490,466	26.85%	4.55%	*
Los Angeles Capital Management	Structured Growth	08/2003	$	228,288,484	32.87%	3.87%	4.98%
Los Angeles Capital Management	Enhanced Russell 1000	08/2000	$	130,902,604	30.52%	3.78%	3.84%
LSV Asset Management	Structured Value	06/1998	$	230,907,153	30.94%	3.91%	1.62%
Northern Trust Global Investments	Enhanced S&P 500	08/2000	$	71,016,557	30.42%	3.96%	2.49%
Prudential	Portable Alpha	03/2008	$	58,760,190	32.07%	-9.24%	*
TOTAL DOMESTIC LARGE CAP EQUITY				1,053,920,111	30.58%	-2.11%	-0.66%
Standard & Poor's 500 Index					30.69%	3.34%	2.94%
DOMESTIC SMALL CAP EQUITY:							
Callan Associates, Inc.	Mgr of Managers	05/2006		194,859,003	40.56%	8.69%	5.66%
The Clifton Group	Enhanced Russell 2000	11/2009		179,229,732	39.37%	*	*
Corsair Capital (Fund III)	Pvt Eq - Financial Svcs	02/2006		12,400,034	7.74%	-6.80%	*
Corsair Capital (ND Investors)	Pvt Eq - Financial Svcs	03/2008		9,998,272	-0.49%	-0.82%	*
Corsair Capital (Fund IV)	Pvt Eq - Financial Svcs	05/2010		9,500,000	-6.69%	*	*
SEI Investments Management Co.	Mgr of Mgrs (liquidating)	06/2001		984,883	-9.50%	-11.30%	-8.21%
TOTAL DOMESTIC SMALL CAP EQUITY				406,971,924	36.07%	8.16%	3.92%
Russell 2000 Index					37.41%	7.77%	4.08%
INTERNATIONAL EQUITY:							
Capital Guardian Trust Company	Core	03/1992		62,458,855	24.66%	-1.35%	1.01%
The Clifton Group	EAFE Index	03/2010		145,113,970	30.63%	*	*
Dimensional Fund Advisors	Small Cap Value	11/2007		59,009,465	36.94%	3.67%	*
LSV Asset Management	Core	11/2004		125,199,686	24.26%	-0.36%	-0.24%
State Street Global Advisors	Enhanced EAFE Index	03/1987		48,513,750	32.35%	-2.20%	1.06%
Wellington Trust Company, NA	Small Cap Growth	03/2002		61,521,195	37.82%	4.39%	4.48%
TOTAL INTERNATIONAL EQUITY				501,816,921	31.20%	2.64%	2.56%
Benchmark **					23.57%	-0.74%	0.96%
EMERGING MARKETS EQUITY:							
Blackfriars	Core	03/2006		29,794,852	22.63%	-1.51%	8.83%
Capital International	Private Equity	08/2007		30,150,449	41.44%	9.53%	*
Dimensional Fund Advisors	Small Cap	10/2005		35,374,928	32.35%	14.43%	17.31%
J.P. Morgan Investment Management, Inc.	Core	11/2005		29,376,969	25.77%	5.36%	12.46%
J.P. Morgan Investment Management, Inc.	Asian Infrastructure	07/2008		17,317,257	2.73%	*	*
PanAgora Asset Management, Inc.	Core	02/2006		30,193,684	25.75%	1.92%	10.98%
UBS Global Asset Management	Core	07/2005		22,202,784	30.17%	4.78%	11.95%
TOTAL EMERGING MARKETS EQUITY				194,410,923	27.93%	4.93%	12.33%
MSCI Emerging Markets Index					28.17%	4.53%	11.75%
DOMESTIC FIXED INCOME:							
Bank of North Dakota	BC G/C Index	01/1988		69,615,040	3.78%	7.24%	7.04%
Calamos	Convertibles	10/2006		57,276,584	14.20%	6.08%	*
J.P. Morgan Investment Management, Inc.	Infrastructure	05/2007		86,058,720	7.19%	-4.92%	*
PIMCO	Distressed Sr. Debt	07/2008		75,434,883	10.08%	*	*
Prudential	Private Debt	06/2005		57,744,676	6.79%	10.55%	8.50%
SEI	Core Bonds	05/2009		20,035,799	6.22%	*	*

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
PENSION INVESTMENT POOL (CONTINUED)
FOR PERIODS ENDED JUNE 30, 2011

	Style	Date Initiated	Fair Value	Annualized Rates of Return 1 Year	3 Years	5 Years
DOMESTIC FIXED INCOME (continued):						
Timberland Investment Resources - Teredo	Timberland	06/2001	79,121,409	6.66%	7.90%	14.53%
Timberland Investment Resources - Springbank	Timberland	09/2004	132,049,566	-1.07%	-5.52%	4.70%
Wells Capital Management, Inc.	Baa Average Bonds	11/1998	58,236,766	8.72%	11.48%	9.24%
Western Asset Management Co.	Core Bonds	02/1986	78,542,254	8.05%	6.81%	5.47%
TOTAL DOMESTIC FIXED INCOME			714,115,697	6.15%	3.05%	6.40%
Barclays Aggregate Index				3.90%	6.46%	6.52%
HIGH YIELD FIXED INCOME:						
Goldman Sachs	Mezzanine Debt-2006	04/2006	5,960,000	29.53%	5.22%	4.11%
Goldman Sachs	Mezzanine Debt-Fund V	11/2007	10,440,000	24.39%	14.42%	*
Loomis Sayles	High Yield Bonds	04/2004	153,853,456	19.59%	12.14%	9.74%
PIMCO	Distressed Mortgages	10/2007	20,726,603	15.18%	11.84%	*
EIG (formerly Trust Company of the West)	Mezz Debt - Energy	07/2007	31,355,579	12.85%	14.58%	*
TOTAL HIGH YIELD FIXED INCOME			222,335,638	18.22%	7.58%	6.12%
Barclays High Yield Corp 2% Issuer Cap				15.53%	12.80%	9.42%
INTERNATIONAL FIXED INCOME:						
UBS Global Asset Management	Core Non-U.S.	03/1989	85,873,277	16.30%	6.41%	7.31%
Brandywine Asset Management	Core-Plus Non-U.S.	05/2003	101,247,021	15.43%	9.34%	9.24%
TOTAL INTERNATIONAL FIXED INCOME			187,120,298	15.79%	8.20%	8.47%
Benchmark * **				15.39%	6.39%	7.87%
REAL ESTATE:						
INVESCO Realty Advisors	Core Commingled	08/1997	116,329,488	25.89%	-6.74%	1.04%
INVESCO Realty Advisors	Core Plus LP	11/2007	31,646,473	56.89%	-36.71%	*
INVESCO Realty Advisors	Asian LP	11/2008	3,877,140	-8.21%	*	*
J. P. Morgan Investment Mgmt. Inc.	Core Commingled	10/1987	100,280,377	20.80%	-8.05%	-0.12%
J. P. Morgan Investment Mgmt. Inc.	Alternative Commingled	01/2006	14,798,687	5.26%	-21.13%	-10.93%
J. P. Morgan Investment Mgmt. Inc.	European LP	09/2009	215,738	N/A	*	*
J. P. Morgan Investment Mgmt. Inc.	Asian LP	01/2008	23,607,000	17.03%	3.59%	*
TOTAL REAL ESTATE			290,754,903	24.11%	-9.57%	-1.55%
NCREIF Total Index				16.73%	-2.57%	3.44%
ALTERNATIVE INVESTMENTS:						
Adams Street Partners (I.V.C.F. II)	Diversified Private Equity	03/1989	10,691	-10.01%	22.96%	24.04%
Adams Street Partners (I.V.C.F. III)	Diversified Private Equity	01/1993	43,500	45.71%	8.53%	31.12%
Adams St. Partners (1998 Fund)	Diversified Private Equity	01/1998	612,000	15.96%	-9.04%	1.06%
Adams St. Partners (1999 Fund)	Diversified Private Equity	01/1999	1,900,000	31.40%	-0.88%	5.77%
Adams St. Partners (2000 Fund)	Diversified Private Equity	10/1999	5,500,000	25.87%	-0.02%	6.68%
Adams St. Partners (2001 Fund)	Diversified Private Equity	12/2000	6,400,000	26.99%	1.93%	4.63%
Adams St. Partners (2002 Fund)	Diversified Private Equity	03/2002	3,600,000	35.32%	1.25%	3.54%
Adams St. Partners (2003 Fund)	Diversified Private Equity	04/2003	1,260,000	27.79%	3.26%	6.73%
Adams St. Partners (1999 Non-U.S. Fund)	Diversified Private Equity	01/1999	1,000,000	63.17%	8.47%	19.46%
Adams St. Partners (2000 Non-U.S. Fund)	Diversified Private Equity	01/2000	1,800,000	37.82%	-2.50%	12.80%
Adams St. Partners (2001 Non-U.S. Fund)	Diversified Private Equity	02/2001	1,300,000	19.79%	-10.86%	-2.83%
Adams St. Partners (2002 Non-U.S. Fund)	Diversified Private Equity	05/2002	4,700,000	46.88%	-5.99%	12.37%
Adams St. Partners (2003 Non-U.S. Fund)	Diversified Private Equity	04/2003	3,470,000	48.84%	4.46%	20.26%
Adams St. Partners (2004 Non-U.S. Fund)	Diversified Private Equity	04/2004	1,800,000	33.31%	-4.08%	7.17%
Adams St. Partners (2008 Non-U.S. Fund)	Diversified Private Equity	01/2008	2,900,000	20.52%	-6.19%	*
Adams St. Partners (2010 Direct Fund)	Direct Private Equity	04/2010	350,000	-7.56%	*	*

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
PENSION INVESTMENT POOL (CONTINUED)
FOR PERIODS ENDED JUNE 30, 2011

	Style	Date Initiated	Fair Value	Annualized Rates of Return 1 Year	3 Years	5 Years
ALTERNATIVE INVESTMENTS (continued):						
Adams St. Partners (2010 Non-U.S. Developed)	Diversified Private Equity	04/2010	250,000	-12.11%	*	*
Adams St. Partners (2010 Partnership Fund)	Diversified Private Equity	04/2010	1,190,000	28.46%	*	*
Adams St. Partners (2010 Emerging Mkts Fund)	Diversified Private Equity		59,000	*	*	*
Adams St. Partners (B.V.C.F. IV)	Diversified Private Equity	05/1999	3,800,000	183.24%	57.23%	29.83%
Adams St. Partners (Direct Co-Investment)	Direct Private Equity	09/2006	18,871,452	24.29%	-1.15%	*
Coral Partners, Inc. (Fund V)	Direct Venture Capital	03/1998	4,209,369	42.92%	60.80%	34.82%
Coral Partners, Inc. (Supplemental Fund V)	Direct Venture Capital	08/2001	1,036,054	-27.08%	-29.50%	-19.67%
Coral Partners, Inc. (Momentum Fund)	Direct Venture Capital	07/2002	6,054,515	90.61%	4.61%	3.07%
Invest America (Lewis and Clark Fund)	Direct Venture Capital	02/2002	7,587,893	8.19%	3.46%	9.95%
Invest America (L&C Fund II)	Direct Venture Capital	06/2009	3,996,797	-7.62%	*	*
Matlin Patterson Global Opportunities Fund I	Distressed Debt	07/2002	267,300	4.39%	20.29%	6.34%
Matlin Patterson Global Opportunities Fund II	Distressed Debt	10/2004	8,030,655	-43.94%	-36.69%	-19.96%
Matlin Patterson Global Opportunities Fund III	Distressed Debt	06/2007	23,133,442	1.29%	-10.20%	*
Quantum Energy Partners	Pvt Equity - Energy	01/2007	4,715,450	20.90%	-1.92%	*
Quantum Resources	Pvt Equity - Energy	10/2006	10,768,946	95.45%	-58.78%	*
TOTAL ALTERNATIVE INVESTMENTS			130,617,064	14.99%	-3.27%	2.08%
CASH EQUIVALENTS:						
The Northern Trust Company	STIF	07/1994	46,237,490	0.17%	0.52%	1.48%
TOTAL CASH EQUIVALENTS			46,237,490	0.17%	0.52%	1.48%
90 Day T-Bills				0.16%	0.42%	2.00%
TOTAL PENSION INVESTMENT POOL			$ 3,748,300,969	22.88%	1.64%	3.52%
Policy Target				21.31%	4.59%	5.19%

INSURANCE INVESTMENT POOL

	Style	Date Initiated	Fair Value	Annualized Rates of Return 1 Year	3 Years	5 Years
DOMESTIC LARGE CAP EQUITY:						
The Clifton Group	Enhanced S&P 500	11/2008	$ 29,481,057	32.15%	*	*
Los Angeles Capital Management	Structured Growth	08/2003	42,558,073	31.86%	4.31%	5.08%
Los Angeles Capital Management	Enhanced Russell 1000	04/2004	28,519,732	30.92%	4.48%	4.67%
LSV Asset Management	Structured Value	06/1998	43,392,312	31.45%	4.12%	2.05%
TOTAL DOMESTIC LARGE CAP EQUITY			143,951,174	31.30%	-0.02%	1.36%
Standard & Poor's 500 Index				30.69%	3.34%	2.94%
DOMESTIC SMALL CAP EQUITY:						
The Clifton Group	Enhanced Russell 2000	11/2008	29,758,530	39.48%	*	*
Research Affiliates	Core	07/2007	29,134,582	37.79%	10.19%	*
TOTAL DOMESTIC SMALL CAP EQUITY			58,893,112	38.66%	9.14%	4.35%
Russell 2000 Index				37.41%	7.77%	4.08%
INTERNATIONAL EQUITY:						
Capital Guardian Trust Company	Core	04/1997	36,084,412	25.10%	-1.23%	1.49%
Dimensional Fund Advisors	Small Cap Value	11/2007	10,932,684	36.95%	3.67%	*
LSV Asset Management	Core	11/2004	46,191,166	24.19%	-0.24%	-0.44%
The Vanguard Group	Small Cap Growth	06/2003	11,295,059	34.81%	4.04%	4.20%
TOTAL INTERNATIONAL EQUITY			104,503,321	27.27%	0.39%	1.24%
Benchmark **				23.57%	-0.74%	0.96%

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
INSURANCE INVESTMENT POOL (CONTINUED)
FOR PERIODS ENDED JUNE 30, 2011

	Style	Date Initiated	Fair 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	102,802,493	3.23%	6.16%	6.35%
Declaration Mgmt & Research	Mortgage Backed	03/2010	34,711,909	10.92%	*	*
Prudential	Core-Plus	08/2006	61,134,888	8.20%	9.76%	*
Wells Capital	Baa Average Bonds	04/2002	255,978,363	9.17%	11.60%	9.24%
Western Asset Management Co.	Core Bonds	07/1990	257,469,841	7.93%	8.27%	6.89%
TOTAL DOMESTIC FIXED INCOME			712,097,494	7.84%	8.62%	7.11%
Barclays Aggregate Index				3.90%	6.46%	6.52%
INFLATION PROTECTED ASSETS:						
J. P. Morgan Investment Mgmt. Inc.	Infrastructure	11/2008	58,884,830	7.06%	*	*
Timberland Investment Resources	Timberland	10/2008	59,303,084	-2.49%	*	*
Western Asset Management Co.	Global TIPS	05/2004	179,203,856	12.18%	4.38%	5.75%
TOTAL INFLATION PROTECTED ASSETS			297,391,770	8.07%	2.21%	4.78%
Benchmark*				15.07%	4.81%	6.62%
REAL ESTATE:						
J. P. Morgan Investment Mgmt. Inc.	Core Commingled	11/2005	82,968,435	32.99%	-16.44%	-7.40%
TOTAL REAL ESTATE			82,968,435	32.99%	-16.44%	-7.40%
NCREIF Total Index				16.73%	-2.57%	3.44%
CASH EQUIVALENTS:						
Bank of North Dakota	Enhanced MMDA	07/1989	85,979,659	0.32%	0.59%	2.09%
90 Day T-Bills				0.16%	0.42%	2.00%
ENHANCED CASH:						
Prudential (Budget Stabilization Fund)	Enhanced Cash	07/2007	178,132,579	4.15%	0.24%	*
90 Day T-Bills				0.16%	0.42%	
NON-POOLED INVESTMENTS:						
Held by Budget Stabilization Fund	Certificates of Deposit	various	103,605,923	4.37%	4.33%	4.65%
TOTAL INSURANCE INVESTMENT POOL			$ 1,767,523,466	12.16%	4.21%	4.70%
Policy Target				10.20%	3.98%	5.06%

* 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.

