2016

Comprehensive Annual Financial Report

For the year ended June 30, 2016

North Dakota Retirement and Investment Office

An Agency of the State of North Dakota

North Dakota

Retirement and Investment Office

An Agency of the State of North Dakota

Comprehensive Annual Financial Report

Prepared by the ND Retirement and Investment Office Staff
1930 Burnt Boat Drive, P.O. Box 7100
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www.nd.gov/rio

For the Fiscal Year Ended June 30, 2016

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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December 1, 2016

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, 2016, 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 10,800 teachers from 214 employer groups and pays benefits to more than 8,200 retirees and beneficiaries. High quality member services and outreach programs are offered to members and employers as part of the continuing effort to keep them informed about the retirement program.

The SIB is responsible for setting policies and procedures guiding the investment of over $11.3 billion in assets for seven pension funds and 17 non-pension funds. Their investments are divided into two investment trust funds and four individual investment accounts. Individual investment guidelines for each fund can be found in the Investment Section. These guidelines include goals and objectives, risk tolerance, liquidity constraints, asset allocation and portfolio restrictions specific to each fund's unique circumstances. When creating investment pools to implement the asset allocations for each client fund, the SIB takes all of these guidelines into consideration in order to best meet the objectives of each fund and safeguard fund assets. The following table details the participants in each trust fund as of June 30, 2016:

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	Fair Value in millions	% Of Pool	FY2016 Return
PENSION POOL PARTICIPANTS			
Teachers' Fund for Retirement	$2,082.18	44.1%	0.28%
Public Employees Retirement System	2,459.39	52.1%	0.28%
Bismarck City Employee Pension Fund	82.44	1.7%	0.82%
Bismarck City Police Pension Fund	33.98	0.7%	0.32%
City of Grand Forks Pension Fund	57.98	1.2%	0.11%
Grand Forks Park District Pension Fund	5.72	0.1%	0.36%
Subtotal Pension Pool Participants	$4,721.69	100.0%	
INDIVIDUAL INVESTMENT ACCOUNTS			
Legacy Fund	$3,809.49		1.06%
Retiree Health Insurance Credit Fund	101.62		0.72%
Job Service of North Dakota	96.59		5.45%
Tobacco Prevention and Control Trust Fund	54.37		*

	Fair Value in millions	% Of Pool	FY2016 Return
INSURANCE POOL PARTICIPANTS			
Workforce Safety & Insurance Fund	$1,832.10	72.1%	3.58%
State Fire and Tornado Fund	24.09	0.9%	2.67%
State Bonding Fund	3.30	0.1%	3.48%
Petroleum Tank Release Fund	7.15	0.3%	3.17%
Insurance Regulatory Trust Fund	1.09	0.0%	1.46%
State Risk Management Fund	6.53	0.3%	4.46%
State Risk Management Workers Comp	5.52	0.2%	4.21%
Cultural Endowment Fund	0.39	0.0%	2.18%
Budget Stabilization Fund	575.92	22.7%	1.82%
ND Assoc. of Counties (NDACo) Fund	4.05	0.2%	2.76%
City of Bismarck Deferred Sick Leave	0.64	0.0%	3.26%
PERS Group Insurance	37.72	1.5%	1.49%
State Board of Medical Examiners	2.21	0.1%	1.63%
City of Fargo FargoDome Permanent Fund	38.78	1.5%	1.19%
Subtotal Insurance Pool Participants	2,539.48	100.0%	
TOTAL ASSETS UNDER MANAGEMENT	**$11,323.24**		

*Fund does not have a full year of return history.

Columns may not foot due to rounding.

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 City of Fargo Employees pension plan withdrew the bulk of their assets from the SIB in December 2013, and their remaining assets in fiscal year 2016.

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.
- 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 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 State Board of Medical Examiners Fund joined the pool in April, 2014.

Seven 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, the Veterans Cemetery Trust joined the pool in August 1997 and was removed in August 2007, the ND Health Care Trust Fund was added to the pool in July 2001 and left the pool in June 2012, and the National Board Certification Fund joined in July 2009 and was removed in September 2011. Additionally, the two NDACo funds were combined into one fund in July, 2010. And most recently, the Legacy Fund assets were removed from the insurance investment pool during fiscal year 2015 after being added to SIB management in September 2011 and subsequently pooled during implementation of their diversified asset allocation in fiscal year 2014. Pooling the assets during implementation allowed for a more efficient realization of the Legacy Fund's target asset allocation. However, after implementation, it was determined that better transparency would result and the investment objectives of this endowment-like fund could be more effectively achieved outside of the insurance pool structure.

MAJOR INITIATIVES

TFFR Retirement Program

- Promulgated administrative rules to define certain terms for administrative clarification, update language to maintain compliance with IRC requirements, and incorporate revised actuarial assumptions and factors.
- Implemented actuarial assumption changes resulting from Actuarial Experience Study into pension administration system and plan calculations.
- Conducted an IRS compliance review and submitted an application to the IRS for a determination letter on the TFFR plan.
- Selected Callan Associates to perform an Asset Liability Study and approved modified asset allocation:
  - ✓ Increased Global Equity by 1% to 58%.
  - ✓ Increased Global Fixed Income by 1% to 23%.
  - ✓ Decreased Global Fixed Real Assets by 2% to 18%.
  - ✓ No change to Cash at 1%.
- Selected Cavanaugh Macdonald Consulting to perform an Actuarial Audit of the plan's current actuary, Segal Consulting. The auditor reviewed the 2015 valuation and experience study including actuarial assumptions, actuarial methods, participant data, valuation results, valuation report, funding projections, and GASB calculations. The audit report results were generally positive, and indicated actuarial valuation results were reasonable, accurate, and performed by qualified actuaries in accordance with the Actuarial Standards Board. The auditor did note a few minor issues for Segal's consideration.
- Governor Dalrymple made the following appointments to the TFFR Board of Trustees:
  - ✓ Mike Gessner was reappointed to another five-year term on the Board from July 1, 2016 – June 30, 2021.
  - ✓ Toni Gumeringer was appointed to complete the unexpired term of former trustee Kim Franz from July 1, 2016 – June 30, 2019.

SIB Investment Program

- Investment details by trust fund can be found in the Investment Section.
- Initiatives completed by the SIB during the year included:

- ✓ Assisted the ND Center for Tobacco Prevention and Control in establishing investment policies and asset allocation for the Tobacco Prevention and Control Trust Fund and implemented those policies in October, 2015.
- ✓ Assisted the Teachers' Fund for Retirement Board with an asset/liability study and accepted new asset allocation, which was fully implemented at the end of FY2016.
- ✓ Assisted the Public Employees Retirement System Board with an asset/liability study and accepted new asset allocation, which will be implemented by the end of the first quarter of FY2017.
- ✓ Continued to successfully renegotiate investment management fees throughout the year resulting in a decrease in overall investment fees for FY2016.
- ✓ Terminated, conducted a search and replaced a small cap equity manager in the Pension Investment Pool.
- ✓ Terminated, conducted a search and replaced a developed international equity manager in the Pension, Insurance and Legacy Fund investment pools.
- ✓ Conducted a search for a new private equity fund of funds manager, selected one manager, and committed capital to both the new manager and an existing private equity manager.

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, 2015. This was the eighteenth 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 2016 Public Pension Standards Award for Administration from the Public Pension Coordinating Council. To receive the award, the retirement system must certify that it meets specific professional standards for a comprehensive benefit program, actuarial valuations, financial reporting and audit, investments, and communications to members.

FINANCIAL INFORMATION

RIO is subject to very strict operational controls. Well-established internal controls are in place, segregation of duties is maintained, and an internal audit program is in effect. In addition, an annual external 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, and the cost of a control should not exceed the benefits to be derived, RIO believes the internal controls that are in place have been designed to reduce risks of material misstatements.

CliftonLarsonAllen LLP conducted the external financial audit under the direction of the North Dakota State Auditor. The auditor's opinion was unmodified for the agency for the year ended June 30, 2016.

The tables below summarize RIO's additions and deductions for the current and prior fiscal years:

Pension Trust Fund (TFFR)	6/30/2016 (in millions)	6/30/2015 (in millions)	Incr/(Decr) $ (in millions)	Incr/(Decr) %
Additions	$ 170	$ 226	$ (55)	-24.6%
Deductions	188	174	14	7.8%
Net Change	$ (18)	$ 52	$ (69)	-134.1%

In the pension trust fund, additions decreased due to weaker financial 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	6/30/2016 (in millions)	6/30/2015 (in millions)	Incr/(Decr) $ (in millions)	Incr/(Decr) %
Additions	$ 907	$ 1,507	$ (599)	-39.8%
Deductions	266	250	$ 16	6.6%
Net Change	$ 641	$ 1,257	$ (616)	-49.0%

In the investment trust funds, additions also decreased due to weaker financial markets. Deductions increased due to an increase in the amount of unit redemptions requested from the individual funds. Those requests are highly dependent on each funds' needs.

FUNDING STATUS

The objective of the TFFR pension fund is to accumulate sufficient funds to meet all expected future obligations to participants. Member and employer contribution rates are established by statute and are currently 11.75% and 12.75%, respectively. The contribution rates will remain in effect until TFFR is 100% funded on an actuarial basis. At that point, the member and employer 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 27 years beginning July 1, 2016, although at any given time the statutory rates may be insufficient.

In order to determine the adequacy of the 12.75% statutory employer contribution rate, it is compared to the actuarially determined contribution (ADC). The ADC is equal to the sum of the employer normal cost rate, and the level percentage of pay required to amortize the UAAL over the 30-year closed period that began July 1, 2013 (27 years remaining as of July 1, 2015). For this calculation, payroll is assumed to increase 3.25% per year. As of July 1, 2016, the ADC is 13.22%, compared to 13.04% last year. This is greater than the 12.75% rate currently required by law. The increase in ADC is primarily driven by the actuarial loss on assets.

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) increased from last year. The funded ratio at July 1, 2015, was 61.6%, while it is 62.1% as of July 1, 2016. Based on the market values rather than actuarial values of assets, the funded ratio decreased from 62.1% to 59.2%, compared to last year.

The plan has a net investment loss of $105 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 market losses during FY 2015 and FY 2016 offset by market gains in FY2013 and FY2014. As these losses are recognized over the next four years, the funded ratio is expected to decline, assuming the plan earns 7.75% in the future.

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, 2016 (in millions)	July 1, 2015 (in millions)
Actuarial Accrued Liability (AAL)	$ 3,589.4	$ 3,449.8
Actuarial value of assets (AVA)	2,229.3	2,125.0
Unfunded actuarial accrued liability (UAAL)	1,360.1	1,324.8
Funded ratio	62.1%	61.6%

FINANCIAL REPORTING FOR PENSIONS

Government Accounting Standards Board (GASB) Statement 67 for accounting and financial reporting of pension liabilities became effective in FY 2014. The GASB rules only define pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for actual pension funding purposes.

The following table summarizes the components of the net pension liability of TFFR. A detailed discussion is provided in the Financial Section of this report.

	July 1, 2016 (in millions)	July 1, 2015 (in millions)
Total pension liability (TPL)	$ 3,589.4	$ 3,449.8
Plan fiduciary net position (FNP)	2,124.3	2,141.9
Net pension liability (NPL)	1,465.1	1,307.9
Plan FNP as % of TPL	59.2%	62.1%

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 fund's policy is determined by the individual fund's governing body 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. Additionally, each investment manager is given explicit guidelines identifying the types of investments that are acceptable within each portfolio, based on asset allocation expectations of the individual funds in the pools.

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,

Dave Hunter　　Fay Kopp　　Connie L Flanagan

DAVID HUNTER
Executive Director/
Chief Investment Officer

FAY KOPP
Deputy Executive Director/
Chief Retirement Officer

CONNIE L. FLANAGAN
Fiscal & Investment
Operations Manager

NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
As of June 30, 2016

Mission

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

- SIB clients receive investment returns, consistent with their written investment policies and market variables, in a cost-effective investment manner and under the Prudent Investor Rule.
- 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

David Hunter
Executive Director
Chief Investment Officer

Fay Kopp
Deputy Executive Director/
Chief Retirement Officer

Darren Schulz, CFA
Deputy CIO

Supervisory Staff

Connie L. Flanagan
Fiscal Management

Shelly Schumacher
Retirement Services

Terra Miller Bowley
Audit Services

Bonnie Heit
Administrative Services

Richard Nagel
Information Services

NORTH DAKOTA STATE INVESTMENT BOARD
Board Members as of June 30, 2016

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

Rob Lech
TFFR Trustee

Mike Gessner
TFFR Trustee

Mel Olson
TFFR Trustee

Yvonne Smith
PERS Trustee

Tom Trenbeath
PERS Trustee

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT
Board of Trustees as of June 30, 2016

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:

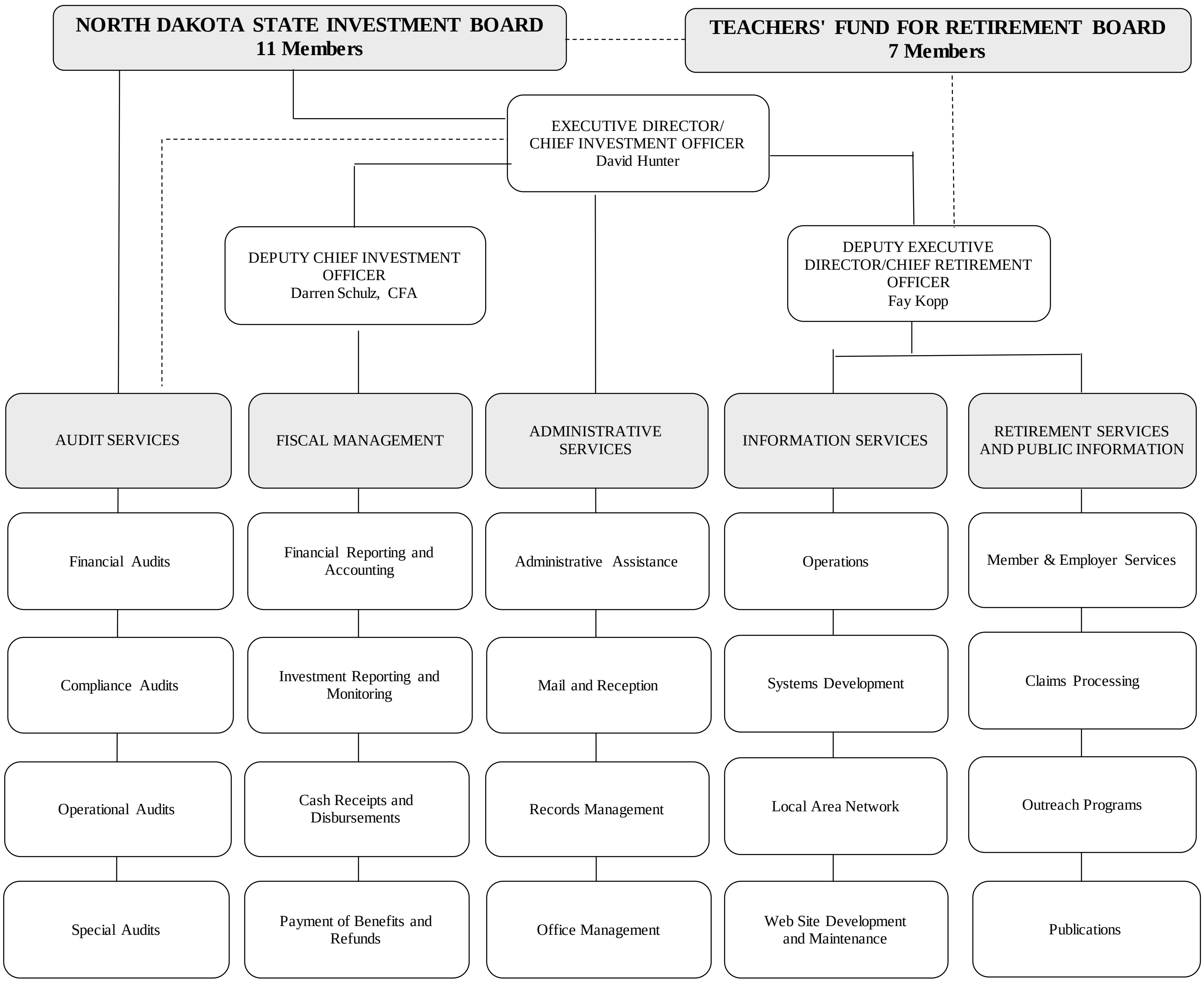
- Improve the Plan's funding status to protect and sustain current and future benefits.
- Minimize the employee and employer contributions needed to fund the Plan over the long term.
- Avoid substantial volatility in required contribution rates and fluctuations in the Plan's funding status.
- Accumulate a funding surplus to provide increases in retiree annuity payments to preserve the purchasing power of their retirement benefits.

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, 2016



See pages 82-83 in the Investment Section for a summary of fees paid to investment professionals and pages 181-187 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, 2016

Actuary

The Segal Company
Chicago, Illinois

Auditor

CliftonLarsonAllen LLC
Baltimore, Maryland

Legal Counsel

North Dakota Attorney General's Office
Bismarck, North Dakota

K&L Gates
Boston, Massachusetts

Information Technology

Advent Software, Inc.
San Francisco, CA

Bloomberg LP
New York, New York

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 Consulting (Fee Analysis)

Novarca North America LLC
Palo Alto, California

Investment Consulting (Private Equity Monitoring)

Adams Street Partners, LLC
Chicago, Illinois

Investment Managers

Adams Street Partners, LLC
Chicago, Illinois

Atlanta Capital Investment Managers
Atlanta, Georgia

Investment Managers (cont.)

Axiom International Investors
Greenwich, Connecticut

Babson Capital Management LLC
Boston, Massachusetts

Brandywine Asset Management
Wilmington, Delaware

Capital Group
Los Angeles, California

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

Grosvenor Capital Management
New York, NY

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 Asset Management
Chicago, Illinois

Investment Managers (cont.)

Parametric Portfolio Associates
DBA The Clifton Group
Minneapolis, Minnesota

PIMCO
Newport Beach, California

Prudential Investment Management
Newark, New Jersey

Quantum Energy Partners
Houston, Texas

Quantum Resources Mgmt, LLC
Denver, Colorado

SEI Investments Management Co.
Oaks, Pennsylvania

State Street Global Advisors
Boston, Massachusetts

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

William Blair Investment Management
Chicago, Illinois

Government Finance Officers Association

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, 2015

Jeffrey R. Emer

Executive Director/CEO

PPCC

Public Pension Coordinating Council

Recognition Award for Administration
2016

Presented to

North Dakota Teachers' Fund for Retirement

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle

Alan H. Winkle
Program Administrator

FINANCIAL SECTION

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.claconnect.com

INDEPENDENT AUDITORS' REPORT

Governor Jack Dalrymple
The Legislative Assembly
David Hunter, Executive Director/CIO
State Investment Board
Teachers' Fund for Retirement Board
North Dakota Retirement and Investment Office

Report on the Financial Statements

We have audited the accompanying financial statements of the North Dakota Retirement and Investment Office (RIO), a department of the State of North Dakota, which comprise the statement of net position – fiduciary funds as of June 30, 2016, and the related statement of changes in net position – fiduciary funds for the year then ended, and the related notes to the financial statements, which collectively comprise RIO's basic financial statements, and the combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RIO as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of RIO as of June 30, 2016, and the results of the changes in financial position of such funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of RIO are intended to present the financial position and the changes in financial position of only that portion of the State of North Dakota that is attributable to the transactions of RIO. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2016, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

The Introductory, Investment, Actuarial and Statistical Section, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Audit Standards*, we have also issued our report dated November 7, 2016, on our consideration of RIO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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* in considering RIO's internal control over financial reporting.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
November 7, 2016

North Dakota Retirement and Investment Office
Management's Discussion and Analysis
June 30, 2016

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, 2016. 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 23 investment clients in two investment pools and four individual investment accounts.

Financial Highlights

Total net position increased in the fiduciary funds by $623.3 million or 5.8% from the prior year. Approximately 78% of that increase is due to the growth of the Legacy Fund and the addition of the assets of the Tobacco Prevention and Control Fund. The Legacy Fund was created by a constitutional amendment in 2010. The amendment provides that 30% of oil and gas gross production and oil extraction taxes on oil produced after June 30, 2011, be transferred to the Legacy Fund. Transfers into the Legacy Fund totaled $434.9 million during the fiscal year. The Tobacco Prevention and Control Fund had a net contribution of $53.5 million during its first fiscal year within the SIB investment program.

Additions in the fiduciary funds for the year decreased $654.8 million or 37.8% from the previous year. There was a significant decrease ($476.7 million) in new purchases of units in the investment program mainly due to the slowdown of oil and gas tax collections in the Legacy Fund. Net investment income decreased by $189.0 million and total contributions increased $9.5 million.

Deductions in the fiduciary funds increased over the prior year by $30.1 million or 7.1%. Payments to TFFR members in the form of benefits and refunds increased by $13.7 million or 8.0%. This increase represented a rise in the total number of retirees drawing retirement benefits from the pension fund as well as an increase in the retirement salaries on which the benefits of new retirees are based. The redemption of units from the investment trust increased by $16.3 million or 6.6%.

As of June 30, 2016, the TFFR pension plan had a Net Pension Liability (NPL) of $1.47 billion and Plan Fiduciary Net Position as a percent of Total Pension Liability (TPL) of 59.2%.

Overview of the Financial Statements

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

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

Fund Financial Statements

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

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

Financial Analysis

RIO's fiduciary fund total assets as of June 30, 2016, were $11.5 billion and were comprised mainly of investments. Total assets increased by $736.6 million or 6.9% from the prior year primarily due to the growth of the Legacy Fund and addition of the Tobacco Prevention and Control Fund, as well as securities lending collateral from the program added during the fiscal year.

Total liabilities as of June 30, 2016, were $126.7 million. The majority of the liabilities was comprised of the securities lending collateral payable due to the addition of the program during the fiscal year. Total liabilities increased by $113.4 million or 860.4% from the prior year due entirely to the securities lending collateral.

RIO's fiduciary fund total net position was $11.4 billion at the close of fiscal year 2016.

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

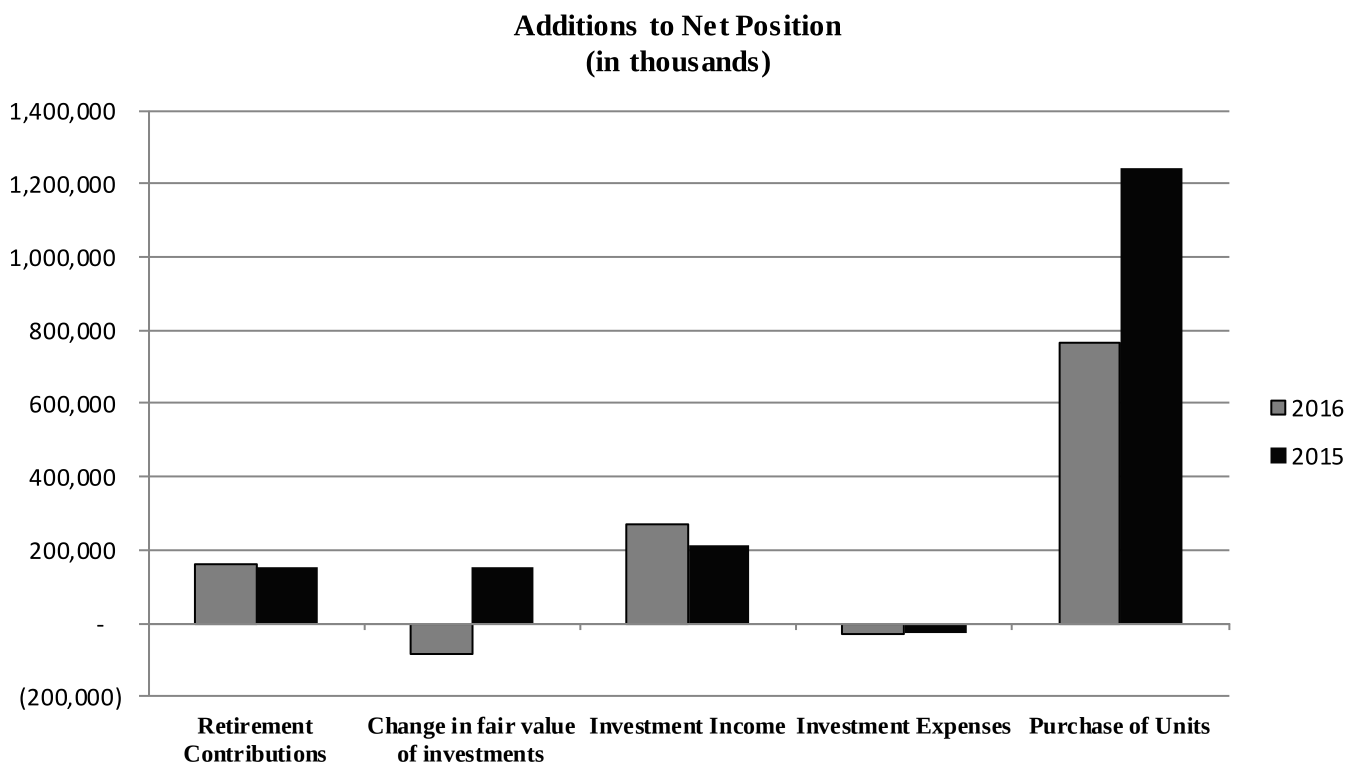
	2016	2015	Total % Change
Assets			
Investments	$ 11,278.3	$ 10,668.6	5.7%
Securities Lending Collateral	116.6	-	100.0%
Receivables	70.5	61.1	15.3%
Cash & Other	19.9	19.0	4.5%
Total Assets	11,485.3	10,748.7	6.9%
Deferred Outflows of Resources			
Deferred outflows related to pensions	0.3	0.1	128.8%
Liabilities			
Obligations under Securities Lending	116.6	-	100.0%
Accounts Payable & Accrued Expenses	10.1	13.2	-23.7%
Total Liabilities	126.7	13.2	860.4%
Deferred Inflows of Resources			
Deferred inflows related to pensions	0.1	0.2	-25.4%
Total Net Position	$ 11,358.8	$ 10,735.5	5.8%

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

	2016	2015	Total % Change
Additions:			
Contributions	$ 162.0	$ 152.5	6.3%
Net Investment Income	151.0	340.0	-55.6%
Net Securities Lending Income	1.4	-	100.0%
Purchase of Units	763.2	1,239.9	-38.4%
Total Additions	1,077.6	1,732.4	-37.8%
Deductions:			
Payments to TFFR members	186.0	172.2	8.0%
Administrative Expenses	2.9	2.9	1.9%
Redemption of Units	265.4	249.1	6.6%
Total Deductions	454.3	424.2	7.1%
Total Change in Net Position	$ 623.3	$ 1,308.2	-52.4%

Statement of Changes in Net Position – Additions

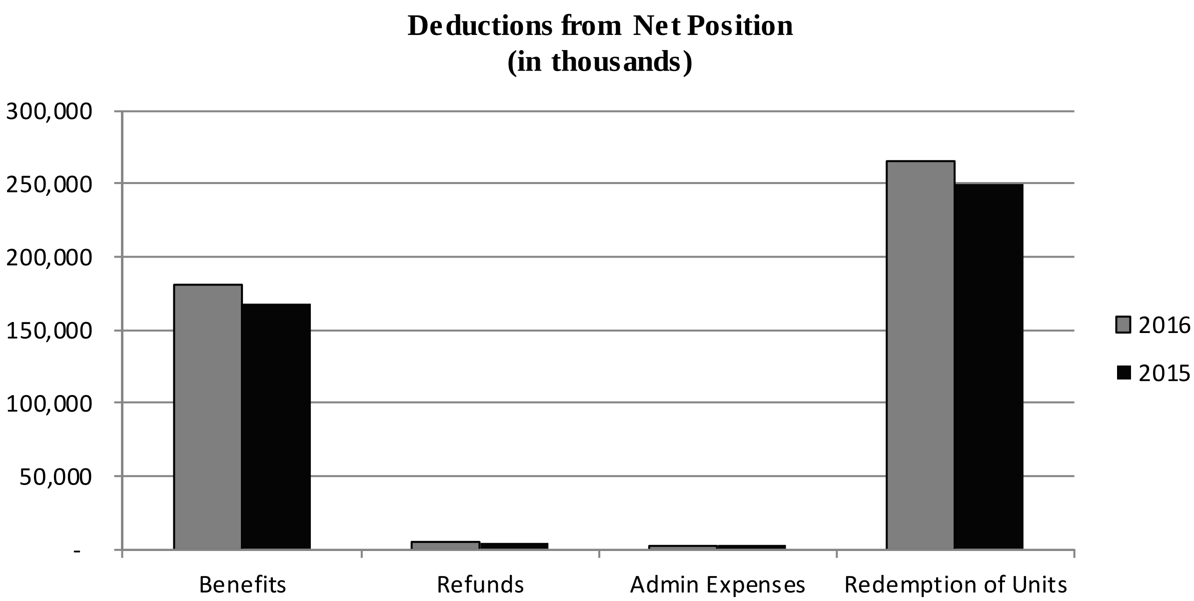
Contributions collected by the pension trust fund increased by $9.5 million or 6.3% over the previous fiscal year due to both an increase in the number of active members contributing to the fund and an increase in the average salary of active members. Net investment income (net of investment expenses) decreased by $189.0 million or 55.6% from last year. This was the result of weak financial markets during the fiscal year. Deposits of funds into the investment trust fund (purchase of units) decreased by $476.7 million or 38.4% due mainly to lower oil and gas tax collections affecting the Legacy Fund.



Statement of Changes in Net Position – Deductions

Benefits paid to TFFR plan participants, including partial lump-sum distributions, increased by $12.3 million or 7.3% during the fiscal year ended June 30, 2016. This was due to an increase in the total number of retirees in the plan as well as an increased retirement salary on which the benefits are based upon. Refunds increased in fiscal year 2016 by $1.5 million or 37.6%.

Administrative expenses remained relatively steady in fiscal year 2016, showing a modest 1.9% increase over the previous fiscal year.



Conclusion

Net returns were positive despite challenging global economic conditions and heightened volatility in the capital markets last year. China's currency devaluation on August 11, 2015, and the U.K. Brexit vote on June 23, 2016, contributed to this increased volatility. Although the U.S. economy appeared stronger than the broader global markets, GDP growth rates in the U.S. have declined for four consecutive quarters on an annualized basis. For the fiscal year ended June 30, 2016, the TFFR pension plan generated a net investment return of 0.3% which trailed the investment policy benchmark of 0.6%. Strong returns in real estate (up 11%) and international fixed income (up 7%) were largely offset by muted returns in U.S. equities (up 2%) and sharply disappointing results in world, international and private equities (down over 7%). U.S. fixed income and other real assets (including infrastructure and timber) posted net investment returns of less than 4% for fiscal year 2016.

While cumulative returns in the post-credit crisis era have been strong, investors today face numerous challenges in the future that may limit the potential for high market returns and amplify investment risk. First, one could argue that many asset classes and strategies no longer offer compelling valuations for investors. Second, the ever-growing debt burden from unprecedented monetary policy and muted economic growth in a range of economies makes it less and less likely that authorities will be in a position to provide a cushion in a downturn when it occurs. Finally, the specter of the Federal Reserve raising short-term interest rates in the near future does pose a challenge to certain asset classes and strategies to varying degrees. To meet this challenge, the State Investment Board will continue to research strategies and investment options that mitigate and diversify the sources of risk accepted to address funding issues in the challenging years ahead.

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

As of July 1, 2016, TFFR's funding level was 62.1% on an actuarial basis (and 59.2% on a market basis). Because recent investment performance has been less than assumed, TFFR's funded status is expected to decline as these losses are recognized over the next few years due to the plan's five-year asset smoothing method. However, over the long term, the plan's funding level is expected to gradually improve with full funding expected in 30-40 years, if all actuarial assumptions are met in the future, including the 7.75% investment return assumption. Protecting the long term solvency of the pension plan is the TFFR Board's fiduciary responsibility. The Board will continue to proactively address TFFR funding issues so the plan will be financially strong and sustainable for past, present, and future ND educators.