** MSCI 50% Hedged EAFE Index through 3/31/11 and MSCI EAFE (Unhedged) thereafter.

*** BC US TIPS Index through 12/31/09 and BC Global Inflation-Linked thereafter.

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 Fair Value) AT JUNE 30, 2011

PENSION INVESTMENT POOL

Shares	Stocks	Fair Value
93,800	Chevron Corporation	$ 9,646,392
362,900	Comcast Corporation	8,793,067
146,700	Anheuser-Busch	8,507,720
167,500	ADR Teva Pharmaceutical	8,076,850
180,600	Metlife Incorporated	7,922,922
235,500	Oracle Corporation	7,750,305
88,200	Davita Incorporation	7,639,002
108,800	Visteon Corporation	7,443,008
86,500	Visa Incorporated	7,288,490
107,900	Coca Cola Company	7,260,591

Par	Bonds	Fair Value
12,680,000	US Treasury Bonds 4.25% Due 11-15-2040	$ 12,394,700
5,300,000	Treasury 3.75% T-Gilt Due 09-07-2021	8,647,580
5,715,000	Gov't of Canada Note 2.0% Due 09-01-2012	5,966,813
5,500,000	US Treasury Notes 3.5% Due 02-15-2018	5,900,901
52,763	ETF Ishares Barclays Aggregate Bond Fund	5,628,229
706,965	MFC AllianceBernstein Inc Fund	5,577,954
4,815,000	New South Wales Treasury Bonds 6.0% Due 04-01-2016	5,309,819
518,500	Mexico Bonds 8.5% Due 05-31-2029	4,763,436
56,798	MFC Vanguard Total Bond Market Fund ETF	4,609,726
12,160,000	Republic of Poland Bonds 5.25% Due 10-25-2017	4,396,168

INSURANCE INVESTMENT POOL

Shares	Stocks	Fair Value
16,200	Chevron Corporation	$ 1,666,008
18,576	Exxon Mobile Corporation	1,511,715
39,600	Royal Dutch Shell	1,413,926
66,300	Pfizer Incorporated	1,365,780
31,400	JP Morgan Chase & Company	1,285,516
3,254	Apple Incorporated	1,092,270
6,250	International Business Machines Corporation	1,072,188
13,700	ConocoPhillips	1,030,103
35,100	Wells Fargo & Company	984,906
25,800	Merck & Company Incorporated	910,482

Par	Bonds	Fair Value
8,470,000	US Treasury Bonds 4.75% Due 2-15-2041	$ 9,003,347
8,590,000	US Treasury Security 2.375% Due 05-31-2018	8,544,387
6,520,000	US Treasury Notes 3.125% Due 05-15-2021	6,501,679
4,100,000	US Treasury Notes 4.0% Due 02-15-2015	4,518,971
3,500,000	US Treasury Notes 1.5% Due 07-15-2012	3,545,665
2,560,000	Tennessee Valley Auth. Global Power Bd 7.125% Due 5-01-2030	3,326,561
2,975,000	PVTPL NBC Universal Inc SR Note 6.4% Due 04-30-2040	3,197,366
3,190,000	US Treasury Bonds 4.375% Due 11-15-2039	3,191,496
3,000,000	Federal National Mortgage Assoc. Pool 3.5% Due 07-15-2026	3,054,375
2,145,000	Altria Group Inc. 9.95% Due 11-10-2038	3,013,824

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
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Pension Investment Pool			Insurance Investment Pool & Individual Investment Account		
	Assets under management (Average)	Fees	Basis points	Assets under management (Average)	Fees	Basis points
Investment manager fees:						
Domestic large cap equity managers	$ 1,050,715,153	$ 4,847,231	46	$ 154,914,869	$ 491,061	32
Domestic small cap equity managers	377,590,128	2,635,183	70	56,436,668	291,087	52
International equity managers	480,128,760	2,211,358	46	101,048,002	544,999	54
Emerging markets equity managers	199,403,022	2,270,044	114			
Domestic fixed income managers	680,829,506	5,389,389	79	690,281,793	1,386,775	20
Inflation protected assets managers				286,283,956	1,648,218	58
High yield fixed income managers	215,704,449	5,267,305	244			
International fixed income managers	181,315,217	654,085	36			
Real estate managers	260,595,137	3,227,061	124	72,561,436	950,339	131
Alternative investment managers	130,244,202	2,613,387	201			
Cash & equivalents managers	39,088,460	62,646	16	73,896,554	-	-
Enhanced cash managers				186,748,055	217,963	12
Balanced account managers (Individual Investment Acct.)				53,883,454	224,707	42
Total investment manager fees	$ 3,615,614,035	29,177,689	81	$ 1,676,054,787	5,755,149	34
Custodian fees		625,684	2		302,221	2
Investment consultant fees		270,183	1		110,094	1
SIB Service Fees		52,759	0		18,221	0
Total investment expenses *		$ 30,126,315	83		$ 6,185,685	37
Securities lending fees		$ (77,605)	(0)		$ (27,293)	(0)

Reconciliation of Investment Expenses to Financial Statements

	Pension Investment Pool	Insurance Investment Pool & Individual Investment Account
Investment expenses as reflected in the financial statements	$ 13,708,461	$ 5,336,490
Plus investment management fees included in investment income		
Domestic large cap equity managers	1,005,984	147,404
Domestic small cap equity managers	1,845,328	-
International equity managers	383,100	126,588
Emerging markets equity managers	1,392,162	-
Domestic fixed income managers	3,224,797	-
Inflation protected assets managers	-	451,705
High yield fixed income managers	4,531,837	-
Real estate managers	1,681,604	-
Alternative investment managers	2,311,749	-
Cash & equivalents managers	41,294	-
Enhanced cash managers	-	22,674
Balanced account managers (Individual Investment Acct.)	-	100,823
Investment expenses per schedule	$ 30,126,315	$ 6,185,685

*** Individual investment funds' total basis points vary depending upon their asset allocation.**

SCHEDULE OF COMMISSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Brokers	Number of shares traded	Total commissions	Commissions per share
Investment Technology Group	7,751,824	$ 88,348	$0.011
Liquid Net	7,295,424	138,957	0.019
Cowen LLC	5,658,275	94,509	0.017
Credit Suisse First Boston	4,205,474	69,494	0.017
Morgan Stanley & Company	3,320,787	31,838	0.010
Jefferies & Company	3,249,615	67,365	0.021
Bear Stearns	3,157,856	47,226	0.015
Merrill Lynch Fenner & Smith	3,125,109	16,186	0.005
UBS Securities	2,704,417	11,413	0.004
Citigroup Global	2,595,682	37,410	0.014
Other 154 Brokers *	76,694,059	496,895	0.006
Total commissions	119,758,522	$ 1,099,641	$0.009

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

Note: This schedule includes only brokerage costs for agency trades of common and preferred 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 8.25% of payroll until July 1, 2010, when employer contributions increase to 8.75% 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.

Evaluation and Review

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on three and five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

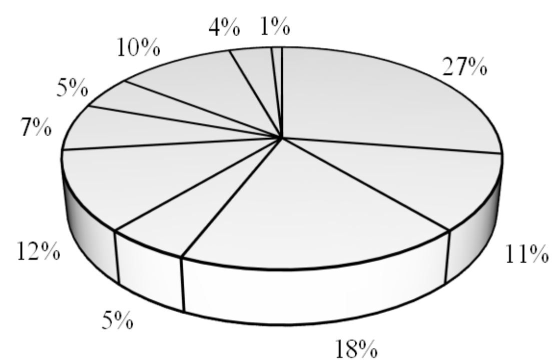
Performance reports will be provided to the TFFR Board periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including, but not limited to:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All material legal or legislative proceedings affecting the SIB;
- Compliance with this investment policy statement.

All major liability assumptions regarding number of participants, compensation, benefit levels, and actuarial assumptions will be subject to review by the TFFR Board at such frequency as that board deems appropriate. Any material changes will be reported to the SIB in writing.

❖ **Teachers' Fund for Retirement**
Actual Asset Allocation – June 30, 2011

Asset Allocation	Fair Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 465,554,264	27%	
Domestic Small Cap Equity	188,896,135	11%	
International Equity	306,244,369	18%	
Emerging Markets Equity	90,283,314	5%	
Domestic Fixed Income	198,246,687	12%	
High Yield Fixed Income	117,463,375	7%	
International Fixed Income	83,773,407	5%	
Real Estate	176,379,928	10%	
Alternative Investments	63,018,683	4%	
Cash Equivalents	15,895,937	1%	
Total Fund	$ 1,705,756,099		24.21%
Policy Benchmark			22.50%



PUBLIC EMPLOYEES RETIREMENT SYSTEM

❖ Public Employees Retirement System 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 of 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 on 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 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 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 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 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 most recent asset/liability study without exceeding the expected risk for the period as measured by standard deviation.

Asset Allocation

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

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

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%
Alternative Investments	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.

PERS requires that in implementing this asset allocation that the State Investment Board seek to maximize return within the scope of these policies while limiting investment costs.

Restrictions

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

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

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

D. No unhedged short sales or speculative margin purchases may be made.

E. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

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

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

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

   The Exclusive Benefit Rule is met if the following four conditions are satisfied:

   (1) The cost does not exceed the fair market value at the time of investment.

   (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

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

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

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

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

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

Internal Controls

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

Evaluation

Investment management of the Fund will be evaluated against the Fund’s investment objectives and investment performance standards.

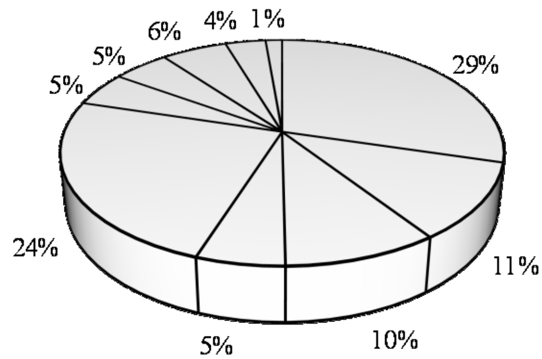
An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB;
- Compliance with these investment goals, objectives and policies;
- A general market overview and market expectations;
- A review of fund progress and its asset allocation strategy;
- A report on investment fees and the SIB’s effort relating to Section 6. To measure investment cost PERS requires as part of the annual review information from CEM or other acceptable source showing the value added versus the cost.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives and policies.

❖ Public Employees Retirement Fund
Actual Asset Allocation – June 30, 2011

Asset Allocation		Fair Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	528,626,415	29%	
Domestic Small Cap Equity		196,928,505	11%	
International Equity		171,975,353	10%	
Emerging Markets Equity		98,680,090	5%	
Domestic Fixed Income		435,984,293	24%	
High Yield Fixed Income		90,127,055	5%	
International Fixed Income		88,215,134	5%	
Real Estate		102,694,379	6%	
Alternative Investments		63,151,294	4%	
Cash Equivalents		25,967,473	1%	
Total Fund	$	1,802,349,991		21.43%
Policy Benchmark				20.59%



BISMARCK CITY EMPLOYEE PENSION PLAN

❖Bismarck City Employee Pension Plan Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

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

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

Responsibilities and Discretion of the State Investment Board (SIB)

The BCEPP Board has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The BCEPP Board is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent institutional investor rule. The fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

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

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

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

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

Standards of Investment Performance

Investments of the Fund must seek to generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement as set forth in federal and state law.

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

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

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

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

Policy and Guidelines

The asset allocation of the Fund is established by the BCEPP Board, with input from consultants and RIO staff. Asset allocation is based upon the asset/liability study completed by SEI in March 2006. That study provided an appraisal of current cash flow projections and estimates of the investment returns likely to be achieved by the various asset classes over the next 20 years.

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

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

Rebalancing of the Fund's investment portfolio to this target must be done as soon as feasible while ensuring the process is effectively coordinated and accomplished in a cost effective manner. Maintenance of allocations to this target must be done in accordance with the SIB's rebalancing policy.

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

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.
c. No transaction shall be made which threatens the tax exempt status of the Fund.
d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
e. No unhedged short sales or speculative margin purchases shall be made.
f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

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

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

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

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

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

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

<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.

<u>Evaluation and Review</u>

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on three and five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the BCEPP periodically, but not less than quarterly. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including, but not limited to:

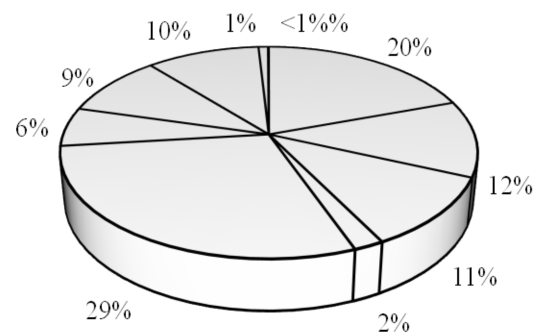
- Changes in asset class portfolio structures, tactical approaches and market values;

- All material legal or legislative proceedings affecting the SIB.

All major liability assumptions regarding number of participants, compensation, benefit levels, and actuarial assumptions will be subject to review by the BCEPP at such frequency as that board deems appropriate. Any material changes will be reported to the SIB in writing.

❖Bismarck City Employee Pension Plan Actual Asset Allocation – June 30, 2011

Asset Allocation		Fair Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	10,562,955	20%	
Domestic Small Cap Equity		6,265,121	12%	
International Equity		5,813,809	11%	
Emerging Markets Equity		1,075,784	2%	
Domestic Fixed Income		15,505,491	29%	
High Yield Fixed Income		3,195,264	6%	
International Fixed Income		5,099,813	9%	
Real Estate		5,530,080	10%	
Alternative Investments		461,802	1%	
Cash Equivalents		45,295	<1%	
Total Fund	$	53,555,414		20.32%
Policy Benchmark				18.86%



BISMARCK CITY POLICE PENSION PLAN

❖ **Bismarck City Police Pension Plan Investment Objectives and Policy Guidelines**

Plan Characteristics and Fund Constraints

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

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

Responsibilities and Discretion of the State Investment Board (SIB)

The BCPPP Board has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The BCPPP Board is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent institutional investor rule. The fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. The Fund must be invested exclusively for the benefit of the members and their beneficiaries in accordance with this investment policy.

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

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

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

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

Standards of Investment Performance

Investments of the Fund must seek to generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement as set forth in federal and state law.

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

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

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

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

Policy and Guidelines

The asset allocation of the Fund is established by the BCPPP Board, with input from consultants and RIO staff. Asset allocation is based upon the asset/liability study completed by SEI in March 2006. That study provided an appraisal of current cash flow projections and estimates of the investment returns likely to be achieved by the various asset classes over the next 20 years.

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

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

Rebalancing of the Fund's investment portfolio to this target must be done as soon as feasible while ensuring the process is effectively coordinated and accomplished in a cost effective manner. Maintenance of allocations to this target must be done in accordance with the SIB's rebalancing policy.

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

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
b. Derivatives use will be monitored to ensure that undue risks are not taken by the money managers.
c. No transaction shall be made which threatens the tax exempt status of the Fund.
d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
e. No unhedged short sales or speculative margin purchases shall be made.
f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

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

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

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

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

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

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

Internal Controls

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

Evaluation and Review

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on three and five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Performance reports will be provided to the BCEPP periodically, but not less than quarterly. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including, but not limited to:

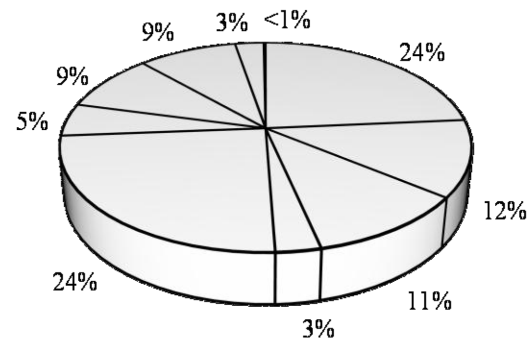
- Changes in asset class portfolio structures, tactical approaches and market values;

- All material legal or legislative proceedings affecting the SIB.

All major liability assumptions regarding number of participants, compensation, benefit levels, and actuarial assumptions will be subject to review by the BCEPP at such frequency as that board deems appropriate. Any material changes will be reported to the SIB in writing.

❖ **Bismarck City Police Pension Plan**
Actual Asset Allocation – June 30, 2011

Asset Allocation		Fair Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	5,803,758	24%	
Domestic Small Cap Equity		2,884,652	12%	
International Equity		2,678,680	11%	
Emerging Markets Equity		739,445	3%	
Domestic Fixed Income		6,000,668	24%	
High Yield Fixed Income		1,242,390	5%	
International Fixed Income		2,214,468	9%	
Real Estate		2,254,202	9%	
Alternative Investments		653,579	3%	
Cash Equivalents		46,444	<1%	
Total Fund	$	24,518,286		21.10%
Policy Benchmark				20.11%



RETIREMENT PLAN FOR EMPLOYEES OF JOB SERVICE NORTH DAKOTA

❖Job Service ND
Investment Objectives and Policy Guidelines

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

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

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

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

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

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

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money 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 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.

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.

Evaluation

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

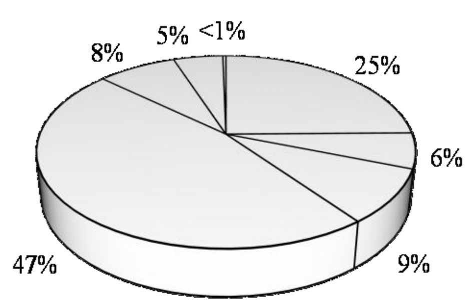
An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB.
- Compliance with these investment goals, objectives and policies.
- A general market overview and market expectations.
- A review of fund progress and its asset allocation strategy.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives, and policies.

❖Job Service ND
Actual Asset Allocation – June 30, 2011

Asset Allocation	Fair Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 21,265,822	25%	
Domestic Small Cap Equity	5,083,532	6%	
International Equity	7,728,505	9%	
Domestic Fixed Income	40,267,873	47%	
High Yield Fixed Income	6,859,820	8%	
International Fixed Income	4,319,493	5%	
Cash Equivalents	279,920	<1%	
Total Fund	$ 85,804,965		16.39%
Policy Benchmark			15.58%



CITY OF FARGO EMPLOYEE PENSION PLAN

❖ 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 as 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%
Alternative Investments	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.

Evaluation

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

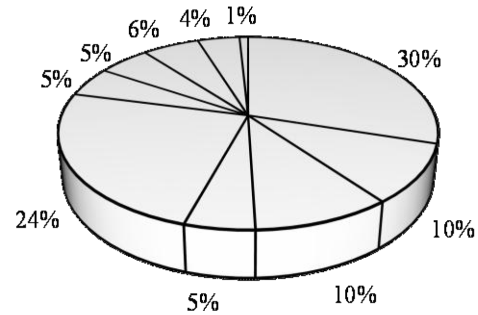
The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB;
- Compliance with these investment goals, objectives and policies;
- A general market overview and market expectations;
- A review of fund progress and its asset allocation strategy.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives and policies.

❖ **City of Fargo Employee Pension Plan**
Actual Asset Allocation – June 30, 2011

Asset Allocation		Fair Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	8,552,358	30%	
Domestic Small Cap Equity		2,839,575	10%	
International Equity		2,878,882	10%	
Emerging Markets Equity		1,463,549	5%	
Domestic Fixed Income		6,994,343	24%	
High Yield Fixed Income		1,467,166	5%	
International Fixed Income		1,501,723	5%	
Real Estate		1,660,954	6%	
Alternative Investments		1,227,529	4%	
Cash Equivalents		252,202	1%	
Total Fund	$	28,838,281		21.58%
Policy Benchmark				20.59%



CITY OF GRAND FORKS PENSION PLAN

❖**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.

Delegation of Authority

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.

Investment Goals

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.

Investment Performance Objective

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.

Asset Allocation

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%
Alternative Investments	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.

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.

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.

Evaluation

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

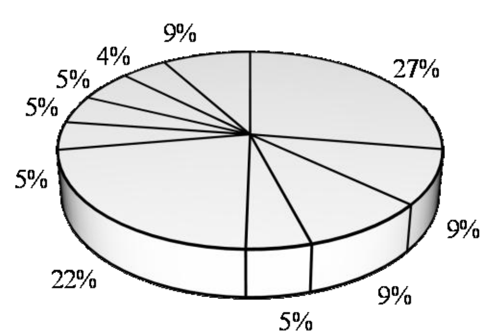
The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB;
- Compliance with these investment goals, objectives and policies;
- A general market overview and market expectations;
- A review of fund progress and its asset allocation strategy.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives and policies.

❖City of Grand Forks Pension Plan
Actual Asset Allocation – June 30, 2011

Asset Allocation	Fair Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 11,803,997	27%	
Domestic Small Cap Equity	3,856,354	9%	
International Equity	3,967,481	9%	
Emerging Markets Equity	2,035,321	5%	
Domestic Fixed Income	9,547,148	22%	
High Yield Fixed Income	1,980,568	5%	
International Fixed Income	1,996,260	5%	
Real Estate	2,235,359	5%	
Alternative Investments	1,930,793	4%	
Cash Equivalents	3,706,271	9%	
Total Fund	$ 43,059,552		21.64%
Policy Benchmark			20.59%



GRAND FORKS PARK DISTRICT PENSION PLAN

❖Grand Forks Park District Pension Plan Investment Objectives and Policy Guidelines

The Grand Forks Park District Pension Fund (the "Fund") is operated by the Grand Forks Park District pursuant to the authority granted by state statute.

Plan Description: The Grand Forks Park District of Grand Forks, North Dakota Pension Plan (the "Plan") is a cost-sharing public employee pension plan. All employees are required to participate in the Plan. Some participants have elected to cease benefit accruals under the Plan as of January, 1, 2010 and to participate in the North Dakota Public Employees Retirement System. All future hires after December 31, 2009, will be required 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	9
Terminated vested and deferred beneficiaries	5
Active plan members	43
Active plan members (70 ½, drawing pension while working)	0
Number of participating employers:	1

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 when they meet the Rule of 90 (age plus years of service).

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.

Benefit provisions are established by the Grand Forks Board of Park Commissioners.

<u>Contributions:</u>
Participating employees contribute to the Plan at a rate of 3.7% of base salary. If an employee is eligible for the Rule of 90, he or she will contribute at a rate of 5.9% of base salary. 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 Grand Forks Board of Park Commissioners. 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 September 30, 2009 are $3,457,164.83 and the entire amount is reserved for employee pension benefits.

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

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Park Board is required to develop asset allocation plans pursuant to its responsibilities as outlined in the Pension Plan Document. 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:

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.

Delegation of Authority

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.

Investment Goals

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.

Investment Performance Objective

The Grand Forks Board of Park Commissioners 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 Grand Forks Park District 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.

Asset Allocation

In recognition of the Plan's performance objectives, benefit projections, and capital market expectations, the Grand Forks Board of Park Commissioners has established the following asset allocation:

Domestic Equities - Large Cap	40%
Domestic Equities - Small Cap	5%
International Equities	12%
Emerging Markets Equities	3%
Domestic Fixed Income	35%
Alternative Investments	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.

   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.

Evaluation

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

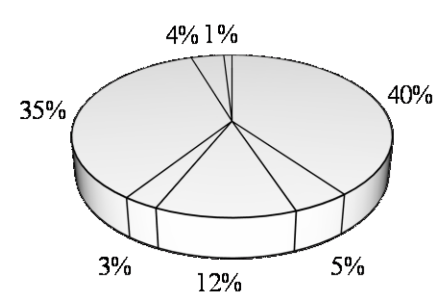
The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB;
- Compliance with these investment goals, objectives and policies;
- A general market overview and market expectations;
- A review of fund progress and its asset allocation strategy.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives and policies.

❖Grand Forks Park District Pension Fund
Actual Asset Allocation – June 30, 2011

Asset Allocation	Fair Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 1,750,542	40%	
Domestic Small Cap Equity	218,049	5%	
International Equity	529,843	12%	
Emerging Markets Equity	133,420	3%	
Domestic Fixed Income	1,569,194	35%	
Alternative Investments	173,384	4%	
Cash Equivalents	43,949	1%	
Total Fund	$ 4,418,381		20.98%
Policy Benchmark			19.64%



WORKFORCE SAFETY & INSURANCE FUND

❖Workforce Safety & Insurance Fund Investment Objectives and Policy Guidelines

Introduction

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

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

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

Responsibilities of the North Dakota State Investment Board (SIB)

The governing body of WSI 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. WSI fulfills this responsibility through its Board of Directors, under the oversight and approval of the Governor. 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'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 time periods the Fund should match or exceed the expected 6.4% rate of return assumed in the asset/liability study. Expected risk for the period, measured by standard deviation, is 5.5%.

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	7.00%
Domestic Fixed Income	51.00%
Inflation Protected Assets	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.

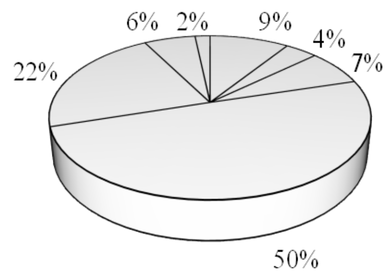
Evaluation and Review

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.

❖Workforce Safety & Insurance Fund
Actual Asset Allocation – June 30, 2011

Asset Allocation		Fair Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	128,470,816	9%	
Domestic Small Cap Equity		52,267,406	4%	
International Equity		96,377,984	7%	
Fixed Income		672,411,162	50%	
Inflation Protected		294,021,987	22%	
Real Estate		82,953,667	6%	
Cash Equivalents		24,396,476	2%	
Total Fund	$	1,350,899,498		13.26%
Policy Benchmark				11.98%



STATE FIRE AND TORNADO FUND

❖State Fire and Tornado Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

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

Funding is primarily provided by annual premiums charged to 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.

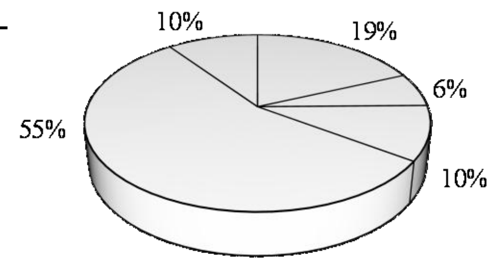
Evaluation and Review

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.

❖State Fire and Tornado Fund
Actual Asset Allocation – June 30, 2011

Asset Allocation	Fair Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 4,679,371	19%	
Domestic Small Cap Equity	1,559,499	6%	
International Equity	2,497,911	10%	
Fixed Income	13,904,184	55%	
Cash Equivalents	2,542,024	10%	
Total Fund	$ 25,182,989		14.52%
Policy Benchmark			12.25%



STATE BONDING FUND

❖State Bonding Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The State Bonding Fund (the Fund) was established for bonding public employees and public officials in accordance with Chapter 26.1-21 of the North Dakota Century Code (NDCC). 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.

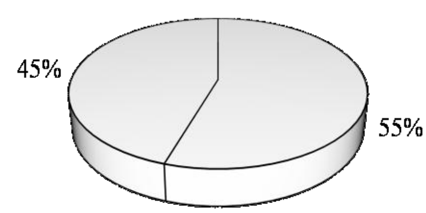
Evaluation and Review

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.

❖State Bonding Fund
Actual Asset Allocation – June 30, 2011

Asset Allocation	Fair Value	Percent of Total	One Year Return
Fixed Income	$ 1,591,821	55%	
Cash Equivalents	1,309,614	45%	
Total Fund	$ 2,901,435		5.01%
Policy Benchmark			2.21%



PETROLEUM TANK RELEASE COMPENSATION FUND

❖Petroleum Tank Release Compensation Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The Petroleum Tank Release Compensation Fund (the Fund) was established in 1989 in response to the Environmental Protection Agency's (EPA) requirement that all underground storage tank owners have proof of financial responsibility. Operation of the Fund is in accordance with 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.

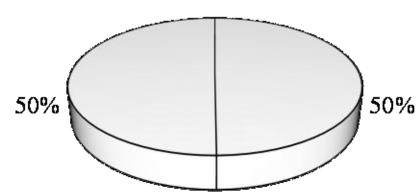
Evaluation and Review

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.

❖Petroleum Tank Release Compensation Fund
Actual Asset Allocation – June 30, 2011

Asset Allocation	Fair Value	Percent of Total	One Year Return
Fixed Income	**$ 3,214,592**	**50%**	
Cash Equivalents	**3,233,780**	**50%**	
Total Fund	**$ 6,448,372**		**4.97%**
Policy Benchmark			**2.02%**



INSURANCE REGULATORY TRUST FUND

❖Insurance Regulatory Trust Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

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

Funding is provided primarily through the collection of fees and fines as specified in NDCC 26.1-01-07.1. Fees and other collections are expected to total approximately $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.

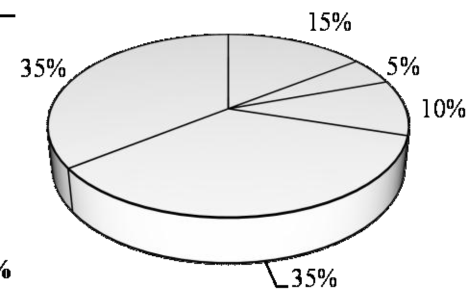
Evaluation and Review

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.

❖Insurance Regulatory Trust Fund
Actual Asset Allocation – June 30, 2011

Asset Allocation	Fair Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 544,878	15%	
Domestic Small Cap Equity	181,613	5%	
International Equity	363,478	10%	
Fixed Income	1,287,999	35%	
Cash Equivalents	1,295,069	35%	
Total Fund	$ 3,673,037		11.61%
Policy Benchmark			9.85%



NORTH DAKOTA HEALTH CARE TRUST FUND

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

Fund Characteristics and Constraints

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

Responsibilities and Discretion of the SIB

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

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

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

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

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

Investment Objectives

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

Objective #1: Sufficient liquidity is to be maintained to meet known or anticipated financial obligations and preserve the value of the surplus. Cash equivalent investments will be used to achieve this objective.

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

Policy and Guidelines

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

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

Cash Equivalents & CD's	100%

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

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

a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
b. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. All assets will be held in custody by the State Investment Board's master custodian or such other custodians as are acceptable to the State Investment Board.
d. No funds shall be borrowed.
e. No unhedged short sales or speculative margin purchases shall be made.
f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

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

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

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

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

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

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

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.

❖North Dakota Health Care Trust Fund
Actual Asset Allocation – June 30, 2011

Asset Allocation	Fair Value	Percent of Total	One Year Return
Cash Equivalents	2,321,739	100%	
Total Fund	$ 2,321,739		0.32%
Policy Benchmark			0.16%

STATE RISK MANAGEMENT FUND

❖State Risk Management Fund Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

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

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

The amount of money damages the Fund may pay is limited for state court actions to a total of $250,000 per person and $1,000,000 per occurrence. These liability caps may not be recognized in Federal Court actions or in actions filed in other states. The Fund's excess carrier provides coverage up to $10,000,000 for those exposures not covered by the Tort Claims Act.