Contacting RIO Financial Management

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

North Dakota Retirement and Investment Office

Statement of Net Position – Fiduciary Funds

June 30, 2016

	Pension Trust	Investment Trust	Total
Assets:			
Investments, at fair value			
Equities	$ -	$ 1,900,710,606	$ 1,900,710,606
Equity pool	1,131,917,482	1,921,253,074	3,053,170,556
Fixed income	-	1,415,525,781	1,415,525,781
Fixed income pool	479,086,760	2,285,945,327	2,765,032,087
Real assets	-	615,513,449	615,513,449
Real assets pool	369,771,496	889,167,336	1,258,938,832
Private equity pool	73,374,321	85,965,628	159,339,949
Cash pool	18,515,640	91,516,800	110,032,440
Total investments	2,072,665,699	9,205,598,001	11,278,263,700
Invested securities lending collateral	19,859,451	96,710,963	116,570,414
Receivables:			
Investment income	9,517,943	35,454,773	44,972,716
Contributions	25,494,939	-	25,494,939
Miscellaneous	7,963	13,880	21,843
Total receivables	35,020,845	35,468,653	70,489,498
Cash and cash equivalents	19,747,422	168,372	19,915,794
Total assets	2,147,293,417	9,337,945,989	11,485,239,406
Deferred outflows of resources			
Deferred outflows related to pensions	168,324	113,380	281,704
Liabilities:			
Accounts payable	118,477	38,269	156,746
Investment expenses payable	1,713,404	6,349,541	8,062,945
Securities lending collateral	19,859,451	96,710,963	116,570,414
Accrued expenses	1,354,756	443,950	1,798,706
Miscellaneous payable	-	17,233	17,233
Due to other state agencies	10,055	7,234	17,289
Total liabilities	23,056,143	103,567,190	126,623,333
Deferred inflows of resources			
Deferred inflows related to pensions	70,310	42,271	112,581
Net position:			
Restricted for pensions	2,124,335,288	-	2,124,335,288
Held in trust for external investment pool participants:			
Pension pool	-	2,637,238,130	2,637,238,130
Insurance pool	-	2,538,236,673	2,538,236,673
Held in trust for individual investment accounts	-	4,058,975,105	4,058,975,105
Total net position	$ 2,124,335,288	$ 9,234,449,908	$ 11,358,785,196
Each participant unit is valued at $1.00			
Participant units outstanding		9,234,449,908	9,234,449,908

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

North Dakota Retirement and Investment Office
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2016

	Pension Trust	Investment Trust	Total
Additions:			
Contributions:			
Employer contributions	$ 82,839,932	$ -	$ 82,839,932
Member contributions	76,342,685	-	76,342,685
Purchased service credit	2,768,245	-	2,768,245
Interest, penalties and other	44,966	-	44,966
Total contributions	161,995,828	-	161,995,828
Investment income:			
Net change in fair value of investments	(35,952,316)	(51,056,400)	(87,008,716)
Interest, dividends and other income	49,982,337	217,167,354	267,149,691
	14,030,021	166,110,954	180,140,975
Less investment expenses	6,034,689	23,130,811	29,165,500
Net investment income	7,995,332	142,980,143	150,975,475
Securities lending activity:			
Securities lending income	304,571	1,465,052	1,769,623
Less securities lending expenses	(60,907)	(292,852)	(353,759)
Net securities lending income	243,664	1,172,200	1,415,864
Purchase of units ($1 per unit)	-	763,176,205	763,176,205
Total additions	170,234,824	907,328,548	1,077,563,372
Deductions:			
Benefits paid to participants	179,625,551	-	179,625,551
Partial lump-sum distributions	992,233	-	992,233
Refunds	5,350,896	-	5,350,896
Administrative expenses	1,851,656	1,066,070	2,917,726
Redemption of units ($1 per unit)	-	265,411,054	265,411,054
Total deductions	187,820,336	266,477,124	454,297,460
Change in net position	(17,585,512)	640,851,424	623,265,912
Net position:			
Beginning of year	2,141,920,800	8,593,598,484	10,735,519,284
End of Year	$ 2,124,335,288	$ 9,234,449,908	$ 11,358,785,196

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

Note 1 - Summary of Significant Accounting Policies

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

For financial reporting purposes, RIO has included all funds, and has considered all potential component units for which RIO is financially accountable, and other organizations for which the nature and significance of their relationship with RIO are such that exclusion would cause RIO's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. 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 accounted for within the pension and investment trust funds and are shown, by fund, in the fiduciary fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

New Accounting Standards

In fiscal year 2016, the Plan implemented GASB Statement No. 72, Fair Value Measurement and Application, ("GASB 72"). This statement defines fair value and describes how state and local governments should define and measure fair value, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. GASB 72 enhances transparency through new note disclosures as reflected in Note 3 Investments - Fair Value Measurement.

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 four individual investment accounts. 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, Bismarck City Employees and Police, City of Grand Forks Employees and City of Grand Forks Park District Employees pension plans in the pension pool. The investments of Workforce Safety & Insurance, State Fire and Tornado, State Bonding, Petroleum Tank Release Compensation Fund, Insurance Regulatory Trust, North Dakota Association of Counties Fund, Risk Management, Risk Management Workers Compensation, PERS Group Insurance, City of Bismarck Deferred Sick Leave, City of Fargo FargoDome Permanent Fund, Cultural Endowment Fund, ND State Board of Medicine, and Budget Stabilization Fund are managed in the insurance pool. The Legacy Fund, Job Service North Dakota, Tobacco Prevention and Control Fund, and PERS Retiree Health investments are managed by SIB in individual investment accounts; except for a small portion of the Legacy Fund fixed income assets that will remain pooled until they are liquidated at a future date and their cash allocation that will remain pooled for operational efficiency.

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

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

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

Use of Estimates

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

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

Budgetary Process

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

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

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

Pooled Investments

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

Investment Valuation and Income Recognition

Investments are reported at fair value. Quoted market prices, when available, have been used to value investments. The fair values for securities that have no quoted market price represent estimated fair value. International securities are valued based upon quoted foreign market prices and translated into 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 change in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment sold. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current fiscal year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

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

Pensions

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

Note 2 - Cash and Cash Equivalents

Custodial Credit Risk

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

Pension Trust Fund

Deposits held by the Pension Trust Fund at June 30, 2016 were deposited in the Bank of North Dakota. At June 30, 2016, the carrying amount of TFFR's deposits was $19,747,422 and the bank balance was $19,799,474. 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 are recorded as investments and have a cost and carrying value of $81,143,786 at June 30, 2016. In addition these funds carry cash and cash equivalents totaling $168,372 at June 30, 2016. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, these deposits held at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

Note 3 - Investments

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

Interest Rate Risk

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

At June 30, 2016, the following tables show the investments by investment type and maturity (expressed in thousands).

	Total Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years
Asset Backed Securities	$ 214,093	$ 1,354	$ 73,333	$ 35,566	$ 103,840
Bank Loans	7,523	-	5,407	2,116	-
Collateralized Bonds	-	-	-	-	-
Commercial Mortgage-Backed	143,357	67	17	5,760	137,513
Commercial Paper	-	-	-	-	-
Corporate Bonds	1,292,451	56,049	432,650	433,705	370,047
Corporate Convertible Bonds	8,502	-	6,629	190	1,683
Government Agencies	68,113	5,900	44,149	8,266	9,798
Government Bonds	567,638	26,480	273,899	107,544	159,715
Gov't Mortgage Backed and CMB	715,219	256	27,624	36,868	650,471
Repurchase Agreements	(14,482)	(14,482)	-	-	-
Index Linked Government Bonds	34,183	5,903	-	7,456	20,824
Municipal/Provincial Bonds	36,951	154	5,845	9,704	21,248
Non-Government Backed CMOs	60,641	-	8,303	900	51,438
Other Fixed Income	6,528	1,455	5,073	-	-
Short Term Bills and Notes	17,161	17,161	-	-	-
Funds/Pooled Investments	1,713,792	172,187	701,969	442,005	397,631
Total Debt Securities	$ 4,871,670	$ 272,484	$ 1,584,898	$ 1,090,080	$ 1,924,208

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 $7.7 million and POs valued at $6.7 million at June 30, 2016. The SIB has no policy regarding IO or PO strips.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Investment Board maintains a highly diversified portfolio of debt securities encompassing a wide range of credit ratings. Although the SIB has no overall policy regarding credit risk, each debt securities manager is given a specific set of guidelines to invest within based on the mandate for which it was hired. The guidelines specify in which range of credit the manager may invest. These ranges include investment grade and below investment grade categories. The following table presents the SIB's ratings as of June 30, 2016 (expressed in thousands).

	Total Fair Value	Credit Rating*										
		AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	$ 213,219	$ 123,092	$ 21,414	$ 30,455	$ 19,980	$ 3,822	$ 2,797	$ 9,202	$ 1,804	$ -	$ 653	$ -
Bank Loans	7,523	-	-	-	2,977	2,305	2,241	-	-	-	-	-
Commercial Mortgage Backed	111,063	47,154	23,370	10,891	9,682	5,798	6,791	6,618	-	-	759	-
Corporate Bonds	1,292,451	2,026	45,795	218,343	783,700	165,038	64,841	9,969	471	-	2,268	-
Corporate Convertible Bonds	8,502	-	-	-	34	2,689	3,905	1,477	-	-	397	-
Gov't Agencies	63,908	4,305	44,179	1,066	14,358	-	-	-	-	-	-	-
Gov't Bonds	128,745	8,315	12,427	34,160	41,997	28,531	3,315	-	-	-	-	-
Gov't Issued Commercial & Gov't Mortgage Backed	507,990	2,587	505,403	-	-	-	-	-	-	-	-	-
Municipal/Provincial Bonds	36,951	4,517	16,036	7,456	8,788	-	-	-	-	-	-	154
Non-Gov't Backed CMOs	59,280	7,493	6,533	18,982	8,676	699	4,242	4,664	2,924	-	5,067	-
Other Fixed Income	6,528	-	6,528	-	-	-	-	-	-	-	-	-
Repurchase Agreements	(14,482)	3,700	(18,182)	-	-	-	-	-	-	-	-	-
Short Term Bills & Notes	15,697	-	15,697	-	-	-	-	-	-	-	-	-
Funds/Pooled Investments	1,713,792	107,858	940,656	418,236	190,616	49,459	6,967	-	-	-	-	-
Total Credit Risk of Debt Securities	4,151,167	$ 311,047	$1,619,856	$ 739,589	$ 1,080,808	$ 258,341	$ 95,099	$ 31,930	$ 5,199	$ -	$ 9,144	$ 154
US Gov't & Agencies **	720,503											
Total Debt Securities	$ 4,871,670											

* Ratings are determined in the following order:

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

** US government agency securities explicitly guaranteed by the US government are categorized here. Credit ratings of US government agency securities that are only implicitly guaranteed by the US government are categorized accordingly in the main body of this table. Implicitly guaranteed agency securities included in the *Gov't Issued Commercial & Gov't Mortgage Backed, Gov't Agencies,* and *Short Term Bills and Notes* categories are issued by FNMA, FDIC, FHLB, FHLMC, FICO, FAMC and NCUA and TVA.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in a single issuer. As of June 30, 2016, the SIB's portfolio has no single issuer exposure that comprises 5% or more of the overall portfolio, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments. Therefore, there is no concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Although the SIB does not have a formal investment policy governing foreign currency risk, the SIB does manage its exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios to limit foreign currency and security risk. The SIB's exposure to foreign currency risk is presented in the following table as of June 30, 2016 (expressed in thousands).

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Currency	Short-Term	Debt	Equity	Total
Australian dollar	$ 508	$ 11,044	$ 40,740	$ 52,292
Brazilian real	560	7,856	4,035	12,451
British pound sterling	(839)	8,370	194,291	201,822
Canadian dollar	48	-	22,605	22,653
Chilean peso	54	9,704	853	10,611
Chinese yuan renminbi	(17)	-	-	(17)
Columbian peso	-	2,184	-	2,184
Czech koruna	-	-	743	743
Israeli shekel	46	-	5,332	5,378
Danish krone	70	-	12,863	12,933
Euro	(9,287)	12,557	287,286	290,556
Hong Kong dollar	419	-	67,721	68,140
Hungarian forint	3	5,619	1,912	7,534
Indian rupee	6,858	-	-	6,858
Indonesian Rupiah	33	6,771	1,051	7,855
Japanese yen	2,582	397	190,320	193,299
Malaysian Ringgit	59	6,469	-	6,528
Mexican peso	(304)	25,778	7,358	32,832
New Zealand dollar	28	5,187	2,476	7,691
Norwegian krone	4,735	-	12,551	17,286
Polish zloty	-	2,952	1,177	4,129
Russian ruble	(546)	-	-	(546)
Singapore dollar	113	-	6,049	6,162
South African rand	93	4,540	9,775	14,408
South Korean won	486	-	18,227	18,713
Swedish krona	9,995	-	27,601	37,596
Swiss franc	62	-	68,795	68,857
Taiwan dollar	9	-	2,807	2,816
Thai baht	387	-	3,838	4,225
Turkish lira	42	-	1,173	1,215
International commingled funds (various currencies)	-	110,368	762,502	872,870
Total international investment securities	$ 16,197	$ 219,796	$ 1,754,081	$ 1,990,074

Negative amounts represent short positions.

Derivative Securities

Derivatives are financial arrangements between two parties whose payments are based on, or “derived” from, the performance of some agreed upon benchmark. The investment policies of the SIB’s clients allow the use of derivative securities to hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative instruments. The fair value of all derivative securities is reported in the statement of net position. At June 30, 2016, the SIB had four types of derivative securities: futures, options, swaps and currency forwards.

Futures

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specific price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the SIB’s counterparty risk. The net change in the futures contracts’ value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included in net change in fair value of investments in the statement of changes in net position and totaled $(7.5) million for fiscal year 2016. At June 30, 2016, the SIB investment portfolio had the notional futures balances shown below (expressed in thousands).

Futures	Notional Value June 30, 2016
Cash & Cash Equivalent Derivative Futures	
Long	$ 37,736
Short	(946,602)
Equity Derivative Futures	
Long	623,571
Fixed Income Derivative Futures	
Long	509,240
Short	(290,226)
Total Futures	$ (66,281)

Options

Options represent or give buyers the right, but not the obligation, to buy (call) or sell (put) an asset at a preset price over a specified period. Options are traded on organized exchanges (exchange traded) thereby minimizing the SIB’s counterparty credit risk. The option’s price is usually a small percentage of the underlying asset’s value. As a seller of a financial option, the SIB, through its investment manager, receives a premium at the beginning of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a buyer of a financial option, the SIB, through its investment manager, pays a premium at the beginning of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Gains and losses on options are determined based on fair values and recorded with the net change in fair value of investments in the statement of changes in net position and totaled $0.4 million for fiscal year 2016. At June 30, 2016, the SIB investment portfolio had the following option balances (expressed in thousands).

Options	Fair Value June 30, 2016
Cash & Other Options	
Call	$ (72)
Put	72
Fixed Income Options	
Call	(37)
Put	(1)
Total Options	$ (38)

Swaps

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

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.

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

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.

Currency risk represents the exposure to fair value losses arising from the change in price of one currency against another. A currency swap is a foreign-exchange agreement between two parties to exchange principal and interest in one currency for the same in another currency.

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

Gains and losses on swaps are determined based on fair values and are recorded with the net change in fair value of investments in the statement of changes in net position and totaled $(10.7) million for fiscal year 2016. The maximum loss that would be recognized at June 30, 2016, if all counterparties failed to perform as contracted is $3.25 million. Swap fair values are determined by a third party pricing source. At June 30, 2016, 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 June 30, 2016	Expiration Date Range	Fair Value June 30, 2016
Bank of America/A3 (1 contract)	$ (2,600)	12/2018	$ 40
Barclays/A2 (1 contract)	(100)	9/2019	1
BNP Paribas/A2 (2 contracts)	(450)	12/2016 - 6/2019	(44)
Citibank/A3 (4 contracts)	(11,050)	12/2018 - 12/2019	105
Citigroup Global Markets/A1	(6,500)	12/2018	75
Credit Suisse First Boston/A1 (2 contracts)	4,340	6/2021	(81)
Deutsche Bank/A2 (2 contracts)	2,400	6/2017	(18)
Goldman Sachs/A3 (5 contracts)	(1,850)	12/2016 - 3/2020	(2)
JP Morgan Chase/Aa3 (14 contracts)	2,181	12/2016 - 11/2045	(51)
Total Credit Default Swaps	$ (13,629)		$ 25

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

Currency Swaps

Counterparty/Moody's Rating	Notional Amount June 30, 2016	Expiration Date Range	Fair Value June 30, 2016
Deutsche Bank London/A2	$ 281	5/2017	$ 1
Goldman Sachs/A3	150	1/2017	5
JP Morgan Chase/Aa3 (8 contracts)	181,560	11/2016 - 11/2024	-
Total Currency Swaps	$ 181,991		$ 6

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

Interest Rate Swaps

Counterparty/Moody's Rating	Notional Amount June 30, 2016	Expiration Date Range	Fair Value June 30, 2016
Bank of America/A3 (1 contract)	$ 6,243	1/2018	$ (50)
Citigroup Global Markets/A1 (3 contracts)	(3,055)	8/2020	(178)
Credit Suisse First Boston/A1 (24 contracts	(235,092)	12/2017 - 6/2046	(3,353)
Credit Suiss International/A1 (4 contracts)	8,137	1/2018 - 1/2021	(76)
Deutsche Bank/A2 (4 contracts)	6,697	1/2018 - 1/2021	(18)
Goldman Sachs/A3 (3 contracts)	7,850	1/2021 - 6/2026	(69)
HSBC Bank/A1 (2 contracts)	20,500	3/2020 - 9/2033	(4)
JP Morgan Chase/Aa3 (86 contracts)	(4,765)	2/2019 - 6/2046	(3,799)
Morgan Stanley/Baa1 (1 contract)	3,900	5/2022	8
Total Interest Rate Swaps	$ (189,585)		$ (7,539)

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

Inflation Swaps

Counterparty/Moody's Rating	Notional Amount June 30, 2016	Expiration Date Range	Fair Value June 30, 2016
Bank of America/A3 (7 contracts)	$ 700	1/2020	$ (10)
BNP Paribas/A2 (3 contracts)	600	1/2020	(8)
Citibank/A3 (4 contracts)	520	3/2020 - 6/2030	(11)
Deutsche Bank/A2 (1 contract)	206	11/2030	16
Goldman Sachs/A3 (11 contracts)	4,430	1/2020 - 1/2030	(52)
Total Inflation Swaps	$ 6,456		$ (65)

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

Total Return Swaps

Counterparty/Moody's Rating	Notional Amount June 30, 2016	Expiration Date Range	Fair Value June 30, 2016
Credit Suisse International/A1 (2 contracts)	$ 2,252	1/2041	$ (26)
Total Total Return Swaps	$ 2,252		$ (26)

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

Currency Forwards

Currency forwards represent forward exchange contracts that are entered into in order to manage the exposure to changes in currency exchange rates on the currency denominated portfolio holdings. A forward exchange contract is a commitment to purchase (positive) or sell (negative) a currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net change in fair value of investments in the statements of changes in net position and totaled $0.9 million for fiscal year 2016. At June 30, 2016, the SIB's investment portfolio included the currency forwards balances shown below (expressed in thousands).

					Fair Value
	Currency	Cost	Purchases	Sales	6/30/2016
AUD	Australian dollar	$ (60)	$ -	$ (60)	$ (60)
BRL	Brazilian real	208	471	(263)	230
GBP	British pound sterling	(1,323)	-	(1,323)	(1,222)
CAD	Canadian dollar	(85)	87	(172)	(84)
CLP	Chilean peso	9,404	9,404	-	9,704
CNY	Chinese yuan renminbi	(4,588)	-	(4,588)	(4,492)
EUR	Euro	(8,067)	2,565	(10,632)	(7,919)
HKD/CNH	Hong Kong dollar	4,598	6,210	(1,612)	4,475
HUF	Hungarian forint	(20)	-	(20)	(19)
INR	Indian rupee	6,920	6,920	-	6,858
JPY	Japanese yen	(2,192)	2,558	(4,750)	(2,353)
MXN	Mexican peso	(470)	-	(470)	(467)
NOK	Norwegian krone	4,162	4,162	-	4,099
RUB	Russian ruble	(540)	678	(1,218)	(546)
SEK	Swedish krona	10,368	10,368	-	9,986
USD	United States dollar	(18,315)	25,108	(43,423)	(18,315)
	Total forwards subject to currency risk				$ (125)

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, 2016, the tables below show the SIB's derivative investments subject to interest rate risk (expressed in thousands).

	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	$ (689,852)	$ (586,165)	$ (93,571)	$ 37,736	$ (47,852)	$ -
Options-margined interest rate contracts	(2)	(2)	-	-	-	-
Total	$ (689,854)	$ (586,167)	$ (93,571)	$ 37,736	$ (47,852)	$ -

	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	$ (37)	$ (37)	$ -	$ -	$ -	$ -
Options - interest rate contracts	-	-	-	-	-	-
Options - credit contracts	(1)	(1)	-	-	-	-
Swaps - interest rate contracts	(7,602)	-	-	-	(1,103)	(6,499)
Swaps - credit contracts	24	-	1	(16)	83	(44)
Total	$ (7,616)	$ (38)	$ 1	$ (16)	$ (1,020)	$ (6,543)

Fair Value Measurement

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

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

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

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

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

The following table shows the fair value leveling of the SIB's investment portfolio at June 30, 2016 (expressed in thousands).

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	Fair Value 6/30/16	Fair Value Measures Using: Quoted Prices in Active Markets for Indentical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Short Term Securities				
Short Term Bills and Notes	$ 17,161	$ -	$ 17,161	$ -
Short Term Securities	**17,161**	**-**	**17,161**	**-**
Fixed income investments				
Asset Backed Securities	214,093	-	212,013	2,080
Bank Loans	7,524	-	7,524	-
Commercial Mortgage-Backed	143,357	-	141,957	1,400
Corporate Bonds	1,292,451	-	1,289,656	2,795
Corporate Convertible Bonds	8,502	-	8,312	190
Funds - Fixed Income ETF	29,531	29,531	-	-
Government Agencies	68,113	-	68,113	-
Government Bonds	567,638	-	567,638	-
Government Mortgage Backed Securities	657,728	-	656,882	846
Gov't-issued Commercial Mortgage-Backed	57,491	-	57,491	-
Index Linked Government Bonds	34,183	-	34,183	-
Municipal/Provincial Bonds	36,951	-	36,951	-
Non-Government Backed C.M.O.s	60,641	-	55,099	5,542
Other Fixed Income	6,528	-	6,528	-
Total fixed income investments	**3,184,731**	**29,531**	**3,142,347**	**12,853**
Equity investments				
Common Stock	3,136,055	3,130,843	4,375	837
Convertible Equity	1,495	899	596	-
Funds - Common Stock	22,430	22,430	-	-
Funds - Equities ETF	84,030	84,030	-	-
Preferred Stock	2,550	2,550	-	-
Rights/Warrants	12	-	-	12
Stapled Securities	2,228	2,228	-	-
Total equity investments	**3,248,800**	**3,242,980**	**4,971**	**849**
Derivative investments				
Exchange Cleared Swaps	(6,584)	-	(6,584)	-
Options	(38)	(52)	14	-
Swaps	(1,015)	-	(1,018)	3
Total derivative investments	**(7,637)**	**(52)**	**(7,588)**	**3**
Total investments by fair value level	**$ 6,443,055**	**$ 3,272,459**	**$ 3,156,891**	**$ 13,705**

Investments measured at the net asset value (NAV)		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Funds-Debt	$ 1,510,097	$ -	Daily, monthly	1-15 days
Commingled Funds-Equities	885,713	-	Daily, monthly	1-15 days
Distressed Debt	268,329	21,735	Quarterly, Not eligible	60 days
Long/Short	167,752	-	Monthly	15 days
Mezzanine Debt	3,686	13,147	Not eligible	Not eligible
Private Equity	159,340	105,293	Not eligible	Not eligible
Real Assets	1,457,778	212,297	Quarterly, Not eligible	30-90 days
Total investments measured at the NAV	**$ 4,452,695**	**$ 352,472**		
Investments at other than fair value				
Cash and adjustments to cash	$ 315,852			
Bank Certificates of Deposit	81,144			
Repurchase Agreements	(14,482)			
Total investments at other than fair value	**$ 382,514**			
Total investments	**$ 11,278,264**			

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

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

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

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

General Partner distributes earnings and proceeds from the sale of the underlying investments as transactions occur. The SIB has $105.3 million in unfunded private equity commitments as of June 30, 2016.

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

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

Distressed Debt — these include investments in the debt instruments of companies which may be publicly traded or privately held that are financially distressed and are either in bankruptcy or likely candidates for bankruptcy. Typical holdings are senior and subordinated debt instruments, mortgages and bank loans. The SIB is including these types of investments in its fixed income and private equity asset classes. As of June 30, 2016, unfunded commitments in two of the four distressed debt funds totaled $21.7 million. Those two funds are not eligible for redemptions. Of the other two funds, one is in wind-down with final distributions expected in the next 12-18 months and the other fund is eligible for redemptions with quarterly liquidity and 60 days notice. Neither has an unfunded commitment.

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 below investment grade fixed income allocation. The two funds in this category are not eligible for redemptions, have remaining lives of 3-6 years, and unfunded commitments of $13.2 million as of June 30, 2016.

Equity Long/Short — This strategy is a combination of long and short positions, primarily in publicly traded equities. The SIB utilizes this strategy, through a limited partnership structure, within its US equity allocations. This is an open-ended fund with monthly liquidity with a notice period of 15 days. There was no unfunded commitment as of June 30, 2016.

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. There are currently 10 different real estate funds in the portfolio. Two of those funds are open-ended vehicles that accept redemption requests quarterly with a 30-90 day notification period. One fund is in wind-down and will be distributing the final proceeds within the next 12-18 months. The remaining seven funds are closed-ended limited partnerships that are not eligible for redemptions. Those seven funds have a combined unfunded commitment of $112.2 million.

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 a dedicated asset class for these types of investments. There are three funds in the portfolio and they have no unfunded commitments. The funds are not eligible for redemption other than distributions of income and/or proceeds as determined by the investment manager. The funds have remaining lives of 3-9 years.

Infrastructure — includes investments in limited partnerships that have an ownership interest in transportation assets such as toll roads, tunnels and bridges; and regulated assets such as electricity transmission, gas and oil distribution and wastewater collection. Other possible investments would include communication assets and social infrastructure. The SIB has a dedicated asset class for these types of investments. The infrastructure investments in the portfolio as of June 30, 2016, include both open and closed-ended funds. The open-ended funds have no unfunded commitments and are eligible for redemptions quarterly with 90 days notice. There may be a 3-12 month queue for receiving redemptions. The closed-ended funds have unfunded commitments of $100.1 million at June 30, 2016 and are not eligible for redemptions.

Securities Lending

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

Non-cash collateral cannot be pledged or sold unless the borrower defaults. All securities loans can be terminated on demand by either the lender or the borrower, although the average term of SIB loans was approximately 69 days as of June 30, 2016. Cash open collateral is invested in a short term investment pool, which had an interest sensitivity of 1 day as of this statement date. This pool is valued based on amortized cost. There were no violations of legal or contractual provisions, no borrower or lending agent default losses known to the securities lending agent. There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

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

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

The following represents the balances relating to the securities lending transactions at June 30, 2016 (expressed in thousands).

	Securities Lent	Non-Cash Collateral Value	Cash Collateral Investment Value
Lent for cash collateral:			
US agency securities	$ 10	$ -	$ 10
US government securities	10,435	-	10,603
US corporate fixed income securities	29,492	-	29,954
Global government fixed income securities	2,992	-	3,125
US equities	65,991	-	66,969
Global equities	5,603	-	5,909
Lent for non-cash collateral:			
US agency securities	-	-	-
US government securities	212	216	-
US corporate fixed income securities	1,574	1,599	-
US equities	18,636	18,949	-
Global equities	20,525	21,776	-
Total	$ 155,470	$ 42,540	$ 116,570

Note 4 - Capital Assets

	June 30, 2015	Additions	Retirements	June 30, 2016
Office equipment	$19,321	$ -	$ -	$19,321
Less accumulated depreciation on office equipment	(19,321)	-	-	(19,321)
Software	1,213,500	-	-	1,213,500
Less accumulated depreciation on software	(1,213,500)	-	-	(1,213,500)
	$0			$0

Note 5 - State Agency Transactions

Due From/To Other State Agencies

Amounts due from/to other state agencies are as follows as of June 30, 2016:

	2016
Due To	
Information Technology Department	$ 8,469
Office of Attorney General	8,666
Office of Management and Budget	154
Total due to other state agencies	$ 17,289

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 6 - Operating Leases

RIO leases office space under an operating lease effective July 1, 2015 through June 30, 2017. RIO also incurs rent expense at other locations on a temporary basis to sponsor retirement education for TFFR members. Rent expense totaled $81,886 for fiscal 2016. Minimum payments under the lease for fiscal 2017 are $80,806.

Note 7 - Changes in Noncurrent Liabilities

Changes in noncurrent liabilities for the years ended June 30, 2016 are summarized as follows:

	Beginning Balance 7/1/2015	Additions	Reductions	Ending Balance 6/30/2016	Amounts Due Within One Year
Accrued Leave	$155,443	$138,889	($122,829)	$171,503	$96,470

Pension and Investment Trust Funds liquidate the accrued annual leave.

Note 8 - North Dakota Teachers' Fund for Retirement

Administration

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

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

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

Membership

As of June 30, 2016, the number of participating employer units was 214, consisting of the following:

	June 30, 2016
Public School Districts	176
County Superintendents	6
Special Education Units	19
Vocational Education Units	5
Other	8
Total	214

TFFR's membership consisted of the following:

	2016
Retirees and beneficiaries currently receiving benefits	8,249
Terminated employees - vested	1,601
Terminated employees - nonvested	779
Total	10,629
Current employees	
Vested	7,433
Nonvested	3,380
Total	10,813

Member and Employer Contributions

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

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A 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 three categories. Tier 1 grandfathered and Tier 1 non-grandfathered members are those with service credit on file as of July 1, 2008. Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008.

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Investment Policy

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates. The following was the TFFR Board's adopted asset allocation policy as of June 30, 2016.

Asset Class	Target Allocation
Global Equity	58.0%
Global Fixed Income	23.0%
Global Real Assets	18.0%
Cash Equivalents	1.0%
Total	100.0%

Private equity is included in the Global Equity asset class.

Investment Rate of Return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.39% for the year ended June 30, 2016. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Realized Gains and Losses

Realized gains and losses on sales of investments are components of net change in fair value of investments and are computed as described in Note 1. For the year ended June 30, 2016, TFFR had net realized gains of $60,426,737.

Net Pension Liability

The components of the net pension liability of TFFR at June 30, 2016 (expressed in thousands), were as follows:

Total pension liability	3,589,394
Plan fiduciary net position	(2,124,335)
Net pension liability (NPL)	1,465,059
Plan fiduciary net position as a percentage of the total pension liability	59.2%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions:

Valuation date	July 1, 2016
Inflation	2.75%
Salary increases	4.25% to 14.50%; varying by service, including inflation and productivity
Cost of living adjustments	None
Investment rate of return	7.75% net of investment expenses

Mortality rates were based on the following:

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study dated April 30, 2015, for the period July 1, 2009 – June 30, 2014. An actuarial experience study is generally conducted every five years.

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of June 30, 2016 (see the discussion of TFFR investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Global Equity	7.3%
Global Fixed Income	0.9%
Global Real Assets	5.3%
Cash Equivalents	0.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at rates equal to those based on the July 1, 2016 Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, TFFR's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of July 1, 2016. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

Sensitivity of Net Pension Liability

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.75% as of June 30, 2016, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Employers' net pension liability	$ 1,900,291,033	$ 1,465,058,563	$ 1,102,551,032

Note 9 - 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. The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions (Main System). NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor, one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

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

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

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

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

Refunds of Member Contributions

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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

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

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

At June 30, 2016, RIO reported a liability of $989,688 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. RIO's proportion of the net pension liability was based on RIO's share of covered payroll in the pension plan relative to the covered payroll of all participating NDPERS Main System employers. At June 30, 2015, RIO's proportion was 0.145546 percent.

For the year ended June 30, 2016, RIO recognized pension expense of $122,885. At June 30, 2016, RIO reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 28,712	$ -
Changes in assumptions	-	88,177
Net differences between projected and actual earnings on pension plan investments	-	20,892
Changes in proportion and differences between employer contributions and proportionate share of contributions	145,647	3,512
Employer contributions subsequent to the measurement date	107,345	-
Total	$ 281,704	$ 112,581

Deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date in the amount of $107,345 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

Year Ended June 30		
2017	$	1,746
2018		1,746
2019		1,746
2020		44,917
2021		11,613
	$	61,768

Actuarial assumptions

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increase (Payroll Growth)	4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses
Cost of Living Adjustment	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58%	7.5%
Global Fixed Income	23%	1.3%
Global Real Assets	18%	5.4%
Cash Equivalents	1%	0.0%

Discount rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015 Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employers' net pension liability	$ 1,517,637	$ 989,688	$ 557,730

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS Comprehensive Annual Financial Report. This report can be accessed on the NDPERS website at http://www.nd.gov/ndpers/forms-and-publications/index.html.

Note 10 - Related Parties

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

Note 11 - Contingencies/Litigation

The State Investment Board has been named as a defendant in two cases, arising out of the Tribune and General Motors bankruptcy proceedings, relating to securities that were purchased by external investment managers in one or more portfolios held by the SIB on behalf of its investment client funds. Outside counsel has been retained for both cases, in addition to assistance received from the ND Office of Attorney General. As of June 30, 2016, no liability has been recorded as it is too early in the litigation process to reasonably determine whether any payments will be required.

Required Supplementary Information

North Dakota Retirement and Investment Office
Required Supplementary Information

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

	2016	2015	2014
Total pension liability			
Service cost	$ 68,239	$ 60,618	$ 56,752
Interest	265,440	249,064	237,821
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(8,093)	2,209	9,347
Changes of assumptions	-	171,325	-
Benefit payments, including refunds of member contributions	(185,969)	(172,239)	(162,259)
Net change in total pension liability	139,617	310,977	141,661
Total pension liability - beginning	3,449,777	3,138,800	2,997,139
Total pension liability - ending (a)	$3,589,394	$3,449,777	$ 3,138,800
Plan fiduciary net position			
Contributions - employer	$ 82,840	$ 78,422	$ 62,355
Contributions - member	76,343	72,268	56,555
Contributions - purchased service credit	2,768	1,601	2,034
Contributions - other	45	172	48
Net investment income	8,239	73,205	294,246
Benefit payments, including refunds of member contributions	(185,969)	(172,239)	(162,259)
Administrative expenses	(1,852)	(1,923)	(1,586)
Net change in plan fiduciary net position	(17,586)	51,506	251,393
Plan fiduciary net position - beginning **	2,141,921	2,090,415	1,839,584
Plan fiduciary net position - ending (b)	$2,124,335	$2,141,921	$ 2,090,977
Plan's net pension liability - ending (a) - (b)	$1,465,059	$1,307,856	$ 1,047,823
Plan fiduciary net position as a percentage of the total pension liability	59.2%	62.1%	66.6%
Covered-employee payroll	$ 649,725	$ 615,105	$ 580,053
Plan's net pension liability as a percentage of covered-employee payroll	225.5%	212.6%	180.6%

Notes to Schedule:
* *Complete data for this schedule is not available prior to 2014.*
** *Beginning plan fiduciary net position restated in 2015 due to GASB 68 implementation.*

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

North Dakota Retirement and Investment Office
Required Supplementary Information

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	84,724	71,168	59,513	52,396	69,374	65,113	52,053	41,986	44,115	50,532
Contributions in relation to the actuarially determined contribution	82,840	78,422	62,355	59,301	46,126	44,545	39,837	37,488	33,684	31,865
Contribution deficiency (excess)	1,884	(7,254)	(2,842)	(6,905)	23,248	20,568	12,216	4,498	10,431	18,667
Covered-employee payroll	649,725	615,105	580,053	551,656	527,156	509,091	482,868	454,396	434,626	411,167
Contributions as a percentage of covered-employee payroll	12.75%	12.75%	10.75%	10.75%	8.75%	8.75%	8.25%	8.25%	7.75%	7.75%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years
Asset valuation method	5-year smoothed market
Inflation	2.75%; decreased from 3.0% prior to July 1, 2015
Salary increases	4.25% - 14.5%, including inflation and productivity; 4.5% - 14.75% prior to July 1, 2015
Investment rate of return	7.75%, net of investment expenses, including inflation; rate was decreased from 8% beginning July 1, 2015
Retirement age	In the 2015 valuation, rates of retirement were changed to better reflect anticipated future experience. In the 2010 valuation, expected retirement ages of plan members were adjusted to more closely reflect actual experience.
Mortality	In the 2015 valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 mortality tables with generational improvement. In prior years, those assumptions were based on percentages of GRS post termination non-disabled tables and RP-2000 disabled-life tables.

North Dakota Retirement and Investment Office
Required Supplementary Information

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

	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	0.39%	3.56%	16.35%	13.60%

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

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

	2016	2015
RIO's proportion of NDPERS net pension liability (asset)	0.145546%	0.121849%
RIO's proportionate share of NDPERS net pension liability (asset)	$ 990	$ 773
RIO's covered-employee payroll	1,297	1,026
RIO's proportionate share of NDPERS net pension liability (asset) as a percentage of its covered-employee payroll	76.33%	75.34%
NDPERS Plan fiduciary net position as a percentage of the total pension liability	77.15%	77.70%

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

	2016	2015
RIO's Statutorily required contributions	$ 98	$ 73
RIO's Contributions in relation to the statutory required contribution	98	73
Contribution deficiency (excess)	$ -	$ -
RIO's Covered-employee payroll	$ 1,377	$ 1,026
RIO's Contributions as a percentage of covered-employee payroll	7.12%	7.12%

Notes to schedules:
*Complete data for these schedules is not available prior to 2015.
Amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

	Pension Pool Participants					Insurance Pool Participants					
	Public Employees Retirement System	Bismarck City Employee Pension Plan	Bismarck City Police Pension Plan	City of Grand Forks Employee Pension Plan	City of Grand Forks Park District	Workforce Safety & Insurance	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund	Insurance Regulatory Trust Fund	Cultural Endowment Fund
Assets:											
Investments											
Equities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Equity pool	1,313,879,825	35,455,137	15,999,867	32,428,872	3,508,133	446,262,045	8,372,416	-	-	325,475	212,359
Fixed income	-	-	-	-	-	-	-	-	-	-	-
Fixed income pool	561,288,209	28,038,870	9,874,331	13,930,739	1,486,259	970,969,515	13,165,969	1,789,154	3,523,663	370,465	143,381
Real assets											
Real assets pool	459,762,805	16,202,424	6,721,270	8,670,751	487,946	393,406,291	-	-	-	-	18,858
Private equity pool	79,938,588	2,279,387	1,266,397	2,265,631	215,625	-	-	-	-	-	-
Cash pool	38,598,744	334,159	55,819	615,004	16,822	11,801,374	2,413,138	1,482,077	3,571,271	380,209	11,630
Total investments	2,453,468,171	82,309,977	33,917,684	57,910,997	5,714,785	1,822,439,225	23,951,523	3,271,231	7,094,934	1,076,149	386,228
Invested sec lending collateral	24,703,417	795,849	337,005	603,943	44,106	17,214,543	284,132	17,459	34,435	9,584	5,738
Investment income receivable	5,919,911	131,024	65,916	64,763	5,457	9,664,982	139,678	25,138	54,576	9,686	219
Operating Cash	58,769	-	-	-	-	44,480	850	947	889	656	280
Miscellaneous receivable	3,944	-	-	-	-	2,933	38	5	11	2	1
Due from other state agency	-	-	-	-	-	-	-	-	-	-	-
Total assets	2,484,154,212	83,236,850	34,320,605	58,579,703	5,764,348	1,849,366,163	24,376,221	3,314,780	7,184,845	1,096,077	392,466
Deferred outflows of resources											
Deferred outflows related to pensions	32,365	-	-	-	-	24,049	318	43	94	14	5
Liabilities:											
Investment expenses payable	2,033,481	68,689	29,337	49,976	4,056	902,230	16,077	653	1,296	574	349
Securities lending collateral	24,703,417	795,849	337,005	603,943	44,106	17,214,543	284,132	17,459	34,435	9,584	5,738
Accounts payable	11,497	-	-	-	-	8,332	118	14	31	6	2
Accrued expenses	147,685	-	-	-	-	109,961	1,781	210	479	75	24
Miscellaneous payable	-	2,737	1,132	1,826	250	-	-	-	-	-	-
Due to other state agencies	2,055	-	-	-	-	1,529	20	3	6	1	-
Total liabilities	26,898,135	867,275	367,474	655,745	48,412	18,236,595	302,128	18,339	36,247	10,240	6,113
Deferred inflows of resources											
Deferred inflows related to pensions	12,912	-	-	-	-	9,491	140	18	39	3	2
Net position held in trust for external investment pool participants	$ 2,457,275,530	$82,369,575	$ 33,953,131	$57,923,958	$ 5,715,936	$ 1,831,144,126	$ 24,074,271	$ 3,296,466	$ 7,148,653	$ 1,085,848	$ 386,356
Each participant unit is valued at $1.00											
Participant units outstanding	2,457,275,530	82,369,575	33,953,131	57,923,958	5,715,936	1,831,144,126	24,074,271	3,296,466	7,148,653	1,085,848	386,356

North Dakota Retirement and Investment Office
Combining Statement of Net Position – Investment Trust Funds – Fiduciary Funds
June 30, 2016
(With Comparative Totals for 2015)

Insurance Pool Participants								Individual Investment Accounts				Totals	
Risk Mgmt	Risk Mgmt Workers' Comp	ND Ass'n. of Counties Fund	PERS Group Insurance	Budget Stabilization Fund	City of Bismarck Deferred Sick Leave	City of Fargo FargoDome Fund	State Board of Medicine	Legacy Fund	Job Service of North Dakota	Tobacco Prevention and Control Fund	PERS Retiree Health Credit Fund	2016	2015
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,835,361,022	$ -	$ 5,446,369	$ 59,903,215	$ 1,900,710,606	$ 1,708,243,680
1,960,610	2,039,929	1,207,624	-	-	191,332	19,311,569	460,484	-	39,637,397	-	-	1,921,253,074	1,899,373,890
-	-	-	-	-	-	-	-	1,333,087,521	-	40,816,114	41,622,146	1,415,525,781	1,186,979,426
4,201,817	3,306,740	2,313,171	33,598,449	564,094,702	417,733	15,173,457	1,699,775	-	56,558,928	-	-	2,285,945,327	2,202,727,271
								615,513,449		-		615,513,449	509,958,485
-	-	-	-	-	-	3,850,123	46,868	-	-	-	-	889,167,336	843,179,560
-	-	-	-	-	-	-	-	-	-	-	-	85,965,628	95,675,581
326,346	165,642	526,438	4,098,901	8,994,897	31,692	396,841	2,149	9,199,026	391,845	8,102,776	-	91,516,800	127,180,135
6,488,773	5,512,311	4,047,233	37,697,350	573,089,599	640,757	38,731,990	2,209,276	3,793,161,018	96,588,170	54,365,259	101,525,361	9,205,598,001	8,573,318,028
86,602	79,306	44,080	45,991	2,571,110	7,375	557,673	18,340	49,250,275	-	-	-	96,710,963	-
46,029	3,863	1,633	18,010	2,828,790	1,507	50,730	(610)	16,324,166	163	1,280	97,862	35,454,773	28,925,179
1,143	1,141	-	-	13,286	-	-	-	45,931	-	-	-	168,372	90,692
10	10	-	-	944	-	-	-	5,982	-	-	-	13,880	13,084
-	-	-	-	-	-	-	-	-	-	-	-	-	57
6,622,557	5,596,631	4,092,946	37,761,351	578,503,729	649,639	39,340,393	2,227,006	3,858,787,372	96,588,333	54,366,539	101,623,223	9,337,945,989	8,602,347,040
86	79	-	-	7,772	-	-	-	48,555	-	-	-	113,380	47,146
4,492	4,289	2,431	13,304	183,727	399	35,220	1,199	2,861,410	57,023	5,751	73,578	6,349,541	8,326,400
86,602	79,306	44,080	45,991	2,571,110	7,375	557,673	18,340	49,250,275	-	-	-	96,710,963	-
28	26	-	-	2,471	-	-	-	15,744	-	-	-	38,269	49,697
415	364	-	-	35,273	-	-	-	147,683	-	-	-	443,950	342,998
-	-	250	1,264	-	236	1,309	250	-	3,289	1,467	3,223	17,233	16,497
5	5	-	-	492	-	-	-	3,118	-	-	-	7,234	2,314
91,542	83,990	46,761	60,559	2,793,073	8,010	594,202	19,789	52,278,230	60,312	7,218	76,801	103,567,190	8,737,906
38	35	-	-	3,237	-	-	-	16,356	-	-	-	42,271	57,796
$ 6,531,063	$ 5,512,685	$ 4,046,185	$ 37,700,792	$ 575,715,191	$ 641,629	$ 38,746,191	$ 2,207,217	$ 3,806,541,341	$ 96,528,021	$ 54,359,321	$ 101,546,422	$ 9,234,449,908	$ 8,593,598,484
6,531,063	5,512,685	4,046,185	37,700,792	575,715,191	641,629	38,746,191	2,207,217	3,806,541,341	96,528,021	54,359,321	101,546,422	9,234,449,908	8,593,598,484

	Pension Pool Participants						Insurance Pool Participants					
	Public Employees Retirement System	Bismarck City Employee Pension Plan	Bismarck City Police Pension Plan	City of Fargo Employee Pension Plan	City of Grand Forks Employee Pension Plan	City of Grand Forks Park District Pension Plan	Workforce Safety & Insurance	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund	Insurance Regulatory Trust Fund	Cultural Endowment Fund
Additions:												
Investment income:												
Net change in fair value of investments	$ (39,399,793)	$ (962,485)	$ (604,855)	$ -	$ (1,154,709)	$ (86,854)	$ 22,777,732	$ 150,447	$ 68,582	$ 133,864	$ (14,307)	$ 59
Interest, dividends and other income	58,071,997	1,944,554	821,724	41,431	1,271,401	120,995	46,504,149	567,145	51,284	108,926	26,821	9,737
	18,672,204	982,069	216,869	41,431	116,692	34,141	69,281,881	717,592	119,866	242,790	12,514	9,796
Less investment expenses	6,981,023	240,726	101,614	242	158,797	13,850	4,461,210	43,877	2,589	5,204	1,759	960
Net investment income	11,691,181	741,343	115,255	41,189	(42,105)	20,291	64,820,671	673,715	117,277	237,586	10,755	8,836
Securities lending activity:												
Securities lending income	358,681	11,452	4,809	-	8,076	805	213,849	3,631	85	170	160	76
Less Securities lending expenses	(71,724)	(2,291)	(961)	-	(1,615)	(160)	(42,729)	(725)	(17)	(34)	(33)	(15)
Net securities lending income	286,957	9,161	3,848	-	6,461	645	171,120	2,906	68	136	127	61
Purchase of units ($1 per unit)	29,500,000	-	-	-	4,057,319	286,925	28,000,000	-	-	-	-	-
Total Additions	41,478,138	750,504	119,103	41,189	4,021,675	307,861	92,991,791	676,621	117,345	237,722	10,882	8,897
Deductions:												
Administrative Expenses	333,608	-	-	-	-	-	220,265	2,936	1,025	1,055	1,009	565
Redemption of units ($1 per unit)	2,800,000	-	2,000,000	42,648	5,245,008	619,394	23,000,000	-	-	250,000	1,560,000	5,000
Total Deductions	3,133,608	-	2,000,000	42,648	5,245,008	619,394	23,220,265	2,936	1,025	251,055	1,561,009	5,565
Change in net position	38,344,530	750,504	(1,880,897)	(1,459)	(1,223,333)	(311,533)	69,771,526	673,685	116,320	(13,333)	(1,550,127)	3,332
Net position:												
Beginning of year	2,418,931,000	81,619,071	35,834,028	1,459	59,147,291	6,027,469	1,761,372,600	23,400,586	3,180,146	7,161,986	2,635,975	383,024
Restatement due to implementation of GASB 68	-	-	-	-	-	-	-	-	-	-	-	-
Beginning of year, as restated	2,418,931,000	81,619,071	35,834,028	1,459	59,147,291	6,027,469	1,761,372,600	23,400,586	3,180,146	7,161,986	2,635,975	383,024
End of year	$ 2,457,275,530	$ 82,369,575	$ 33,953,131	$ -	$ 57,923,958	$ 5,715,936	$ 1,831,144,126	$ 24,074,271	$ 3,296,466	$ 7,148,653	$ 1,085,848	$ 386,356

North Dakota Retirement and Investment Office

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

Year Ended June 30, 2016

(With Comparative Totals for 2015)

Insurance Pool Participants								Individual Investment Accounts					
Risk Mgmt	Risk Mgmt Workers' Comp	ND Ass'n of Counties Fund	PERS Group Insurance	Budget Stabilization Fund	City of Bismarck Deferred Sick Leave	City of Fargo FargoDome Fund	State Board of Medicine	Legacy Fund	Job Service of North Dakota	Tobacco Prevention and Control Fund	PERS Retiree Health Credit Fund	Totals 2016	Totals 2015
$ 142,283	$ 110,474	$ 32,045	$ 208,951	$ (2,598,566)	$ 4,725	$ (402,921)	$ (13,650)	$ (31,454,851)	$ 2,352,098	$ 840,505	$ (1,185,174)	$ (51,056,400)	$ 115,453,148
154,478	142,278	90,580	389,887	14,079,730	17,577	970,497	53,273	86,798,282	2,650,945	8,255	2,271,408	217,167,354	173,270,874
296,761	252,752	122,625	598,838	11,481,164	22,302	567,576	39,623	55,343,431	5,003,043	848,760	1,086,234	166,110,954	288,724,022
10,962	10,678	7,974	42,532	734,828	2,153	97,132	5,270	9,728,057	166,226	20,328	292,820	23,130,811	21,929,066
285,799	242,074	114,651	556,306	10,746,336	20,149	470,444	34,353	45,615,374	4,836,817	828,432	793,414	142,980,143	266,794,956
751	796	558	230	12,354	94	8,671	216	835,193	4,395	-	-	1,465,052	-
(151)	(160)	(113)	(45)	(2,469)	(19)	(1,732)	(44)	(166,936)	(879)	-	-	(292,852)	-
600	636	445	185	9,885	75	6,939	172	668,257	3,516	-	-	1,172,200	-
-	-	100,000	203,692,122	-	-	-	-	434,853,950	-	58,780,889	3,905,000	763,176,205	1,239,909,653
286,399	242,710	215,096	204,248,613	10,756,221	20,224	477,383	34,525	481,137,581	4,840,333	59,609,321	4,698,414	907,328,548	1,506,704,609
1,048	1,046	-	-	71,562	-	-	-	431,951	-	-	-	1,066,070	939,798
600,000	950,000	-	206,200,000	8,606,169	250,000	2,700,000	-	-	4,582,835	5,250,000	750,000	265,411,054	249,087,335
601,048	951,046	-	206,200,000	8,677,731	250,000	2,700,000	-	431,951	4,582,835	5,250,000	750,000	266,477,124	250,027,133
(314,649)	(708,336)	215,096	(1,951,387)	2,078,490	(229,776)	(2,222,617)	34,525	480,705,630	257,498	54,359,321	3,948,414	640,851,424	1,256,677,476
6,845,712	6,221,021	3,831,089	39,652,179	573,636,701	871,405	40,968,808	2,172,692	3,325,835,711	96,270,523	-	97,598,008	8,593,598,484	7,337,180,888
-	-	-	-	-	-	-	-	-	-	-	-	-	(259,880)
6,845,712	6,221,021	3,831,089	39,652,179	573,636,701	871,405	40,968,808	2,172,692	3,325,835,711	96,270,523	-	97,598,008	8,593,598,484	7,336,921,008
$ 6,531,063	$5,512,685	$ 4,046,185	$37,700,792	$ 575,715,191	$ 641,629	$ 38,746,191	$ 2,207,217	$ 3,806,541,341	$ 96,528,021	$ 54,359,321	$ 101,546,422	$ 9,234,449,908	$ 8,593,598,484

North Dakota Retirement and Investment Office
Pension and Investment Trust Funds – Schedule of Administrative Expenses
Year Ended June 30, 2016

	Pension Trust	Investment Trust
Salaries and wages:		
Salaries and wages	$ 759,748	$ 766,619
Fringe benefits	318,254	250,520
Total salaries and wages	1,078,002	1,017,139
Operating expenses:		
Travel	28,153	37,121
Supplies	2,746	1,083
Postage and Mailing Services	53,804	31,194
Printing	15,057	6,743
Small Office Equipment and Furniture	2,655	1,557
Insurance	401	230
Rent/Lease of Building Space	50,841	31,045
Repairs	-	12
Information Technology and Communications	71,447	16,231
IT Contractual Services	17,575	61,061
Professional Development	16,052	7,477
Operating Fees and Services	16,535	7,115
Professional Fees and Services	10,242	13,019
Consultant Services	270,302	52,887
Total operating expenses	555,810	266,775
Pension trust portion of investment program expenses	217,844	(217,844)
Total administrative expenses	1,851,656	1,066,070
Less - nonappropriated items:		
Consultant Services	270,302	52,887
Other operating fees paid under continuing appropriation	37,530	121,645
Accrual adjustments to employee benefits	22,352	13,046
Total nonappropriated items	330,184	187,578
Total appropriated expenditures	$ 1,521,472	$ 878,492

North Dakota Retirement and Investment Office

Schedule of Appropriations – Budget Basis – Fiduciary Funds

July 1, 2015 to June 30, 2017 Biennium

	Approved 2015-2017 Appropriation	2015-2017 Appropriation Adjustment	Adjusted 2015-2017 Appropriation	Fiscal 2016 Expenses	Unexpended Appropriations
All Fund Types:					
Salaries and wages	$ 4,340,551	$ 2,250	$ 4,342,801	$ 2,059,743	$ 2,283,058
Operating expenses	990,874	-	990,874	340,221	650,653
Contingency	82,000	-	82,000	-	82,000
Total	$ 5,413,425	$ 2,250	$ 5,415,675	$ 2,399,964	$ 3,015,711

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

Reconciliation of Administrative Expenses to Appropriated Expenditures

	2016
Administrative expenses as reflected in the financial statements	2,917,726
Less:	
Professional fees*	(323,189)
Other operating fees paid under continuing appropriations*	(159,175)
Changes in benefit accrual amounts	(35,398)
Total appropriated expenses	$2,399,964

* 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
Year Ended June 30, 2016

	Pension Trust	Investment Trust
Actuary fees:		
Segal Company	$ 144,633	$ -
Auditing/Accounting fees:		
CliftonLarsonAllen LLC	104,507	27,993
Disability consulting fees:		
Sanford Health	300	-
Legal fees:		
K&L Gates LLP	2,598	3,401
ND Attorney General	18,264	21,493
Total legal fees:	20,862	24,894
Total consultant expenses	$ 270,302	$ 52,887

North Dakota Retirement and Investment Office
Pension and Investment Trust Funds – Schedule of Investment Expenses
Year Ended June 30, 2016

	Pension Trust	Investment Trust
Investment managers' fees:		
Global equity managers	$ 1,230,533	$ 1,594,767
Domestic large cap equity managers	903,523	3,847,413
Domestic small cap equity managers	563,542	2,268,783
International equity managers	977,198	4,609,027
Emerging markets equity managers	529,699	770,162
Domestic fixed income managers	1,005,950	7,607,743
Below investment grade fixed income managers	1,082,779	1,462,837
Diversified Real Assets	-	3,001,349
International fixed income managers	376,723	457,845
Real estate managers	2,053,698	4,873,012
Infrastructure managers	1,027,901	1,241,458
Timber managers	(956,302)	(1,130,962)
Private equity managers	1,399,707	1,639,900
Short term fixed income managers	-	719,134
Cash & equivalents managers	23,185	149,960
Balanced account managers	-	642,747
Total investment managers' fees	$ 10,218,136	$ 33,755,175
Custodian fees	197,310	831,889
Investment consultant fees	204,752	475,338
SIB Service Fees	-	60,211
Total investment expenses	$ 10,620,198	$ 35,122,613

Reconciliation of investment expenses to financial statements

	Pension Trust	Investment Trust
Investment expenses as reflected in the financial statements	$ 6,034,689	$ 23,130,811
Plus investment management fees included in investment income		
Domestic large cap equity managers	354,231	872,120
Domestic small cap equity managers	207,192	267,457
International equity managers	216,778	1,121,711
Emerging markets equity managers	529,699	770,162
Domestic fixed income managers	727,899	4,282,647
Below investment grade fixed income managers	660,499	901,054
Inflation protected assets managers	-	1,093,122
Real estate managers	999,958	1,245,203
Infrastructure managers	453,976	548,295
Timber managers	(956,302)	(1,130,962)
Private equity managers	1,391,579	1,630,377
Cash equivalents managers	-	113,080
Balanced account managers	-	277,536
Investment expenses per schedule	$ 10,620,198	$ 35,122,613

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INVESTMENT SECTION

ND Retirement and Investment Office

State Investment Board
Teachers' Fund for Retirement

1930 Burnt Boat Drive
P.O. Box 7100
Bismarck, ND 58507-7100
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November 16, 2016

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 investment portfolios managed by the State Investment Board (SIB) and market environment for the fiscal year ended June 30, 2016.

Introduction

For the fiscal year ended June 30, 2016, the $4.7 billion North Dakota pension investment pool portfolio experienced a total return of 0.31% net of fees. The insurance investment pool, valued at $2.5 billion on June 30, 2016, returned 3.12% (net), during the same time frame. The $3.8 billion Legacy Fund returned 1.06%, net of fees, for the fiscal year. 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. The Legacy Fund was created by a constitutional amendment in 2010. The amendment provides that 30% of oil and gas gross production and oil extraction taxes on oil produced after June 30, 2011, be transferred to the Legacy Fund. The first transfer was received in September 2011. Transfers into the Legacy Fund totaled $434.9 million during the current fiscal year. Investment program details for the participating plans, including investment objectives and a listing of their external investment managers are presented in the Investment Section.

The investment program's cost as measured by expense ratio is 52 basis points for the pension pool, 35 basis points for the insurance pool, and 37 basis points for the Legacy Fund 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, 2016, as measured by standard deviation has been 7.90% for the pension pool and 3.18% 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 as of June 30, 2016

Several macro-economic events drove capital market volatility in the second half of 2015. Among these were fears of Greece exiting the European Union (E.U.) and the subsequent run on their banks, a slowing Chinese economy and their devaluation of the yuan, and oil prices that slid 34%. Adding to global market volatility was the uncertainty surrounding U.S. interest rates that culminated in the U.S. Federal Reserve moving off its zero interest rate policy to a target range of 0.25%-0.50% at its December 2015 meeting.

Calendar year 2016 started off with a slide in oil and equity prices that lasted until mid-February when both oil and stock prices stabilized, then reversed course, climbing throughout the rest of the fiscal year. During the second quarter, employers added an average of 175,000 jobs pushing the unemployment rate to end June at 4.9% versus 5.3% a year earlier. Despite this strong data, the U.S. Federal Reserve chose not to raise rates at their June 2016 meeting citing weak business capital investment and the surprisingly low May jobs creation figures. Headline and core CPI ended the fiscal year rising 1.0% and 2.3% year-over-year, respectively.

U.S. GDP growth was modestly positive over the 2016 fiscal year. Based on the most recent estimates, quarterly annualized GDP growth for the second quarter 2016 was 1.1%. Mirroring the slow growth rate in the U.S., euro zone GDP rose 1.6% during the same time period.

In international markets, the European Central Bank announced a new stimulus package in December that had muted effects. As the calendar year turned from 2015 to 2016, concerns about global growth were building. Japan continued its quantitative easing program by reducing its 10-year benchmark interest rate to -0.1% in an attempt to stimulate growth and support its capital markets. During this period, Japan and Germany became the second and third countries respectively to issue negative yielding 10-year debt. Despite these events, markets rallied in March and April. This momentum however stalled in late May when concerns regarding mediocre global growth figures and the U.K. referendum to leave the E.U. appeared to be gaining support. On June 23rd, the U.K. voted unexpectedly to exit the E.U., leading to a sharp global equity market selloff erasing two trillion dollars in a single day with the British Pound hitting a 31-year low. The U.S. dollar and yen rallied. Global equity markets digested the event in short order and recovered swiftly, reducing fears of a broad systemic event.

Domestic Equity Overview

The fiscal year ended June 30, 2016 brought positive yet muted returns across most of the domestic equity market. The S&P 1500 Index, a broad market indicator for the U.S. stock market, finished the fiscal year up 3.64%. Large cap stocks performed better than small cap stocks during the time period. The S&P 500, a gauge of large cap stock performance, outperformed its small cap peers by a wide margin. The S&P 500 rose 3.99% while the S&P 600 returned -0.03%. During this period value stocks outperformed growth stocks with the Russell 3000 Value Index advancing 2.42% versus a gain of 1.88% for the Russell 3000 Growth Index.

International Equity Overview

Developed International equity market returns, as represented by the MSCI EAFE Index, fell during fiscal year 2016. The index returned -10.16%, lagging its -4.22% performance in the prior fiscal year 2015. Growth fared better than Value in the international developed equity space. For the trailing twelve-months ended June 30, 2016, the MSCI EAFE Growth Index lost only 4.80% while the MSCI EAFE Value Index plummeted 15.43%. Emerging market equity returns trailed developed market returns for the fiscal year despite the rally in emerging market equities during the second quarter of the calendar year. The MSCI Emerging Markets Index dipped 12.05% over the trailing 12-months ended June 30, 2016. Overall, it was a lackluster year for international stock markets.

Private Equity

The private equity market decelerated in fiscal year 2016, but was still strong as institutional investors placed significant capital into new programs. According to the Dow Jones Private Equity Analyst service, 677 new partnerships were formed raising $269 billion in commitments during the past 12 months. Compared to fiscal year 2015, this is a decrease in both the total number of new partnerships formed (741) and dollars invested ($291 billion). Due to the nature of private equity performance measurement, relative comparisons of fund performance with benchmarks are inherently ambiguous.

Domestic Fixed Income Overview

The U.S. bond market, as measured by the Barclays Aggregate Bond Index, jumped 6.00% in fiscal year 2016. The yield curve shifted downward and flattened throughout the period, rewarding holders of longer duration bonds. The Barclays Government Index rose 6.04% over the 12-month period. Given the environment, the Barclays Government Long Index returned a generous 18.98%. The Barclays Credit Index rose 7.55% for the same time period as spreads compressed versus Treasuries. High yield bonds, despite a rally in the first six months of 2016, returned only 1.62% over the trailing 12-months (Barclays Corporate High Yield Index).

International Fixed Income Overview

International fixed income markets performed well in fiscal year 2016. The Barclays Global Aggregate ex-US Bond Index rose 11.24%. Sovereign yields in Europe remained low for the fiscal year, even falling into negative territory in some areas, leading the Citi Euro Government Bond Index to a gain of 8.59%. The U.S. dollar went through periods of weakening and strengthening relative to the euro, yen, and pound during the last 12 months, which had mixed effects on dollar denominated returns versus local currency returns. Emerging market countries gained some long awaited footing during fiscal year 2016; the JP Morgan Emerging Markets Bond Index Plus surged 13.22% over the 12 month period.

Real Estate Overview

The NCREIF Property Index, a measure of the direct private real estate market, gained 10.64% during the 2016 fiscal year. The index was positive in each of the four quarters, extending its winning streak to 26 straight quarters. The FTSE NAREIT Equity Index, a measure of the public securities real estate market, skyrocketed 24.04%.

Timber

The timber sector has maintained its market size over the course of the last twelve months. As of June 30, 2016 the total size of the NCREIF Timberland Property Index was $24.2 billion, representing approximately 13.4 million acres of land. The index was up year over year, returning 3.49% for the twelve months ending June 30, 2016, consisting of a 0.86% appreciation return and a 2.50% income return. The Northwest was the best performing region by gaining 6.02% for the year ended June 30, 2016. The South remains the largest region, representing $17.3 billion in market value and 9.7 million acres of land.

Infrastructure

Approximately 4.56% of the North Dakota State Investment Board's pension assets, 3.78% of the insurance trust, and 2.36% of the legacy fund are invested in infrastructure investments. These types of strategies are spread among four strategies: the JP Morgan Asian Infrastructure fund; the JP Morgan Infrastructure Fund; the Grosvenor Infrastructure Fund; and the Grosvenor Infrastructure II Fund.

By definition, infrastructure assets are essential to the economic health and productivity of civilized society. They include the basic facilities, services, and installations needed for the functioning of a community, such as transit and communications systems; both potable and sewage water lines; and electricity access. They also include such public entities as schools, post offices, and incarceration facilities. Most of these facilities have traditionally been owned and regulated by municipalities and states. The private sector's participation has been limited, to varying degrees, to the areas of design, construction, and operation. Budget and fiscal pressures limit the ability of public authorities to maintain existing infrastructure, much less to build the new facilities required by a growing population. In response to these problems, many municipalities and states have sold or are contemplating the sale of their infrastructure assets to private investors.

Over the one-year period ended June 30, 2016, the SIB's infrastructure investment program provided net returns of 2.88% for the Pension Trust, 4.94% for the Insurance Trust, and 4.33% for the Legacy Fund.

Summary

Amid a backdrop of modest economic growth, low central bank-controlled interest rates, and unpredictable political events, investment performance in absolute terms for the pension and insurance pools and Legacy Fund was muted in fiscal year 2016. With respect to relative performance, the insurance pool and Legacy Fund outperformed their respective policy benchmarks, while the pension pool slightly underperformed. Performance was favorably impacted by exposure to private real estate, whereas international and global equities detracted from total fund performance.

While absolute returns in fiscal year 2016 were unexceptional, performance over longer periods has been better. Over the past five years ending June 30, 2016, the pension and insurance pools returned 6.35% and 4.83%, respectively; over the past seven years, which most closely approximates the most recent market cycle, the pension and insurance pools returned a healthy 9.56% and 6.77%, respectively.

Going forward, the State Investment Board and staff will continue to monitor and align client investment portfolios entrusted to them in a sound fiduciary manner based on their respective investment objectives and constraints. At the same time, investment initiatives will be undertaken to further optimize the investment portfolios of all investment clients in the future.