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.

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.

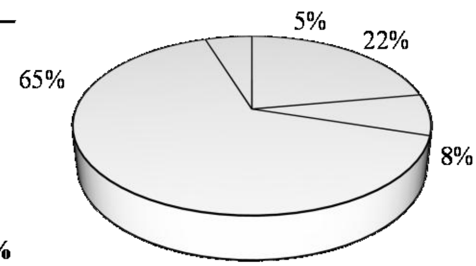
Evaluation and Review

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.

❖State Risk Management Fund
Actual Asset Allocation – June 30, 2011

Asset Allocation	Fair Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 964,900	22%	
Domestic Small Cap Equity	321,644	8%	
Fixed Income	2,824,194	65%	
Cash Equivalents	218,371	5%	
Total Fund	$ 4,329,109		14.36%
Policy Benchmark			11.85%



STATE RISK MANAGEMENT WORKERS COMPENSATION FUND

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

Plan Characteristics and Fund Constraints

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

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

The Risk Management Workers Compensation Program charges the entity the first $250 ($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.

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.

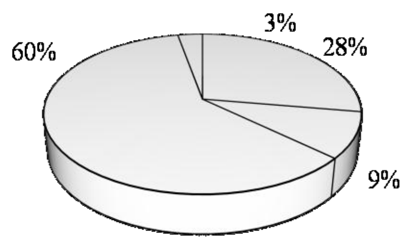
Evaluation and Review

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.

❖State Risk Management WC Fund
Actual Asset Allocation – June 30, 2011

Asset Allocation		Fair Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	1,024,645	28%	
Domestic Small Cap Equity		341,422	9%	
Fixed Income		2,243,691	60%	
Cash Equivalents		111,577	3%	
Total Fund	$	3,721,335		16.23%
Policy Benchmark				13.88%



NORTH DAKOTA ASSOCIATION OF COUNTIES

❖ND Association of Counties (NDACo) Fund Investment Objectives and Policy Guidelines

Introduction

The North Dakota Association of Counties (NDACo) (Fund) 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.

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 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 Fund. In pooling Fund, 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 Fund 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

Fund 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 Fund 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 Fund's 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 Fund should produce rates of return that meet or exceed the portfolio policy index defined as 25% S&P 500 domestic stock index, 10% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 50% Barclays Capital Aggregate domestic bond index, and 5% 90-day Treasury bills.
b. The annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio.
c. Over 10 year and longer time periods the Fund should match or exceed the expected 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 allocation is deemed appropriate for the Fund.

Domestic Large Cap Equity	25%
Domestic Small Cap Equity	10%
International Equity	10%
Domestic Fixed Income	50%
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 Fund 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.

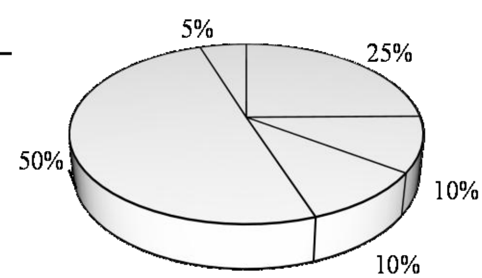
Evaluation and Review

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.

❖ND Association of Counties (NDACo) Fund
Actual Asset Allocation – June 30, 2011

Asset Allocation		Fair Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	403,404	25%	
Domestic Small Cap Equity		161,376	10%	
International Equity		161,505	10%	
Fixed Income		816,956	50%	
Cash Equivalents		82,300	5%	
Total Fund	$	1,625,541		17.73%
Policy Benchmark				15.33%



CITY OF BISMARCK DEFERRED SICK LEAVE ACCOUNT

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

Fund Characteristics and Constraints

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

Responsibilities and Discretion of the State Investment Board (SIB)

The City of Bismarck (Client) has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. It is the responsibility of the Client to establish policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

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

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

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

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

Investment Objectives

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

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

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

Standards of Investment Performance

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

a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as 15% S&P 500 domestic stock index, 5% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 65% Barclays Capital 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.

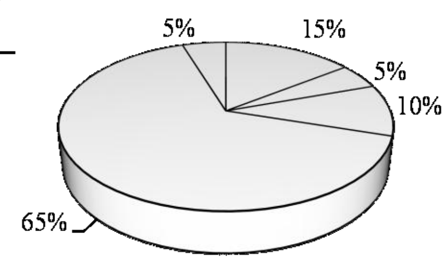
Evaluation and Review

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.

❖City of Bismarck Deferred Sick Leave
Actual Asset Allocation – June 30, 2011

Asset Allocation	Fair Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 130,458	15%	
Domestic Small Cap Equity	43,511	5%	
International Equity	87,013	10%	
Fixed Income	572,485	65%	
Cash Equivalents	43,994	5%	
Total Fund	$ 877,461		13.80%
Policy Benchmark			11.07%



NDPERS GROUP INSURANCE ACCOUNT

❖NDPERS Group Insurance Account Investment Objectives and Policy Guidelines

Introduction

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

Responsibilities and Discretion of the State Investment Board (SIB)

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

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

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

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

Investment Objectives

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

Standards of Investment Performance

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

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

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

Policy and Guidelines

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

Cash Equivalents	100%

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

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

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

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.

❖NDPERS Group Insurance Account Actual Asset Allocation – June 30, 2011

Asset Allocation	Fair Value	Percent of Total	One Year Return
Cash Equivalents	$5,589,665	100%	0.31%
Policy Benchmark			0.16%

CITY OF FARGO FARGODOME PERMANENT FUND

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

Fund Characteristics and Constraints

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

Responsibilities of the State Investment Board (SIB)

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

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

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

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

Investment Objectives

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

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

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

Standards of Investment Performance

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

a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as 23% S&P 500 domestic stock index, 12% Russell 2000 domestic small cap index, 15% MSCI EAFE index, 39% Barclays Capital Aggregate domestic bond index, 10% Barclays Capital Global Inflation Linked index, and 1% 90-day Treasury bills.

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

Policy and Guidelines

The asset allocation of the Fund is established by the City of Fargo Finance Committee, with input from RIO staff. Asset allocation is based upon the appraisal of projected liquidity and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

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

Large Cap Domestic Equity	23%
Small Cap Domestic Equity	12%
International Equity	15%
Fixed Income	39%
Inflation Protected Assets	10%
Cash Equivalents	1%

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.

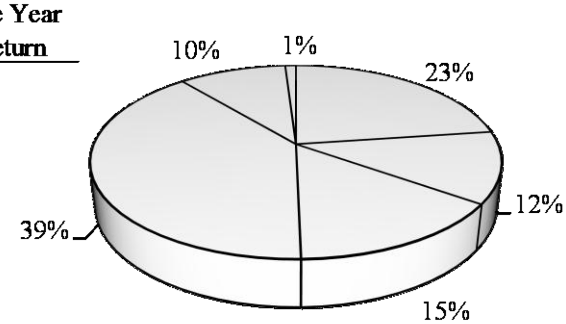
Evaluation and Review

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.

❖City of Fargo FargoDome Permanent Fund
Actual Asset Allocation – June 30, 2011

Asset Allocation	Fair Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 7,641,742	23%	
Domestic Small Cap Equity	3,986,315	12%	
International Equity	4,988,448	15%	
Fixed Income	13,129,312	39%	
Inflation Protected	3,369,783	10%	
Cash Equivalents	336,828	1%	
Total Fund	$ 33,452,428		19.16%
Policy Benchmark			17.81%



NORTH DAKOTA CULTURAL ENDOWMENT FUND

❖ND Cultural Endowment Fund Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

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

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

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

The goals of the Fund are:

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

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

Responsibilities and Discretion of the State Investment Board (SIB)

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

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

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

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

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

Investment Objectives

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

Objective #1: Investment income is needed to provide balance in investment return sources. This will be achieved through a diversified portfolio of high quality fixed income and equity assets.

Objective #2: Growth of capital is needed to provide an inflationary hedge. Capital growth will be sought through investment in equities.

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

Objective #4: The risk of violating the mandated minimum balance requirement of $150,000 is to be minimized. This will be achieved by an asset allocation consistent with this objective.

Standards of Investment Performance

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

a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as 33.75% S&P 500 domestic stock index, 11.25% Russell 2000 domestic small cap index, 10% MSCI EAFE international stock index, 37% Barclays Capital 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.

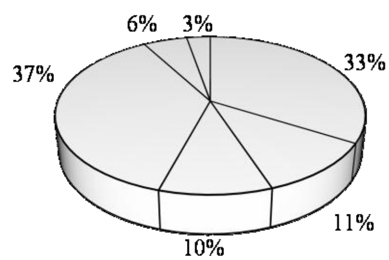
Evaluation and Review

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.

❖ND Cultural Endowment Fund
Actual Asset Allocation – June 30, 2011

Asset Allocation		Fair Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$	90,960	33%	
Domestic Small Cap Equity		30,326	11%	
International Equity		26,981	10%	
Fixed Income		101,098	37%	
Real Estate		14,768	6%	
Cash Equivalents		7,986	3%	
Total Fund	$	272,119		21.33%
Policy Benchmark				18.85%



NORTH DAKOTA BUDGET STABILIZATION FUND

❖ND Budget Stabilization Fund
Investment Objectives and Policy Guidelines

Fund Characteristics and Constraints

The Budget Stabilization Fund (Fund) is a special fund created in 1987 under Chapter 54-27.2 of the North Dakota Century Code used to deposit general fund moneys in excess of appropriations. Notwithstanding the provisions of sections 54-27.2-01 and 54-27.2-02, $124,936,548 was required to be transferred by the state treasurer to the budget stabilization fund from the general fund on July 1, 2009. This transfer will provide for a total of $324,936,548 in the budget stabilization fund for the biennium beginning July 1, 2009 and ending June 30, 2011. The state investment board shall supervise investment of the budget stabilization fund in accordance with chapter 21-10.

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

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

Responsibilities and Discretion of the State Investment Board (SIB)

The Fund is charged by law under NDCC 21-10-02.1 with the responsibility of establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Fund in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

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

The SIB may delegate investment responsibility to professional money managers. When a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory. In accordance with this Investment Policy Statement, the Fund's assets may be invested directly or through collective investment vehicles.

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 relatively unknown life-span and the moderate risk tolerance of the Fund. Operating and statutory considerations shape the Fund's policies and priorities as outlined below:

Objective: 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.

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:

Short-term Fixed Income and BND CDs	Minimum of 90%
Bank Loans w/floating yield	Maximum of 5%
Absolute Return Strategies	Maximum of 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 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.

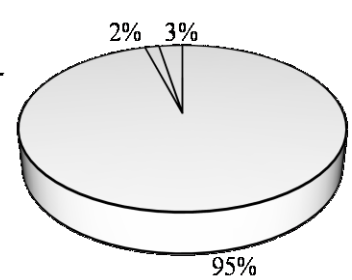
Evaluation and Review

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.

- **ND Budget Stabilization Fund**
  Actual Asset Allocation – June 30, 2011

Asset Allocation		Fair Value	Percent of Total	One Year Return
Short-term Fixed Income & BND CDs	$	311,386,219	95%	
Bank Loans w/floating yield		5,366,379	2%	
Absolute Return Strategies		8,974,699	3%	
Total Fund	$	325,727,297		3.63%
Policy Benchmark				0.16%



NATIONAL BOARD CERTIFICATION FUND

❖National Board Certification Fund Investment Objectives and Policy Guidelines

Plan Characteristics and Constraints

House Bill 1400, Section12 and Section 49, passed by the Sixty-first Legislative Assembly of North Dakota, created a special fund, in the State Treasury, known as the National Board Certification Fund. The sum of $500,000 is appropriated, to the Superintendent of Public Instruction, for the purpose of creating the Fund.

The State Investment Board shall invest the Fund in accordance with Chapter 21-10. All interest and income received on investments are appropriated on a continuing basis to the Superintendent of Public Instruction for the purpose of allowing the Education Standards and Practices Board to award grants to teachers pursuing National Board Certification.

It is the intent of the Fund to maintain the initial principal amount and to only use the investment earnings for future expenditures. An additional $102,500 has been appropriated for the 2009-2011 biennium for anticipated grant awards. Future biennium appropriations may be needed until sufficient investment income has accrued within the fund.

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 Funds 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, 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

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.

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 of the Fund is established by DPI, 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	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. 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.

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.

❖National Board Certification Fund
Actual Asset Allocation – June 30, 2011

Asset Allocation	Fair Value	Percent of Total	One Year Return
Cash Equivalents	$501,441	100%	0.31%
Policy Benchmark			0.16%

RETIREE HEALTH INSURANCE CREDIT FUND

❖Retiree Health Insurance Credit Fund Investment Objectives and Policy Guidelines

Plan Characteristics and Constraints

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

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

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

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

Responsibilities and Discretion of the State Investment Board (SIB)

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

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

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money 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.

PERS requires that in implementing this asset allocation that the State Investment Board seek to maximize return within the scope of these policies while limiting investment costs.

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.

Evaluation

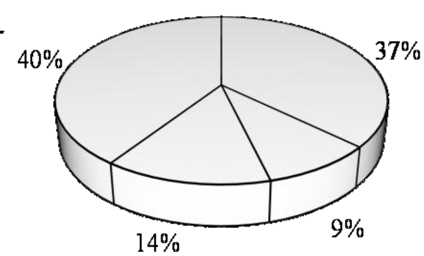
Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB;
- Compliance with these investment goals, objectives and policies;
- A general market overview and market expectations;
- A review of fund progress and its asset allocation strategy;
- A report on investment fees and the SIB's effort relating to Section 6. To measure investment cost PERS requires as part of the annual review information from CEM or other acceptable source showing the value added versus the cost.

❖Retiree Health Insurance Credit Fund
Actual Asset Allocation – June 30, 2011

Asset Allocation	Fair Value	Percent of Total	One Year Return
Domestic Large Cap Equity	$ 20,982,230	37%	
Domestic Small Cap Equity	5,291,656	9%	
International Equity	7,810,869	14%	
Core Plus Fixed Income	23,002,723	40%	
Total Fund	$57,087,478		21.65%
Policy Benchmark			19.27%



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ACTUARIAL SECTION

SEGAL
THE SEGAL COMPANY
101 North Wacker Drive, Suite 500 Chicago, IL 60606-1724
T 312.984.8500 F 312.984.8590 www.segalco.com

October 20, 2011

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

Re: Actuarial Valuation as of July 1, 2011

Dear Trustees:

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, 2011.

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 (GASB). The undersigned are independent actuaries. All are Fellows of the Society of Actuaries, Enrolled Actuaries, and Members of the American Academy of Actuaries, and all are experienced in performing valuations for large public retirement systems. They all 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 financial 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%, and is scheduled to increase to 9.75% effective July 1, 2012, and to 11.75% effective July 1, 2014. The employer rate is at 8.75%, and is scheduled to increase to 10.75% effective July 1, 2012, and to 12.75% effective July 1, 2014. The total additional 4% member contribution rate and 4% employer contribution rate will remain in effect until TFFR is 90% funded on an actuarial basis. At that point, the employer and member contribution rates will revert to 7.75%.

The rates are intended to be sufficient to pay TFFR's normal cost and to amortize TFFR's unfunded actuarial accrued liability (UAAL) over a period of 30 years from the valuation date; although at any given time the statutory rates may be insufficient. A 30-year period is the maximum amortization period allowed by GASB

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North Dakota Teachers' Fund for Retirement
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25 in computing the Annual Required Contribution. The 30-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 8.75% statutory employer contribution rate, it is compared to the GASB 25 Annual Required Contribution (ARC). The ARC is equal to the sum of (a) the employer normal cost rate, and (b) the level percentage of pay required to amortize the UAAL over a 30-year period. For this calculation, payroll is assumed to increase 3.25% per year. As of July 1, 2011, the ARC is 13.16%, increased from 12.79% last year. This is greater than the 8.75% rate currently required by law. The shortfall (the negative margin) between the rate mandated by law (8.75%) and the rate necessary to fund the UAAL in 30 years is -4.41%.