Sincerely,

DARREN SCHULZ, CFA
Deputy Chief Investment Officer

DAVID HUNTER
Executive Director/Chief Investment Officer

INVESTMENT PERFORMANCE SUMMARY
JUNE 30, 2016

			Rates of Return (net of fees)									
	Fair Value	**% Of Pool**	**For Fiscal Year Ended 6/30**					**Annualized**				
PENSION POOL PARTICIPANTS			2016	2015	2014	2013	2012	3 Years	5 Years	10 Years	20 Years	30 Years
Teachers' Fund for Retirement	$2,082,183,642	44.1%	0.28%	3.52%	16.53%	13.57%	-1.12%	6.55%	6.32%	4.45%	6.48%	7.73%
Public Employees Retirement System	2,459,388,082	52.1%	0.28%	3.53%	16.38%	13.44%	-0.12%	6.51%	6.48%	4.81%	6.88%	7.89%
Bismarck City Employee Pension Fund	$82,441,001	1.7%	0.82%	3.69%	14.56%	12.41%	1.57%	6.20%	6.46%	5.16%	6.86%	*
Bismarck City Police Pension Fund	$33,983,600	0.7%	0.32%	3.56%	15.27%	13.03%	1.31%	6.19%	6.52%	5.02%	6.71%	*
City of Grand Forks Pension Fund	$57,975,760	1.2%	0.11%	3.53%	16.33%	14.01%	1.09%	6.43%	6.80%	*	*	*
Grand Forks Park District Pension Fund	$5,720,242	0.1%	0.36%	4.22%	16.44%	14.43%	0.86%	6.80%	7.05%	*	*	*
Subtotal Pension Pool Participants	4,721,692,327	100.0%										
INSURANCE POOL PARTICIPANTS												
Workforce Safety & Insurance Fund	1,832,104,207	72.1%	3.58%	3.27%	11.71%	8.31%	6.17%	6.11%	6.56%	5.66%	6.78%	*
State Fire and Tornado Fund	24,091,201	0.9%	2.67%	3.16%	12.78%	10.59%	4.93%	6.10%	6.75%	5.87%	6.43%	*
State Bonding Fund	3,296,369	0.1%	3.48%	1.25%	4.06%	2.96%	5.31%	2.92%	3.40%	2.07%	4.60%	*
Petroleum Tank Release Fund	7,149,510	0.3%	3.17%	1.13%	3.68%	2.47%	4.84%	2.65%	3.05%	1.82%	4.47%	*
Insurance Regulatory Trust Fund	1,085,835	0.0%	1.46%	2.04%	9.88%	8.49%	2.82%	4.39%	4.88%	4.63%	5.67%	*
State Risk Management Fund	6,534,802	0.3%	4.46%	4.08%	12.29%	10.19%	7.63%	6.88%	7.68%	6.59%	*	*
State Risk Management Workers Comp	5,516,174	0.2%	4.21%	4.57%	13.68%	11.61%	7.40%	7.40%	8.23%	6.74%	*	*
Cultural Endowment Fund	386,447	0.0%	2.18%	5.22%	16.94%	15.58%	4.65%	7.93%	8.75%	6.33%	*	*
Budget Stabilization Fund	575,918,389	22.7%	1.82%	1.86%	1.94%	1.87%	2.03%	1.88%	1.91%	2.11%	*	*
ND Assoc. of Counties (NDACo) Fund	4,048,866	0.2%	2.76%	2.77%	11.61%	9.46%	1.69%	5.63%	5.58%	4.73%	*	*
City of Bismarck Deferred Sick Leave	642,264	0.0%	3.26%	2.95%	12.32%	9.83%	5.69%	6.09%	6.75%	6.08%	*	*
PERS Group Insurance	37,715,360	1.5%	1.49%	0.01%	0.00%	0.11%	0.24%	0.52%	0.41%	1.25%	*	*
State Board of Medicine	2,208,666	0.1%	1.63%	2.70%	*	*	*	*	*	*	*	*
City of Fargo FargoDome Permanent Fund	38,782,720	1.5%	1.19%	3.38%	16.34%	13.46%	3.14%	6.76%	7.33%	5.97%	*	*
Subtotal Insurance Pool Participants	2,539,480,810	100.0%										
INDIVIDUAL INVESTMENT ACCOUNTS												
Legacy Fund	3,809,485,184		1.06%	3.31%	6.64%	1.15%	*	3.65%	*	*	*	*
Retiree Health Insurance Credit Fund	101,623,223		0.72%	3.06%	16.53%	14.80%	2.62%	6.55%	6.95%	5.13%	6.40%	*
Job Service of North Dakota Pension Fund	96,588,333		5.45%	3.30%	13.54%	11.71%	3.09%	7.34%	7.33%	6.00%	7.57%	*
Tobacco Prevention and Control Trust Fund	54,366,539		*	*	*	*	*	*	*	*	*	*
TOTAL	$11,323,236,416											
BENCHMARKS												
S&P 500			3.99%	7.42%	24.61%	20.60%	5.45%	11.65%	12.10%	7.42%	7.87%	9.82%
Barclays Aggregate			6.00%	1.86%	4.37%	-0.69%	7.47%	4.06%	3.76%	5.13%	5.67%	6.62%
90 Day T-Bills			0.19%	0.02%	0.05%	0.11%	0.06%	0.09%	0.09%	1.04%	2.41%	3.52%
Callan Public Plan Sponsors Database (Median-Gross of Fees)			0.54%	3.19%	16.31%	11.98%	1.20%	6.39%	6.42%	5.65%	7.06%	8.19%

* 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 results.

Columns may not foot due to rounding.

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
FOR PERIODS ENDED JUNE 30, 2016
PENSION INVESTMENT POOL

	Style	Date Initiated	Fair Value	Annualized Rates of Return Net of Fees: 1 Year	3 Years	5 Years
GLOBAL EQUITY:						
Epoch Investment Partners, Inc.	Core	01/2012	$ 338,524,029	-6.53%	5.78%	*
LSV Asset Management	Core Value	03/2013	428,600,397	-7.85%	5.84%	*
TOTAL GLOBAL EQUITY			767,124,426	-7.27%	5.71%	*
MSCI World Index				-2.78%	6.95%	*
DOMESTIC LARGE CAP EQUITY:						
Parametric Clifton	Enhanced S&P 500	06/2011	172,381,903	4.60%	11.88%	12.38%
Los Angeles Capital Management	Structured Growth	08/2003	308,454,840	4.95%	14.03%	13.39%
Los Angeles Capital Management	Enhanced Russell 1000	08/2000	191,342,879	5.92%	12.48%	12.92%
Northern Trust Asset Management	Enhanced S&P 500	08/2000	143,612,732	1.76%	10.70%	12.19%
TOTAL DOMESTIC LARGE CAP EQUITY			815,792,354	4.55%	12.63%	12.69%
Russell 1000 Index				2.93%	11.48%	12.09%
DOMESTIC SMALL CAP EQUITY:						
Atlanta Capital	High Quality	04/2016	113,269,259	*	*	*
Parametric Clifton	Enhanced Russell 2000	11/2009	133,904,288	-5.84%	7.84%	9.12%
TOTAL DOMESTIC SMALL CAP EQUITY			247,173,548	-7.04%	6.88%	8.95%
Russell 2000 Index				-6.73%	7.09%	8.35%
DEVELOPED INTERNATIONAL EQUITY:						
William Blair Investment Management	Growth-oriented	06/2016	122,123,346	*	*	*
Dimensional Fund Advisors	Small Cap Value	11/2007	71,922,590	-9.28%	6.01%	4.04%
Northern Trust Asset Management	Core	12/2013	255,177,849	-9.54%	*	*
Wellington Trust Company, NA	Small Cap Growth	03/2002	81,532,906	1.06%	8.90%	8.17%
TOTAL DEVELOPED INTERNATIONAL EQUITY			530,756,692	-7.94%	3.88%	2.79%
MSCI EAFE (unhedged) Index				-10.16%	2.06%	1.68%
EMERGING MARKETS EQUITY:						
Axiom International Investors	Core	07/2014	132,327,251	-10.32%	*	*
Dimensional Fund Advisors	Small Cap	10/2005	46,108,652	-5.64%	2.43%	-0.55%
TOTAL EMERGING MARKETS EQUITY			178,435,903	-9.25%	0.33%	-1.09%
MSCI Emerging Markets Index				-12.05%	-1.56%	-3.78%
PRIVATE EQUITY:						
Adams St. Partners (1998 Fund)	Diversified Private Equity	01/1998	125,801	4.14%	1.77%	0.95%
Adams St. Partners (1999 Fund)	Diversified Private Equity	01/1999	337,984	12.03%	2.61%	2.21%
Adams St. Partners (2000 Fund)	Diversified Private Equity	10/1999	938,044	-1.75%	-1.74%	1.43%
Adams St. Partners (2001 Fund)	Diversified Private Equity	12/2000	1,516,486	-10.10%	2.31%	4.78%
Adams St. Partners (2002 Fund)	Diversified Private Equity	03/2002	738,435	9.43%	1.65%	4.69%
Adams St. Partners (2003 Fund)	Diversified Private Equity	04/2003	358,630	-2.55%	13.28%	7.77%
Adams St. Partners (1999 Non-U.S. Fund)	Diversified Private Equity	01/1999	401,159	13.44%	1.29%	5.77%
Adams St. Partners (2000 Non-U.S. Fund)	Diversified Private Equity	01/2000	709,712	-7.68%	-2.64%	-2.51%
Adams St. Partners (2001 Non-U.S. Fund)	Diversified Private Equity	02/2001	169,925	23.36%	24.09%	12.41%
Adams St. Partners (2002 Non-U.S. Fund)	Diversified Private Equity	05/2002	1,028,252	29.09%	8.10%	5.92%
Adams St. Partners (2003 Non-U.S. Fund)	Diversified Private Equity	04/2003	565,080	18.08%	11.09%	9.99%
Adams St. Partners (2004 Non-U.S. Fund)	Diversified Private Equity	04/2004	402,925	-8.27%	5.80%	3.35%
Adams St. Partners (2008 Non-U.S. Fund)	Diversified Private Equity	01/2008	7,468,204	11.84%	12.71%	9.22%
Adams St. Partners (2010 Direct Fund)	Direct Private Equity	04/2010	1,351,602	7.48%	15.27%	13.88%
Adams St. Partners (2010 Non-U.S. Developed)	Diversified Private Equity	04/2010	2,630,679	9.63%	6.70%	7.21%

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
FOR PERIODS ENDED JUNE 30, 2016
PENSION INVESTMENT POOL (CONTINUED)

				Annualized Rates of Return Net of Fees		
	Style	Date Initiated	Fair Value	1 Year	3 Years	5 Years
PRIVATE EQUITY (continued):						
Adams St. Partners (2010 Partnership Fund)	Diversified Private Equity	04/2010	5,513,205	6.18%	13.70%	12.03%
Adams St. Partners (2010 Emerging Mkts Fund)	Diversified Private Equity	01/2011	1,290,610	10.50%	11.83%	0.77%
Adams St. Partners (2015 Global Fund)	Diversified Private Equity	10/2015	1,512,943	*	*	*
Adams St. Partners (B.V.C.F. IV)	Diversified Private Equity	05/1999	3,764,686	-1.65%	18.20%	29.22%
Adams St. Partners (Direct Co-Investment)	Direct Private Equity	09/2006	5,574,253	8.04%	15.92%	12.50%
Capital International (Fund V)	EM Private Equity	08/2007	7,819,086	-25.52%	-10.61%	-9.07%
Capital International (Fund VI)	EM Private Equity	12/2011	17,880,644	1.06%	-9.32%	*
EIG (formerly Trust Company of the West)	Mezz Debt - Energy	07/2007	4,666,317	-67.59%	-38.29%	-24.04%
Corsair Capital (Fund III)	Pvt Eq - Financial Svcs	02/2006	13,394,710	34.22%	7.06%	1.35%
Corsair Capital (ND Investors)	Pvt Eq - Financial Svcs	03/2008	11,921,782	6.41%	-0.10%	2.53%
Corsair Capital (Fund IV)	Pvt Eq - Financial Svcs	05/2010	17,104,833	-2.38%	13.58%	6.00%
Invest America (Lewis and Clark Fund)	Direct Venture Capital	02/2002	1,329,909	-51.19%	-35.55%	-19.67%
Invest America (L&C Fund II)	Direct Venture Capital	06/2009	9,613,134	1.88%	-6.77%	-5.56%
Matlin Patterson Global Opportunities Fund II	Distressed Debt	10/2004	1,625,923	7.27%	3.19%	-27.34%
Matlin Patterson Global Opportunities Fund III	Distressed Debt	06/2007	26,972,129	-5.66%	-1.30%	22.01%
Quantum Energy Partners	Pvt Equity - Energy	01/2007	6,127,000	-22.63%	-6.45%	4.85%
Quantum Resources	Pvt Equity - Energy	10/2006	51,635	280.20%	92.82%	107.53%
TOTAL PRIVATE EQUITY			159,339,951	-7.20%	-2.97%	0.45%
INVESTMENT GRADE FIXED INCOME:						
Declaration Management & Research	Securitized	04/2012	86,560,533	2.60%	4.30%	*
J. P. Morgan Investment Mgmt. Inc.	Mortgage Backed	09/2014	113,899,252	4.32%	*	*
PIMCO	Distressed Sr. Debt	10/2012	91,713,399	4.39%	6.84%	*
PIMCO	Mortgage Backed	03/2012	183,187,243	4.24%	3.42%	*
PIMCO	Unconstrained	03/2012	61,676,161	-0.95%	0.45%	*
State Street Global Advisors	Passive BC Long Treasury	06/2013	67,041,520	19.23%	10.40%	*
TOTAL INVESTMENT GRADE FIXED INCOME			604,078,108	4.99%	4.68%	5.01%
Barclays Aggregate Index				6.00%	4.06%	3.76%
BELOW INVESTMENT GRADE FIXED INCOME:						
Goldman Sachs	Mezzanine Debt-2006	04/2006	1,100,000	3.00%	17.57%	8.95%
Goldman Sachs	Mezzanine Debt-Fund V	11/2007	2,586,000	-5.12%	6.11%	8.41%
Loomis Sayles	High Yield Bonds	04/2004	185,839,941	-0.75%	4.10%	5.33%
PIMCO	Res. & Comm. Debt	10/2013	47,082,300	7.02%	*	*
TOTAL BELOW INVESTMENT GRADE FIXED INCOME			236,608,241	0.33%	5.00%	6.32%
Barclays High Yield Corp 2% Issuer Cap				1.65%	4.20%	5.84%
DEVELOPED INTERNATIONAL FIXED INCOME:						
UBS Global Asset Management	Core Non-U.S.	03/1989	110,367,673	11.07%	1.20%	-0.28%
Brandywine Asset Management	Core-Plus Non-U.S.	05/2003	147,543,865	4.72%	2.26%	4.19%
TOTAL DEVELOPED INTERNATIONAL FIXED INCOME			257,911,538	7.49%	1.64%	1.98%
BC Global Aggregate ex-US Index				11.24%	1.85%	0.35%

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
FOR PERIODS ENDED JUNE 30, 2016
PENSION INVESTMENT POOL (CONTINUED)

	Style	Date Initiated	Fair Value	Annualized Rates of Return Net of Fees 1 Year	3 Years	5 Years
GLOBAL REAL ESTATE:						
INVESCO Realty Advisors	Core Commingled	08/1997	223,431,979	10.59%	12.32%	11.66%
INVESCO Realty Advisors	Core Plus LP (Fund II)	11/2007	8,294,747	6.65%	9.06%	15.56%
INVESCO Realty Advisors	Core Plus LP (Fund III)	05/2012	28,060,334	14.25%	17.06%	*
INVESCO Realty Advisors	Core Plus LP (Fund IV)	04/2015	19,341,946	4.66%	*	*
INVESCO Realty Advisors	Asian LP	11/2008	1,712,797	121.40%	43.66%	23.12%
INVESCO Realty Advisors	Asian LP (Fund III)	11/2015	8,440,457	*	*	*
J. P. Morgan Investment Mgmt. Inc.	Core Commingled	10/1987	186,433,014	10.95%	12.87%	12.89%
J. P. Morgan Investment Mgmt. Inc.	Alternative Commingled	01/2006	312,204	2.80%	-10.60%	0.69%
J. P. Morgan Investment Mgmt. Inc.	European LP	09/2009	10,021,867	24.44%	35.37%	-20.00%
J. P. Morgan Investment Mgmt. Inc.	Asian LP	01/2008	11,459,032	16.24%	31.24%	15.64%
TOTAL GLOBAL REAL ESTATE			497,508,378	11.26%	14.18%	12.83%
NCREIF Total Index				10.64%	11.61%	11.51%
TIMBER:						
Timberland Investment Resources - Teredo	Timberland	06/2001	33,820,778	9.29%	10.42%	6.70%
Timberland Investment Resources - Springbank	Timberland	09/2004	119,528,373	2.97%	0.38%	-1.38%
TOTAL TIMBER			153,349,151	4.34%	3.63%	*
NCREIF Timber Index				3.39%	7.73%	6.70%
INFRASTRUCTURE:						
Grosvenor CIS Fund I	Infrastructure	12/2011	41,367,135	8.42%	8.86%	*
Grosvenor CIS Fund II	Infrastructure	03/2015	3,848,734	6.10%	*	*
J.P. Morgan Investment Management, Inc.	Asian Infrastructure	07/2008	28,039,002	-9.66%	-3.00%	1.61%
J.P. Morgan Investment Management, Inc.	Infrastructure	05/2007	142,195,646	3.93%	4.26%	5.06%
TOTAL INFRASTRUCTURE			215,450,517	2.88%	4.09%	*
CPI-W				0.64%	0.76%	1.12%
CASH EQUIVALENTS:						
Northern Trust Asset Management	STIF	07/1994	58,163,522	0.29%	0.13%	0.12%
TOTAL CASH EQUIVALENTS			58,163,522	0.29%	0.13%	0.12%
90 Day T-Bills				0.19%	0.09%	0.09%
TOTAL PENSION INVESTMENT POOL			$ 4,721,692,327	0.31%	6.51%	6.35%
Policy Target				0.63%	5.92%	5.99%

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
FOR PERIODS ENDED JUNE 30, 2016
INSURANCE INVESTMENT POOL

	Style	Date Initiated	Fair Value	Annualized Rates of Return Net of Fees 1 Year	3 Years	5 Years
DOMESTIC LARGE CAP EQUITY:						
Parametric Clifton	Enhanced S&P 500	11/2008	$ 48,117,929	5.22%	11.99%	12.34%
Los Angeles Capital Management	Structured Growth	08/2003	72,676,243	5.24%	14.07%	13.57%
Los Angeles Capital Management	Enhanced Russell 1000	04/2004	48,689,001	5.82%	12.48%	12.91%
LSV Asset Management	Structured Value	06/1998	69,867,061	-3.30%	9.77%	11.59%
TOTAL DOMESTIC LARGE CAP EQUITY			239,350,234	2.72%	12.05%	12.63%
Russell 1000 Index				2.93%	11.48%	12.09%
DOMESTIC SMALL CAP EQUITY:						
Parametric Clifton	Enhanced Russell 2000	11/2008	46,373,875	-5.98%	8.04%	9.21%
PIMCO (RAE)	Core	07/2007	33,211,056	-4.14%	7.81%	9.41%
TOTAL DOMESTIC SMALL CAP EQUITY			79,584,932	-5.27%	8.09%	9.42%
Russell 2000 Index				-6.73%	7.09%	8.35%
INTERNATIONAL EQUITY:						
William Blair Investment Management	Growth-oriented	06/2016	59,281,225	*	*	*
Dimensional Fund Advisors	Small Cap Value	11/2007	16,873,372	-9.28%	6.01%	4.04%
LSV Asset Management	Core	11/2004	69,353,781	-11.55%	2.58%	2.00%
The Vanguard Group	Small Cap Growth	06/2003	17,368,355	-7.27%	6.48%	3.81%
TOTAL INTERNATIONAL EQUITY			162,876,732	-10.74%	2.94%	2.38%
MSCI EAFE (unhedged) Index				-10.16%	2.06%	1.68%
DOMESTIC FIXED INCOME:						
Declaration Management & Research	Securitized	12/2013	80,036,247	2.60%	*	*
PIMCO	Distressed Sr. Debt	10/2012	42,123,842	4.39%	6.85%	*
PIMCO	Res. & Comm. Debt	10/2013	24,054,230	7.02%	*	*
Prudential	Core-Plus	08/2006	110,445,989	6.83%	5.08%	5.29%
State Street Global Advisors	Passive BC Gov't/Credit	06/2013	143,350,649	6.68%	4.17%	*
Wells Capital	Baa Average Bonds	04/2002	312,412,734	6.99%	5.79%	6.01%
Western Asset Management Co.	Core Bonds	07/1990	309,027,254	6.64%	5.07%	5.15%
TOTAL DOMESTIC FIXED INCOME			1,021,450,945	6.29%	5.36%	6.07%
Barclays Aggregate Index				6.00%	4.06%	3.76%
DIVERSIFIED REAL ASSETS:						
Grosvenor CIS Fund I	Infrastructure	12/2011	20,683,558	8.42%	8.86%	*
J. P. Morgan Investment Mgmt. Inc.	Infrastructure	11/2008	75,325,819	3.99%	3.87%	4.81%
Timberland Investment Resources	Timberland	10/2008	59,638,348	-0.25%	4.60%	4.22%
Western Asset Management Co.	Global TIPS	05/2004	113,103,475	2.58%	3.02%	2.00%
TOTAL INFLATION PROTECTED ASSETS			268,751,200	2.75%	3.84%	3.29%
Weighted Benchmark [1]				2.08%	3.65%	2.81%
REAL ESTATE:						
INVESCO Realty Advisors	Core Commingled	10/2012	61,898,343	10.58%	12.28%	*
J. P. Morgan Investment Mgmt. Inc.	Core Commingled	11/2005	69,386,283	9.03%	11.03%	14.34%
TOTAL REAL ESTATE			131,284,626	9.75%	11.51%	13.93%
NCREIF Total Index				10.64%	11.61%	11.51%
CASH EQUIVALENTS:						
Northern Trust Asset Management	STIF	07/2013	34,212,693	0.12%	0.05%	*
TOTAL CASH EQUIVALENTS			34,212,693	0.12%	0.05%	0.13%
90 Day T-Bills				0.19%	0.09%	0.09%

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
FOR PERIODS ENDED JUNE 30, 2016
INSURANCE INVESTMENT POOL (CONTINUED)

	Style	Date Initiated	Fair Value	Annualized Rates of Return Net of Fees 1 Year	3 Years	5 Years
SHORT-TERM FIXED INCOME						
Babson Capital Management	Short Term Bonds	09/2011	243,416,019	1.73%	2.14%	*
J.P. Morgan Investment Mgmt. Inc.	Short Term Bonds	09/2011	276,949,793	1.67%	1.33%	*
TOTAL SHORT-TERM FIXED INCOME			520,365,812	1.68%	1.73%	1.32%
Barclays Government 1-3 Year				1.31%	1.00%	0.84%
TOTAL INSURANCE INVESTMENT POOL			$ 2,457,877,174	3.12%	4.57%	4.83%
Policy Target				2.96%	4.03%	3.81%
NON-POOLED INVESTMENTS:						
Bank of North Dakota Match Loan CD's Held by Budget Stabilization Fund	Certificates of Deposit	various	81,603,636	2.61%	2.70%	3.23%

LEGACY FUND

	Style	Date Initiated	Fair Value	Annualized Rates of Return Net of Fees 1 Year	3 Years	5 Years
DOMESTIC LARGE CAP EQUITY:						
Parametric Clifton	Enhanced S&P 500	08/2013	$ 166,373,425	4.70%	*	*
Los Angeles Capital Management	Structured Growth	08/2013	250,748,316	4.73%	*	*
Los Angeles Capital Management	Enhanced Russell 1000	08/2013	167,753,056	5.67%	*	*
LSV Asset Management	Structured Value	08/2013	243,422,248	-3.17%	*	*
TOTAL DOMESTIC LARGE CAP EQUITY			828,297,045	2.52%	*	*
Russell 1000 Index				2.93%		
DOMESTIC SMALL CAP EQUITY:						
Parametric Clifton	Enhanced Russell 2000	08/2013	167,472,857	-5.76%	*	*
PIMCO (RAE)	Core	08/2013	141,289,827	-3.98%	*	*
TOTAL DOMESTIC SMALL CAP EQUITY			308,762,684	-4.99%	*	*
Russell 2000 Index				-6.73%		
INTERNATIONAL EQUITY:						
William Blair Investment Management	Core	08/2013	259,549,312	*	*	*
Dimensional Fund Advisors	Small Cap Value	08/2013	70,871,353	-9.28%	*	*
LSV Asset Management	Core	08/2013	302,553,644	-11.30%	*	*
The Vanguard Group	Small Cap Growth	08/2013	70,319,535	-7.27%	*	*
TOTAL INTERNATIONAL EQUITY			703,293,843	-10.73%	*	*
MSCI EAFE (unhedged) Index				-10.16%		
DOMESTIC FIXED INCOME:						
Declaration Management & Research	Securitized	12/2013	103,118,967	2.59%	*	*
PIMCO	Distressed Sr. Debt	12/2013	40,326,829	4.39%	*	*
PIMCO	Res. & Comm. Debt	12/2013	23,028,070	7.02%	*	*
Prudential	Core-Plus	12/2013	145,580,832	7.24%	*	*
State Street Global Advisors	Passive BC Gov't/Credit	12/2013	188,285,306	6.68%	*	*
Wells Capital	Baa Average Bonds	12/2013	419,644,961	6.97%	*	*
Western Asset Management Co.	Core Bonds	12/2013	420,879,632	6.56%	*	*
TOTAL DOMESTIC FIXED INCOME			1,340,864,596	6.40%	*	*
Barclays Aggregate Index				6.00%		

SCHEDULE OF INVESTMENT CONSULTANTS AND RESULTS
FOR PERIODS ENDED JUNE 30, 2016
LEGACY FUND (CONTINUED)

	Style	Date Initiated	Fair Value	Annualized Rates of Return Net of Fees 1 Year	3 Years	5 Years
DIVERSIFIED REAL ASSETS:						
Grosvenor CIS Fund II	Infrastructure	03/2015	9,624,354	6.11%	*	*
J. P. Morgan Investment Mgmt. Inc.	Infrastructure	03/2015	80,265,971	3.97%	*	*
Western Asset Management Co.	Global TIPS	02/2014	284,527,064	2.58%	*	*
TOTAL DIVERSIFIED REAL ASSETS			374,417,389	3.14%	*	*
Weighted Benchmark (1)				2.00%		
REAL ESTATE:						
INVESCO Realty Advisors	Core Commingled	08/2013	117,458,354	10.59%	*	*
J. P. Morgan Investment Mgmt. Inc.	Core Commingled	08/2013	127,188,898	9.03%	*	*
TOTAL REAL ESTATE			244,647,252	9.79%	*	*
NCREIF Total Index				10.64%		
CASH EQUIVALENTS:						
Northern Trust Asset Management	STIF	07/2013	9,202,375	0.12%	0.05%	0.11%
TOTAL CASH EQUIVALENTS			9,202,375	0.12%	0.05%	0.11%
90 Day T-Bills				0.19%	0.09%	0.09%
TOTAL LEGACY FUND			$ 3,809,485,184	1.06%	3.65%	2.78%
Policy Target				1.01%	3.06%	2.05%

OTHER INDIVIDUAL INVESTMENT ACCOUNTS

	Style	Date Initiated	Fair Value	Annualized Rates of Return Net of Fees 1 Year	3 Years	5 Years
NDPERS RETIREE HEALTH INSURANCE CREDIT FUND						
SEI	Balanced Account	07/2009	$ 101,623,223	0.72%	6.55%	6.94%
Policy Target				1.60%	6.97%	7.11%
JOB SERVICE ND PENSION FUND						
SEI	Balanced Account	12/2015	96,588,333	*	*	*
TOTAL JOB SERVICE ND PENSION FUND			$ 96,588,333	5.45%	7.34%	7.33%
Policy Target				2.20%	5.48%	5.70%
TOBACCO PREVENTION AND CONTROL TRUST FUND						
State Street Global Advisors	S&P 500 ex Tobacco	10/2015	$ 5,446,369	*	*	*
State Street Global Advisors	Short Term Bonds	10/2015	40,816,115	*	*	*
Northern Trust Asset Management	STIF	10/2015	8,104,054	*	*	*
TOTAL TOBACCO PREVENTION AND CONTROL TRUST FUND			$ 54,366,539	*	*	*
Policy Target						

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

(1) Weighted benchmark is based on pro-rata share of Barclays Global Inflation-linked, CPI and NCREIF Timberland indices.

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.
Returns are shown after the effect of investment management fees (net of fees).

Columns may not foot due to rounding.

LARGEST HOLDINGS (By Fair Value)
AT JUNE 30, 2016

PENSION INVESTMENT POOL

Shares	Stocks	Fair Value
455,277	Microsoft Corporation	$ 23,296,524
143,776	Johnson & Johnson	17,440,029
118,826	United Health Group Incorporated	16,778,231
23,816	Alphabet Incorporated	16,483,054
221,389	Visa Incorporated	16,420,422
126,219	Home Depot Incorporated	16,116,904
231,656	Comcast Corporation	15,101,655
353,260	Oracle Corporation	14,458,932
257,742	Verizon Communications	14,392,313
2,350,170	AIA Group LTD	14,041,129

Par	Bonds	Fair Value
22,085,711	GNMAII Pool #MA3106 4.0% Due 09-20-2045	$ 23,617,730
17,500,000	FNMA Single Family Mortgage 3.5% 30 Years August	18,443,355
15,659,408	FHLMC Gold G60583 4% 03-01-2046	16,770,286
14,500,000	FNMA Single Family Mortgage 2.5% 15 Years August	14,978,892
12,700,000	US Treasury Notes Dated 07-31-2014 1.625% Due 07-31-2019	13,042,798
115,000	IShares 1-3 Year Credit Bond ETF	12,200,350
11,600,000	FNMA Single Family Mortgage 3% 30 Years August	12,016,417
10,919,551	FNMA 3.5% MBS Due 01-02-2046	11,531,919
139,087	Vanguard Scottsdale Fund-Short-Term Corp Bond Index Fund ETF	11,243,793
9,000,000	FNMA Single Family Mortgage 4% 30 Years August	9,640,989

INSURANCE INVESTMENT POOL

Shares	Stocks	Fair Value
37,858	Johnson & Johnson	$ 4,592,175
72,983	Pfizer Incorporated	2,569,731
27,367	Exxon Mobil Corporation	2,565,383
16,670	International Business Machines Corporation	2,530,173
45,190	Verizon Mobile Corporation	2,523,410
42,263	Merck & Company	2,434,771
56,279	AT&T Incorporated	2,431,816
22,909	Apple Incorporated	2,190,100
43,429	Coca Cola Company	1,968,637
38,385	Microsoft Corporation	1,964,160

Par	Bonds	Fair Value
15,900,000	US Treasury Notes 0.875% Due 07-15-2018	$ 15,985,717
11,550,000	US Treasury Notes 1.75% Due 10-31-2018	11,844,167
10,505,000	US Treasury Notes Dated 11-30-2015 2% Due 11-30-2022	10,994,554
8,430,000	US Treasury N/B 3.0% 11-15-2045	9,693,185
7,990,000	US Treasury Bonds 2.875% Due 05-15-2043	8,984,691
8,120,000	US Treasury Notes Dated 05-31-2014 1.5% Due 05-31-2019	8,303,333
7,290,000	US Treasury Notes Dated 04-30-2013 0.625% Due 04-30-2018	7,294,841
7,250,000	US Treasury Notes Dated 12-31-2012 0.75% Due 12-31-2017	7,268,973
7,015,000	US Treasury Notes 1.5% Due 01-31-2019	7,161,599
7,090,000	US Treasury Notes Dated 06-30-2016 1.375% Due 06-30-2023	7,126,556

LARGEST HOLDINGS (By Fair Value)
AT JUNE 30, 2016

LEGACY FUND

Shares	Stocks	Fair Value
135,735	Johnson & Johnson	$ 16,464,656
165,023	Verizon Mobile Corporation	9,214,884
60,024	International Business Machines Corporation	9,110,443
187,676	Total Eur2.5	9,044,672
246,465	Pfizer Incorporated	8,678,033
150,455	Merck & Company	8,667,713
194,080	AT&T Incorporated	8,386,197
85,172	Exxon Mobil Corporation	7,984,023
79,110	Apple Incorporated	7,562,916
113,051	HDFC Bank LTD ADR	7,500,934

Par	Bonds	Fair Value
11,835,000	US Treasury N/B 3.0% Due 11-15-2045	$ 13,608,404
10,020,000	US Treasury Notes 1.75% Due 03-31-2022	10,353,085
9,640,000	US Treasury Notes Dated 06-30-2016 1.375% Due 06-30-2023	9,689,704
8,300,000	US Treasury Notes Dated 11-30-2015 2% Due 11-30-2022	8,686,797
8,100,000	US Treasury Notes 1.5% Due 12-31-2018	8,267,063
7,120,000	US Treasury Bonds 2.875% Due 08-15-2045	7,994,984
6,950,000	US Treasury Notes 2.375% Due 08-15-2024	7,481,022
6,500,000	US Treasury Bonds 3% Due 05-1 5-2045	7,471,191
7,020,000	US Treasury Notes Dated 06-30-2015 1.625% Due 06-30-2020	7,219,080
6,410,000	US Treasury Bonds 2.875% Due 05-15-2043	7,207,994

The individual investment accounts for PERS Retiree Health Credit Fund, Job Service Pension Fund and Tobacco Prevention and Control Fund are invested in various commingled/mutual funds, and therefore have 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, 2016
INVESTMENT POOLS

	Pension Investment Pool			Insurance Investment Pool		
	Assets under management (Average)	Fees	Basis points	Assets under management (Average)	Fees	Basis points
Investment manager fees:						
Global equity managers	$ 735,296,530	$ 2,825,300	38			
Domestic large cap equity managers	802,901,450	2,018,510	25	$ 227,252,992	$ 635,908	28
Domestic small cap equity managers	259,013,086	1,294,507	50	78,130,373	333,043	43
Developed international equity managers	523,098,301	2,128,027	41	158,495,026	705,877	45
Emerging markets equity managers	159,338,471	1,299,861	82			
Private equity managers	168,704,581	3,039,607	180			
Investment grade fixed income managers	607,474,467	2,339,857	39	982,352,582	2,897,760	29
Diversified real asset managers				264,931,775	1,516,224	57
Below investment grade fixed income managers	244,155,350	2,545,616	104			
Developed international fixed income managers	235,346,204	834,568	35			
Real estate managers	489,721,328	4,674,992	95	126,075,620	904,163	72
Timber managers	159,448,864	(2,087,264)	(131)			
Infrastructure managers	215,260,131	2,269,359	105			
Cash & equivalents managers	55,672,252	60,064	11	81,375,281	92,129	11
Short term fixed income managers				506,589,402	707,773	14
Balanced account managers (1)	93,923,061	227,664	24			
Total investment manager fees	$ 4,749,354,077	23,470,668	49	$ 2,425,203,050	7,792,877	32
Custodian fees		452,758	1		209,187	1
Investment consultant fees		368,858	1		112,347	0
SIB Service Fees		32,644	0		12,069	0
Total investment expenses *		$ 24,324,928	51		$ 8,126,480	34

Reconciliation of Investment Expenses to Financial Statements

	Pension Investment Pool	Insurance Investment Pool
Investment expenses as reflected in the financial statements	$ 13,697,167	$ 5,427,128
Plus investment management fees included in investment income (booked as net income)		
Domestic large cap equity managers	796,670	132,193
Domestic small cap equity managers	474,648	-
Developed international equity managers	482,027	170,572
Emerging markets equity managers	1,299,861	
Investment Grade domestic fixed income managers	1,695,110	1,617,482
Diversified real assets managers	-	686,976
Below investment grade domestic fixed income managers	1,561,553	
Timber managers	(2,087,264)	
Infrastructure managers	1,002,271	
Real estate managers	2,245,161	-
Private equity managers	3,021,956	
Cash & equivalents managers	-	92,129
Short term fixed income managers	-	-
Balanced account managers	135,768	
Investment expenses per schedule	$ 24,324,928	$ 8,126,480

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

(1) This amount represents the fees paid by the Job Service Pension Fund after they were removed from the Pension Investment Pool in December 2015. Their pro rata share of fees are included in the pooled asset class amounts prior to that time.