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, 2010 was 69.8%, while it is 66.3% as of July 1, 2011. Based on market values rather than actuarial values of assets, the funded ratio increased to 62.8%, compared to 54.5% last year.

The plan has a net asset loss of $96 million from previous years that 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 this loss is recognized over the next two years, the ARC is expected to continue to increase and the funded ratio is expected to continue decreasing, assuming the plan earns 8.00% in the future. However, the 4% scheduled increases in the employer and member contribution rates (for a total of 8%) over the next three years will improve the funded status and reduce the ARC.

REPORTING CONSEQUENCES

TFFR is required to report in its Comprehensive Annual Financial Report (CAFR) for the current fiscal year ending June 30, 2011 that actual contributions received in FY 2011 were less than the ARC. The FY 2011 8.75% statutory rate was 68.4% of the 12.79% ARC determined by the last valuation. Next year, the CAFR for FY 2012 will show that the 8.75% statutory rate is only 66.5% of the 13.16% 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.

BENEFIT PROVISIONS

The actuarial valuation reflects the benefit and contribution provisions set forth in the North Dakota Century Code. These have changed from the prior year's valuation. Below are highlights of the changes in provisions:

1. The employer contribution rate increases from 8.75% to 10.75% effective July 1, 2012, and increases thereafter to 12.75% effective July 1, 2014. The member contribution rate increases from 7.75% to 9.75% effective July 1, 2012, and increases thereafter to 11.75% effective July 1, 2014. Employer and member contributions will be reset to 7.75% once the Fund reaches a 90% funded ratio, measured using the actuarial value of assets. Note that the increased contribution rates have no direct impact on the July 1, 2011 actuarial valuation, but will have an impact commencing with the July 1, 2012 valuation.

2. Current Tier 1 members who, as of June 30, 2013, are vested (at least 3 years of service), and at least age 55, OR whose sum of age and service is at least 65, are considered a Tier 1 Grandfathered member. Current Tier 1 members, who do not meet these criteria as of June 30, 2013, are considered a Tier 1 Non-grandfathered member.

3. Eligibility for normal and unreduced retirement benefits do not change for Tier 1 Grandfathered members. For Tier 1 Non-grandfathered and Tier 2 members, effective as of July 1, 2013, unreduced retirement benefits start when the member reaches age 65 and is vested (3 years for Tier 1 Non-

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North Dakota Teachers' Fund for Retirement
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Page 3

grandfathered, 5 years for Tier 2); or if earlier, when the sum of the member's age and service is at least 90, with a minimum age of 60.

4. Early retirement benefits do not change for Tier 1 Grandfathered members. For Tier 1 Non-grandfathered and Tier 2 members, effective as of July 1, 2013, the normal retirement benefit will be reduced by 8% per year from the earlier of age 65, OR the age at which the sum of the member's age and service is at least 90, with a minimum age of 60.
5. Effective July 1, 2013, all members may retire on disability after a period of at least five years of service (rather than one year of service). The amount of the benefit is based on a 2% multiplier and actual service (rather than a minimum of 20 years of service in the current calculation).
6. Effective July 1, 2012, re-employed retirees are required to pay member contributions.
7. Effective August 1, 2011, beneficiary and death benefit provisions were updated, and the 60-month death payment benefit was removed.

ASSUMPTIONS AND METHODS

Actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the plan's actuary. On January 21, 2010, the Board adopted new assumptions, effective for the July 1, 2010 valuation. 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, 2011, 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.

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,

Kim Nicholl, FSA, MAAA, EA, FCA
Senior Vice President and Consulting Actuary

Matthew A. Strom, FSA, MAAA, EA
Consulting Actuary

kn/ms/ns

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SUMMARY OF ACTUARIAL VALUATION RESULTS

	2011	2010
Demographic Data for Plan Year Beginning July 1:		
• Number of		
- Retirees and Beneficiaries	6,933	6,672
- Inactive, Vested	1,463	1,472
- Inactive, Nonvested	407	331
- Active Members	10,004	9,907
• Payroll	$488.8 million	$465.0 million
Statutory Contributions (% of Payroll) for Plan Year Beginning July 1:		
• Employer	8.75%	8.75%
• Member	7.75%	7.75%
Assets:		
• Market value	$1,726.2 million	$1,437.9 million
• Actuarial value	1,822.6 million	1,842.0 million
• Return on market value (per actuary)	23.5%	13.9%
• Return on actuarial value	1.4%	-0.5%
• Ratio - actuarial value to market value	105.6%	128.1%
• External cash flow %	-2.7%	-3.5%
Actuarial Information:		
• Normal cost %	9.80%	10.57%
• Normal cost	$50.8 million	$52.7 million
• Actuarial accrued liability	$2,749.8 million	$2,637.2 million
• Unfunded actuarial accrued liability (UAAL)	$927.2 million	$795.2 million
• Funded ratio	66.3%	69.8%
• Funding period	Infinite	Infinite
GASB 25 Information:		
• Annual required employer contribution rate	13.16%	12.79%
• Margin	-4.41%	-4.04%
Gains/(Losses):		
• Asset experience	$(120.2) million	$(159.5) million
• Liability experience	(6.2) million	(6.1) million
• Benefit changes	24.3 million	0.0 million
• Assumption/method changes	0.0 million	(71.9) million
• Total	$(102.1) million	$(237.5) million

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

ACTUARIAL ASSUMPTIONS

1. Investment Return Rate — 8.00% per annum, compounded annually, equal to an assumed 3.00% inflation rate plus a 5.65% real rate of return, less 0.65% for expected investment and administrative expenses. (Adopted July 1, 1990; allocation among inflation, real rate of return, and expenses modified July 1, 2010.)

2. Mortality Rates

   a. Post Termination Non-Disabled: GRS tables as shown. 80% of GRS Table 378; 75% of GRS Table 379. (Adopted July 1, 2010.)

   b. Post Retirement Disabled: RP-2000 Disabled-Life tables for males and females multiplied by 80% and 95% respectively. (Adopted July 1, 2010.)

   c. Active Mortality: Nondisabled post-termination mortality rates multiplied by 60% for males and 40% for females. (Adopted July 1, 2010.)

Number of Deaths per 100				
	Male Annuitants		Female Annuitants	
Age	Nondisabled	Disabled	Nondisabled	Disabled
20	0.044	1.806	0.023	0.708
25	0.057	1.806	0.023	0.708
30	0.069	1.806	0.028	0.708
35	0.073	1.806	0.039	0.708
40	0.092	1.806	0.057	0.708
45	0.136	1.806	0.078	0.708
50	0.222	2.318	0.115	1.096
55	0.381	2.835	0.283	1.572
60	0.358	3.363	0.354	2.075
65	0.457	4.014	0.327	2.662
70	1.198	5.007	0.672	3.575

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, 2010.)

Retirements Per 100 Members				
	Unreduced Retirement*		Reduced Retirement	
Age	Male	Female	Male	Female
50	25.00%	15.00%		
51	25.00%	15.50%		
52	25.00%	16.00%		
53	25.00%	16.50%		
54	25.00%	17.00%		
55	20.00%	17.50%	1.50%	1.50%
56	20.00%	18.00%	1.50%	1.50%
57	20.00%	18.50%	1.50%	1.50%
58	20.00%	19.00%	1.50%	1.50%
59	20.00%	19.50%	1.50%	1.50%
60	20.00%	20.00%	4.00%	3.00%
61	20.00%	20.00%	4.00%	3.00%
62	45.00%	35.00%	9.00%	8.00%
63	35.00%	30.00%	7.00%	12.00%
64	35.00%	30.00%	10.00%	15.00%
65	40.00%	30.00%		
66	30.00%	30.00%		
67	30.00%	30.00%		
68	30.00%	30.00%		
69	30.00%	30.00%		
70	25.00%	25.00%		
71	25.00%	25.00%		
72	25.00%	25.00%		
73	25.00%	25.00%		
74	25.00%	25.00%		
75	100.00%	100.00%		

* If a member reaches eligibility for unreduced retirement before age 65 under the rule of 85 (Grandfathered Tier 1) or the Rule of 90/Age 60 (Non-grandfathered Tier 1 and Tier 2), 10% is added to the rate just at the age the member becomes first eligible for an unreduced retirement benefit.

Summary of Actuarial Assumptions and Methods (continued)

4. Disability Rates — Shown below for selected ages. (Adopted July 1, 2010.)

Disabilities per 100 Members	
Age	Number
20	0.011
25	0.011
30	0.011
35	0.011
40	0.033
45	0.055
50	0.088
55	0.154
60	0.297

5. Termination Rates — Termination rates based on service, for causes other than death, disability, or retirement. (Adopted July 1, 2010.)

Termination Rates		
Service	Male	Female
0	33.00%	30.00%
1	15.00%	15.00%
2	12.00%	10.00%
3	9.00%	8.50%
4	8.00%	7.00%
5	7.00%	6.00%
6	6.00%	5.00%
7	5.00%	4.50%
8	4.00%	4.25%
9	3.75%	4.00%
10	3.50%	3.50%
11	3.25%	3.25%
12	3.00%	3.00%
13	2.75%	2.75%
14	2.50%	2.50%
15-19	1.25%	2.00%
20-24	1.25%	1.50%
25-28	1.25%	0.75%
29 and over	0.00%	0.00%

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, 2010.)

Summary of Actuarial Assumptions and Methods (continued)

Years of Service	Annual Step-Rate Promotional Component	Annual Total Salary Increase
0	10.25%	14.75%
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	1.75%	6.25%
10	1.50%	6.00%
11	1.50%	6.00%
12	1.25%	5.75%
13	1.25%	5.75%
14	1.00%	5.50%
15	1.00%	5.50%
16	0.75%	5.25%
17	0.75%	5.25%
18	0.75%	5.25%
19	0.50%	5.00%
20	0.50%	5.00%
21	0.50%	5.00%
22	0.50%	5.00%
23	0.25%	4.75%
24	0.25%	4.75%
25+	0.00%	4.50%

7. Payroll Growth Rate — 3.25% per annum. This assumption does not include any allowance for future increase in the number of members. (Adopted July 1, 2010.)

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. These expenses are expected to reduce the gross investment return by 0.65%. (Adopted July 1, 2010.)

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

Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by service, with normal cost determined as if the current benefit provisions had always been in effect. 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 8.75% statutory employer contribution rate, the 8.75% rate will be treated as the ARC. The 30-year period is an open period, and does not decrease in subsequent valuations.

SCHEDULE OF ACTIVE MEMBERS

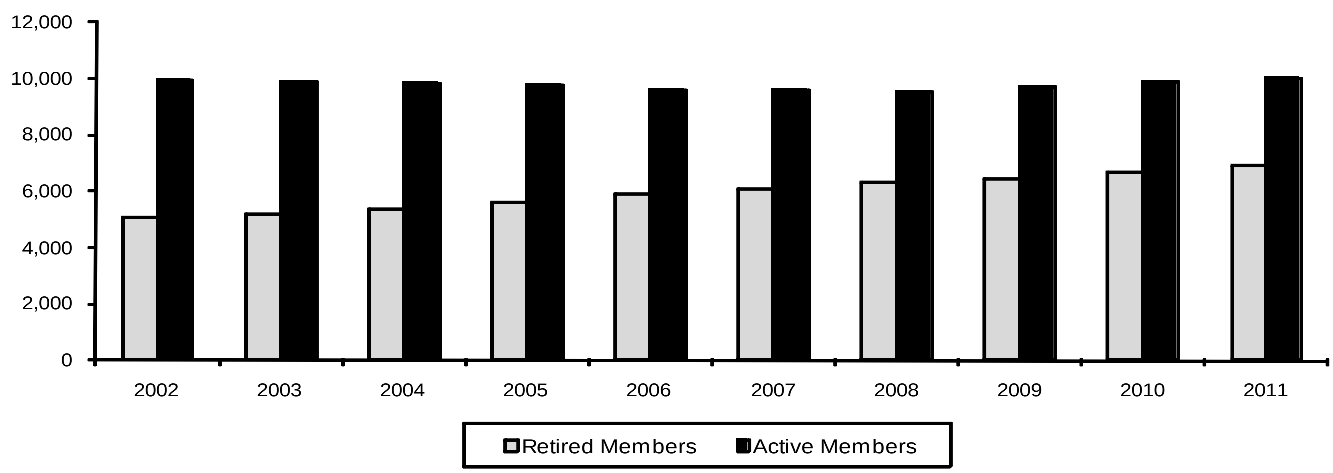
	Active Members		Covered Payroll		Average Salary			
Valuation Year	Number	Percent Increase	Amount in $ Millions	Percent Increase	$ Amount	Percent Increase	Average Age	Average Service
2002	9,931	(3.0)	348.1	1.7	35,052	4.9	44.5	14.4
2003	9,916	(0.2)	367.9	5.7	37,105	5.9	44.8	14.6
2004	9,826	(0.9)	376.5	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
2010	9,907	2.1	465.0	5.7	46,937	3.6	44.2	14.0
2011	10,004	1.0	488.8	5.1	48,857	4.1	43.9	13.8

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
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
2010	406	10.1	200	2.0	6,672	18,768	124.5	9.2
2011	426	9.9	165	2.0	6,933	19,272	127.4	2.3

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)

	7/1/2011	7/1/2010
Prior valuation	12.79 %	10.78 %
Increases/(decreases) due to:		
Open amortization	(0.18)%	(0.13)%
Growth in covered payroll	(0.61)%	(0.18)%
Employer contributions received at 8.75%; rather than 12.79% or 10.78%	0.23 %	0.11 %
Liability experience	0.07 %	0.07 %
Investment experience	1.46 %	2.00 %
Assumption changes	0.00 %	0.14 %
Change in amortization method	0.00 %	0.00 %
Legislative changes	(0.60)%	0.00 %
Total	0.37 %	2.01 %
Current valuation	13.16 %	12.79 %
Statutory employer contribution rate	8.75 %	8.75 %
Margin available	(4.41)%	(4.04)%

DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)

	($ in millions)	
	7/1/2011	7/1/2010
UAAL at beginning of year	$ 795.2	$ 545.6
Normal cost	52.2	47.8
Total contributions	(84.9)	(78.1)
Interest on:		
UAAL and normal cost	65.7	45.5
Total contributions	(3.1)	(3.1)
Expected UAAL	$ 825.1	$ 557.7
Changes due to (gain)/loss from:		
Investments	$ 120.2	$ 159.5
Demographics	6.2	6.1
Change due to plan amendments	(24.3)	-
Change due to actuarial assumptions	-	71.9
UAAL at end of year	$ 927.2	$ 795.2

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)
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
2010	600.4	1,246.1	790.7	1,842.0	100.0	99.6	0.0
2011	626.0	1,332.1	791.6	1,822.6	100.0	89.8	0.0

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. Member 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). The member contribution rate is scheduled to increase to 9.75% effective July 1, 2012, and to 11.75% effective July 1, 2014. The total addition of 4% to the member contribution rate will remain in effect until TFFR is 90% funded on an actuarial basis. At that point, the member contribution rate will revert to 7.75%

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%
July 1, 2012	3.00%	10.75%
July 1, 2014	5.00%	12.75%

Summary of Benefit Provisions (continued)

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. The contribution rate will not automatically increase back to 8.75% if the funded ratio falls back below 90%.

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. As of June 30, 2013, Tier 1 members who are at least age 55 and vested (3 years of service) as of the effective date, or the sum of the member's age and service is at least 65 are considered Grandfathered, and previous plan provisions will not change. Tier 1 members who do not fit this criteria as of June 30, 2013, are considered Non-grandfathered. These members along with Tier 2, will have new plan provisions, as described below.

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. Effective as of June 30, 2013, Tier 1 members who are at least age 55 and vested (3 years of service) as of the effective date, or the sum of the member's age and service is at least 65, normal retirement eligibility will not change (participants are Grandfathered). For those who do not meet this criteria as of June 30, 2013 (Non-grandfathered), 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 90, with a minimum age of 60.
    - 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. Effective July 1, 2013, 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, with a minimum age of 60.

    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.

Summary of Benefit Provisions (continued)

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). Effective July 1, 2013, for members who are either Non-grandfathered Tier 1 or Tier 2: 2.00% of FAC (monthly) times years of service, multiplied by a factor which reduces the benefit 8% for each year from the earlier of (i) age 65, or (ii) the age at which current service plus age equals 90 with a minimum age of 60.

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. Effective July 1, 2013, a member is eligible provided he/she has credit for at least five years of service.

b. Monthly Benefit: 2.00% of FAC (monthly) times years of service with a minimum 20 years of service. Effective July 1, 2013, 2.00% of FAC (monthly) times 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 level income and the partial lump-sum option are also permitted in the case of disability retirement. For basis recovery only, disability benefits are converted to normal retirement benefits when the member reaches normal retirement age or age 65, whichever is earlier.

15. Deferred Termination Benefit

a. Eligibility: A Tier 1 member with at least three years of service, or a Tier 2 member with at least five years of service, who does not withdraw his/her contributions from the fund, is eligible for a deferred termination benefit.

b. Monthly Benefit: 2.00% of FAC (monthly) times years of service. Both FAC and service are determined at the time the member leaves active employment. Benefits may commence unreduced at age 65 or when the member’s age and service is 85 (Grandfathered Tier 1 members) or 90 with a minimum age of 60 (Non-grandfathered Tier 1 and 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.

Summary of Benefit Provisions (continued)

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, or (ii) a life annuity of the normal retirement benefit, determined under Option One below, based on FAC and service as of the date of death, but without applying any reduction for the member's age at death. In determining the reduction for Option One, members not eligible for normal retirement benefits use the Fund's option tables for disabled members.

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

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

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

c. Option 3a - A life annuity payable to the member, with a guarantee that, should the member die prior to receiving 60 payments (five years), the payments will be continued to a beneficiary for the balance of the five-year period. (This option has been replaced by Option 3b. It is not available to employees who retire on or after August 1, 2003. Retirees who elected this option prior to that date are unaffected.)

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

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

f. Option 5 - A non-level 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%.)

2011 Legislative Session:

1. The employer contribution rate increases from 8.75% to 10.75% effective July 1, 2012, and increases thereafter to 12.75% effective July 1, 2014. The member contribution rate increases from 7.75% to 9.75% effective July 1, 2012, and increases thereafter to 11.75% effective July 1, 2014. Employer and member contributions will be reset to 7.75% once the Fund reaches a 90% funded ratio, measured using the actuarial value of assets.

2. Current Tier 1 members who, as of June 30, 2013, are vested (at least 3 years of service), and at least age 55, OR the sum of the member's age and service is at least 65, are considered a Tier 1 Grandfathered member. Current Tier 1 members, who do not meet this criteria as of June 30, 2013, are considered a Tier 1 Non-grandfathered member.

3. Eligibility for normal/unreduced retirement benefits do not change for Tier 1 Grandfathered members. For Tier 1 Non-grandfathered and Tier 2 members, effective June 30, 2013, unreduced retirement benefits start when the member reaches age 65 and is vested (3 years for Tier 1 Non-grandfathered, 5 years for Tier 2); or if earlier, when the sum of the member's age and service is at least 90, with a minimum age of 60.

4. Early retirement benefits do not change for Tier 1 Grandfathered members. For Tier 1 Non-grandfathered and Tier 2 members, effective after June 30, 2013, the normal retirement benefit will be reduced by 8% per year from the earlier of age 65 OR the age at which the sum of the member's age and service is at least 90, with the minimum age of 60.

5. Effective after June 30, 2013, all members may retire on disability after a period of at least five years of service (rather than one year of service). The amount of the benefit is based on a 2% multiplier and actual service (rather than a minimum of twenty years of service in the current calculation).

6. Effect July 1, 2012, re-employed retirees are required to pay member contributions.

7. Effective August 1, 2011, beneficiary and death benefit provisions were updated, and the 60-month death payment benefit was removed.

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.

Contents **Page**

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
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)
2010	36,848,481	39,836,646	8.25	179,066,695	1,413,481	257,165,303
2011	38,869,260	44,545,433	8.75	334,965,040	1,499,748	419,879,481

DEDUCTIONS:

Fiscal Year	Benefits Paid to Participants	Refunds	Administrative Charges	Total Deductions	Change in Net Assets
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)
2010	124,472,154	2,557,240	1,902,796	128,932,190	128,233,113
2011	127,435,564	2,210,738	2,003,705	131,650,007	288,229,474

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
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	2,326,698	230,542	2,557,240	116,328,330
2010	115,203,349	821,478	1,440,481	7,006,846	124,472,154	2,300,466	256,774	2,557,240	127,029,394
2011	117,868,157	951,229	1,705,041	6,911,137	127,435,564	1,871,271	339,467	2,210,738	129,646,302

PRINCIPAL PARTICIPATING EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

	2011			2002		
Participating Employer	**Covered Employees**	**Rank**	**% of Total System**	**Covered Employees**	**Rank**	**% of Total System**
Bismarck Public Schools	1,087	1	9.91%	895	2	8.60%
Fargo Public Schools	1,055	2	9.62%	959	1	9.22%
Grand Forks Schools	785	3	7.16%	757	3	7.28%
Minot Schools	669	4	6.10%	613	4	5.89%
West Fargo Schools	636	5	5.80%	379	5	3.64%
Mandan Public Schools	307	6	2.80%	258	6	2.48%
Dickinson Schools	244	7	2.23%	237	8	2.28%
Jamestown Schools	223	8	2.03%	239	7	2.30%
Williston Schools	199	9	1.82%	181	9	1.74%
Devils Lake Schools	174	10	1.59%	165	10	1.59%
All Other [1]	5,585		50.94%	5,720		54.98%
Total (226 & 274 employers) [2]	10,964		100.00%	10,403		100.00%

[1] In 2011 "all other" consisted of:

Type	Number	Employees
School Districts	171	6,163
County Superintendents	9	9
Special Education Units	21	363
Vocational Centers	5	50
State Agencies/Institutions	4	79
Colleges/Universities	2	2
Other	4	6
Total	216	6,672

[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, 2011

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
Edmore
Eight Mile
Elgin/New Leipzig
Ellendale
Emerado Elementary
Enderlin Area School
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
Montpelier
Mott-Regent
Mt. Pleasant
Munich
Napoleon
Naughton Rural
Nedrose
Nesson
New Elementary
New England
New Rockford-Sheyenne
New Salem-Almont
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
St. Thomas
Stanley
Starkweather
Sterling
Strasburg

SCHEDULE OF PARTICIPATING EMPLOYERS (Continued)

School Districts (cont.)
Surrey
Sweet Briar Elementary
TGU
Thompson
Tioga
Turtle Lake – Mercer
Twin Buttes Elementary
Underwood
United
Valley-Edinburg
Valley City
Velva
Wahpeton
Warwick
Washburn
West Fargo
Westhope
White Shield
Williston
Wilton
Wing
Wishek
Wolford
Wyndmere
Yellowstone
Zeeland

Total School Districts 181

County Superintendents
Bottineau County
Logan County
McHenry County
McKenzie County
Morton County
Nelson County
Rolette County
Slope County
Ward County
Total County Supts. 9

Special Education Units
Burleigh County Special Ed.
East Central Special Ed.
Great NW Education Co-Op
GST Educational Services
James River Multidistrict Spec Ed.
Lake Region Special Ed.
Lonetree Special Ed.
Northern Plains Spec. Ed.
Oliver – Mercer Special Ed.
Peace Garden Special Ed.
Pembina Spec. Ed. Co-Op
Roughrider Education Services
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 21

Vocational Centers
N Central Area Career & Tech
North 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 University

Total Colleges/Univ. 2

Other
Fargo Catholic Schools Network
ND Education Association
ND High School Activities Assn.
Valley City Teacher Center

Total Other 4

Total Employers 226

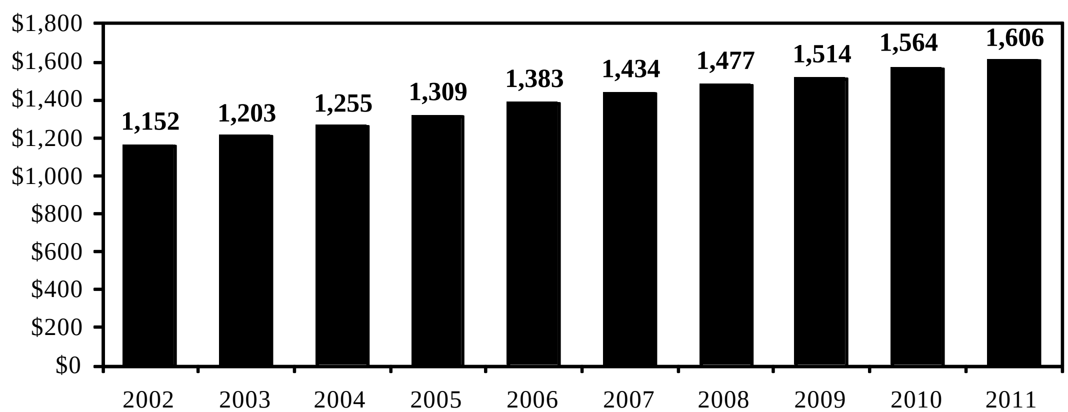
SCHEDULE OF RETIREES RESIDING IN NORTH DAKOTA BY COUNTY

County	Number	Average Benefit	County	Number	Average Benefit	County	Number	Average Benefit
Adams	18	$ 1,485	Griggs	29	$ 1,330	Richland	120	$ 1,694
Barnes	132	1,722	Hettinger	27	1,625	Rolette	67	1,572
Benson	39	1,727	Kidder	29	1,495	Sargent	33	1,216
Billings	5	1,330	LaMoure	51	1,494	Sheridan	18	1,408
Bottineau	105	1,518	Logan	24	1,523	Sioux	6	854
Bowman	47	1,447	McHenry	60	1,425	Slope	5	924
Burke	35	1,346	McIntosh	34	1,685	Stark	194	1,595
Burleigh	707	1,762	McKenzie	49	1,719	Steele	19	1,426
Cass	816	1,838	McLean	108	1,524	Stutsman	173	1,589
Cavalier	70	1,349	Mercer	85	1,746	Towner	24	1,528
Dickey	60	1,165	Morton	236	1,694	Traill	84	1,508
Divide	29	2,016	Mountrail	80	1,435	Walsh	133	1,561
Dunn	29	1,724	Nelson	49	1,401	Ward	515	1,722
Eddy	34	1,479	Oliver	17	1,809	Wells	62	1,502
Emmons	27	1,472	Pembina	80	1,756	Williams	185	1,687
Foster	39	1,748	Pierce	60	1,566	Out-of-State	1,301	1,286
Golden Valley	18	1,348	Ramsey	137	1,451			
Grand Forks	511	1,888	Ransom	51	1,337	GRAND TOTALS:	6,933	$ 1,606
Grant	30	1,298	Renville	37	1,653			

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

		Years of Service									
Valuation Year		< 5	5 - 9	< 10	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	> 34	TOTAL
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	1,751	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
2010	Number of Retirees	90	262		463	430	717	1,438	1,971	1,301	6,672
	Average Monthly Benefit	199	316		441	695	1,130	1,569	1,984	2,194	1,564
	Average Final Average Salary	1,695	2,034		1,901	2,253	2,761	3,100	3,403	3,427	3,018
	Average Years of Service	3	7		13	17	23	28	32	38	28
2011	Number of Retirees	99	291		475	446	746	1,494	2,148	1,234	6,933
	Average Monthly Benefit	203	316		457	719	1,182	1,626	2,015	2,306	1,606
	Average Final Average Salary	1,806	2,072		1,967	2,351	2,869	3,209	3,456	3,537	3,100
	Average Years of Service	3	7		12	17	23	28	32	38	27

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	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Under $200	215	199	193	185	177	171	157	146	134	119
200 to 399	471	466	475	470	461	460	465	466	473	481
400 to 599	489	500	517	539	552	590	619	637	671	705
600 to 799	436	446	469	506	527	563	593	637	663	715
800 to 999	410	410	417	419	420	423	432	434	439	458
1,000 to 1,199	515	527	529	538	540	542	528	517	513	503
1,200 to 1,399	524	514	505	498	493	492	478	458	450	431
1,400 to 1,599	574	556	550	534	519	498	474	455	432	423
1,600 to 1,799	568	550	525	510	483	449	422	392	358	327
1,800 to 1,999	557	526	513	499	474	438	382	348	297	261
2,000 & Over *									747	631
2,000 to 2,199	474	445	412	377	338	310	270	245		
2,200 to 2,399	394	381	353	329	287	258	227	202		
2,400 to 2,599	313	287	267	250	228	190	157	133		
2,600 to 2,799	267	237	208	185	160	150	119	105		
2,800 to 2,999	200	178	155	144	126	102	86	68		
3,000 & Over *				334	292	257	177	130		
3,000 to 3,199	155	124	110							
3,200 to 3,399	91	84	70							
3,400 to 3,599	79	72	61							
3,600 to 3,799	55	46	41							
3,800 to 3,999	35	34	24							
4,000 & Over	111	90	72							
TOTAL	6,933	6,672	6,466	6,317	6,077	5,893	5,586	5,373	5,177	5,054

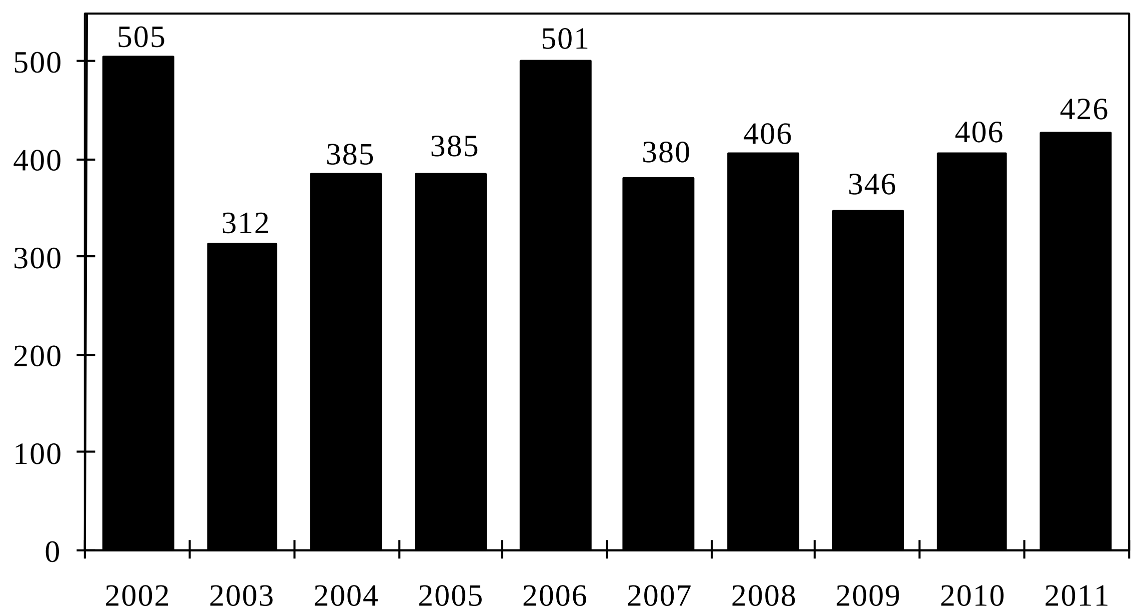
* Breakdown of data for monthly benefits > $2,000 is not available for years prior to 2004, and > $3,000 prior to 2009.