Columns may not foot due to rounding.

SCHEDULE OF INVESTMENT FEES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
INDIVIDUAL INVESTMENT ACCOUNTS

	Legacy Fund			PERS Retiree Health Credit Fund			Tobacco Prevention and Control Fund		
	Assets under management (Average)	Fees	Basis points	Assets under management (Average)	Fees	Basis points	Assets under management (Average)	Fees	Basis points
Investment manager fees:									
Domestic large cap equity managers	$ 778,006,246	$ 2,095,229	27				$ 4,891,412	$ 1,290	3
Domestic small cap equity managers	279,004,042	1,204,775	43						
Developed international equity managers	686,819,896	2,752,321	40						
Investment grade fixed income managers	1,261,572,841	3,376,076	27						
Diversified real asset managers	355,643,550	1,485,125	42						
Real estate managers	208,482,344	1,347,554	65						
Cash & equivalents managers	14,048,537	20,951	15						
Short term fixed income managers							36,613,379	11,361	3
Balanced account managers				97,183,768	415,083	43			
Total investment manager fees	$ 3,583,577,457	12,282,031	34	$ 97,183,768	415,083	43	$ 41,504,791	$ 12,651	3
Custodian fees		355,571	1		8,207	1		3,477	1
Investment consultant fees		198,884	1		-	0		-	0
SIB Service Fees					11,298	1		4,200	1
Total investment expenses		$ 12,836,486	36		$ 434,588	45		$ 20,328	5

Reconciliation of Investment Expenses to Financial Statements

	Legacy Fund	PERS Retiree Health Credit Fund	Tobacco Prevention and Control Fund
Investment expenses as reflected in the financial statements	$ 9,728,057	$ 292,820	$ 20,328
Plus investment management fees included in investment income (booked as net income)			
Domestic large cap equity managers	297,488		
Domestic small cap equity managers	-		
Developed international equity managers	685,889		
Investment Grade domestic fixed income managers	1,697,954		
Diversified real assets managers	406,147		
Real estate managers	-		
Cash & equivalents managers	20,951		
Balanced account managers	-	141,768	-
Investment expenses per schedule	$ 12,836,486	$ 434,588	$ 20,328

Columns may not foot due to rounding.

SCHEDULE OF COMMISSIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Brokers	Number of shares traded	Total commissions	Commissions per share
Merrill Lynch	69,056,766	$ 46,120	$0.001
Citibank	47,200,649	196,731	0.004
Larrain Vial	28,361,100	132	0.000
Morgan Stanley	20,891,954	69,446	0.003
UBS	15,992,126	52,664	0.003
Credit Suisse	13,870,644	53,163	0.004
Citigroup	11,328,390	50,489	0.004
Jeffries and Company	10,598,504	130,119	0.012
State Street	7,496,494	70,847	0.009
The Northern Trust Company	6,109,146	26,671	0.004
Other 112 Brokers *	82,317,395	789,976	0.010
Total commissions	313,223,168	$ 1,486,357	$0.005

* 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 active and retired members of the fund 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 public pension plan that provides retirement, disability, and death benefits 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 Salary. Adjustments to the basic formula are made depending on the retirement option selected.

Funding is provided by monthly employee and employer contributions scheduled to increase as follows:

	7/1/2011	7/1/2012	7/1/2014
Employee	7.75%	9.75%	11.75%
Employer	8.75%	10.75%	12.75%

Employee and employer contributions will be reduced to 7.75% each when TFFR reaches 100% funded level on an actuarial value basis.

The TFFR Board has an actuarial valuation performed annually and an Experience Study and Asset Liability Study performed every five years. The actuarial assumed rate of return on assets was reduced to 7.75% from 8.0% as of July 1, 2015. Key plan and financial statistics are recorded in the most recent valuation report on file at the North Dakota Retirement and Investment office (RIO).

Fund Goals

The Plan benefits are financed through both statutory employer and employee contributions and the investment earnings on assets held in the Fund. The TFFR Board recognizes that a sound investment program is essential to meet the pension obligations.

As a result, the Fund goals are to:

- Improve the Plan's funding status to protect and sustain current and future benefits.
- Minimize the employee and employer contributions needed to fund the Plan over the long term.
- Avoid substantial volatility in required contribution rates and fluctuations in the Plan's funding status.
- Accumulate a funding surplus to provide increases in retiree annuity payments to preserve the purchasing power of their retirement benefit.

The Board acknowledges the material impact that funding the pension plan has on the State/School District's financial performance. These goals affect the Fund's investment strategies and often represent conflicting goals. For example, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The Board places a greater emphasis on the strategy of improving the funding status and reducing the contributions that must be made to the Fund, as it is most consistent with the long-term goal of conserving money to apply to other important state/local projects.

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 investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent institutional investor rule. Under this 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.

Risk Tolerance

The Board is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to finance the pension benefits promised to plan participants. However, funding the pension promise in an economical manner is critical to the State/School Districts' ability to continue to provide pension benefits to plan participants. Thus, the Board actively seeks to lower the cost of funding the Plan's pension obligations by taking on risk for which it expects to be compensated over the long term. The Board understands that a prudent investment approach to risk taking can result in periods of under-performance for the Fund in which the funding status may decline. These periods, in turn, can lead to higher required contribution rates. Nevertheless, the Board believes that such an approach, prudently implemented, best serves the long-run interests of the State/School District and, therefore, of plan participants.

Investment Objectives

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The Fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
3. The risk-adjusted performance of the fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

Policy Asset Mix

Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the Fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates. After consideration of all the inputs and a discussion of its own collective risk tolerance, the Board approves the appropriate policy asset mix for the Fund.

Asset Class	Policy Target %	Rebalancing Range %
Global Equity	**58**	**46-65**
Public Equity	52	44-60
U.S.	29	23-35
Global ex-U.S.	23	18-28
Private Equity	6	4-8
Global Fixed Income	**23**	**16-30**
Investment Grade	19	14-24
Non-investment Grade	4	2-6
Global Real Assets	**18**	**12-24**
Global Real Estate	10	5-15
Other	8	0-12
Infrastructure		0-10
Timber		0-7
Commodities		0-5
Inflation Linked Bonds		0-10
Other Inflation Sensitive		0-5
Global Alternatives		**0-10**
Cash	**1**	**0-2**

While the Board recognizes fluctuations in market values will lead to short-term deviations from policy targets, the Board does not intend to engage in tactical asset allocation. Allocations to Global Alternatives will result in pro-rata reduction in the policy targets.

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. 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:
1. A list of the advisory services managing investments for the Board.
2. A list of investments at market value, compared to previous reporting period, of each fund managed by each advisory service.
3. Earnings, percentage earned, and change in market value of each fund's investments.
4. Comparison of the performance of each fund managed by each advisory service to other funds under the board's control and to generally accepted market indicators.
5. All material legal or legislative proceedings affecting the SIB.
6. Compliance with this investment policy statement.

❖ Teachers' Fund for Retirement
Actual Asset Allocation – June 30, 2016

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$ 370,687,779	18%	4.52%
Domestic Small Cap Equity	107,433,775	5%	-7.04%
Global Equity	335,714,674	16%	-7.27%
Developed International Equity	247,919,084	12%	-7.92%
Emerging Markets Equity	73,257,874	3%	-9.25%
Private Equity	73,374,381	4%	-7.20%
Investment Grade Fixed Income	268,380,866	13%	5.01%
Below Investment Grade Fixed Income	93,325,722	4%	0.29%
International Fixed Income	121,536,613	6%	7.50%
Global Real Estate	204,184,309	10%	11.34%
Timber	70,258,495	3%	4.34%
Infrastructure	97,587,776	5%	2.89%
Cash Equivalents	18,522,293	1%	0.29%
Total Fund	$ 2,082,183,642		0.28%
Policy Benchmark			0.62%

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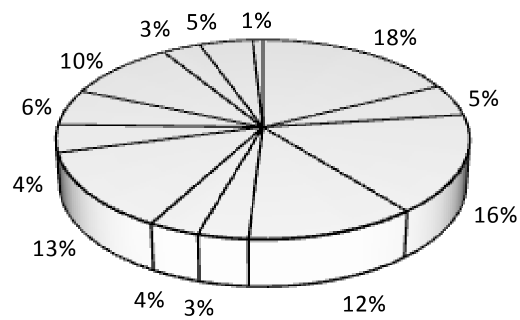


PUBLIC EMPLOYEES RETIREMENT SYSTEM

❖ 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 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 7% and the employer contribution is 7.12%, for the Judges Plan the employee contribution is 8% and employer contribution is 17.52%, for the National Guard Plan the employee contribution is 4.5% and employer contribution is 7%, for the Law Enforcement Plan with prior service the employee contribution is 5.5% and the employer contribution is 9.81% and for the Law Enforcement Plan without prior service the employee contribution rate is 5.5% and the employer rate is 7.93%.

Funding for the Highway Patrol plan is provided by a monthly employee contribution of 13.3% and an employer contribution of 19.7%.

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.

The Board acknowledges the material impact that funding the pension plan has on the State's financial performance. To enable the State to continue offering secure pension benefits to plan participants, the Board believes that the Fund should pursue the following secondary goals:

1. Stabilize the employee and employer contributions needed to fund the Plan over the long term.
2. Avoid both substantial volatility in contributions and sizable fluctuations in the funding status of the Plan.

These two secondary goals affect the Fund's investment strategies and often represent conflicting goals. That is, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The Board places greater emphasis on the strategy of stabilizing the employee and employer contribution needed to fund the plan over the long term as it assists our participating employers by having a predictable contribution for budgeting.

Investment Performance Objective

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

2. The Fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.

3. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

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:

Asset Class	Policy Target %	Rebalancing Range %
Global Equity	**57**	**46-65**
Domestic Equity	31	26-36
International Equity	21	16-26
Developed	16	
Emerging	5	
Private Equity	5	4-8
Global Fixed Income	**22**	**16-28**
Domestic Fixed	17	13-21
Investment Grade	12	10-18
Non-investment Grade	5	3-7
International Fixed	5	3-7
Developed	5	3-7
Emerging		0-3
Global Real Assets	**20**	**12-28**
Global Real Estate	10	5-15
Other	10	0-15
Infrastructure	5	0-10
Timber	5	0-7
Commodities		
Inflation Linked Bonds		
Other Inflation Sensitive		
Global Alternatives		**0-10**
Cash	**1**	**0-2**

The Board does not endorse tactical asset allocation, therefore, it is anticipated the portfolio be managed as close to the policy target as is prudent and practicable. Any allocation to Global Alternatives shall not increase the expected volatility of the portfolio as measured in Section #5, and all other targets will be adjusted pro-rata.

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.

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.

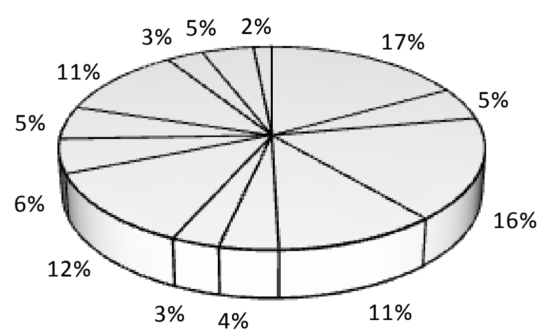
An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining 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.
- Changes/additions to benchmarks utilized to monitor the funds.

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, 2016

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$ 419,489,560	17%	4.52%
Domestic Small Cap Equity	127,402,416	5%	-7.04%
Global Equity	402,558,063	16%	-7.27%
Developed International Equity	269,125,527	11%	-7.92%
Emerging Markets Equity	98,171,098	4%	-9.26%
Private Equity	79,938,460	3%	-7.20%
Investment Grade Fixed Income	300,029,062	12%	5.01%
Below Investment Grade Fixed Income	133,278,258	6%	0.28%
International Fixed Income	128,765,303	5%	7.50%
Global Real Estate	275,561,014	11%	11.34%
Timber	77,459,623	3%	4.34%
Infrastructure	108,994,361	5%	2.89%
Cash Equivalents	38,615,338	2%	0.29%
Total Fund	$ 2,459,388,082		0.28%
Policy Benchmark			0.56%



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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 was established to provide benefits to members eligible to receive them in accordance with the provisions of the Fund.

Fund Goals

The plan benefits are financed through both employer and employee contributions and the investment earnings on assets held in the Fund. The BCEPP Board recognizes that a sound investment program is essential to meet the pension obligations.

As a result, the Fund goals are to:

- Improve the Plan's funding status to protect and sustain current and future benefits.
- Minimize the employee and employer contributions needed to fund the Plan over the long term.
- Avoid substantial volatility in required contribution rates and fluctuations in the Plan's funding status.
- Accumulate a funding surplus to provide increases in retiree annuity payments to preserve the purchasing power of their retirement benefit.

The BCEPP Board acknowledges the material impact that funding the pension plan has on the City's financial performance. These goals affect the Fund's investment strategies and often represent conflicting goals. For example, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The BCEPP Board places greater emphasis on the strategy of improving the funding status and reducing the contributions that must be made to the Fund, as it is most consistent with the long-term goal of conserving money to apply to other important projects.

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 investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent investor rule. Under this 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.

Risk Tolerance

The BCEPP Board is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to finance the pension benefits promised to plan participants.

However, funding the pension promise in an economical manner is critical to the City's ability to continue to provide pension benefits to plan participants. Thus, the BCEPP Board actively seeks to lower the cost of funding the plan's pension obligations by taking on risk for which it expects to be compensated over the long term. The BCEPP Board understands that a prudent investment approach to risk taking can result in periods of under-performance for the Fund in which the funding status may decline. These periods, in turn, can lead to higher required contribution rates. Nevertheless, the BCEPP Board believes that such an approach, prudently implemented, best serves the long-run interests of the City and, therefore, of plan participants.

Investment Objectives

The BCEPP Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
3. The risk-adjusted performance of the fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

Policy Asset Mix

Benefit payments are projected to occur over a long period of time. This allows the BCEPP Board to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the BCEPP Board in determining an acceptable volatility target for the fund and an optimal asset allocation mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates. After consideration of all the inputs and a discussion of its own collective risk tolerance, the BCEPP Board approves the appropriate policy mix for the Fund.

Asset Class	Policy Target %
Global Equity	**46**
Domestic Equity	25
Large Cap	15
Small Cap	10
International Equity	17
Developed	12
Emerging	5
Private Equity	4
Global Fixed Income	**34**
Domestic Fixed	30
Investment Grade	24
Non-investment Grade	6
International Fixed	4
Developed	4
Emerging	
Global Real Assets	**20**
Global Real Estate	10
Other	10
Infrastructure	5
Timber	5

While the BCEPP Board recognizes fluctuations in market values will lead to short-term deviations from policy targets, the BCEPP Board does not intend to engage in tactical asset allocation. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

Restrictions

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

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

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

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

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

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

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

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

Internal Controls

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

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:

- A list of advisory services managing investments for the SIB.
- A list of investments at market value, compared to previous reporting period, of each account managed by each advisory service.
- Earnings, percentage earned, and change in market value of each account's investments.
- Comparison of the performance of each account managed by each advisory service to other accounts under the SIB's control and to generally accepted market indicators.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy.

❖Bismarck City Employee Pension Plan
Actual Asset Allocation – June 30, 2016

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$	7,794,511	9%	4.55%
Domestic Small Cap Equity		5,387,002	7%	-7.04%
Global Equity		13,174,692	16%	-7.27%
Developed International Equity		6,127,250	7%	-7.94%
Emerging Markets Equity		3,026,086	4%	-9.25%
Private Equity		2,279,416	3%	-7.20%
Investment Grade Fixed Income		19,681,890	24%	4.99%
Below Investment Grade Fixed Income		4,996,355	6%	0.33%
International Fixed Income		3,342,600	4%	7.48%
Global Real Estate		9,782,289	12%	11.26%
Timber		2,475,138	3%	4.34%
Infrastructure		4,037,255	5%	2.88%
Cash Equivalents		336,518	>1%	0.29%
Total Fund	$	82,441,001		0.82%
Policy Benchmark				1.38%

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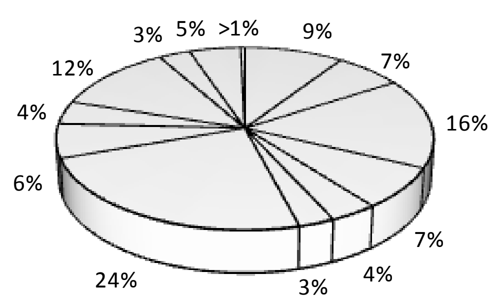


BISMARCK CITY POLICE PENSION PLAN

❖ **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 was established to provide benefits to members eligible to receive them in accordance with the provisions of the Fund.

Fund Goals

The plan benefits are financed through both employer and employee contributions and the investment earnings on assets held in the Fund. The BCPPP Board recognizes that a sound investment program is essential to meet the pension obligations.

As a result, the Fund goals are to:

- Improve the Plan's funding status to protect and sustain current and future benefits.
- Minimize the employee and employer contributions needed to fund the Plan over the long term.
- Avoid substantial volatility in required contribution rates and fluctuations in the Plan's funding status.
- Accumulate a funding surplus to provide increases in retiree annuity payments to preserve the purchasing power of their retirement benefit.

The BCPPP Board acknowledges the material impact that funding the pension plan has on the City's financial performance. These goals affect the Fund's investment strategies and often represent conflicting goals. For example, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The BCPPP Board places greater emphasis on the strategy of improving the funding status and reducing the contributions that must be made to the Fund, as it is most consistent with the long-term goal of conserving money to apply to other important projects.

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 investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent investor rule. Under this 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.

Risk Tolerance

The BCPPP Board is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to finance the pension benefits promised to plan participants.

However, funding the pension promise in an economical manner is critical to the City's ability to continue to provide pension benefits to plan participants. Thus, the BCPPP Board actively seeks to lower the cost of funding the plan's pension obligations by taking on risk for which it expects to be compensated over the long term. The BCPPP Board understands that a prudent investment approach to risk taking can result in periods of under-performance for the Fund in which the funding status may decline. These periods, in turn, can lead to higher required contribution rates. Nevertheless, the BCPPP Board believes that such an approach, prudently implemented, best serves the long-run interests of the City and, therefore, of plan participants.

Investment Objectives

The BCPPP Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
3. The risk-adjusted performance of the fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

Policy Asset Mix

Benefit payments are projected to occur over a long period of time. This allows the BCPPP Board to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the BCPPP Board in determining an acceptable volatility target for the fund and an optimal asset allocation mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates. After consideration of all the inputs and a discussion of its own collective risk tolerance, the BCEPP Board approves the appropriate policy mix for the Fund.

Asset Class	Policy Target %
Global Equity	**51**
Domestic Equity	27
Large Cap	16
Small Cap	11
International Equity	19
Developed	13
Emerging	6
Private Equity	5
Global Fixed Income	**29**
Domestic Fixed	25
Investment Grade	19
Non-investment Grade	6
International Fixed	4
Developed	4
Emerging	
Global Real Assets	**20**
Global Real Estate	10
Other	10
Infrastructure	5
Timber	5

While the BCEPP Board recognizes fluctuations in market values will lead to short-term deviations from policy targets, the BCEPP Board does not intend to engage in tactical asset allocation. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

Restrictions

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the 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.

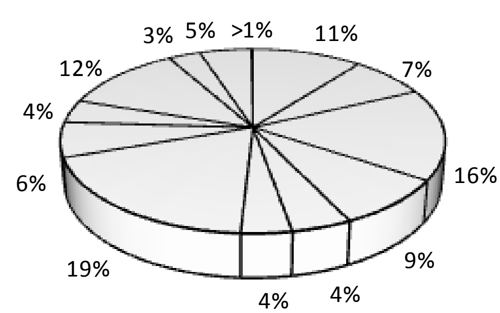
Performance reports will be provided to the BCEPP periodically, but not less than quarterly. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including, but not limited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

- A list of advisory services managing investments for the SIB.
- A list of investments at market value, compared to previous reporting period, of each account managed by each advisory service.
- Earnings, percentage earned, and change in market value of each account's investments.
- Comparison of the performance of each account managed by each advisory service to other accounts under the SIB's control and to generally accepted market indicators.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy.

❖ **Bismarck City Police Pension Plan**
Actual Asset Allocation – June 30, 2016

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$	3,605,871	11%	4.55%
Domestic Small Cap Equity		2,529,359	7%	-7.04%
Global Equity		5,453,793	16%	-7.27%
Developed International Equity		2,932,761	9%	-7.94%
Emerging Markets Equity		1,504,080	4%	-9.25%
Private Equity		1,266,437	4%	-7.20%
Investment Grade Fixed Income		6,427,355	19%	4.99%
Below Investment Grade Fixed Income		2,085,995	6%	0.33%
International Fixed Income		1,364,238	4%	7.48%
Global Real Estate		4,011,394	12%	11.26%
Timber		1,052,156	3%	4.34%
Infrastructure		1,693,036	5%	2.88%
Cash Equivalents		57,126	>1%	0.29%
Total Fund	$	33,983,600		0.32%
Policy Benchmark				0.77%

Columns may not foot due to rounding.



CITY OF GRAND FORKS PENSION PLAN

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

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

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.

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.

Benefit provisions are established by the City Council. The employers contribute such amounts as necessary to provide the promised benefits. The contribution amounts are determined by the annual valuation report and approved by the City Council.

<u>Fund Goals</u>

The plan benefits are financed through both employer and employee contributions and the investment earnings on assets held in the Fund. The City Council recognizes that a sound investment program is essential to meet the pension obligations.

As a result, the Fund goals are to:

- Improve the Plan’s funding status to protect and sustain current and future benefits.
- Minimize the employee and employer contributions needed to fund the Plan over the long term.
- Avoid substantial volatility in required contribution rates and fluctuations in the Plan’s funding status.
- Accumulate a funding surplus to provide increases in retiree annuity payments to preserve the purchasing power of their retirement benefit.

The City Council acknowledges the material impact that funding the pension plan has on the City’s financial performance. These goals affect the Fund’s investment strategies and often represent conflicting goals. For example, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The City Council places greater emphasis on the strategy of improving the funding status and reducing the contributions that must be made to the Fund, as it is most consistent with the long- term goal of conserving money to apply to other important projects.

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

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

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

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

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

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

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

<u>Risk Tolerance</u>

The City Council is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to finance the pension benefits promised to plan participants. However, funding the pension promise in an economical manner is critical to the City Council’s ability to continue to provide pension benefits to plan participants. Thus, the City Council actively seeks to lower the cost of funding the plan’s pension obligations by taking on risk for which it expects to be compensated over the long term. The City Council understands that a prudent investment approach to risk taking can result in periods of under-performance for the Fund in which the funding status may decline. These periods, in turn, can lead to higher required contribution rates. Nevertheless, the City Council believes that such an approach, prudently implemented, best serves the long-run interests of the City and, therefore, of plan participants.

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: 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 Objectives

The City Council's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
3. The risk-adjusted performance of the fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

Policy Asset Mix

Benefit payments are projected to occur over a long period of time. This allows the City Council to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the City Council in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates. After consideration of all the inputs and a discussion of its own collective risk tolerance, the City Council approves the appropriate policy asset mix for the Fund.

Asset Class	Policy Target %
Global Equity	**60**
Domestic Equity	40
Large	30
Small	10
International Equity	15
Developed	10
Emerging	5
Private Equity	5
Global Fixed Income	**24**
Domestic Fixed	19
Investment Grade	14
Non-investment Grade	5
International Fixed	5
Developed	5
Global Real Assets	**15**
Global Real Estate	5
Infrastructure	5
Timber	5
Cash	**1**

While the City Council recognizes fluctuations in market values will lead to short-term deviations from policy targets, the City Council does not intend to engage in tactical asset allocation. 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

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 investment manager selection and monitoring. 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. Emphasis will be placed on 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.

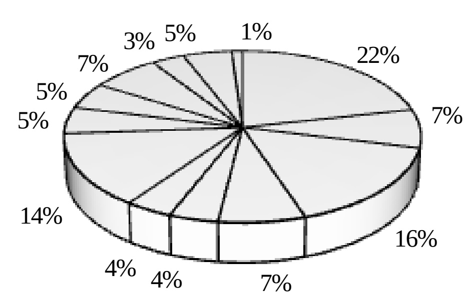
Performance reports will be provided to the City Council periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including, but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

1. A list of the advisory services managing investments for the SIB.
2. A list of investments at market value, compared to previous reporting period, of each account managed by each advisory service.
3. Earnings, percentage earned, and change in market value of each account's investments.
4. Comparison of the performance of each account managed by each advisory service to other accounts under the SIB's control and to generally accepted market indicators.
5. All material legal or legislative proceedings affecting the SIB.
6. Compliance with this investment policy statement.

❖ **City of Grand Forks Pension Plan**
Actual Asset Allocation – June 30, 2016

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$	12,493,575	22%	4.55%
Domestic Small Cap Equity		4,202,015	7%	-7.04%
Global Equity		9,291,970	16%	-7.27%
Developed International Equity		4,143,306	7%	-7.94%
Emerging Markets Equity		2,343,657	4%	-9.25%
Private Equity		2,265,631	4%	-7.20%
Investment Grade Fixed Income		8,076,434	14%	4.99%
Below Investment Grade Fixed Income		2,921,912	5%	0.33%
International Fixed Income		2,902,784	5%	7.48%
Global Real Estate		3,969,372	7%	11.26%
Timber		1,917,231	3%	4.34%
Infrastructure		2,832,446	5%	2.88%
Cash Equivalents		615,427	1%	0.29%
Total Fund	$	57,975,760		0.11%
Policy Benchmark				0.56%

Columns may not foot due to rounding.



PARK DISTRICT OF THE CITY OF GRAND FORKS PENSION PLAN

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

Plan Characteristics and Fund Constraints

The Park District of the City of Grand Forks, North Dakota Pension Plan (the "Plan") is a cost-sharing public employee pension plan operated by The Park District of the City of Grand Forks, North Dakota (the "District") which serves as the Plan Administrator ("Administrator") and Plan Sponsor ("Sponsor"). 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 ("NDPERS") pension plan. All future hires after December 31, 2009, will be required to participate in the NDPERS plan. The investment assets of the Plan are held within the Plan Fund ("Fund").

Benefit provisions are established by the Park Board ("Board") of the Sponsor. 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 Board.

Fund Goals

The plan benefits are financed through both employer and employee contributions and the investment earnings on assets held in the Fund. The Board recognizes that a sound investment program is essential to meet the pension obligations.

As a result, the Fund goals are to:

- Improve the Plan's funding status to protect and sustain current and future benefits.
- Minimize the employee and employer contributions needed to fund the Plan over the long term.
- Avoid substantial volatility in required contribution rates and fluctuations in the Plan's funding status.
- Accumulate a funding surplus to provide increases in retiree annuity payments to preserve the purchasing power of their retirement benefit.

The Board acknowledges the material impact that funding the pension plan has on the District's financial performance. These goals affect the Fund's investment strategies and often represent conflicting goals. For example, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The Board places greater emphasis on the strategy of improving the funding status and reducing the contributions that must be made to the Fund, as it is most consistent with the long-term goal of conserving money to apply to other important projects.

Responsibilities and Discretion of the State Investment Board (SIB)

The Board has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The Board is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent investor rule. Under this 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.

Risk Tolerance

The Board is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to finance the pension benefits promised to plan participants. However, funding the pension promise in an economical manner is critical to the Board's ability to continue to provide pension benefits to plan participants. Thus, the Board actively seeks to lower the cost of funding the plan's pension obligations by taking on risk for which it expects to be compensated over the long term. The Board understands that a prudent investment approach to risk taking can result in periods of under-performance for the Fund in which the funding status may decline. These periods, in turn, can lead to higher required contribution rates. Nevertheless, the Board believes that such an approach, prudently implemented, best serves the long-run interests of the District and, therefore, of plan participants.

Investment Objectives

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
3. The risk-adjusted performance of the fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

Policy Asset Mix

Benefit payments are projected to occur over a long period of time. This allows the Board to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates. After consideration of all the inputs and a discussion of its own collective risk tolerance, the Board approves the appropriate policy asset mix for the Fund.

Asset Class	Policy Target %
Global Equity	**65**
Domestic Equity	45
Large	40
Small	5
International Equity	15
Developed	12
Emerging	3
Private Equity	5
Global Fixed Income	**25**
Domestic Fixed	25
Investment Grade	25
Global Real Assets	**10**
Infrastructure	5
Timber	5

While the Board recognizes fluctuations in market values will lead to short-term deviations from policy targets, the Board does not intend to engage in tactical asset allocation. 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. Derivatives use 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. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable tot he SIB.
e. 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 time horizon and similar risk.

For the purpose of this document, social investing is defined as the consideration of socially responsible criteria in the investment or commitment of public fund money for the purpose of obtaining an effect other than a maximized return of the Fund.

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

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

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

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

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

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

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

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

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 investment manager selection and monitoring. 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. Emphasis will be placed on 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 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:

1. A list of the advisory services managing investments for the SIB.
2. A list of investments at market value, compared to previous reporting period, of each account managed by each advisory service.
3. Earnings, percentage earned, and change in market value of each account's investments.
4. Comparison of the performance of each account managed by each advisory service to other accounts under the SIB's control and to generally accepted market indicators.
5. All material legal or legislative proceedings affecting the SIB.
6. Compliance with this investment policy statement.

❖Park District of the City of Grand Forks Pension Fund Actual Asset Allocation – June 30, 2016

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$ 1,721,058	30%	4.55%
Domestic Small Cap Equity	218,981	4%	-7.04%
Global Equity	931,233	16%	-7.27%
Developed International Equity	508,764	9%	-7.94%
Emerging Markets Equity	133,107	2%	-9.25%
Private Equity	215,625	4%	-7.20%
Investment Grade Fixed Income	1,482,502	26%	4.99%
Timber	186,507	3%	4.34%
Infrastructure	305,643	6%	2.88%
Cash Equivalents	16,821	>1%	0.29%
Total Fund	$ 5,720,242		0.36%
Policy Benchmark			0.51%

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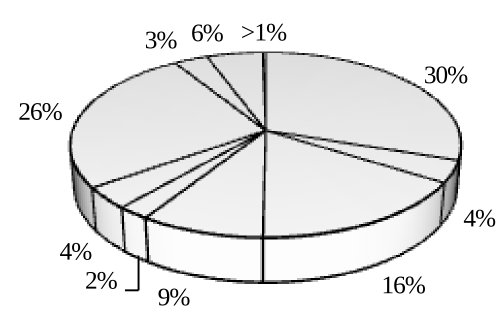

WORKFORCE SAFETY & INSURANCE FUND

❖Workforce Safety & Insurance Fund Investment Objectives and Policy Guidelines

Introduction

North Dakota Workforce Safety & Insurance (WSI) is an exclusive state workers' compensation fund (Fund), which exists for the mutual benefit of North Dakota employers and employees. The assets of the Fund 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's returns, net of fees and expenses, should match or exceed the expected rate of return assumption of the policy benchmark. The expected risk of the Fund, as measured by standard deviation, should not exceed the policy benchmark.

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 April of 2014, 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	12%
Small Cap Equity	4%
International Equity	9%
Domestic Fixed Income	53%
Diversified Real Assets	15%
Real Estate	6%
Cash Equivalents	1%

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, 2016

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$	221,627,402	12%	2.72%
Domestic Small Cap Equity		71,992,591	4%	-5.29%
International Equity		154,029,804	8%	-10.74%
Fixed Income		976,544,224	53%	6.35%
Diversified Real Assets		264,886,005	15%	2.80%
Real Estate		131,218,750	7%	9.75%
Cash Equivalents		11,805,431	1%	0.12%
Total Fund	$	1,832,104,207		3.58%
Policy Benchmark				3.42%

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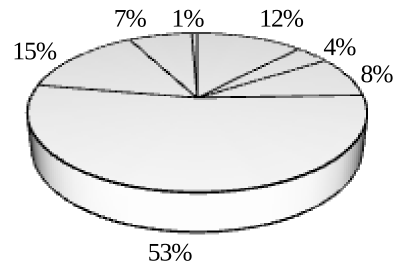


STATE FIRE AND TORNADO FUND

❖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.

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.

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.

Fund Mission

The primary mission of the Fund is to maintain an adequate balance in the Fund to avoid the necessity of assessing additional premiums to policy holders.

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 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 probably safety of capital as well as probably income.

Management responsibility for the investment program not assigned to the SIB in NDCC Chapter 21-10 is hereby delegated to the SIB, which 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. When 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 objectives of the funds participating in the pools.

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 shall notify the Fund within 30 days of any substantial or notable changes in money managers, performance measurement services, and consultants, including hiring or terminating a money manager, performance measurement service, or consultant.

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

Risk Tolerance

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.

Investment Objectives

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

a. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
b. The Fund's risk, as measured by the standard deviation of net returns, should not exceed 115 percent of the policy benchmark over a minimum evaluation period of five years.
c. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

Policy Asset Mix

After consideration of all the inputs and discussion of its own risk tolerance, the Fund has chosen the following asset allocation:

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, 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. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. No transaction may be made that would threaten 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 Fund'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 investment manager selection and monitoring. 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

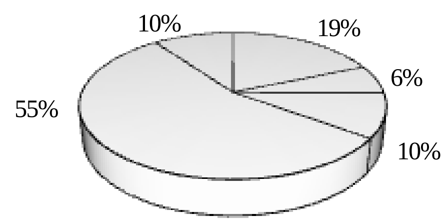
Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness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

Performance reports will be provided to the Insurance Department 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:

1. A list of advisory services managing investments for the Board.
2. A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
3. Earnings, percentage earned, and change in market value of each fund's investments.
4. Comparison of the performance of each fund managed by each advisory service to other funds under the Board's control and to generally accepted market indicators.
5. All material legal or legislative proceedings affecting the SIB.
6. Compliance with this investment policy statement.

❖**State Fire and Tornado Fund**
Actual Asset Allocation – June 30, 2016

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$	4,526,911	19%	2.72%
Domestic Small Cap Equity		1,511,651	6%	-5.27%
International Equity		2,367,014	10%	-10.74%
Fixed Income		13,272,000	55%	6.29%
Cash Equivalents		2,413,625	10%	0.12%
Total Fund	$	24,091,201		2.67%
Policy Benchmark				2.58%



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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. Appropriations from the Fund are exclusively for administrative costs.

Fund Mission

The primary mission of the Fund is to maintain an adequate balance in the Fund to avoid the necessity of assessing premiums to policy holders.

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 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 probably safety of capital as well as probably income.

Management responsibility for the investment program not assigned to the SIB in NDCC Chapter 21-10 is hereby delegated to the SIB, which 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. When 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 objectives of the funds participating in the pools.

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 shall notify the Fund within 30 days of any substantial or notable changes in money managers, performance measurement services, and consultants, including hiring or terminating a money manager, performance measurement service, or consultant.

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

Risk Tolerance

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.

Investment Objectives

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

a. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
b. The Fund's risk, as measured by the standard deviation of net returns, should not exceed 115 percent of the policy benchmark over a minimum evaluation period of five years.
c. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

Policy Asset Mix

After consideration of all the inputs and discussion of its own risk tolerance, the Fund has chosen the following asset allocation:

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, 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. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. No transaction may be made that would threaten 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 Fund'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 investment manager selection and monitoring. 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

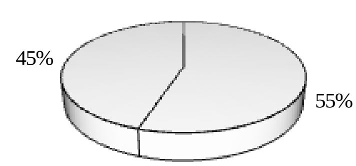
Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness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

Performance reports will be provided to the Insurance Department 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:

1. A list of advisory services managing investments for the Board.
2. A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
3. Earnings, percentage earned, and change in market value of each fund's investments.
4. Comparison of the performance of each fund managed by each advisory service to other funds under the Board's control and to generally accepted market indicators.
5. All material legal or legislative proceedings affecting the SIB.
6. Compliance with this investment policy statement.

❖ **State Bonding Fund**
Actual Asset Allocation – June 30, 2016

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Fixed Income	$ 1,813,989	55%	6.29%
Cash Equivalents	1,482,380	45%	0.12%
Total Fund	$ 3,296,369		3.48%
Policy Benchmark			3.35%



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PETROLEUM TANK RELEASE COMPENSATION FUND

❖Petroleum Tank Release Compensation Fund Investment Objectives and Policy Guidelines

<u>Fund Characteristics and Constraints</u>

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.

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.

<u>Fund Mission</u>

The primary mission of the Fund is to maintain the statutory minimum balance in the fund.

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

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 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 probably safety of capital as well as probably income.

Management responsibility for the investment program not assigned to the SIB in NDCC Chapter 21-10 is hereby delegated to the SIB, which 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. When 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 objectives of the funds participating in the pools.

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 shall notify the Fund within 30 days of any substantial or notable changes in money managers, performance measurement services, and consultants, including hiring and terminating a money manager, performance measurement service, or consultant.

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

<u>Risk Tolerance</u>

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.

<u>Investment Objectives</u>

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

a. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
b. The Fund's risk, as measured by the standard deviation of net returns, should not exceed 115 percent of the policy benchmark over a minimum evaluation period of five years.

c. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

Policy Asset Mix

After consideration of all the inputs and discussion of its own risk tolerance, the Fund has chosen the following asset allocation:

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, 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. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. No transaction may be made that would threaten 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 Fund'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 investment manager selection and monitoring. 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 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.

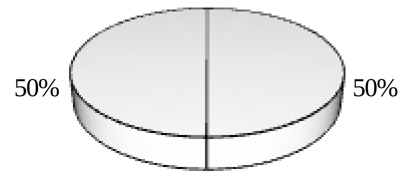
Performance reports will be provided to the Insurance Department periodically, but not less than annually. Such reports will include asset returns and allocation data as well as information regarding all significant and/or material matters and changes pertaining to the investment of the Fund, including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

1. A list of advisory services managing investments for the Board.
2. A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
3. Earnings, percentage earned, and change in market value of each fund's investments.

4. Comparison of the performance of each fund managed by each advisory service to other funds under the Board's control and to generally accepted market indicators.
5. All material legal or legislative proceedings affecting the SIB.
6. Compliance with this investment policy statement.

❖Petroleum Tank Release Compensation Fund
Actual Asset Allocation – June 30, 2016

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Fixed Income	$	3,577,509	50%	6.29%
Cash Equivalents		3,572,001	50%	0.12%
Total Fund	$	7,149,510		3.17%
Policy Benchmark				3.06%



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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 as well as earnings from investments are funding sources.

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.

Fund Mission

The primary mission of the Fund is to maintain an adequate balance in the Fund to avoid the necessity of assessing premiums to policy holders.

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 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 probably safety of capital as well as probably income.

Management responsibility for the investment program not assigned to the SIB in NDCC Chapter 21-10 is hereby delegated to the SIB, which 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. When 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 objectives of the funds participating in the pools.

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 shall notify the Fund within 30 days of any substantial or notable changes in money managers, performance measurement services, and consultants, including hiring or terminating money managers, performance measurement services, or consultants

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

Risk Tolerance

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.

Investment Objectives

The Fund's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

a. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
b. The Fund's risk, as measured by the standard deviation of net returns, should not exceed 115 percent of the policy benchmark over a minimum evaluation period of five years.
c. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

Policy Asset Mix

After consideration of all the inputs and discussion of its own risk tolerance, the Fund has chosen the following asset allocation:

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, 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. Derivative use will be monitored to ensure that undue risks are not taken by the money managers.
c. No transaction may be made that would threaten 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 Fund'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 investment manager selection and monitoring. 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 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 Insurance Department 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:

1. A list of advisory services managing investments for the Board.
2. A list of investments at market value, compared to the previous reporting period, of each fund managed by each advisory service.
3. Earnings, percentage earned, and change in market value of each fund's investments.
4. Comparison of the performance of each fund managed by each advisory service to other funds under the Board's control and to generally accepted market indicators.
5. All material legal or legislative proceedings affecting the SIB.
6. Compliance with this investment policy statement.

❖Insurance Regulatory Trust Fund
Actual Asset Allocation – June 30, 2016

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$	163,131	15%	2.72%
Domestic Small Cap Equity		54,888	5%	-5.27%
International Equity		106,770	10%	-10.74%
Fixed Income		380,762	35%	6.29%
Cash Equivalents		380,283	35%	0.12%
Total Fund	$	1,085,835		1.46%
Policy Benchmark				1.40%

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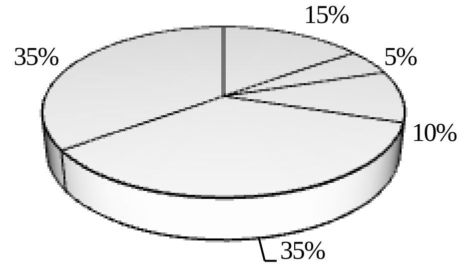


STATE RISK MANAGEMENT FUND

❖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.

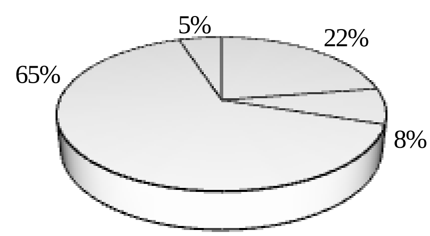
Evaluation and Review

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, 2016

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$ 1,470,772	22%	2.72%
Domestic Small Cap Equity	491,133	8%	-5.27%
Fixed Income	4,246,485	65%	6.29%
Cash Equivalents	326,412	5%	0.12%
Total Fund	$ 6,534,802		4.46%
Policy Benchmark			4.26%



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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.

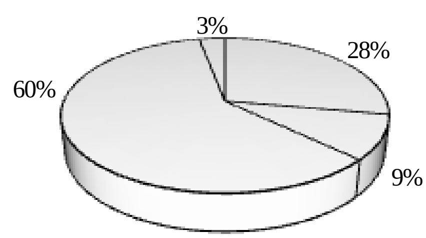
Evaluation and Review

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, 2016

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$ 1,530,959	28%	2.72%
Domestic Small Cap Equity	511,276	9%	-5.27%
Fixed Income	3,308,261	60%	6.29%
Cash Equivalents	165,679	3%	0.12%
Total Fund	$ 5,516,174		4.21%
Policy Benchmark			4.01%



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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.

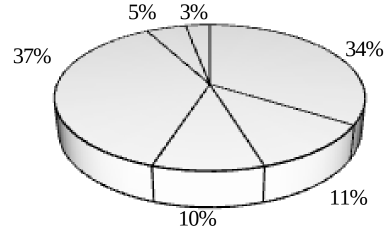
Evaluation and Review

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, 2016

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$	130,534	34%	2.72%
Domestic Small Cap Equity		44,244	11%	-5.27%
International Equity		37,950	10%	-10.74%
Fixed Income		143,097	37%	6.29%
Real Estate		18,990	5%	9.75%
Cash Equivalents		11,632	3%	0.12%
Total Fund	$	386,447		2.18%
Policy Benchmark				2.13%



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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, along with $61,414,562 on July 1, 2011 and $181,060,584 on July 1, 2013. The statutory cap for the 2015-17 biennium is $572,485,454. 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 are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB:

a. The Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

b. The risk-adjusted performance of the Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

Policy and Guidelines

The asset allocation of the Fund is established by the SIB, with input from the Legacy and Budget Stabilization Advisory Board. 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%

Bank of North Dakota Match Loan Certificates of Deposit Program (BND CD) limit of 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 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.

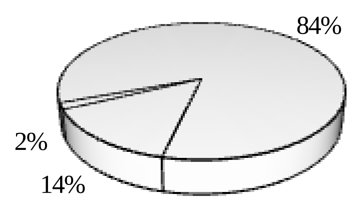
Evaluation and Review

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, 2016

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Short-term Fixed Income	$	485,318,239	84%	1.70%
BND Match Loan CDs		81,603,636	14%	2.61%
Cash Equivalents		8,996,514	2%	0.12%
Total Fund	$	575,918,389		1.82%
Policy Benchmark				1.50%



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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 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 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 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 is established by the North Dakota Association of Counties with input from the SIB. Asset allocation is based upon the appraisal of projected liquidity and income requirements.

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

Domestic Large Cap Equity	15%
Domestic Small Cap Equity	5%
International Equity	10%
Domestic Fixed Income	57%
Cash Equivalents	13%

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.

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 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.

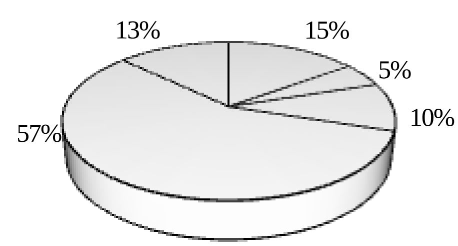
Evaluation and Review

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. 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, 2016

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$	608,868	15%	2.72%
Domestic Small Cap Equity		203,312	5%	-5.27%
International Equity		397,775	10%	-10.74%
Fixed Income		2,312,369	57%	6.29%
Cash Equivalents		526,543	13%	0.12%
Total Fund	$	4,048,866		2.76%
Policy Benchmark				2.67%



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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, 2016

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$ 96,567	15%	2.72%
Domestic Small Cap Equity	32,554	5%	-5.27%
International Equity	63,126	10%	-10.74%
Fixed Income	418,318	65%	6.29%
Cash Equivalents	31,698	5%	0.12%
Total Fund	$ 642,264		3.26%
Policy Benchmark			3.13%

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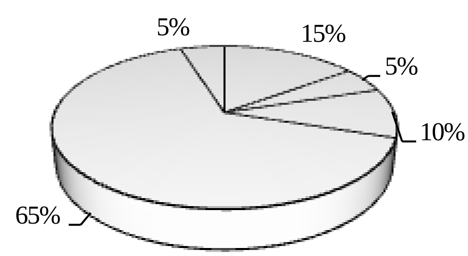


NDPERS GROUP INSURANCE ACCOUNT

❖NDPERS Group Insurance Account Investment Objectives and Policy Guidelines

Introduction

The ND Public Employees Retirement System (PERS) 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)

PERS has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. It is the responsibility of PERS 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 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.

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

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. The investment objective of the Fund is to maximize the return on the deposits within the short-term time-frame involved.

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 PERS, 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 this factor, the following allocation is deemed appropriate for the Fund:

Short Term Fixed Income	95% (not to exceed $36m)
Cash Equivalents	5%

This cash will be held in an enhanced money market account at the Fund's custodian.

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.

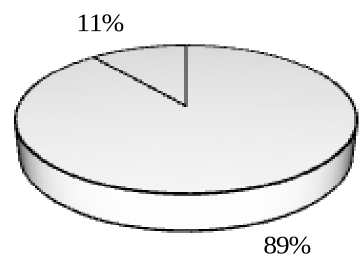
Evaluation and Review

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.

❖NDPERS Group Insurance Account
Actual Asset Allocation – June 30, 2016

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Short Term Fixed Income	33,613,922	89%	*
Cash Equivalents	4,101,438	11%	0.12%
Total Fund	$37,715,360		1.49%
Policy Benchmark			1.56%



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). This fund is intended to provide financial resources necessary for the ongoing upkeep of this large City owned facility over a long term time horizon.

Responsibilities of the State Investment Board (SIB)

The City of Fargo (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 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 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 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 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.

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 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.

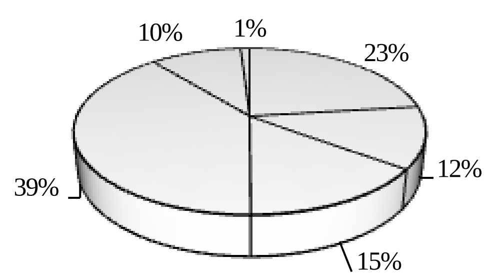
Evaluation and Review

Investment management of the Fund will be evaluated against the Fund’s investment objectives and investment performance standards. 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, 2016

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$	8,951,555	23%	2.72%
Domestic Small Cap Equity		4,677,681	12%	-5.27%
International Equity		5,722,835	15%	-10.74%
Fixed Income		15,168,547	39%	6.29%
Diversified Real Assets		3,865,195	10%	-1.16%
Cash Equivalents		396,906	1%	0.12%
Total Fund	$	38,782,720		1.19%
Policy Benchmark				1.03%



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ND STATE BOARD OF MEDICINE FUND

❖ND State Board of Medicine Fund Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

The North Dakota State Board of Medicine (the Board) was established in 1890 to protect the citizens of the state by regulating the practice of medicine. The Board licenses physicians, physician assistants, genetic counselors and fluoroscopy technicians and disciplines them if they violate the state's medical practice act. The North Dakota State Board of Medicine is governed by NDCC Chapter 43-17.

The North Dakota State Board of Medicine Fund (the Fund) is an unrestricted operating reserve set aside to provide a margin of safety and stability in the Board's operating activities, and provide flexibility to pursue capital projects as needed.

Fund Goals

The investment objectives of the Fund reflect a low risk tolerance and short-term liquidity needs. 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, equities and real estate.

Objective #2: Growth of capital is needed to preserve the real purchasing power of Fund assets. 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.

Responsibilities and Discretion of the State Investment Board (SIB)

The Board has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The Board is responsible for establishing policies on investment goals and asset allocation of the Fund. The SIB is charged with implementing these policies and investing the assets of the Fund in the manner provided in NDCC 21-10-07, the prudent investor rule. Under this 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.

Risk Tolerance

The Board's risk tolerance with respect to the management of the Fund's asset is low. The Board is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to maintain principal value over time.

Investment Objectives

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
2. The fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
3. The risk-adjusted performance of the fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

Policy Asset Mix

Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset allocation analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This analysis estimates the potential impact of various asset class mixes on key measures of total Fund risk.

After consideration of all the inputs and a discussion concerning risk tolerance, the Board approves the appropriate policy asset mix for the Fund.

Large Cap Domestic Equity	11%
Small Cap Domestic Equity	3%
International Equity	7%
Fixed Income	12%
Real Estate	2%
Short-term Fixed Income	65%

While the Board recognizes fluctuations in market values will lead to short-term deviations from policy targets, the Board does not intend to engage in tactical asset allocation. Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

Restrictions

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the 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. 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 investment manager selection and monitoring. 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

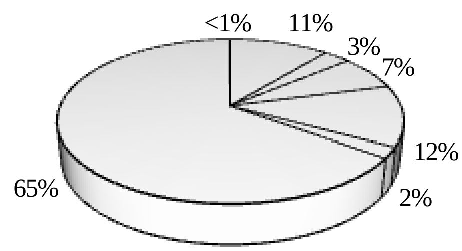
Investment management of the Fund will be evaluated against the Fund's investment objectives. Emphasis will be placed on five year results. Evaluation should include an assessment of the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement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

Performance reports will be provided to the BCEPP 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:

1. A list of the advisory services managing investments for the SIB.
2. A list of investments at market value, compared to previous reporting period, of each account managed by each advisory service.
3. Earnings, percentage earned, and change in market value of each account's investments.
4. Comparison of the performance of each account managed by each advisory service to other accounts under the SIB's control and to generally accepted market indicators.
5. All material legal or legislative proceedings affecting the SIB.
6. Compliance with this investment policy statement.

❖ND State Board of Medicine Fund
Actual Asset Allocation – June 30, 2016

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$	243,536	11%	2.72%
Domestic Small Cap Equity		65,603	3%	-5.27%
International Equity		151,460	7%	-10.74%
Fixed Income		265,383	12%	6.29%
Real Estate		46,886	2%	9.75%
Short-Term Fixed Income		1,433,650	65%	0.02%
Cash Equivalents		2,149	<1%	0.12%
Total Fund	$	2,208,666		1.63%
Policy Benchmark				1.32%



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NORTH DAKOTA LEGACY FUND

❖ND Legacy Fund Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Constraints

The North Dakota Legacy Fund was created in 2010 when the voters of North Dakota approved a constitutional amendment-now Article X, Section 26, of the Constitution of North Dakota-to provide that 30 percent of oil and gas gross production and oil extraction taxes on oil and gas produced after June 30, 2011, be transferred to the Legacy Fund. The principal and earnings of the Legacy Fund may not be spent until after June 30, 2017, and any expenditure of principal after that date requires a vote of at least two-thirds of the members elected to each house of the Legislative Assembly. Not more than 15 percent of the principal of the Legacy Fund may be spent during a biennium. The Legislative Assembly may transfer funds from any source to the Legacy Fund and such transfers become part of the principal of the Fund. The State Investment Board (SIB) is responsible for investment of the principal of the Legacy Fund. Interest earnings accruing after June 30, 2017, are transferred to the general fund at the end of each biennium. Section 21-10-11 provides that the goal of investment for the Legacy Fund is principal preservation while maximizing total return.

Fund Mission

The Legacy Fund (Fund) was created, in part, due to the recognition that state revenue from the oil and gas industry will be derived over a finite timeframe. The Legacy Fund defers the recognition of 30 percent of this revenue for the benefit of future generations. The primary mission of the Legacy Fund is to preserve the real, inflation-adjusted purchasing power of the monies deposited into the Fund while maximizing total return.

Responsibilities and Discretion of the State Investment Board (SIB)

The Legacy and Budget Stabilization Fund Advisory Board (Board) is charged by law under NDCC 21-10-11 with the responsibility of recommending 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.

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, which 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, which are also required to employ investment strategies consistent with the investment policy. 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 pool.

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

The SIB shall notify the Board within 30 days of any substantial or notable changes in money managers; performance measurement services; and consultants, including hiring or terminating a money manager, performance measurement service, or a consultant.

The SIB, after consultation with the Board, will implement necessary changes to this policy in an efficient and prudent manner.

Risk Tolerance

The Board's risk tolerance with respect to the primary aspect of the Fund's mission is low. The Board is unwilling to undertake investment strategies that might jeopardize the ability of the Fund to maintain principal value over time. The Board recognizes that the plan will evolve as the Legacy Fund matures and economic conditions and opportunities change.

Investment Objectives

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Legacy Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

a. The Legacy Fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
b. The Legacy Fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
c. The risk-adjusted performance of the Legacy Fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

Policy Asset Mix

After consideration of all the inputs and a discussion of its own collective risk tolerance, the Board approves the appropriate policy asset mix for the Legacy Fund as of April 2, 2013:

Asset Class	Policy Target Percentage
Broad US Equity	30%
Broad International Equity	20%
Fixed Income	35%
Core Real Estate	5%
Diversified Real Assets	10%

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

Restrictions

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Legacy 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. No transaction may be made that would threaten the tax-exempt status of the Legacy 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 Fund'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 Legacy Fund will be evaluated against the Fund's investment objectives and investment performance standards. Emphasis will be placed on 5-year and 10-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.

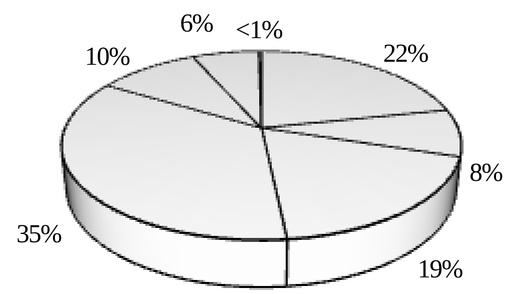
Performance reports will be provided to the Board periodically, but not less than quarterly. Such reports will include asset returns and allocation data. Additionally, not less than annually, reports will include information regarding all significant and/or material matters and changes pertaining to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

- Changes in asset class portfolio structures, tactical approaches, and market values.
- Loss of principal, if any.
- Management costs associated with various types of investments.
- All material legal or legislative proceedings affecting the SIB.
- Compliance with this investment policy statement.
- An evaluation of the national economic climate.
- A forecast of the expected economic opportunities and dangers.
- Management of risk by the SIB.

In addition to the quarterly evaluation and review process, the SIB shall notify the Board within 30 days of any substantial or notable deviation from the normal management of the Legacy Fund, including any anomalies, notable losses, gains, or liquidation of assets affecting the fund.

❖ND Legacy Fund
Actual Asset Allocation – June 30, 2016

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$	828,297,045	22%	2.52%
Domestic Small Cap Equity		308,762,684	8%	-4.99%
International Equity		703,293,843	19%	-10.73%
Fixed Income		1,340,864,596	35%	6.40%
Diversified Real Assets		374,417,389	10%	3.14%
Real Estate		244,647,252	6%	9.79%
Cash Equivalents		9,202,375	<1%	0.13%
Total Fund	$	3,809,485,184		1.06%
Policy Benchmark				1.01%



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RETIREMENT PLAN FOR EMPLOYEES OF JOB SERVICE NORTH DAKOTA

❖Job Service ND
Investment Objectives and Policy Guidelines

Plan Characteristics and Fund Contraints

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%.

Responsibilities and Discretion of the State Investment Board

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

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

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

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

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

Delegation of Authority

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

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1)(a).

2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:

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

3. Guidelines for the selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1)(d).

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

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

Investment Goals

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

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

Objective #2: To achieve a rate of return which exceeds the rate of inflation, as measured by the Consumer Price Index (CPI), by 3.0 percentage points per year (based on current actuarial assumptions of 7% return and 2-3% 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 by more than 15%.

c. Over 5-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 by more than 15%.

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 December 2014. 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 Equity	24%
Global Equity	16%
US High Yield Bonds	3%
Emerging Markets Debt	3%
Core Fixed Income	19%
Limited Duration Fixed Income	19%
Diversified Short Term Fixed Income	10%
Short Term Corporate Fixed Inc	6%

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.

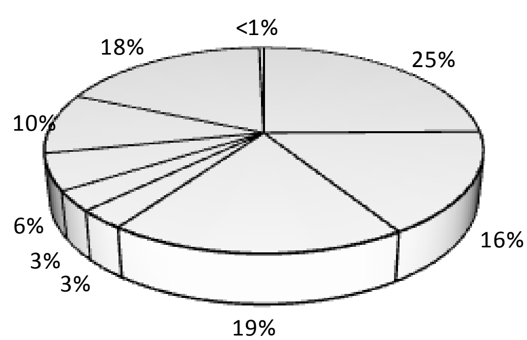
An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining 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, 2016

Asset Allocation		Fair Value	Percent of Total	One Year Return (net)
Domestic Equity	$	23,942,085	25%	9.39%
Global Equity		15,695,311	16%	*
Core Fixed Income		18,171,485	19%	*
High Yield Bonds		2,959,404	3%	*
Emerging Markets Debt		3,085,168	3%	*
Short Term Corporate Fixed Income		5,509,726	6%	*
Diversified Short Term Fixed Income		9,248,038	10%	*
Limited Duration Fixed Income		17,585,107	18%	*
Cash Equivalents		392,009	<1%	0.29%
Total Fund	$	96,588,333		5.45%
Policy Benchmark				2.20%



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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.

<u>Investment Goals</u>

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.

<u>Investment Performance Objective</u>

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 materially exceed that of the policy portfolio.

c. Over 5-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.

<u>Asset Allocation</u>

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.

<u>Restrictions</u>

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.

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

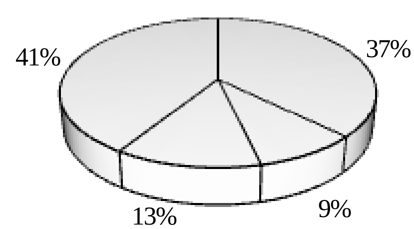
An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining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

Evaluation

❖**Retiree Health Insurance Credit Fund**
Actual Asset Allocation – June 30, 2016

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$ 37,923,758	37%	2.49%
Domestic Small Cap Equity	9,186,964	9%	-5.67%
International Equity	12,792,493	13%	-11.04%
Core Plus Fixed Income	41,720,008	41%	4.90%
Total Fund	$ 101,623,223		0.72%
Policy Benchmark			1.60%



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TOBACCO PREVENTION AND CONTROL FUND

❖Tobacco Prevention and Control Fund Investment Objectives and Policy Guidelines

Plan Characteristics and Constraints

The North Dakota Tobacco Prevention and Control fund (fund) was established in 1999 for the purpose of creating and implementing a comprehensive statewide tobacco prevention and control plan (comprehensive plan). NDCC 54-27-25(2). The comprehensive plan is administered by the Executive Committee and is to be consistent with the centers for disease control best practices for comprehensive tobacco prevention and control programs. NDCC 23-42-01. The Executive Committee has the power and duty to provide direction to the state investment board for investment of the fund. NDCC 23-42-04(1).

Fund Goals

The fund consists of the tobacco settlement dollars obtained by the state under section IX(c)(2) of the agreement adopted by the east central judicial district court in its judgment entered December 28, 1998 [Civil No. 98-3778] in State of North Dakota, ex rel. Heidi Heitkamp v. Philip Morris, Inc. Interest earned on the fund must be credited to the fund. NDCC 54-27-25(2). The fund Executive Committee recognizes that a sound investment program is essential to meet the goals of the comprehensive plan. As a result, the fund goal is to protect and sustain the fund in order to implement the comprehensive plan.

Responsibilities and Discretion of the State Investment Board (SIB)

The Executive Committee has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. The Executive Committee is charged by law under NDCC 23-42-04 with the responsibility of providing direction to the state investment board for investment of the fund. The SIB is charged with implementing these policies and investing the assets of the fund in the manner provided in NDCC 21-10-07, the prudent investor rule. Under this 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.

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.

Risk Tolerance

The Executive Committee is unwilling to undertake investment strategies that might jeopardize the ability of the fund to finance the comprehensive plan.

The Executive Committee actively seeks to sustain the fund by taking on risk for which it expects to be compensated over the long term. The Executive Committee understands that a prudent investment approach to risk taking can result in periods of under-performance for the fund in which the funding status may decline. The Executive Committee believes that such an approach, prudently implemented, best serves the long-run interests of the State.

Policy Asset Mix

Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Executive Committee in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This analysis estimates the potential impact of various asset class mixes on key measures of total fund risk.

After consideration of all the inputs and a discussion of its own collective risk tolerance, the Executive Committee approves the appropriate policy asset mix for the fund.

Asset Class	Policy Target	Rebalancing Range
Global Equity	10%	5-20%
Global Fixed Income	75%	60-90%
Cash	15%	10-20%

While the Executive Committee recognizes fluctuations in market values will lead to short-term deviations from policy targets, the Executive Committee does not intend to engage in tactical asset allocation. Rebalancing of the fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

Restrictions

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the 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. Because the statutory purpose of the Executive Committee is to reinforce best practices related to comprehensive tobacco prevention and control programs, and to invest in or profit from the manufacturer and sale of tobacco products would contradict that purpose, the assets shall only be invested in securities issued by tobacco-free firms, defined as those which generate revenues of no greater than 0% from tobacco products. In the event of an inadvertent de minimis investment in a firm with any exposure to tobacco products, the inadvertent investment will be immediately divested upon discovery. For investment purposes "tobacco product" means tobacco or any product containing, made from, or derived from tobacco, in whole or in part, that is intended for human consumption, whether chewed, smoked, absorbed, dissolved, inhaled, snorted, sniffed, consumed, or ingested by any other means, including cigarettes, cigars, electronic smoking devices, pipe tobacco, chewing tobacco, snuff, snus, liquid, or other kinds and forms of tobacco. "Tobacco product" includes any product or device that contains nicotine, in any form, that is derived from tobacco. Any product that contains nicotine shall be presumed to contain nicotine derived from tobacco unless the nicotine is confirmed to be derived from a different source.

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 Executive Committee'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. Emphasis will be placed on 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 Executive Committee quarterly and investment performance presentations will be provided to the Executive Committee upon request, 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:

1. A list of the advisory services managing investments for the Executive Committee.

2. A list of investments at market value, compared to previous reporting period, of each fund managed by each advisory service.

3. Earnings, percentage earned, and change in market value of each fund's investments.

4. Comparison of the performance of each fund managed by each advisory service to other funds under the Executive Committee's control and to generally accepted market indicators.

5. All material legal or legislative proceedings affecting the SIB.

6. Compliance with this investment policy statement.

❖Tobacco Prevention and Control Fund
Actual Asset Allocation – June 30, 2016

Asset Allocation	Fair Value	Percent of Total	One Year Return (net)
Domestic Large Cap Equity	$ 5,446,369	10%	*
Short-Term Fixed Income	40,816,115	75%	*
Cash Equivalents	8,104,054	15%	*
Total Fund	$ 54,366,539		*
Policy Benchmark			*

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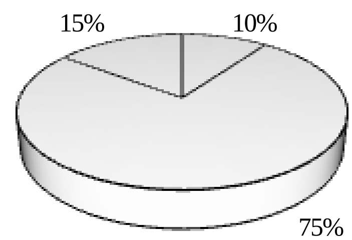

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ACTUARIAL SECTION

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October 19, 2016

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, 2016

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, 2016.

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 the Governmental Accounting Standards Board Statement No. 67 (GASB 67) 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. Member and employer rates are 11.75% and 12.75%, respectively. The 11.75% member contribution rate and 12.75% employer contribution rate will remain in effect until TFFR is 100% 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 27 years beginning July 1, 2016, although at any given time the statutory rates may be insufficient.