SCHEDULE OF RETIREES
BY BENEFIT TYPE

Form of Payment	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Service:										
Straight Life	2,739	2,583	2,560	2,578	2,541	2,549	2,544	2,527	2,531	2,566
100% J&S	2,153	2,095	1,963	1,836	1,697	1,570	1,361	1,243	1,128	1,030
50% J&S	501	500	468	458	433	408	372	357	333	328
5 Years C&L	28	32	32	32	33	34	34	35	34	32
10 Years C&L	184	179	174	169	166	157	154	151	149	149
20 Years C&L	63	55	46	38	34	28	16	8	0	0
Level	584	585	590	584	580	567	539	495	458	422
Subtotal	6,252	6,029	5,833	5,695	5,484	5,313	5,020	4,816	4,633	4,527
Disability:										
Straight Life	97	88	85	81	73	66	61	59	57	55
100% J&S	11	11	13	12	12	11	9	10	11	10
50% J&S	8	7	6	5	4	4	5	6	9	8
5 Years C&L	2	2	2	2	2	2	2	2	2	2
10 Years C&L	1	2	1	1	1	1	1	1	1	1
20 Years C&L	1	1	1	1	1	1	1	1	0	0
Subtotal	120	111	108	102	93	85	79	79	80	76
Beneficiaries:										
Straight Life	545	522	513	506	482	475	466	457	442	439
5 Years C&L	6	6	6	9	11	8	9	9	6	2
10 Years C&L	9	3	5	5	7	12	12	12	16	10
20 Years C&L	1	1	1	0	0	0	0	0	0	0
Subtotal	561	532	525	520	500	495	487	478	464	451
TOTAL	6,933	6,672	6,466	6,317	6,077	5,893	5,586	5,373	5,177	5,054

SCHEDULE OF NEW RETIREES BY TYPE

Valuation Year	Retirement	Disability	Beneficiary	Total
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
2010	366	8	32	406
2011	370	12	44	426



PAYMENTS TO INVESTMENT CONSULTANTS
FOR FISCAL YEARS ENDED JUNE 30

PENSION INVESTMENT POOL

	2011	2010	2009	2008	2007
INVESTMENT MANAGERS					
Domestic Large Cap Equity:					
AllianceBernstein Capital Management *	$ 48,771	$ 252,829	$ 1,233	$ -	$ -
The Clifton Group *	125,676	263,156	84,121	-	-
Declaration Management & Research LLC *	138,832	1,104,813	-	-	-
Epoch Investment Partners	2,493,467	2,253,844	1,039,747	750,984	-
European Credit Management *	229,619	258,751	206,886	189,841	-
Los Angeles Capital Management *	1,086,050	616,788	448,835	627,332	694,224
LSV Asset Management	633,088	544,008	460,844	596,487	627,189
Mellon Capital Management	-	75,117	433,778	922,539	841,678
Northern Trust Global Investments *	-	-	53,277	(320)	456,072
Prudential Investment Management *	91,728	73,997	341,803	293,177	-
State Street Global Advisors *	-	1,826	42,965	144,955	572,824
Wells Capital Management Co. *		135,313	241,392	1,221,370	2,104,890
Westridge Capital Management, Inc.	-	-	298,304	584,925	568,689
Total Domestic Large Cap Equity	4,847,231	5,580,442	3,653,185	5,331,290	5,865,566
Domestic Small Cap Equity:					
Callan Associates Inc.	1,168,384	735,212	534,239	111,692	106,919
The Clifton Group *	789,856	307,599	72,907	-	-
Corsair Capital (reclassified from Alternatives 7/1/09) *	676,944	1,140,081			
SEI Investments Management Co. *	-	139,146	918,546	2,221,532	2,237,847
Total Domestic Small Cap Equity	2,635,184	2,322,038	1,525,692	2,333,224	2,344,766
International Equity:					
Bank of Ireland Asset Management	-	-	-	231,286	367,618
Capital Guardian Trust Company	313,271	278,328	409,573	721,012	734,011
The Clifton Group	105,236	86,789	93,396	-	-
Dimensional Fund Advisors	383,099	331,117	250,385	207,791	-
Lazard Asset Management	-	-	-	168,235	385,717
LSV Asset Management	579,826	335,924	370,918	789,271	813,989
State Street Global Advisors	324,700	257,184	250,514	377,186	373,900
Wellington Trust Company, NA	505,226	426,370	331,897	490,485	466,239
Total International Equity	2,211,358	1,715,712	1,706,683	2,985,266	3,141,474
Emerging Markets Equity:					
BlackFriars Asset Management	187,073	162,921	124,072	243,261	202,658
Capital Guardian Trust Company	-	-	-	-	-
Capital International *	500,024	523,627	525,000	656,250	-
Dimensional Fund Advisors	297,930	254,114	159,310	251,978	284,295
J.P. Morgan Investment Management, Inc. *	833,936	812,919	301,488	314,349	309,740
PanAgora Asset Management, Inc.	220,209	192,768	133,067	263,231	219,298
UBS Global Asset Management	230,871	320,092	220,316	546,104	496,221
Total Emerging Markets Equity	2,270,043	2,266,441	1,463,253	2,275,173	1,512,212
Domestic Fixed Income:					
Bank of North Dakota	37,455	34,771	41,873	79,825	91,128
Calamos Advisors LLC	412,998	407,217	340,643	522,810	424,710
The Clifton Group	-	15,544	93,498	-	-
J.P. Morgan Investment Management, Inc.	1,291,500	1,251,397	1,522,491	1,606,393	703,125
PIMCO *	2,399,875	5,232,458	244,483		
Prudential Investment Management	169,688	197,085	169,582	224,754	230,399
RMK Timberland Investment Mgmt.	-	-	-	-	-
SEI Investments Management Co.	50,081	39,460	6,977	-	-

PAYMENTS TO INVESTMENT CONSULTANTS
FOR FISCAL YEARS ENDED JUNE 30

PENSION INVESTMENT POOL (Continued)

	2011	2010	2009	2008	2007
INVESTMENT MANAGERS (cont.)					
Timberland Investment Resources *	803,522	2,688,409	818,935	3,596,378	843,000
Trust Company of the West	-	-	-	-	76,469
Wells Capital Management, Inc.	122,662	163,106	136,373	174,789	181,612
Western Asset Management Company	101,609	101,490	102,337	156,624	168,222
Total Domestic Fixed Income	5,389,390	10,130,937	3,477,192	6,361,573	2,718,665
High Yield Fixed Income:					
Declaration Management & Research LLC *	-	787,851	168,759	7,031	-
Goldman Sachs Asset Management *	1,419,792	970,558	440,810	251,837	110,647
Loomis Sayles & Company	735,467	590,660	411,522	567,711	554,291
PIMCO *	1,715,456	372,285	268,049	66,455	-
Trust Company of the West *	1,396,590	952,333	1,104,372	451,490	-
Wells Capital Management, Inc.	-	211,702	500,807	1,042,791	1,009,349
Total High Yield Fixed Income	5,267,305	3,885,389	2,894,319	2,387,315	1,674,287
International Fixed Income:					
UBS Global Asset Management	246,055	262,573	278,189	286,966	267,314
Brandywine Asset Management	408,030	447,706	385,373	419,075	382,959
Total International Fixed Income	654,085	710,279	663,562	706,041	650,273
Real Estate:					
INVESCO Realty Advisors *	1,174,449	1,157,461	1,071,305	745,911	708,879
J.P. Morgan Investment Management, Inc. *	2,052,612	1,898,305	1,956,455	2,418,987	2,144,259
Total Real Estate	3,227,061	3,055,766	3,027,760	3,164,898	2,853,138
Alternative Investments:					
Adams Street Partners *	782,707	812,239	1,050,075	946,207	1,080,138
Coral Partners, Inc. *	272,143	737,717	827,471	973,463	1,037,472
Corsair Capital *	-	-	346,138	365,112	565,104
Hearthstone Homebuilding Investors, LLC *	83,633	232,757	(717,002)	(280,445)	1,697,762
InvestAmerica L&C, LLC *	521,797	558,215	177,785	187,500	187,500
Matlin Patterson Global Opportunities, LLC *	613,794	766,878	(6,536)	901,140	740,551
Quantum Energy Partners *	205,649	205,933	192,704	364,808	387,705
Quantum Resources Management *	133,663	150,000	150,000	150,000	98,954
Total Alternative Investments	2,613,386	3,463,739	2,020,635	3,607,785	6,194,843
Cash Equivalents:					
The Northern Trust Company, Inc.	62,646	29,642	14,331	57,539	51,177
Total Investment Manager Fees	29,177,689	33,160,385	20,446,612	29,210,104	27,006,401
INVESTMENT CUSTODIAN					
The Northern Trust Company, Inc	625,684	570,972	551,849	741,919	664,524
INVESTMENT CONSULTANT					
Callan Associates Inc.	270,183	190,879	188,799	197,734	176,260
SIB SERVICE FEES	52,758	33,123	22,608	16,070	13,442
SECURITIES LENDING FEES					
Rebates	(178,234)	(237,860)	152,080	5,871,386	15,456,908
Fees	100,629	63,250	82,112	214,760	290,207
Total Securities Lending Fees	(77,605)	(174,610)	234,192	6,086,146	15,747,115

PAYMENTS TO INVESTMENT CONSULTANTS
FOR FISCAL YEARS ENDED JUNE 30

INSURANCE INVESTMENT POOL

	2011	2010	2009	2008	2007
INVESTMENT MANAGERS					
Domestic Large Cap Equity:					
The Clifton Group *	$ 121,697	$ 328,385	$ 373,925	$ -	$ -
Los Angeles Capital Management *	263,933	164,823	104,393	127,696	129,444
LSV Asset Management	105,431	87,269	70,004	74,445	80,512
State Street Global Advisors *	-	1,248	12,674	25,395	112,420
Westridge Capital Management, Inc.	-	-	94,488	169,773	136,069
Total Domestic Large Cap Equity	491,061	581,725	655,484	397,309	458,445
Domestic Small Cap Equity:					
The Clifton Group *	158,649	390,421	221,082	-	-
Research Affiliates	132,438	106,631	85,949	109,426	-
SEI Investments Management	-	-	58,418	198,434	382,764
Total Domestic Small Cap Equity	291,087	497,052	365,449	307,860	382,764
International Equity:					
Capital Guardian Trust Company	205,361	208,162	193,395	241,112	265,710
Dimensional Fund Advisors	78,546	83,070	55,616	40,530	-
Lazard Asset Management	-	-	-	24,588	90,303
LSV Asset Management	213,049	225,184	182,431	199,709	216,449
The Vanguard Group	48,043	50,785	29,127	45,138	49,690
Total International Equity	544,999	567,201	460,569	551,077	622,152
Domestic Fixed Income:					
Bank of North Dakota	60,984	58,340	58,375	58,692	60,914
Brookfield Investment Management	-	51,899	75,328	127,097	56,220
The Clifton Group *	-	-	516,425	853,284	-
Declaration Management & Research LLC	166,415	39,163			
Prudential Investment Management	174,060	180,577	161,549	164,533	138,546
Wells Capital Management, Inc.	538,689	500,223	419,769	425,196	455,171
Western Asset Management Company	446,627	414,506	384,219	398,731	430,831
Total Domestic Fixed Income	1,386,775	1,244,708	1,615,665	2,027,533	1,141,682
Inflation Protected Assets					
J.P. Morgan Investment Management, Inc.	883,330	839,066	512,663	-	-
Northern Trust Global Investments *	385	31,109	48,927	59,045	55,354
Timberland Investment Resources *	451,705	221,700	116,863	-	-
Western Asset Management Company *	312,798	590,444	9,124	-	151,504
Total Inflation Protected Assets	1,648,218	1,682,319	687,577	59,045	206,858
Real Estate:					
J.P. Morgan Investment Management, Inc.	950,339	557,938	786,098	1,173,188	1,088,484
Enhanced Cash					
Prudential Investment Management	217,963	218,275	99,805	277,555	-
Total Investment Manager Fees	5,530,442	5,349,218	4,670,647	4,793,567	3,900,385
INVESTMENT CUSTODIAN					
The Northern Trust Company, Inc	301,194	323,560	288,023	300,326	250,812
INVESTMENT CONSULTANT					
Callan Associates	110,094	96,975	95,858	92,632	87,827
SIB SERVICE FEES	10,408	7,881	6,099	5,301	4,881
SECURITIES LENDING FEES					
Rebates	(59,839)	7,052	1,244,805	7,072,529	14,887,734
Fees	32,546	56,356	199,028	217,060	149,391
Total Securities Lending Fees	(27,293)	63,408	1,443,833	7,289,590	15,037,125

PAYMENTS TO INVESTMENT CONSULTANTS FOR FISCAL YEARS ENDED JUNE 30

INDIVIDUAL INVESTMENT ACCOUNT

	2011	2010	2009	2008	2007
INVESTMENT MANAGERS					
SEI Investments Management	$ 224,707	$ 174,464	$ -	$ -	$ -
State Street Global Advisors	-	-	73,830	141,727	130,161
INVESTMENT CUSTODIAN					
The Northern Trust Company, Inc	1,027	1,166	654	651	660
SIB SERVICE FEES	7,813	5,115	4,561	3,581	3,487

*Indicates fee schedule for this account includes some form of performance based fees.

See reconciliation of current year investment expenses to financial statements on page 69.

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

PENSION INVESTMENT POOL

	2011	2010	2009	2008	2007
Public Employees Retirement System					
Net assets beginning of year	$ 1,510,006,420	$ 1,353,174,174	$ 1,810,756,057	$ 1,934,234,168	$ 1,634,909,225
Net increase/(decrease)					
in fair value of investments	288,857,273	153,004,660	(463,523,677)	(133,303,450)	285,031,437
Interest, dividends and other income	35,540,149	32,225,018	35,721,096	43,867,012	43,845,522
Expenses	6,904,640	6,413,077	6,636,715	11,447,763	9,471,759
Net securities lending income	188,282	115,645	157,919	362,091	329,743
Net incr/(decr) in net assets					
resulting from unit transactions	(27,350,000)	(22,100,000)	(23,300,506)	(22,956,001)	(20,410,000)
Net assets end of year	$ 1,800,337,484	$ 1,510,006,420	$ 1,353,174,174	$ 1,810,756,057	$ 1,934,234,168
City of Bismarck Employees Pension Plan					
Net assets beginning of year	$ 44,536,966	$ 39,763,978	$ 49,652,732	$ 51,545,555	$ 44,002,952
Net increase/(decrease)					
in fair value of investments	7,976,275	3,838,691	(10,902,385)	(2,969,501)	6,407,926
Interest, dividends and other income	1,176,167	1,121,694	1,205,465	1,396,664	1,381,274
Expenses	206,459	190,180	196,099	330,632	256,348
Net securities lending income	4,803	2,783	4,265	10,646	9,751
Net incr/(decr) in net assets					
resulting from unit transactions	-	-	-	-	-
Net assets end of year	$ 53,487,752	$ 44,536,966	$ 39,763,978	$ 49,652,732	$ 51,545,555
City of Bismarck Police Pension Plan					
Net assets beginning of year	$ 20,256,072	$ 17,958,666	$ 22,986,491	$ 24,060,610	$ 20,386,327
Net increase/(decrease)					
in fair value of investments	3,805,226	1,907,796	(5,454,384)	(1,541,978)	3,189,234
Interest, dividends and other income	517,733	476,013	513,627	610,805	599,580
Expenses	93,931	87,805	89,034	147,621	118,932
Net securities lending income	2,342	1,402	1,966	4,675	4,401
Net incr/(decr) in net assets					
resulting from unit transactions	-	-	-	-	-
Net assets end of year	$ 24,487,442	$ 20,256,072	$ 17,958,666	$ 22,986,491	$ 24,060,610
Job Service of North Dakota					
Net assets beginning of year	$ 77,650,186	$ 72,147,891	$ 89,914,256	$ 94,697,478	$ 84,340,399
Net increase/(decrease)					
in fair value of investments	10,200,840	7,565,552	(15,799,734)	(2,847,451)	11,691,612
Interest, dividends and other income	2,068,491	2,042,786	1,998,050	2,133,511	2,325,117
Expenses	277,752	305,699	301,287	622,355	416,599
Net securities lending income	7,844	4,884	10,350	26,176	18,666
Net incr/(decr) in net assets					
resulting from unit transactions	(3,932,376)	(3,805,228)	(3,673,744)	(3,473,103)	(3,261,717)
Net assets end of year	$ 85,717,233	$ 77,650,186	$ 72,147,891	$ 89,914,256	$ 94,697,478
City of Fargo Employee Pension Plan					
Net assets beginning of year	$ 24,534,685	$ 21,872,249	$ 29,620,050	$ -	$ -
Net increase/(decrease)					
in fair value of investments	4,700,965	2,756,456	(7,476,802)	(2,060,774)	-
Interest, dividends and other income	574,934	510,050	557,875	357,768	-
Expenses	109,591	106,028	106,556	138,325	-
Net securities lending income	3,062	1,958	2,682	3,641	-
Net incr/(decr) in net assets					
resulting from unit transactions	(900,000)	(500,000)	(725,000)	31,457,740	-
Net assets end of year	$ 28,804,055	$ 24,534,685	$ 21,872,249	$ 29,620,050	$ -

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

PENSION INVESTMENT POOL (Continued)

	2011	2010	2009	2008	2007
City of Grand Forks Pension Plan					
Net assets beginning of year	$ 34,915,157	$ 30,006,961	$ -	$ -	$ -
Net increase/(decrease) in fair value of investments	6,821,525	3,626,358	1,238,569	-	-
Interest, dividends and other income	818,617	674,685	122,529	-	-
Expenses	153,222	137,909	51,129	-	-
Net securities lending income	4,499	3,136	1,502	-	-
Net incr/(decr) in net assets resulting from unit transactions	606,865	741,926	28,695,490	-	-
Net assets end of year	$ 43,013,441	$ 34,915,157	$ 30,006,961	$ -	$ -
Grand Forks Park District Pension Plan					
Net assets beginning of year	$ 3,570,354	$ -	$ -	$ -	$ -
Net increase/(decrease) in fair value of investments	685,078	(138,086)	-	-	-
Interest, dividends and other income	73,134	30,872	-	-	-
Expenses	16,348	11,082	-	-	-
Net securities lending income	621	185	-	-	-
Net incr/(decr) in net assets resulting from unit transactions	100,933	3,688,465	-	-	-
Net assets end of year	$ 4,413,772	$ 3,570,354	$ -	$ -	$ -
TOTAL PENSION INVESTMENT POOL					
Net assets beginning of year	$ 1,715,469,840	$ 1,534,923,919	$ 2,002,929,586	$ 2,104,537,811	$ 1,783,638,903
Net increase/(decrease) in fair value of investments	323,047,182	172,561,427	(501,918,413)	(142,723,154)	306,320,209
Interest, dividends and other income	40,769,225	37,081,118	40,118,642	48,365,760	48,151,493
Expenses	7,761,943	7,251,780	7,380,820	12,686,696	10,263,638
Net securities lending income	211,453	129,993	178,684	407,229	362,561
Net incr/(decr) in net assets resulting from unit transactions	(31,474,578)	(21,974,837)	996,240	5,028,636	(23,671,717)
Net assets end of year	$ 2,040,261,179	$ 1,715,469,840	$ 1,534,923,919	$ 2,002,929,586	$ 2,104,537,811

INSURANCE INVESTMENT POOL

	2011	2010	2009	2008	2007
Workforce Safety & Insurance Fund					
Net assets beginning of year	$ 1,211,055,668	$ 1,082,338,485	$ 1,257,695,472	$ 1,299,957,605	$ 1,200,779,620
Net increase/(decrease) in fair value of investments	119,651,617	86,825,301	(165,281,764)	(38,116,867)	75,378,694
Interest, dividends and other income	44,585,328	44,376,314	47,266,977	50,628,924	49,231,820
Expenses	5,091,768	5,098,648	4,616,101	4,557,824	3,806,600
Net securities lending income	120,154	214,216	773,901	783,634	374,071
Net incr/(decr) in net assets resulting from unit transactions	(20,500,000)	2,400,000	(53,500,000)	(51,000,000)	(22,000,000)
Net assets end of year	$ 1,349,820,999	$ 1,211,055,668	$ 1,082,338,485	$ 1,257,695,472	$ 1,299,957,605
State Fire & Tornado Fund					
Net assets beginning of year	$ 26,360,103	$ 22,315,554	$ 25,660,561	$ 28,467,050	$ 24,566,021
Net increase/(decrease) in fair value of investments	2,819,526	2,554,316	(3,758,616)	(1,888,307)	2,215,277
Interest, dividends and other income	953,119	1,002,687	977,252	1,011,901	1,075,299
Expenses	77,003	91,987	97,685	88,889	72,371
Net securities lending income	3,317	4,533	9,042	8,806	7,824
Net incr/(decr) in net assets resulting from unit transactions	(4,900,000)	575,000	(475,000)	(1,850,000)	675,000
Net assets end of year	$ 25,159,062	$ 26,360,103	$ 22,315,554	$ 25,660,561	$ 28,467,050

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

INSURANCE INVESTMENT POOL (Continued)

	2011	2010	2009	2008	2007
State Bonding Fund					
Net assets beginning of year	$ 2,763,321	$ 2,150,027	$ 2,541,528	$ 2,729,760	$ 2,703,646
Net increase/(decrease) in fair value of investments	59,619	137,116	(477,513)	(199,930)	225,746
Interest, dividends and other income	83,032	80,281	90,769	100,393	107,480
Expenses	4,578	4,322	5,513	9,563	7,898
Net securities lending income	123	219	756	868	786
Net incr/(decr) in net assets resulting from unit transactions	-	400,000	-	(80,000)	(300,000)
Net assets end of year	$ 2,901,517	$ 2,763,321	$ 2,150,027	$ 2,541,528	$ 2,729,760
Petroleum Tank Release Compensation Fund					
Net assets beginning of year	$ 6,624,103	$ 6,298,834	$ 8,541,351	$ 10,022,172	$ 9,292,010
Net increase/(decrease) in fair value of investments	150,874	339,451	(1,549,239)	(700,200)	775,170
Interest, dividends and other income	181,494	194,448	268,874	356,171	376,839
Expenses	9,480	9,161	14,385	29,741	24,457
Net securities lending income	266	531	2,233	2,949	2,610
Net incr/(decr) in net assets resulting from unit transactions	(500,000)	(200,000)	(950,000)	(1,110,000)	(400,000)
Net assets end of year	$ 6,447,257	$ 6,624,103	$ 6,298,834	$ 8,541,351	$ 10,022,172
Insurance Regulatory Trust Fund					
Net assets beginning of year	$ 4,115,864	$ 3,235,054	$ 4,083,147	$ 3,982,228	$ 3,690,531
Net increase/(decrease) in fair value of investments	205,758	133,302	(203,636)	(162,849)	145,567
Interest, dividends and other income	55,377	55,755	64,262	122,260	101,231
Expenses	5,621	8,575	9,247	9,288	5,640
Net securities lending income	256	328	528	796	539
Net incr/(decr) in net assets resulting from unit transactions	(700,000)	700,000	(700,000)	150,000	50,000
Net assets end of year	$ 3,671,634	$ 4,115,864	$ 3,235,054	$ 4,083,147	$ 3,982,228
ND Health Care Trust Fund					
Net assets beginning of year	$ 2,316,101	$ 2,308,711	$ 2,285,114	$ 2,210,049	$ 19,530,767
Net increase/(decrease) in fair value of investments	-	-	-	-	-
Interest, dividends and other income	7,374	8,373	24,591	76,044	506,858
Expenses	987	983	994	979	1,179
Net securities lending income	-	-	-	-	-
Net incr/(decr) in net assets resulting from unit transactions	-	-	-	-	(17,826,397)
Net assets end of year	$ 2,322,488	$ 2,316,101	$ 2,308,711	$ 2,285,114	$ 2,210,049
Risk Management Fund					
Net assets beginning of year	$ 3,783,457	$ 3,252,697	$ 3,597,393	$ 3,695,796	$ 3,263,199
Net increase/(decrease) in fair value of investments	395,152	391,534	(477,819)	(231,219)	243,237
Interest, dividends and other income	158,783	151,308	146,455	144,326	148,090
Expenses	11,543	12,687	14,680	12,747	9,593
Net securities lending income	404	605	1,348	1,237	863
Net incr/(decr) in net assets resulting from unit transactions	-	-	-	-	50,000
Net assets end of year	$ 4,326,253	$ 3,783,457	$ 3,252,697	$ 3,597,393	$ 3,695,796

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

INSURANCE INVESTMENT POOL (Continued)

	2011	2010	2009	2008	2007
Risk Management Workers Comp Fund					
Net assets beginning of year	$ 3,198,090	$ 1,864,433	$ 3,057,338	$ 4,221,728	$ 3,765,613
Net increase/(decrease)					
in fair value of investments	398,292	242,300	(426,876)	(305,448)	319,237
Interest, dividends and other income	132,097	102,186	93,030	152,814	146,847
Expenses	10,390	11,250	9,931	13,125	10,851
Net securities lending income	375	421	872	1,369	882
Net incr/(decr) in net assets					
resulting from unit transactions	-	1,000,000	(850,000)	(1,000,000)	-
Net assets end of year	$ 3,718,464	$ 3,198,090	$ 1,864,433	$ 3,057,338	$ 4,221,728
ND Association of Counties Fund					
Net assets beginning of year	$ 1,074,275	$ 929,491	$ 1,122,826	$ 1,216,882	$ 791,257
Net increase/(decrease)					
in fair value of investments	201,705	114,484	(223,010)	(127,524)	100,031
Interest, dividends and other income	56,013	35,633	35,516	38,236	29,240
Expenses	5,432	5,541	6,228	5,148	3,908
Net securities lending income	225	208	387	380	262
Net incr/(decr) in net assets					
resulting from unit transactions	296,655	-	-	-	300,000
Net assets end of year	$ 1,623,441	$ 1,074,275	$ 929,491	$ 1,122,826	$ 1,216,882
ND Association of Counties Program Savings Fund					
Net assets beginning of year	$ 796,655	$ 689,257	$ 802,195	$ 851,526	$ 526,560
Net increase/(decrease)					
in fair value of investments	-	82,493	(137,140)	(75,391)	55,757
Interest, dividends and other income	-	28,732	28,364	29,646	21,745
Expenses	-	3,972	4,446	3,861	2,710
Net securities lending income	-	145	284	275	174
Net incr/(decr) in net assets					
resulting from unit transactions	(796,655)	-	-	-	250,000
Net assets end of year	$ -	$ 796,655	$ 689,257	$ 802,195	$ 851,526
PERS Group Insurance Fund					
Net assets beginning of year	$ 4,034,326	$ 3,996,417	$ 4,390,870	$ 4,056,887	$ 1,923,916
Net increase/(decrease)					
in fair value of investments	-	-	-	-	-
Interest, dividends and other income	32,357	38,909	106,547	334,983	444,207
Expenses	1,000	1,000	1,000	1,000	1,000
Net securities lending income	-	-	-	-	-
Net incr/(decr) in net assets					
resulting from unit transactions	1,523,732	-	(500,000)	-	1,689,764
Net assets end of year	$ 5,589,415	$ 4,034,326	$ 3,996,417	$ 4,390,870	$ 4,056,887
City of Bismarck Deferred Sick Leave Fund					
Net assets beginning of year	$ 842,549	$ 729,156	$ 799,142	$ 826,225	$ 740,239
Net increase/(decrease)					
in fair value of investments	82,130	82,542	(99,854)	(57,118)	56,893
Interest, dividends and other income	35,011	34,359	33,397	33,570	31,863
Expenses	3,411	3,653	3,829	3,835	3,014
Net securities lending income	111	145	300	300	244
Net incr/(decr) in net assets					
resulting from unit transactions	(80,000)	-	-	-	-
Net assets end of year	$ 876,390	$ 842,549	$ 729,156	$ 799,142	$ 826,225

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

INSURANCE INVESTMENT POOL (Continued)

	2011	2010	2009	2008	2007
City of Fargo FargoDome Permanent Fund					
Net assets beginning of year	$ 25,092,617	$ 17,578,204	$ 16,070,540	$ 12,102,562	$ 9,748,034
Net increase/(decrease)					
in fair value of investments	4,252,514	2,389,046	(3,002,920)	(1,474,491)	1,043,035
Interest, dividends and other income	961,003	823,931	603,865	492,384	339,243
Expenses	104,374	102,595	99,654	54,510	29,827
Net securities lending income	4,918	4,031	6,373	4,595	2,077
Net incr/(decr) in net assets					
resulting from unit transactions	3,200,000	4,400,000	4,000,000	5,000,000	1,000,000
Net assets end of year	$ 33,406,678	$ 25,092,617	$ 17,578,204	$ 16,070,540	$ 12,102,562
Cultural Endowment Fund					
Net assets beginning of year	$ 233,415	$ 204,223	$ 268,986	$ 274,568	$ 218,552
Net increase/(decrease)					
in fair value of investments	42,194	22,732	(63,711)	(29,699)	27,678
Interest, dividends and other income	8,608	7,822	8,338	9,101	8,158
Expenses	1,352	1,405	1,683	1,566	1,251
Net securities lending income	38	43	88	82	61
Net incr/(decr) in net assets					
resulting from unit transactions	(10,845)	-	(7,795)	16,500	21,370
Net assets end of year	$ 272,058	$ 233,415	$ 204,223	$ 268,986	$ 274,568
Budget Stabilization Fund					
Net assets beginning of year	$ 325,116,846	$ 190,101,212	$ 198,837,270	$ 99,876,003	$ 99,876,516
Net increase/(decrease)					
in fair value of investments	1,701,753	11,710,253	(15,274,089)	(8,591,387)	-
Interest, dividends and other income	10,618,859	10,013,545	6,647,958	8,845,339	4,989,847
Expenses	289,511	259,540	109,927	131,522	8,860
Net securities lending income	-	-	-	-	-
Net incr/(decr) in net assets					
resulting from unit transactions	(11,474,863)	113,551,376	-	98,838,837	(4,981,500)
Net assets end of year	$ 325,673,084	$ 325,116,846	$ 190,101,212	$ 198,837,270	$ 99,876,003
DPI Board Certification Fund					
Net assets beginning of year	$ 500,859	$ -	$ -	$ -	$ -
Net increase/(decrease)					
in fair value of investments	-	-	-	-	-
Interest, dividends and other income	1,594	1,609	-	-	-
Expenses	749	750	-	-	-
Net securities lending income	-	-	-	-	-
Net incr/(decr) in net assets					
resulting from unit transactions	-	500,000	-	-	-
Net assets end of year	$ 501,704	$ 500,859	$ -	$ -	$ -
TOTAL INSURANCE INVESTMENT POOL					
Net assets beginning of year	$ 1,617,908,249	$ 1,337,991,755	$ 1,529,753,733	$ 1,474,613,291	$ 1,381,519,259
Net increase/(decrease)					
in fair value of investments	129,961,134	105,024,870	(190,976,187)	(51,960,430)	80,586,322
Interest, dividends and other income	57,870,049	56,955,892	56,396,195	62,377,571	57,564,721
Expenses	5,617,199	5,616,069	4,995,303	4,923,644	3,989,327
Net securities lending income	130,187	225,425	796,112	805,291	390,393
Net incr/(decr) in net assets					
resulting from unit transactions	(33,941,976)	123,326,376	(52,982,795)	48,841,654	(41,458,077)
Net assets end of year	$ 1,766,310,444	$ 1,617,908,249	$ 1,337,991,755	$ 1,529,753,733	$ 1,474,613,291