Board of Trustees
North Dakota Teachers' Fund for Retirement
October 19, 2016
Page 2

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

In order to determine the adequacy of the 12.75% statutory employer contribution rate, it is compared to the actuarially determined contribution (ADC). The ADC 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 the 30-year closed period that began July 1, 2013 (27 years remaining as of July 1, 2016). For this calculation, payroll is assumed to increase 3.25% per year. As of July 1, 2016, the ADC is 13.22%, compared to 11.04% last year. This is greater than the 12.75% rate currently required by law.

The increase in ADC is primarily driven by the actuarial loss on assets.

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) increased from last year. The funded ratio at July 1, 2015, was 61.6%, while it is 62.1% as of July 1, 2016. Based on the market value of assets rather than the actuarial value of assets, the funded ratio decreased to 59.2%, compared to 62.1% last year.

The Plan has a net investment loss of $105 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 market losses during FY 2015 and FY 2016 offset by market gains in FY 2013 and FY 2014. As these losses are recognized over the next four years, the funded ratio is expected to decline, assuming the plan earns 7.75% in the future.

REPORTING CONSEQUENCES

TFFR is required to disclose certain actuarial information in its Comprehensive Annual Financial Report (CAFR), including the Net Pension Liability (NPL), the sensitivity of the NPL to changes in the discount rate, a schedule of changes in NPL, and a comparison of actual contributions to the ADC. The State and the school districts need to comply with GASB 68, which also requires disclosure of certain actuarial information in their financial statements. This information will be provided in a separate report.

BENEFIT PROVISIONS

The actuarial valuation reflects the benefit and contribution provisions set forth in the North Dakota Century Code. These have not changed from the prior valuation.

ASSUMPTIONS AND METHODS

Actuarial assumptions and methods are set by the Board of Trustees, based upon recommendations made by the Plan's actuary. On April 30, 2015, the Board adopted new assumptions, effective for the July 1, 2015 valuation. In our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectation for the Plan.

Effective with the July 1, 2013, actuarial valuation, the Trustees adopted an Actuarial Funding Policy, which provides direction on how to calculate an actuarially determined contribution. The actuarially determined contribution is compared to statutory contribution rates as a measure of funding adequacy.

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.

Board of Trustees
North Dakota Teachers' Fund for Retirement
October 19, 2016
Page 3

DATA

Member data for retired, active, and inactive participants was supplied as of July 1, 2016, by the staff of the Retirement Office. 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 staff. That assistance is gratefully acknowledged.

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 Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Contributions in the Financial Section.

Sincerely,

Kim Nicholl

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

Matthew A. Strom

Matthew A. Strom, FSA, MAAA, EA
Vice President and Consulting Actuary

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SUMMARY OF ACTUARIAL VALUATION RESULTS

	2016	2015
Demographic Data for Plan Year Beginning July 1:		
• Number of		
- Retirees and Beneficiaries	8,249	8,025
- Inactive, Vested	1,601	1,607
- Inactive, Nonvested	779	660
- Active Members	10,813	10,514
• Payroll (annualized)	$627.0 million	$589.8 million
Statutory Contributions (% of Payroll) for Plan Year Beginning July 1:		
• Employer	12.75%	12.75%
• Member	11.75%	11.75%
• Actuarially determined contribution rate for year beginning July 1	13.22%	13.04%
• Margin/(Deficit)	-0.47%	-0.29%
Assets:		
• Market value	$2,124.3 million	$2,141.9 million
• Actuarial value	2,229.3 million	2,125.0 million
• Return on market value (per actuary)	0.4%	3.5%
• Return on actuarial value	6.2%	10.7%
• Ratio - actuarial value to market value	104.9%	99.2%
• Net cash flow % relative to market value	-1.2%	-1.0%
Actuarial Information:		
• Normal cost %	12.04%	11.63%
• Normal cost	$80.2 million	$72.8 million
• Actuarial accrued liability	$3,589.4 million	$3,449.8 million
• Unfunded actuarial accrued liability (UAAL)	$1,360.1 million	$1,324.8 million
• Funded ratio	62.1%	61.6%
• Effective amortization period	29 years	29 years
GASB Information:		
• Discount rate	7.75%	7.75%
• Total pension liability	$3,589.4 million	$3,449.8 million
• Plan fiduciary net position	$2,124.3 million	$2,141.9 million
• Net pension liability	$1,465.1 million	$1,307.9 million
• Plan fiduciary net position as % of total pension liability	59.2%	62.1%
Gains/(Losses):		
• Asset experience	$(33.6) million	$51.9 million
• Liability experience	(7.6) million	(3.6) million
• Benefit changes	0.0 million	0.0 million
• Assumption/method changes	0.0 million	171.3 million
• Total Gain/(Loss)	$(41.2) million	$(123.1) million

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

The following actuarial assumptions and methods have been set by the TFFR Board, based upon recommendations made by the Plan's actuary, for both funding and financial reporting purposes. However, the investment return rate used for funding is net of investment expenses and administrative expenses, whereas the rate used for financial reporting is net of investment expenses only (per GASB Statement 67). These actuarial assumptions and methods are based on the results of an experience study dated April 30, 2015, effective for the July 1, 2015 valuation.

ACTUARIAL ASSUMPTIONS

Investment Return Rate

7.75% per annum, compounded annually, equal to an assumed 2.75% inflation rate plus a 5.50% real rate of return, less 0.50% for expected investment and administrative expenses. (Adopted effective July 1, 2015)

Mortality Rates

Post-Retirement Non-Disabled*: RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. (Adopted effective July 1, 2015) Sample 2014 mortality rates are as follows:

Age	Male	Female
50	0.20%	0.14%
55	0.27%	0.17%
60	0.37%	0.24%
65	0.51%	0.37%
70	0.77%	0.58%
75	1.22%	0.95%
80	3.62%	2.82%
85	6.93%	5.40%
90	12.15%	9.56%
95	20.11%	16.30%
100	29.38%	25.11%

The mortality tables were then adjusted to future years using the generational projection to reflect future mortality improvement.

Post-Retirement Disabled*: RP-2014 Disabled Mortality Table set forward 4 years. (Adopted effective July 1, 2015)

Pre-Retirement Non-Disabled*: RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. (Adopted effective July 1, 2015)

**The mortality rates were based on historical and current demographic data, as used in the experience study dated April 30, 2015. The underlying tables reasonably reflect the mortality experience of the Fund as of the measurement date.*

Summary of Actuarial Assumptions and Methods (continued)

Retirement Rates

The following rates of retirement are assumed for members eligible to retire. (Adopted effective July 1, 2015)

	Unreduced Retirement*		Reduced Retirement
Age	Male	Female	Male/Female
50-54	15.00%	15.00%	
55-57	15.00%	15.00%	2.00%
58	15.00%	15.00%	3.00%
59	15.00%	15.00%	3.50%
60	15.00%	15.00%	4.00%
61	25.00%	25.00%	6.50%
62	35.00%	35.00%	9.00%
63	25.00%	30.00%	12.00%
64	35.00%	40.00%	12.00%
65	40.00%	50.00%	
66	30.00%	40.00%	
67	30.00%	30.00%	
68	25.00%	30.00%	
69	25.00%	30.00%	
70-74	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 at the age (and only this age) the member first becomes eligible for an unreduced retirement benefit.*

Disability Rates

Shown below for selected ages. (Adopted effective 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%

Summary of Actuarial Assumptions and Methods (continued)

Termination Rates

Termination rates based on service, for causes other than death, disability, or retirement. (Adopted effective July 1, 2015)

Years of Service	Male	Female
0	20.00%	20.00%
1	14.00%	12.00%
2	11.00%	9.00%
3	8.00%	7.00%
4	6.50%	6.00%
5	5.00%	5.00%
6	4.00%	4.00%
7	3.50%	3.50%
8	3.00%	3.00%
9	2.50%	2.50%
10	2.50%	2.50%
11	2.00%	2.50%
12	2.00%	2.50%
13	2.00%	2.50%
14	2.00%	2.50%
15-18	1.50%	2.00%
19	0.75%	2.00%
20-24	0.75%	1.50%
25 and over	0.75%	0.75%

Termination rates cut out at first retirement eligibility.

Salary Increase Rates

Inflation rate of 2.75% plus productivity increase rate of 1.50%, plus step-rate/promotional increase as shown below. (Adopted effective July 1, 2015)

Years of Service	Annual Step-Rate Promotional Component	Annual Total Salary Increase
0	10.25%	14.50%
1	3.50%	7.75%
2	3.25%	7.50%
3	3.00%	7.25%
4	2.75%	7.00%
5	2.50%	6.75%
6	2.25%	6.50%
7	2.00%	6.25%
8-9	1.75%	6.00%
10-11	1.50%	5.75%
12-13	1.25%	5.50%
14-15	1.00%	5.25%
16-18	0.75%	5.00%
19-22	0.50%	4.75%
23-24	0.25%	4.50%
25 & over	0.00%	4.25%

Summary of Actuarial Assumptions and Methods (continued)

Payroll Growth Rate	3.25% per annum. This assumption does not include any allowance for future increase in the number of members. (Adopted effective July 1, 2010)
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 effective July 1, 1992)
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 effective July 1, 1990)
Loading Factor for New Retirees	The liability includes a 3% load for members who retired during the year ended June 30, 2016, to reflect that their benefit is not finalized as of the valuation date.
Annual Administrative Expenses	Administrative expenses of $1,902,577 (actual expenses for the previous year, increased with inflation) are expected to be paid for the year beginning July 1, 2016.
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. The actuarial value is further adjusted, if necessary, to be within 20% of the market value.
Actuarial Cost Method	Normal cost and actuarial accrued liability are calculated on an individual basis and are allocated by salary. Entry age is determined as the age at member's enrollment in TFFR. 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. The actuarial cost method used is the same for funding and financial reporting.
Amortization Period and Method	The actuarially determined contribution (ADC) 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 the 30-year closed period that began July 1, 2013.

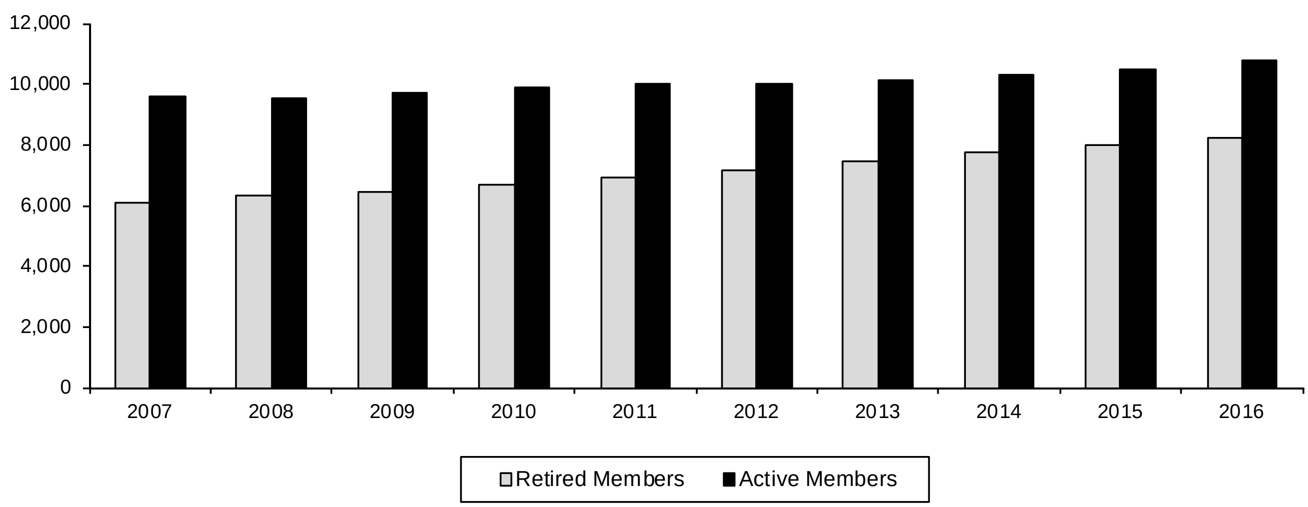
SCHEDULE OF ACTIVE MEMBERS

	Active Members		Covered Payroll (annualized)		Average Salary			
Valuation Year	Number	Percent Increase	Amount in $ Millions	Percent Increase	$ Amount	Percent Increase	Average Age	Average Service
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
2012	10,014	0.1	505.3	3.4	50,458	3.3	43.7	13.7
2013	10,138	1.2	526.7	4.2	51,953	3.0	43.2	13.2
2014	10,305	1.6	557.2	5.8	54,073	4.1	42.9	12.8
2015	10,514	2.0	589.8	5.8	56,095	3.7	42.5	12.4
2016	10,813	2.8	627.0	6.3	57,986	3.4	42.3	12.1

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
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
2012	416	10.2	198	2.3	7,151	19,968	135.3	6.1
2013	480	13.7	142	1.9	7,489	20,664	145.9	7.8
2014	461	14.3	203	2.5	7,747	21,396	158.4	8.5
2015	463	13.7	185	2.5	8,025	22,104	168.3	6.3
2016	427	12.6	203	3.1	8,249	22,692	180.6	7.3

ACTIVE MEMBERS VS RETIRED MEMBERS
10-YEAR SUMMARY



ANALYSIS OF CHANGE IN ACTUARIALLY DETERMINED CONTRIBUTION (ADC)

	7/1/2016	7/1/2015
Prior valuation	13.04 %	11.57 %
Increases/(decreases) due to:		
Change in remaining amortization period	0.00 %	0.00 %
Change in covered payroll and normal cost	(0.39)%	(0.23)%
Employer contributions received at 12.75% rather than 13.04% for FY2016 and rather than 11.57% for FY2015	(0.06)%	(0.15)%
Liability experience	0.07 %	0.04 %
Investment experience	0.32 %	(0.53)%
Legislative changes	0.00 %	0.00 %
Change in actuarial assumptions	0.00 %	2.34 %
Change to valuation software as a result of the actuarial audit	0.24 %	0.00 %
Total	0.18 %	1.47 %
Current valuation	13.22 %	13.04 %
Statutory employer contribution rate	12.75 %	12.75 %
Margin available [contribution sufficiency/(deficiency)]	(0.47)%	(0.29)%

DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)

	($ in millions)	
	7/1/2016	7/1/2015
UAAL at beginning of year	$ 1,324.7	$ 1,198.3
Normal cost	70.1	60.6
Total contributions	(161.9)	(152.4)
Interest on:		
UAAL and normal cost	108.1	100.7
Total contributions	(5.7)	(5.5)
Expected UAAL	$ 1,335.3	$ 1,201.7
Changes due to (gain)/loss from:		
Investments	$ 33.6	$ (51.9)
Demographics	7.6	3.6
Change due to actuarial audit	(16.4)	-
Change in actuarial assumptions	-	171.3
UAAL at end of year	$ 1,360.1	$ 1,324.7

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)
2007	$526.9	$1,001.1	$ 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
2012	647.9	1,429.0	794.9	1,748.1	100.0	77.0	0.0
2013	671.1	1,551.7	774.3	1,762.3	100.0	77.6	0.0
2014	698.2	1,661.6	779.0	1,940.5	100.0	74.8	0.0
2015	737.5	1,874.7	837.6	2,125.0	100.0	74.0	0.0
2016	792.8	1,976.3	820.3	2,229.3	100.0	51.4	0.0

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date July 1	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded/ Accrued Liability (UAAL)	Funded Ratio	Total Payroll (annualized)	UAAL as a % of Compensation
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
2012	1,748.1	2,871.9	1,123.8	60.9	505.3	222.4
2013	1,762.3	2,997.1	1,234.8	58.8	526.7	234.4
2014	1,940.5	3,138.8	1,198.3	61.8	557.2	215.1
2015	2,125.0	3,449.8	1,324.8	61.6	589.8	224.6
2016	2,229.3	3,589.4	1,360.1	62.1	627.0	216.9

Please also refer to the Schedule of Employer Contributions in the required supplementary information to the financial statements on page 57.

SUMMARY OF PLAN PROVISIONS

Effective Date: July 1, 1971.

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

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 TFFR Board is also responsible for establishing and maintaining a funding policy. The Retirement and Investment Office is the administrative agency for TFFR.

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.

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.

Member Contributions: All active members contribute 11.75% 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 was increased from 7.75% to 9.75% effective July 1, 2012, and was increased to 11.75% effective July 1, 2014. The total addition of 4% to the member contribution rate will remain in effect until TFFR is 100% funded on an actuarial basis. At that point, the member contribution rate will revert to 7.75%.

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.

Employer Contributions: The district or other employer that 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%

However, the additions are subject to a “sunset” provision, so the contribution rate will revert to 7.75% once the funded ratio reaches 100%, measured using the actuarial value of assets. The contribution rate will not automatically increase if the funded ratio later falls back below 100%.

Summary of Plan Provisions (continued)

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.

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 these criteria as of June 30, 2013, are considered Non-grandfathered. These members, along with Tier 2, will have new plan provisions, as described below.

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.

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.

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 Plan 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.

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.

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. Reductions are the same as for Early Retirement.

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.

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 Plan 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).

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.

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.

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)

<u>2007 Legislative Session:</u>

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.

<u>2009 Legislative Session:</u>

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%.)

<u>2011 Legislative Session:</u>

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.

Summary of Plan Changes (continued)

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.

2013 Legislative Session:

1. Employer and member contribution rates will be reset to 7.75% once the Fund reaches a 100% funded ratio (rather than the 90% funded ratio enacted with the 2011 Legislation), measured using the actuarial value of assets.

2. Various technical and administrative changes that do not have an actuarial effect on the Plan were enacted.

2015 Legislative Session:

1. Various technical and administrative changes that do not have an actuarial effect on the Plan were enacted

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 POSITION
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
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
2012	40,254,562	46,126,193	8.75	(21,501,670)	2,417,995	67,297,080
2013	53,824,557	59,352,860	10.75	220,236,221	2,641,019	336,054,657
2014	56,554,767	62,355,146	10.75	294,294,215	2,034,289	415,238,417
2015	72,268,451	78,422,098	12.75	73,377,280	1,600,739	225,668,568
2016	76,342,685	82,839,932	12.75	8,283,962	2,768,245	170,234,824

DEDUCTIONS:

Fiscal Year	Benefits Paid to Participants	Refunds	Administrative Charges	Total Deductions	Change in Net Position
2007	$ 99,737,905	$ 3,328,931	$ 1,592,060	$ 104,658,896	308,469,189
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
2012	135,250,568	2,479,194	1,596,976	139,326,738	(72,029,658)
2013	145,943,323	3,053,395	1,623,638	150,620,356	185,434,301
2014	158,350,355	3,908,921	1,586,045	163,845,321	251,393,096
2015	168,349,762	3,889,671	1,923,392	174,162,825	51,505,743
2016	180,617,784	5,350,896	1,851,656	187,820,336	(17,585,512)

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
2007	$ 91,808,846	$ 953,744	$ 1,142,896	$ 5,832,419	$ 99,737,905	$ 2,967,619	$ 361,312	$ 3,328,931	$ 103,066,836
2008	98,381,551	692,139	1,296,946	6,085,698	106,456,334	5,154,211	346,265	5,500,476	111,956,810
2009	105,258,155	895,742	1,419,050	6,393,132	113,966,079	2,131,709	230,542	2,362,251	116,328,330
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
2012	125,721,931	532,104	1,685,206	7,311,327	135,250,568	2,296,492	182,702	2,479,194	137,729,762
2013	135,498,122	863,990	1,738,006	7,843,205	145,943,323	2,595,636	457,759	3,053,395	148,996,718
2014	147,286,889	820,463	1,960,290	8,282,713	158,350,355	3,090,345	799,326	3,908,921	162,259,276
2015	157,134,597	557,332	1,891,043	8,766,790	168,349,762	3,156,932	732,739	3,889,671	172,239,433
2016	168,179,310	992,233	1,920,107	9,526,134	180,617,784	4,715,602	635,294	5,350,896	185,968,680

SCHEDULE OF CONTRIBUTION RATES
LAST 10 FISCAL YEARS

Fiscal Year	Member Rate	Employer Rate
2007	7.75%	7.75%
2008	7.75%	7.75%
2009	7.75%	8.25%
2010	7.75%	8.25%
2011	7.75%	8.75%
2012	7.75%	8.75%
2013	9.75%	10.75%
2014	9.75%	10.75%
2015	11.75%	12.75%
2016	11.75%	12.75%

PRINCIPAL PARTICIPATING EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Participating Employer	2016 Covered Employees	2016 Rank	2016 % of Total System	2007 Covered Employees	2007 Rank	2007 % of Total System
Bismarck Public Schools	1,181	1	10.07%	902	2	8.97%
Fargo Public Schools	1,154	2	9.84%	985	1	9.79%
West Fargo Schools	914	3	7.79%	469	5	4.66%
Grand Forks Schools	843	4	7.19%	751	3	7.47%
Minot Schools	703	5	5.99%	598	4	5.94%
Mandan Public Schools	337	6	2.87%	270	6	2.68%
Dickinson Schools	293	7	2.50%	224	8	2.23%
Williston Schools	271	8	2.31%	182	9	1.81%
Jamestown Schools	216	9	1.84%	226	7	2.25%
Devils Lake Schools	173	10	1.48%	165	10	1.64%
All Other [1]	5,642		48.11%	5,287		52.56%
Total (214 & 244 employers) [2]	11,727		100.00%	10,059		100.00%

[1] In 2016 "all other" consisted of: [1] In 2007 "all other" consisted of:

Type	2016 Number	2016 Employees	2007 Number	2007 Employees
School Districts	166	5,116	186	4,765
County Superintendents	6	6	13	13
Special Education Units	19	353	18	347
Vocational Centers	5	53	3	46
State Agencies/Institutions	5	95	9	106
Other	3	19	5	10
Total	204	5,642	234	5,287

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

SCHEDULE OF PARTICIPATING EMPLOYERS AT JUNE 30, 2016

School Districts
Alexander
Anamoose
Apple Creek Elementary
Ashley
Bakker 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
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
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 Sargent
North Star
Northern Cass
Northwood
Oakes
Oberon Elementary
Page
Park River Area
Parshall
Pingree – Buchanan
Powers Lake
Richardton-Taylor
Richland
Rolette
Roosevelt
Rugby
Sargent Central
Sawyer
Scranton
Selfridge
Solen-Cannonball
South Heart
South Prairie Elementary
St. John's
St. Thomas
Stanley
Starkweather
Sterling
Strasburg
Surrey
Sweet Briar Elementary
TGU
Thompson
Tioga

SCHEDULE OF PARTICIPATING EMPLOYERS (Continued)

School Districts (cont.)
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 176

County Superintendents
Logan County
McKenzie County
Morton County
Nelson County
Slope County
Ward County
Total County Supts. 6

Special Education Units
Burleigh County Special Ed.
E Central Center for Exc. Children
GST Educational Services
James River Multidistrict Spec. Ed.
Lake Region Special Ed.
Lonetree Special Ed.
Northern Plains Special Ed.
Oliver – Mercer Special Ed.
Peace Garden Special Ed.
Pembina Spec. Ed. Co-Op
Rural Cass County Special Ed.
Sheyenne Valley Special Ed.
Souris Valley Special Ed.
South Central Prairie Special Ed.
South Valley Special Ed.
Southwest Special Ed.
Upper Valley Special Ed.
West River Student Services
Wil-Mac Special Ed.

Total Special Ed Units 19

Vocational Centers
N Central Area Career & Tech
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 Dept. of Public Instruction
ND School for the Blind
ND School for the Deaf
ND Youth Correctional Center

Total State Agencies & Institutions 5

Other
Great NW Cooperative
ND United
Roughrider Service Program

Total Other 3

Total Employers 214

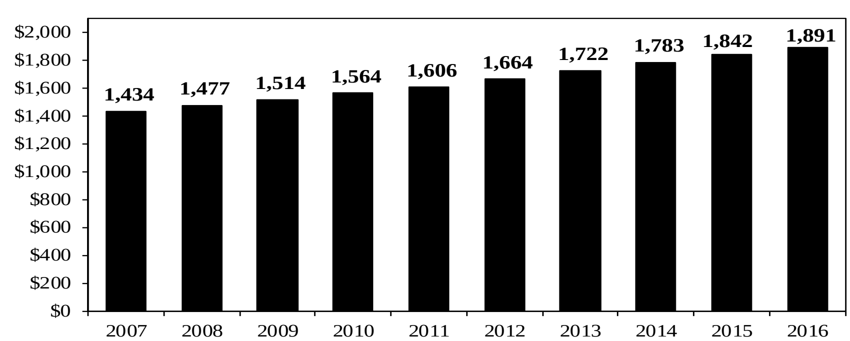
SCHEDULE OF RETIREES RESIDING IN NORTH DAKOTA BY COUNTY
AS OF JUNE 30, 2016

County	Number	Average Benefit	County	Number	Average Benefit	County	Number	Average Benefit
Adams	26	$ 1,974	Griggs	43	$ 1,682	Richland	138	$ 2,094
Barnes	157	2,101	Hettinger	29	1,902	Rolette	85	1,840
Benson	55	2,052	Kidder	38	1,659	Sargent	41	1,559
Billings	4	1,479	LaMoure	64	1,823	Sheridan	17	1,612
Bottineau	126	1,624	Logan	20	1,775	Sioux	5	639
Bowman	41	1,808	McHenry	75	1,972	Slope	3	1,355
Burke	41	1,549	McIntosh	38	1,733	Stark	207	1,902
Burleigh	853	2,085	McKenzie	54	2,043	Steele	19	1,932
Cass	1070	2,141	McLean	118	1,760	Stutsman	211	1,975
Cavalier	71	1,605	Mercer	108	2,108	Towner	32	1,727
Dickey	70	1,813	Morton	276	1,864	Traill	103	1,846
Divide	33	1,898	Mountrail	73	1,560	Walsh	153	1,831
Dunn	39	2,034	Nelson	59	1,764	Ward	578	2,013
Eddy	39	1,990	Oliver	20	2,026	Wells	64	1,827
Emmons	34	1,927	Pembina	97	2,035	Williams	175	2,026
Foster	46	2,111	Pierce	64	1,802	Out of State	1,658	1,561
Golden Valley	17	1,566	Ramsey	142	1,752			
Grand Forks	594	2,111	Ransom	53	1,652	GRAND TOTALS:	8,249	$ 1,891
Grant	32	1,450	Renville	41	1,871			

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

Valuation Year		Years of Service < 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	> 34	TOTAL
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	2.77	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
2012	Number of Retirees	99	309	482	464	771	1,521	2,232	1,273	7,151
	Average Monthly Benefit	202	317	479	757	1,228	1,673	2,065	2,438	1,664
	Average Final Average Salary	1,973	2,118	2,120	2,507	3,008	3,322	3,570	3,740	3,235
	Average Years of Service	3	7	13	17	23	28	32	38	27
2013	Number of Retirees	105	330	493	497	806	1,571	2,322	1,365	7,489
	Average Monthly Benefit	225	331	496	799	1,275	1,717	2,113	2,558	1,722
	Average Final Average Salary	1,989	2,219	2,210	2,663	3,118	3,412	3,661	3,893	3,344
	Average Years of Service	3	7	13	17	23	28	32	38	27
2014	Number of Retirees	111	351	498	507	835	1,618	2,400	1,427	7,747
	Average Monthly Benefit	232	333	512	837	1,340	1,770	2,169	2,667	1,783
	Average Final Average Salary	2,072	2,274	2,308	2,826	3,266	3,522	3,754	4,018	3,456
	Average Years of Service	3	7	12	17	23	28	32	38	27
2015	Number of Retirees	115	373	513	527	869	1,656	2,492	1,480	8,025
	Average Monthly Benefit	229	339	530	857	1,385	1,822	2,232	2,788	1,842
	Average Final Average Salary	2,112	2,352	2,417	2,895	3,372	3,625	3,862	4,169	3,565
	Average Years of Service	3	7	12	17	23	28	32	38	27
2016	Number of Retirees	118	400	530	540	897	1,692	2,541	1,531	8,249
	Average Monthly Benefit	224	344	547	890	1,435	1,871	2,292	2,868	1,891
	Average Final Average Salary	2,096	2,425	2,523	2,998	3,497	3,716	3,958	4,263	3,659
	Average Years of Service	3	7	12	17	23	28	32	38	27

Average Final Average Salary detail not available prior to 2009.



SCHEDULE OF RETIREES
BY BENEFIT AMOUNT

Monthly Benefit	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Under $200	241	231	228	224	215	215	199	193	185	177
200 to 399	461	465	462	464	464	471	466	475	470	461
400 to 599	445	449	443	454	473	489	500	517	539	552
600 to 799	387	392	402	417	418	436	446	469	506	527
800 to 999	398	402	408	410	409	410	410	417	419	420
1,000 to 1,199	506	511	522	533	518	515	527	529	538	540
1,200 to 1,399	528	527	532	535	525	524	514	505	498	493
1,400 to 1,599	583	590	587	591	573	574	556	550	534	519
1,600 to 1,799	619	619	615	607	592	568	550	525	510	483
1,800 to 1,999	608	599	599	586	570	557	526	513	499	474
2,000 to 2,199	557	557	537	522	501	474	445	412	377	338
2,200 to 2,399	514	484	462	435	409	394	381	353	329	287
2,400 to 2,599	406	398	377	349	325	313	287	267	250	228
2,600 to 2,799	356	347	320	303	281	267	237	208	185	160
2,800 to 2,999	336	309	301	261	227	200	178	155	144	126
3,000 & Over *									334	292
3,000 to 3,199	292	277	228	206	178	155	124	110		
3,200 to 3,399	239	210	178	147	124	91	84	70		
3,400 to 3,599	175	156	141	114	92	79	72	61		
3,600 to 3,799	144	132	101	83	72	55	46	41		
3,800 to 3,999	105	79	62	58	42	35	34	24		
4,000 & Over	349	291	242	190	143	111	90	72		
TOTAL	8,249	8,025	7,747	7,489	7,151	6,933	6,672	6,466	6,317	6,077

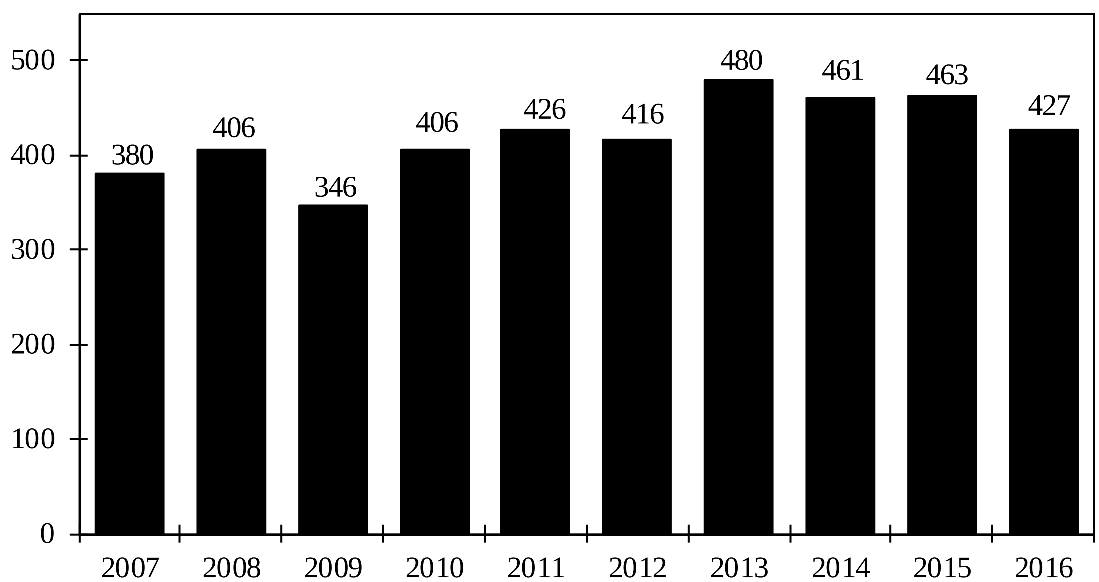
* Breakdown of data for monthly benefits > $3,000 is not available for years prior to 2009.

SCHEDULE OF RETIREES
BY BENEFIT TYPE

Form of Payment	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Service:										
Straight Life	2,917	3,096	3,014	2,916	2,801	2,739	2,583	2,560	2,578	2,541
100% J&S	3,035	2,733	2,570	2,449	2,279	2,153	2,095	1,963	1,836	1,697
50% J&S	644	576	552	531	515	501	500	468	458	433
5 Years C&L	19	19	21	22	23	28	32	32	32	33
10 Years C&L	175	171	175	177	178	184	179	174	169	166
20 Years C&L	100	96	91	85	73	63	55	46	38	34
Level	545	559	568	574	579	584	585	590	584	580
Subtotal	7,435	7,250	6,991	6,754	6,448	6,252	6,029	5,833	5,695	5,484
Disability:										
Straight Life	105	105	105	103	96	97	88	85	81	73
100% J&S	14	12	13	12	13	11	11	13	12	12
50% J&S	7	8	7	6	8	8	7	6	5	4
5 Years C&L	1	1	2	2	2	2	2	2	2	2
10 Years C&L	0	0	-	-	-	1	2	1	1	1
20 Years C&L	1	2	2	1	1	1	1	1	1	1
Subtotal	128	128	129	124	120	120	111	108	102	93
Beneficiaries:										
Straight Life	662	631	612	599	571	545	522	513	506	482
5 Years Certain Only	3	2	2	2	2	6	6	6	9	11
10 Years Certain Only	11	9	9	9	9	9	3	5	5	7
20 Years Certain Only	10	5	4	1	1	1	1	1	0	0
Subtotal	686	647	627	611	583	561	532	525	520	500
TOTAL	8,249	8,025	7,747	7,489	7,151	6,933	6,672	6,466	6,317	6,077

SCHEDULE OF NEW RETIREES BY TYPE

Valuation Year	Retirement	Disability	Beneficiary	Total
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
2012	371	7	38	416
2013	425	11	44	480
2014	407	7	47	461
2015	415	5	43	463
2016	354	5	68	427



PAYMENTS TO INVESTMENT CONSULTANTS FOR FISCAL YEARS ENDED JUNE 30

PENSION INVESTMENT POOL

	2016	2015	2014	2013	2012
INVESTMENT MANAGERS					
Global Equity:					
Calamos Advisors LLC	$ -	$ -	$ 191,300	$ 386,180	$ 189,743
Epoch Investment Partners	2,100,500	2,023,872	1,940,561	1,412,498	1,232,302.00
LSV Asset Management *	724,800	3,643,600	3,789,558	1,366,232	-
Total Global Equity	2,825,300	5,667,472	5,921,419	3,164,910	1,422,045
Domestic Large Cap Equity:					
Parametric Clifton *	372,195	3,940	21,044	(139,667)	186,582
Declaration Management & Research LLC *	-	-	-	-	138,223
Epoch Investment Partners	-	-	-	-	565,569
Los Angeles Capital Management *	1,646,315	903,165	1,470,279	903,986	749,333
LSV Asset Management	-	-	-	441,745	628,401
Northern Trust Asset Management *	-	285,132	799,906	279,317	294,405
Prudential Investment Management *	-	-	-	-	66,984
Total Domestic Large Cap Equity	2,018,510	1,192,237	2,291,229	1,485,381	2,629,497
Domestic Small Cap Equity:					
Atlanta Capital Management Co.	207,293	-	-	-	-
Callan Associates Inc.	474,648	633,323	833,802	834,282	984,147
Parametric Clifton *	612,566	452,665	434,565	665,402	543,810
Total Domestic Small Cap Equity	1,294,507	1,085,988	1,268,367	1,499,684	1,527,957
Developed International Equity:					
Capital Guardian Trust Company	456,437	509,570	417,810	307,729	291,582
The Clifton Group	-	-	88,357	172,768	163,014
Dimensional Fund Advisors	482,027	495,410	481,941	380,923	354,025
LSV Asset Management	-	-	-	286,530	522,100
Northern Trust Asset Management	80,928	83,991	41,760	-	-
State Street Global Advisors	319,219	-	23,910	248,591	293,343
Wellington Trust Company, NA	749,986	712,517	705,784	561,117	498,023
William Blair Investment Management, LLC	39,430	-	-	-	-
Total Developed International Equity	2,128,027	1,801,488	1,759,562	1,957,658	2,122,087
Emerging Markets Equity:					
Axiom International Investors	1,045,569	965,372	-	-	-
BlackFriars Asset Management	-	-	-	-	134,724
Dimensional Fund Advisors	254,292	237,037	219,392	235,763	238,500
J.P. Morgan Investment Management, Inc.	-	16,647	188,645	267,068	241,094
Northern Trust Asset Management	-	34,682	84,874	28,323	-
PanAgora Asset Management, Inc.	-	-	52,302	116,010	160,326
UBS Global Asset Management	-	-	88,171	291,475	244,015
Total Emerging Markets Equity	1,299,861	1,253,738	633,384	938,639	1,018,659

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

PAYMENTS TO INVESTMENT CONSULTANTS FOR FISCAL YEARS ENDED JUNE 30

PENSION INVESTMENT POOL (Continued)

	2016	2015	2014	2013	2012
INVESTMENT MANAGERS (cont.)					
Private Equity:					
Adams Street Partners *	727,923	567,390	1,905,053	991,683	1,164,226
Capital International *	604,904	691,023	692,462	768,528	807,471
Coral Partners, Inc. *	-	-	45,836	129,958	174,802
Corsair Capital *	699,738	697,648	699,007	736,919	735,968
EIG Global Energy Partners *	279,354	272,048	286,426	365,606	448,379
Hearthstone Homebuilding Investors, LLC *	-	-	-	566	22,020
InvestAmerica L&C, LLC *	390,201	515,216	506,227	536,928	540,063
Matlin Patterson Global Opportunities, LLC *	259,393	265,398	239,020	(427,781)	1,506,228
Quantum Energy Partners *	78,094	117,658	866,226	844,935	196,790
Quantum Resources Management *	-	21,916	43,659	52,006	123,099
Total Private Equity	3,039,607	3,148,297	5,283,916	3,999,348	5,719,046
Investment Grade Fixed Income:					
Bank of North Dakota	-	-	-	24,323	49,262
Calamos Advisors LLC	-	-	-	-	189,726
Declaration Management & Research LLC *	388,981	354,224	362,017	350,673	82,705
J.P. Morgan Investment Management, Inc.	249,491	187,706	-	-	58,957
PIMCO *	1,673,974	1,874,275	3,340,986	6,296,078	600,343
Prudential Investment Management	-	-	-	-	133,059
SEI Investments Management Co.	-	-	-	-	58,459
State Street Global Advisors	27,411	37,074	23,979	992	-
Wells Capital Management, Inc.	-	-	-	-	97,351
Western Asset Management Company	-	42,533	178,762	182,317	159,487
Total Investment Grade Fixed Income	2,339,857	2,495,812	3,905,744	6,854,383	1,429,349
Below Investment Grade Fixed Income:					
Goldman Sachs Asset Management *	240,248	429,787	583,611	754,745	594,279
Loomis Sayles & Company	984,062	1,121,922	1,053,137	882,685	732,709
PIMCO *	1,321,306	1,353,712	69,443	2,075,630	927,600
Total Below Investment Grade Fixed Income	2,545,616	2,905,421	1,706,191	3,713,060	2,254,588
Developed International Fixed Income:					
UBS Global Asset Management	329,637	344,541	315,675	285,673	260,945
Brandywine Asset Management	504,931	486,017	447,343	427,725	403,408
Total Developed International Fixed Income	834,568	830,558	763,018	713,398	664,353
Real Estate:					
INVESCO Realty Advisors *	2,757,733	3,352,638	2,394,225	2,104,737	1,312,204
J.P. Morgan Investment Management, Inc. *	1,917,259	1,838,780	1,735,021	1,941,237	2,027,278
Total Real Estate	4,674,992	5,191,418	4,129,246	4,045,974	3,339,482

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

PAYMENTS TO INVESTMENT CONSULTANTS
FOR FISCAL YEARS ENDED JUNE 30

PENSION INVESTMENT POOL (Continued)

	2016	2015	2014	2013	2012
INVESTMENT MANAGERS (cont.)					
Timber:					
Timberland Investment Resources *	(2,087,264)	695,255	747,283	771,816	1,036,397
Infrastructure:					
Grosvenor (formerly Credit Suisse) *	552,733	761,185	(39,829)	443,767	472,826
J.P. Morgan Investment Management, Inc.*	1,716,626	1,515,953	1,540,242	1,643,680	1,679,799
Total Infrastructure	2,269,359	2,277,138	1,500,413	2,087,447	2,152,625
Cash Equivalents:					
The Northern Trust Company, Inc.	60,064	65,340	61,796	60,936	72,836
Total Investment Manager Fees	23,243,004	28,610,162	29,971,568	31,292,634	25,388,921
INVESTMENT CUSTODIAN					
The Northern Trust Company, Inc	441,915	476,210	655,257	573,140	518,376
INVESTMENT CONSULTANTS					
Adams Street Partners	84,222	147,024	149,210	221,839	-
Aon Hewitt	26,750				
Callan Associates Inc.	256,302	230,922	237,304	206,020	215,043
Total Investment Consultants	367,274	377,946	386,514	427,859	215,043
SIB SERVICE FEES	21,255	32,030	29,694	30,505	31,573
SECURITIES LENDING FEES	137,658	-	-	-	(7,119)

INDIVIDUAL INVESTMENT ACCOUNT
JOB SERVICE PENSION FUND

	2016**
INVESTMENT MANAGERS	
SEI Investment Management	$ 227,664
INVESTMENT CUSTODIAN	
The Northern Trust Company, Inc	10,843
INVESTMENT CONSULTANTS	
Callan Associates	1,584
SIB SERVICE FEES	11,389
SECURITIES LENDING FEES	879

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

**The Job Service Pension Fund participated in the Pension Investment Pool until December 2015. For fiscal year 2016, the fees for this fund are included within both the pension pool accounts and the individual investment account sections.

PAYMENTS TO INVESTMENT CONSULTANTS
FOR FISCAL YEARS ENDED JUNE 30

INSURANCE INVESTMENT POOL

	2016	2015	2014	2013	2012
INVESTMENT MANAGERS					
Domestic Large Cap Equity:					
Parametric Clifton *	$ 92,954	$ 125,535	$ 91,661	$ 35,780	$ 53,176
Los Angeles Capital Management *	340,320	806,792	502,980	182,394	162,237
LSV Asset Management	202,634	764,278	321,710	158,764	131,769
Total Domestic Large Cap Equity	635,908	1,696,605	916,351	376,938	347,182
Domestic Small Cap Equity:					
Parametric Clifton *	256,569	1,096,485	307,732	129,312	122,062
PIMCO (RAE)	76,474	303,313	219,926	138,437	129,831
Total Domestic Small Cap Equity	333,043	1,399,798	527,658	267,749	251,893
International Equity:					
Capital Guardian Trust Company	259,524	1,158,305	505,274	239,917	189,258
Dimensional Fund Advisors	109,336	466,024	182,738	70,574	69,190
LSV Asset Management	254,911	1,257,835	549,302	228,459	194,826
The Vanguard Group	61,236	271,480	129,150	45,054	37,739
William Blair Investment Management, LLC	20,870				
Total International Equity	705,877	3,153,644	1,366,464	584,004	491,013
Domestic Fixed Income:					
Bank of North Dakota	-	-	-	56,395	65,084
Declaration Management & Research LLC	359,662	711,401	382,078	268,169	194,885
PIMCO *	1,257,819	2,492,526	2,189,998	4,806,203	1,836,119
Prudential Investment Management	269,566	474,211	286,136	204,186	190,576
State Street Global Advisors	47,250	90,132	60,760	2,309	-
Wells Capital Management, Inc.	547,028	1,137,478	822,098	613,148	583,784
Western Asset Management Company	416,435	866,068	553,056	376,703	398,326
Total Domestic Fixed Income	2,897,760	5,771,816	4,294,126	6,327,113	3,268,774
Diversified Real Assets:					
Grosvenor (formerly Credit Suisse) *	195,138	513,926	(19,915)	221,884	720,652
J.P. Morgan Investment Management, Inc.	677,029	839,294	686,158	717,674	782,238
Timberland Investment Resources *	491,838	516,091	507,992	507,622	507,528
Western Asset Management Company *	152,219	401,110	340,795	335,329	314,239
Total Inflation Protected Assets	1,516,224	2,270,421	1,515,030	1,782,509	2,324,657
Real Estate:					
INVESCO Realty Advisors	205,252	429,567	234,851	124,733	-
J.P. Morgan Investment Management, Inc.	698,911	1,509,756	1,004,205	782,809	1,073,000
Total Real Estate	904,163	1,939,323	1,239,056	907,542	1,073,000

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

PAYMENTS TO INVESTMENT CONSULTANTS
FOR FISCAL YEARS ENDED JUNE 30

INSURANCE INVESTMENT POOL (Continued)

	2016	2015	2014	2013	2012
INVESTMENT MANAGERS (cont.)					
Short Term Fixed Income:					
Babson Capital Management LLC	410,645	521,304	984,722	758,881	292,383
J.P. Morgan Investment Management, Inc.	297,128	344,082	577,441	477,048	207,366
Prudential Investment Management*	-	-	-	-	64,534
Total Short Term Fixed Income	707,773	865,386	1,562,163	1,235,929	564,283
Cash Equivalents:					
The Northern Trust Company, Inc.	92,129	136,209	163,876	-	-
Total Investment Manager Fees	7,792,877	17,233,202	11,584,724	11,481,784	8,320,802
INVESTMENT CUSTODIAN					
The Northern Trust Company, Inc	209,187	496,506	486,404	401,511	281,339
INVESTMENT CONSULTANTS					
Callan Associates	99,941	254,898	148,256	113,813	114,109
Novarca	12,406	15,688	-	-	-
R.V. Kuhns & Associates, Inc.	-	-	-	70,000	-
Total Investment Consultants	112,347	270,586	148,256	183,813	114,109
SIB SERVICE FEES	12,069	12,516	10,450	9,656	7,078
SECURITIES LENDING FEES	193,355				(1,935)

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

INDIVIDUAL INVESTMENT ACCOUNT
TOBACCO PREVENTION AND CONTROL FUND

	2016
INVESTMENT MANAGERS	
Domestic Large Cap Equity:	
State Street Global Advisors	$ 1,290
Short Term Fixed Income:	
State Street Global Advisors	11,361
Total Investment Manager Fees	12,651
INVESTMENT CUSTODIAN	
The Northern Trust Company, Inc	3,477
SIB SERVICE FEES	4,200

PAYMENTS TO INVESTMENT CONSULTANTS
FOR FISCAL YEARS ENDED JUNE 30

INDIVIDUAL INVESTMENT ACCOUNT
LEGACY FUND

	2016
INVESTMENT MANAGERS	
Domestic Large Cap Equity:	
Parametric Clifton *	$ 412,028
Los Angeles Capital Management *	1,004,869
LSV Asset Management	678,332
Total Domestic Large Cap Equity	2,095,229
Domestic Small Cap Equity:	
Parametric Clifton *	887,562
PIMCO (RAE)	317,213
Total Domestic Small Cap Equity	1,204,775
International Equity:	
Capital Guardian Trust Company	874,221
Dimensional Fund Advisors	441,975
LSV Asset Management	1,100,741
The Vanguard Group	243,914
William Blair Investment Management, LLC	91,470
Total International Equity	2,752,321
Domestic Fixed Income:	
Declaration Management & Research LLC	460,254
PIMCO *	1,237,699
Prudential Investment Management	377,155
State Street Global Advisors	60,222
Wells Capital Management, Inc.	704,934
Western Asset Management Company	535,812
Total Domestic Fixed Income	3,376,076
Diversified Real Assets:	
Grosvenor (formerly Credit Suisse) *	406,147
J.P. Morgan Investment Management, Inc.	720,763
Western Asset Management Company *	358,215
Total Inflation Protected Assets	1,485,125
Real Estate:	
INVESCO Realty Advisors	371,780
J.P. Morgan Investment Management, Inc.	975,774
Total Real Estate	1,347,554
Cash Equivalents:	
The Northern Trust Company, Inc.	20,951
Total Investment Manager Fees	12,282,031

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

PAYMENTS TO INVESTMENT CONSULTANTS
FOR FISCAL YEARS ENDED JUNE 30

LEGACY FUND (Continued)

	2016
INVESTMENT CUSTODIAN	
The Northern Trust Company, Inc	355,571
INVESTMENT CONSULTANTS	
Callan Associates	145,310
Novarca	53,574
Total Investment Consultants	198,884
SECURITIES LENDING FEES	166,936

The Legacy Fund was part of the Insurance Investment Pool for most of FY2015 therefore all of the fees for that fund are reflected in the Insurance Investment Pool for that entire year.

INDIVIDUAL INVESTMENT ACCOUNT
PERS RETIREE HEALTH INSURANCE CREDIT FUND

	2016	2015	2014	2013	2012
INVESTMENT MANAGERS					
SEI Investment Management	$ 415,083	$ 402,347	$ 352,919	$ 294,454	$ 249,704
INVESTMENT CUSTODIAN					
The Northern Trust Company, Inc	8,207	8,387	2,620	705	706
SIB SERVICE FEES	11,298	10,646	8,353	7,171	7,240

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

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

PENSION INVESTMENT POOL

	2016	2015	2014	2013	2012
Public Employees Retirement System					
Net position beginning of year *	$ 2,418,931,000	$ 2,328,985,200	$ 1,998,564,252	$ 1,772,254,556	$ 1,800,337,484
Net change in fair value of investments	(39,399,793)	46,174,788	293,366,241	200,819,548	(40,138,712)
Interest, dividends and other income	58,071,997	45,848,042	40,924,671	44,790,884	43,094,734
Expenses	(7,314,631)	(8,177,030)	(8,429,942)	(6,911,611)	(6,550,593)
Net securities lending income	286,957	-	-	-	11,643
Net change in net position resulting from unit transactions	26,700,000	6,100,000	4,650,000	(12,389,125)	(24,500,000)
Net position end of year	$ 2,457,275,530	$ 2,418,931,000	$ 2,329,075,222	$ 1,998,564,252	$ 1,772,254,556
City of Bismarck Employees Pension Plan					
Net position beginning of year	$ 81,619,071	$ 78,675,585	$ 68,738,254	$ 61,115,742	$ 53,487,752
Net change in fair value of investments	(962,485)	1,640,168	8,799,404	6,237,415	176,642
Interest, dividends and other income	1,944,554	1,580,510	1,414,916	1,613,666	1,664,728
Expenses	(240,726)	(277,192)	(276,989)	(228,569)	(213,743)
Net securities lending income	9,161	-	-	-	363
Net change in net position resulting from unit transactions	-	-	-	-	6,000,000
Net position end of year	$ 82,369,575	$ 81,619,071	$ 78,675,585	$ 68,738,254	$ 61,115,742
City of Bismarck Police Pension Plan					
Net position beginning of year	$ 35,834,028	$ 34,585,870	$ 30,034,601	$ 26,558,055	$ 24,487,442
Net change in fair value of investments	(604,855)	683,609	4,059,353	2,898,709	(10,241)
Interest, dividends and other income	821,724	686,314	615,490	680,528	673,595
Expenses	(101,614)	(121,765)	(123,574)	(102,691)	(92,910)
Net securities lending income	3,848	-	-	-	169
Net change in net position resulting from unit transactions	(2,000,000)	-	-	-	1,500,000
Net position end of year	$ 33,953,131	$ 35,834,028	$ 34,585,870	$ 30,034,601	$ 26,558,055
City of Grand Forks Pension Plan					
Net position beginning of year	$ 59,147,291	$ 57,805,527	$ 50,088,805	$ 43,890,145	$ 43,013,441
Net change in fair value of investments	(1,154,709)	1,108,806	7,198,621	4,988,932	(429,165)
Interest, dividends and other income	1,271,401	1,076,573	947,544	1,104,377	1,003,146
Expenses	(158,797)	(187,677)	(198,607)	(162,026)	(151,256)
Net securities lending income	6,461	-	-	-	264
Net change in net position resulting from unit transactions	(1,187,689)	(655,938)	(230,836)	267,377	453,715
Net position end of year	$ 57,923,958	$ 59,147,291	$ 57,805,527	$ 50,088,805	$ 43,890,145
Grand Forks Park District Pension Plan					
Net position beginning of year	$ 6,027,469	$ 5,930,656	$ 5,104,575	$ 4,490,835	$ 4,413,772
Net change in fair value of investments	(86,854)	167,018	768,855	561,321	(60,414)
Interest, dividends and other income	120,995	100,269	82,159	97,383	111,050
Expenses	(13,850)	(17,396)	(18,886)	(14,622)	(14,575)
Net securities lending income	645	-	-	-	34
Net change in net position resulting from unit transactions	(332,469)	(153,078)	(6,047)	(30,342)	40,968
Net position end of year	$ 5,715,936	$ 6,027,469	$ 5,930,656	$ 5,104,575	$ 4,490,835

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

PENSION INVESTMENT POOL (Continued)

	2016	2015	2014	2013	2012
City of Fargo Employee Pension Plan					
Net position beginning of year	$ 1,459	$ 9,653	$ 34,092,918	$ 29,522,766	$ 28,804,055
Net change in fair value of investments	-	-	3,209,058	3,464,908	(294,620)
Interest, dividends and other income	41,431	12	312,254	763,619	688,900
Expenses	(242)	(50)	(50,674)	(112,375)	(100,760)
Net securities lending income	-	-	-	-	191
Net change in net position resulting from unit transactions	(42,648)	(8,156)	(37,553,903)	454,000	425,000
Net position end of year	$ -	$ 1,459	$ 9,653	$ 34,092,918	$ 29,522,766

INSURANCE INVESTMENT POOL

	2016	2015	2014	2013	2012
Workforce Safety & Insurance Fund					
Net position beginning of year *	$ 1,761,372,600	$ 1,703,113,129	$ 1,556,724,746	$ 1,433,799,144	$ 1,349,820,999
Net change in fair value of investments	22,777,732	19,423,177	147,114,353	75,120,636	39,444,727
Interest, dividends and other income	46,504,149	40,772,394	36,959,249	48,176,241	47,896,009
Expenses	(4,681,475)	(4,436,100)	(4,118,600)	(4,871,275)	(4,869,959)
Net securities lending income	171,120	-	-	-	7,368
Net change in net position resulting from unit transactions	5,000,000	2,500,000	(33,500,000)	4,500,000	1,500,000
Net position end of year	$ 1,831,144,126	$ 1,761,372,600	$ 1,703,179,748	$ 1,556,724,746	$ 1,433,799,144
State Fire & Tornado Fund					
Net position beginning of year *	$ 23,400,586	$ 29,208,127	$ 26,614,418	$ 24,503,500	$ 25,159,062
Net change in fair value of investments	150,447	249,666	2,812,662	1,873,759	387,069
Interest, dividends and other income	567,145	513,284	634,670	803,166	819,440
Expenses	(46,813)	(45,491)	(52,464)	(66,007)	(62,242)
Net securities lending income	2,906	-	-	-	171
Net change in net position resulting from unit transactions	-	(6,525,000)	(800,000)	(500,000)	(1,800,000)
Net position end of year	$ 24,074,271	$ 23,400,586	$ 29,209,286	$ 26,614,418	$ 24,503,500
State Bonding Fund					
Net position beginning of year *	$ 3,180,146	$ 3,269,043	$ 3,141,217	$ 3,056,345	$ 2,901,517
Net change in fair value of investments	68,582	(3,765)	81,431	16,248	80,255
Interest, dividends and other income	51,284	43,443	50,268	73,189	79,056
Expenses	(3,614)	(3,575)	(3,744)	(4,565)	(4,493)
Net securities lending income	68	-	-	-	10
Net change in net position resulting from unit transactions	-	(125,000)	-	-	-
Net position end of year	$ 3,296,466	$ 3,180,146	$ 3,269,172	$ 3,141,217	$ 3,056,345
Petroleum Tank Release Compensation Fund					
Net position beginning of year *	$ 7,161,986	$ 7,092,048	$ 6,838,697	$ 6,762,398	$ 6,447,257
Net change in fair value of investments	133,864	(10,166)	160,709	35,781	161,701
Interest, dividends and other income	108,926	86,302	99,366	148,726	161,523
Expenses	(6,259)	(6,198)	(6,443)	(8,208)	(8,101)
Net securities lending income	136	-	-	-	18
Net change in net position resulting from unit transactions	(250,000)	-	-	(100,000)	-
Net position end of year	$ 7,148,653	$ 7,161,986	$ 7,092,329	$ 6,838,697	$ 6,762,398

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

INSURANCE INVESTMENT POOL (Continued)

	2016	2015	2014	2013	2012
Insurance Regulatory Trust Fund					
Net position beginning of year *	$ 2,635,975	$ 1,146,179	$ 1,043,935	$ 962,611	$ 3,671,634
Net change in fair value of investments	(14,307)	(21,102)	87,259	61,472	(49,067)
Interest, dividends and other income	26,821	13,845	17,515	22,735	43,279
Expenses	(2,768)	(2,947)	(2,485)	(2,883)	(3,255)
Net securities lending income	127	-	-	-	20
Net change in net position resulting from unit transactions	(1,560,000)	1,500,000	-	-	(2,700,000)
Net position end of year	$ 1,085,848	$ 2,635,975	$ 1,146,224	$ 1,043,935	$ 962,611
Risk Management Fund					
Net position beginning of year *	$ 6,845,712	$ 6,945,451	$ 6,184,088	$ 5,163,495	$ 4,326,253
Net change in fair value of investments	142,283	119,666	618,416	352,442	188,985
Interest, dividends and other income	154,478	142,740	154,962	181,504	159,639
Expenses	(12,010)	(12,145)	(11,745)	(13,353)	(11,399)
Net securities lending income	600	-	-	-	17
Net change in net position resulting from unit transactions	(600,000)	(350,000)	-	500,000	500,000
Net position end of year	$ 6,531,063	$ 6,845,712	$ 6,945,721	$ 6,184,088	$ 5,163,495
Risk Management Workers Comp Fund					
Net position beginning of year *	$ 6,221,021	$ 5,962,912	$ 5,244,603	$ 5,011,391	$ 3,718,464
Net change in fair value of investments	110,474	140,595	598,129	349,656	167,998
Interest, dividends and other income	142,278	129,379	131,002	144,640	135,705
Expenses	(11,724)	(11,865)	(10,590)	(11,084)	(10,790)
Net securities lending income	636	-	-	-	14
Net change in net position resulting from unit transactions	(950,000)	-	-	(250,000)	1,000,000
Net position end of year	$ 5,512,685	$ 6,221,021	$ 5,963,144	$ 5,244,603	$ 5,011,391
Cultural Endowment Fund					
Net position beginning of year *	$ 383,024	$ 365,140	$ 323,798	$ 284,275	$ 272,058
Net change in fair value of investments	59	11,196	47,641	35,577	4,789
Interest, dividends and other income	9,737	8,147	8,031	9,320	8,718
Expenses	(1,525)	(1,459)	(1,315)	(1,374)	(1,292)
Net securities lending income	61	-	-	-	2
Net change in net position resulting from unit transactions	(5,000)	-	(13,000)	(4,000)	-
Net position end of year	$ 386,356	$ 383,024	$ 365,155	$ 323,798	$ 284,275
Budget Stabilization Fund					
Net position beginning of year *	$ 573,636,701	$ 585,977,310	$ 401,157,397	$ 394,954,806	$ 325,673,084
Net change in fair value of investments	(2,598,566)	(3,424,930)	(2,296,687)	(3,112,671)	(2,472,612)
Interest, dividends and other income	14,079,730	15,215,741	13,897,151	10,804,040	10,787,170
Expenses	(806,390)	(798,665)	(634,071)	(451,981)	(447,398)
Net securities lending income	9,885	-	-	-	-
Net change in net position resulting from unit transactions	(8,606,169)	(23,332,755)	173,877,180	(1,036,797)	61,414,562
Net position end of year	$ 575,715,191	$ 573,636,701	$ 586,000,970	$ 401,157,397	$ 394,954,806

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

INSURANCE INVESTMENT POOL (Continued)

	2016	2015	2014	2013	2012
ND Association of Counties Fund					
Net position beginning of year	$ 3,831,089	$ 3,443,524	$ 2,715,432	$ 1,650,887	$ 1,623,441
Net change in fair value of investments	32,045	26,016	267,459	107,664	(21,216)
Interest, dividends and other income	90,580	68,564	66,825	63,052	53,400
Expenses	(7,974)	(7,015)	(6,192)	(6,171)	(4,749)
Net securities lending income	445	-	-	-	11
Net change in net position resulting from unit transactions	100,000	300,000	400,000	900,000	-
Net position end of year	$ 4,046,185	$ 3,831,089	$ 3,443,524	$ 2,715,432	$ 1,650,887
City of Bismarck Deferred Sick Leave Fund					
Net position beginning of year	$ 871,405	$ 849,149	$ 1,015,873	$ 925,488	$ 876,390
Net change in fair value of investments	4,725	6,205	88,516	60,827	19,419
Interest, dividends and other income	17,577	18,591	22,312	32,997	32,907
Expenses	(2,153)	(2,540)	(2,552)	(3,439)	(3,235)
Net securities lending income	75	-	-	-	7
Net change in net position resulting from unit transactions	(250,000)	-	(275,000)	-	-
Net position end of year	$ 641,629	$ 871,405	$ 849,149	$ 1,015,873	$ 925,488
PERS Group Insurance Fund					
Net position beginning of year	$ 39,652,179	$ 37,424,174	$ 42,791,312	$ 6,899,554	$ 5,589,415
Net change in fair value of investments	208,951	-	-	-	-
Interest, dividends and other income	389,887	4,993	5,659	129,167	34,885
Expenses	(42,532)	(5,336)	(4,539)	(3,819)	(1,000)
Net securities lending income	185	-	-	-	-
Net change in net position resulting from unit transactions	(2,507,878)	2,228,348	(5,368,258)	35,766,410	1,276,254
Net position end of year	$ 37,700,792	$ 39,652,179	$ 37,424,174	$ 42,791,312	$ 6,899,554
City of Fargo FargoDome Permanent Fund					
Net position beginning of year	$ 40,968,808	$ 41,747,304	$ 36,375,195	$ 32,051,664	$ 33,406,678
Net change in fair value of investments	(402,921)	579,771	5,037,808	3,435,467	(25,951)
Interest, dividends and other income	970,497	840,686	823,378	997,950	972,310
Expenses	(97,132)	(98,953)	(89,077)	(109,886)	(101,630)
Net securities lending income	6,939	-	-	-	257
Net change in net position resulting from unit transactions	(2,700,000)	(2,100,000)	(400,000)	-	(2,200,000)
Net position end of year	$ 38,746,191	$ 40,968,808	$ 41,747,304	$ 36,375,195	$ 32,051,664
ND State Board of Medicine					
Net position beginning of year	$ 2,172,692	$ 1,888,805	$ -	$ -	$ -
Net change in fair value of investments	(13,650)	8,349	17,764	-	-
Interest, dividends and other income	53,273	50,585	8,273	-	-
Expenses	(5,270)	(5,047)	(1,535)	-	-
Net securities lending income	172	-	-	-	-
Net change in net position resulting from unit transactions	-	230,000	1,864,303	-	-
Net position end of year	$ 2,207,217	$ 2,172,692	$ 1,888,805	$ -	$ -

SUMMARY OF OPERATIONS
FOR FISCAL YEARS ENDED JUNE 30

INDIVIDUAL INVESTMENT ACCOUNTS

	2016	2015	2014	2013	2012
Legacy Fund					
Net position beginning of year *	$ 3,325,835,711	$ 2,214,519,573	$ 1,194,228,388	$ 398,885,883	$ -
Net change in fair value of investments	(31,454,851)	45,818,808	74,027,273	(12,331,605)	(50,393)
Interest, dividends and other income	86,798,282	62,243,945	43,256,691	17,696,018	2,594,368
Expenses	(10,160,008)	(8,089,655)	(4,130,302)	(1,148,387)	(243,750)
Net securities lending income	668,257	-	-	-	-
Net change in net position resulting from unit transactions	434,853,950	1,011,343,040	907,214,971	791,126,479	396,585,658
Net position end of year	$ 3,806,541,341	$ 3,325,835,711	$ 2,214,597,021	$ 1,194,228,388	$ 398,885,883
PERS Retiree Health Insurance Credit Fund					
Net position beginning of year	$ 97,598,008	$ 90,294,490	$ 73,623,303	$ 62,080,211	$ 57,051,271
Net change in fair value of investments	(1,185,174)	936,842	10,620,455	6,384,010	163,508
Interest, dividends and other income	2,271,408	2,105,154	1,984,435	1,776,879	1,586,827
Expenses	(292,820)	(281,478)	(238,703)	(197,797)	(146,395)
Net securities lending income	-	-	-	-	-
Net change in net position resulting from unit transactions	3,155,000	4,543,000	4,305,000	3,580,000	3,425,000
Net position end of year	$ 101,546,422	$ 97,598,008	$ 90,294,490	$ 73,623,303	$ 62,080,211
Job Service North Dakota					
Net position beginning of year	$ 96,270,523	$ 97,682,159	$ 90,359,858	$ 84,680,884	$ 85,717,233
Net change in fair value of investments	2,352,098	1,818,431	10,466,656	7,978,316	456,149
Interest, dividends and other income	2,650,945	1,721,361	1,725,637	2,248,708	2,908,939
Expenses	(166,226)	(279,285)	(304,454)	(242,783)	(264,891)
Net securities lending income	3,516	-	-	-	509
Net change in net position resulting from unit transactions	(4,582,835)	(4,672,143)	(4,565,538)	(4,305,267)	(4,137,055)
Net position end of year	$ 96,528,021	$ 96,270,523	$ 97,682,159	$ 90,359,858	$ 84,680,884
Tobacco Prevention and Control Fund					
Net position beginning of year	$ -	$ -	$ -	$ -	$ -
Net change in fair value of investments	840,505	-	-	-	-
Interest, dividends and other income	8,255	-	-	-	-
Expenses	(20,328)	-	-	-	-
Net securities lending income	-	-	-	-	-
Net change in net position resulting from unit transactions	53,530,889	-	-	-	-
Net position end of year	$ 54,359,321	$ -	$ -	$ -	$ -

* Restated for FY2015 due to prior period adjustment.

Legacy Fund was part of the Insurance Investment Pool until near the end of FY2015.

Job Service North Dakota was part of the Pension Investment Pool until mid-FY2016.

ND Health Care Trust Fund and DPI Board Certification Fund were closed during FY2012 and are not shown above.